

# Proposed bank rules could add to costs

By **Jeremy Woolfe**

Making depositary banks in Europe liable for failures of sub-depositaries could increase costs and reduce returns for fund investors, according to Sharon Bowles, MEP for south east England, who was recently appointed chair of the European Parliament's Economic and Monetary Affairs Committee.

Among the challenges for the committee is whether the rules covering depositary banks under the Ucits framework governing European retail investment funds should be revised in light of the proposed treatment under the Alternative Investment Fund Management draft directive.

Ms Bowles said, at present, for the retail investor, if a depositary has taken due care and attention in choosing a sub-depositary, then the main depositary was not liable in case of failure.

The AIFM proposal may enforce liability on the main depositary, even if it carried out due diligence on the sub-depositary.

Ms Bowles said the approach could be extended to Ucits, resulting in depositaries having to take on indemnity insurance. She warned this could increase costs, and lower yields, and result in funds moving out of EU capital markets.

Ms Bowles has replaced Pervenche Berès on the Econ committee, which oversees monetary policy and legislation on financial services and markets.

