Chapter 20

A UML Representation of U.S. Mutual Fund Servicing as an Iconic Model for Servicing the New EU Equivalent – UCITS

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A Unified Modeling Language (UML) representation of United States mutual fund servicing is a practical, iconic model for designing the service model for the new European Union equivalent - Undertakings for Collective Investment in Transferable Securities or UCITS.

As Rom Harreç has argued, iconic models and their subjects are both sub-types of the same super-type. Both inherit the properties of the same super-type. An iconic model is a model that substantively resembles its subject. Humans use iconic models as prototypes when they answer questions about classes and objects in the world. When humans test those answers as explanations of the world, they are not testing linguistic propositions against worldly states. They are...
testing things against things. They are testing iconic models against real classes and objects.

Both the United States Mutual Fund and the European Union UCITS are sub-types of the same super-type – the Cross-Border, Open End Investment Fund. Whereas the “border” in the U.S. is state borders, the “border” in the EU is Member State borders. Since the U.S. mutual fund business is more than seventy-five years old and has grown into a $4 trillion dollar business with a well-established service model, it is a fruitful place to begin when attempting to develop a service model for EU UCITS. Unified Modeling Language (UML) is a good way to describe a service model.

Before beginning to build a UCITS service model, some historical background is needed to explain UCITS. The creation of the European Union has been a long process of economic and political evolution. The Treaty of Brussels, on July 1, 1967, created the European Community (EC). The six founding members were Belgium, France, Germany, Italy, Luxembourg and the Netherlands. On November 1993, the Maastricht Treaty transformed the EC into the European Union (EU) - an economic and monetary union, using a single European currency. Nine additional states - Ireland, United Kingdom, Greece, Portugal, Spain, Austria, Finland and Sweden – have joined. Although members of the EU, Denmark, Sweden and the United Kingdom have chosen to remain outside of the EUR zone. Other countries - Cyprus, the Czech Republic, Estonia, Hungary, Poland, Slovenia, Bulgaria, Latvia, Lithuania, Romania and Slovakia - have begun negotiations to join. The great success of the American mutual fund industry has not gone unnoticed in Europe. In December of 1985, the Council of Europe voted to create the European Union equivalent of the American mutual fund – Undertakings for Collective Investment in Transferable Securities or UCITS.
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