

COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (ACCOUNTING AMENDMENTS) INSTRUMENT 2010

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 139(4) (Miscellaneous ancillary matters);
 - (c) section 156 (General supplementary powers);
 - (d) section 157(1) (Guidance);
 - (e) section 247 (Trust scheme rules); and
 - (f) section 248 (Scheme particulars rules);
 - (2) regulation 6(1) (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 6 March 2010.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Collective Investment Schemes Sourcebook (Accounting Amendments) Instrument 2010.

By order of the Board
28 January 2010

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

index-linked security (in *COLL*) a *debt security* for which the cash flows are determined by reference to an index of consumer prices.

Amend the following as shown.

distribution account (in *COLL*) the account to which the ~~*income property*~~ amount of income of an *authorised fund* allocated to classes of units that distribute income must be transferred as at the end of each *annual accounting period* under *COLL* 6.8.3R (Income allocation and distribution) or *COLL* 8.5.15R (Income).

IMA SORP the Statement of Recommended Practice for financial statements of *authorised funds* issued by the Investment Management Association ~~and effective as at 1 January 2006~~ in November 2008.

income property ~~all sums considered by an *ICVC* or by a *manager*, after consultation with the auditor, to be in the nature of income received or receivable for the account of an *authorised fund*. Income property includes income from *debt securities* calculated on a *coupon* basis or an effective yield basis if, in either case, the *coupon* figure is at least equal to the effective yield figure, but it does not include the amount available for income allocations calculated in accordance with *COLL* 6.8.3R(3A) and not including any amount for the time being standing to the credit of the *distribution account*.~~

Annex B

Amendments to the Collective Investments Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Contents of a short report

- 4.5.5 R (1) The short report for an *authorised fund*, or for a *scheme* which is an *umbrella*, its *sub-fund*, must contain for the relevant period:
- (a) the name of the *scheme* or *sub-fund*, its stated investment objectives and the policy and strategy pursued for achieving those objectives, a brief assessment of its risk profile and the name and address of the *authorised fund manager*;

...

...

Significant information to be contained in the short report

- 4.5.6 G For the purposes of *COLL* 4.5.5R(1)(d) and *COLL* 4.5.5R(1)(e) the *authorised fund manager* should consider including the following as sufficient and significant information:

...

- (3) particulars of any other developments in relation to the investment policy and strategy of the *scheme*, or the instruments used by it during the period;

...

Contents of the annual long report

- 4.5.7 R (1) An annual long report on an *authorised fund*, other than a *scheme* which is an *umbrella*, must contain:
- (a) the ~~full~~ accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
- ...
- (2) An annual long report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
- (a) for each *sub-fund*:

- (i) the ~~full~~ accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;

...

- (3) The *directors* of an *ICVC* or the *manager* of an *AUT* must ensure that the accounts referred to in (1)(a), (2)(a) and (4)(a) give a true and fair view of the net ~~income~~ revenue and the net capital gains ~~and the or~~ losses on the *scheme property* of the *authorised fund*, or, in the case of (2)(a) and (4)(a), the *sub-fund*, for the *annual accounting period* in question and the financial position of the *authorised fund* or *sub-fund* as at the end of that period.

- (4) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further annual long report for any one or more individual *sub-funds* of the *scheme*, in which case it must contain:

- (a) in relation to the *sub-fund*:

- (i) the ~~full~~ accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;

...

...

Contents of the half-yearly long report

- 4.5.8 R (1) A half-yearly long report on an *authorised fund*, other than for a *scheme* which is an *umbrella*, must contain:

- (a) the ~~full~~ accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*; and

...

- (2) A half-yearly long report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:

- (a) for each *sub-fund*:

- (i) the ~~full~~ accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;

...

...

- (3) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further half-yearly long report for any one or more individual *sub-funds* of the *scheme*. Such reports must contain the ~~full~~ accounts and the report of the *authorised fund manager* that would be required by (1) if the *sub-fund* were a separate *authorised fund*.

...

Signing of annual and half-yearly reports

- 4.5.8B R The annual reports in COLL 4.5.7R(1) and (2), and the half-yearly reports in COLL 4.5.8R(1) and (2), must:
- (1) in the case of an ICVC, if there is:
- (a) more than one director, be approved by the board of directors and signed on their behalf by the ACD and at least one other director; or
- (b) no director other than the ACD, be signed by the ACD;
- (2) in the case of an AUT, if the authorised fund manager has:
- (a) more than one director, be signed by at least two directors of the authorised fund manager; or
- (b) only one director, be signed by the director of the authorised fund manager.

Authorised fund manager's report

- 4.5.9 R The matters set out in (1) to (13) must be included in any *authorised fund manager's* report, except where otherwise indicated:

...

- (6) the policy and strategy pursued for achieving those objectives;
- (7) ...
- (7A) a portfolio statement prepared in accordance with the requirements of the IMA SORP;

...

...

Report of the depositary

- 4.5.11 R ...
- (2) The annual report must contain:
- ...
- (b) a statement whether, in any material respect:
- (i) the *issue, sale, redemption and cancellation*, and calculation of the *price* of the *units* and the application of the *authorised fund's income revenue*, have not been carried out in accordance with the *rules* in this sourcebook and, where applicable, the *OEIC Regulations* and the *instrument constituting the scheme*; and
- ...

Report of the auditor

- 4.5.12 R The *authorised fund manager* must ensure that the report of the auditor to the *unitholders* ~~must include a statement~~ includes the following statements:
- ...
- (2) whether, in the auditor's opinion, the accounts give a true and fair view of the net ~~income~~ revenue and the net capital gains or losses ~~of~~ on the *scheme property* of the *authorised fund* (or, as the case may be, the *scheme property* attributable to the *sub-fund*) for the *annual accounting period* in question and the financial position of the *authorised fund* or *sub-fund* as at the end of that period;
- ...

...

Allocation of payments to income or capital

- 6.7.10 R (1) ...
- (2) Where, for any class of units for any *annual accounting period*, the amount of the *income property* is less than the income distributed, the shortfall must, as from the end of that period, be charged to the *capital account* and must not subsequently be transferred to the *income account*.

...

Accounting periods

- 6.8.2 R (1) An *authorised fund* must have:
- (a) an *annual accounting ~~periods~~ period*;
- ...
- (2) A *half-yearly accounting period* begins ~~with the first day of~~ when an annual accounting period begins and ends on:
- ...
- ...
- (5) Each *annual accounting period* of a *scheme* subsequent to the first period ~~is to run for a period of 12 months, beginning on the next day after the accounting reference date~~ must begin immediately after the end of the previous period and must end on the next accounting reference date, except where (6) or (6A) applies.
- (5A) Each annual accounting period or half-yearly accounting period must end either at the end of the day determined under this rule or, if the authorised fund manager so decides, at the last valuation point on that day.
- ...
- (6A) If the authorised fund manager notifies the depositary that a particular annual accounting period or half-yearly accounting period is to end on a specified day, which is not more than seven days after, and not more than seven days before, the day on which the period would otherwise end under this rule, that notice is to have effect provided it is given before the day on which the period would otherwise end.
- ...
- ...

Income allocation and distribution

- 6.8.3 R (1) An *authorised fund* must have an *annual income allocation date*, which must be within four *months* of the *accounting reference date* end of the relevant annual accounting period.
- ...
- (3) An *authorised fund* must have a *distribution account* to which the ~~income property~~ amount of income allocated to classes of units that distribute income is transferred as at the end of the relevant accounting

period.

- (3A) The amount available for income allocations must be calculated by:
- (a) taking the net revenue after taxation determined in accordance with the *IMA SORP*;
 - (b) making any transfers, to the extent permitted by the *prospectus*, between the *income account* and the *capital account* in order that the amount available for income allocations is calculated as if the revenue from *debt securities* had been determined disregarding the effect of:
 - (i) the change in the Retail Prices Index during the period, provided that the policy is to invest predominantly in *index-linked securities* and the transfer relates only to amounts in respect of index-linked gilt-edged securities; or
 - (ii) amortisation, provided that the amount available for income allocations is not less than if such transfers had not been made;
 - (c) making any other transfers between the *income account* and the *capital account* that are required in relation to:
 - (i) stock dividends;
 - (ii) *income equalisation* included in income allocations from other *collective investment schemes*;
 - (iii) the allocation of payments in accordance with *COLL 6.7.10R* (Allocation of payments to income or capital);
 - (iv) taxation; and
 - (v) the aggregate amount of *income property* included in *units issued* and *units cancelled* during the period.
- (4) If income is allocated ~~and distributed~~ during an accounting period:
- (a) with effect from the end of the relevant *annual or interim accounting period*, the amount of income allocated to ~~units~~ *classes of units* that accumulate income becomes part of the *capital property* and requires an adjustment to the proportion of the value of the *scheme property* to which they relate if other *classes of units* are in *issue* during the period;
 - (b) the adjustment in (a) must ensure the *price* of *units* remains unchanged despite the transfer of income; and
 - (c) the amount of any interim ~~distribution~~ allocation may not be more than the amount which, in the opinion of the *authorised*

fund manager, would be available for allocation if the *interim accounting period* and all previous *interim accounting periods* in the same *annual accounting period*, taken together, were an *annual accounting period*.

Allocation of income to different classes of unit

6.8.3A G In the case of *sub-funds* with more than one *class of units* in issue, the proportionate interests of each *class of units* in the amount available for income allocations should be determined in accordance with the *instrument constituting the scheme*.

...

Contents of the annual report

- 8.3.5A R (1) An annual report, other than for a *scheme* which is an *umbrella*, must contain:
- (a) the ~~full~~ accounts for the *annual accounting period* prepared in accordance with the requirements of the *IMA SORP*;
 - ...
- (2) An annual report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
- (a) for each *sub-fund*, the ~~full~~ accounts required by (1)(a) and the report of the *authorised fund manager* in accordance with *COLL 8.3.5CR*;
 - ...
- (3) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further annual report for any one or more individual *sub-funds* of the *umbrella*, in which case it must contain:
- (a) for the *sub-fund*, the ~~full~~ accounts required by (1)(a) and the report of the *authorised fund manager* in accordance with *COLL 8.3.5CR*;
 - ...
- (4) The *directors* of an *ICVC* or the *manager* of an *AUT* must ensure that the accounts referred to in (1)(a), (2)(a) and (3)(a) give a true and fair view of the net ~~income~~ revenue and the net capital gains ~~and~~ or losses on the *scheme property* of the *authorised fund* or *sub-fund* for the relevant *annual accounting period*, and of the financial position of the *authorised fund* or *sub-fund* as at the end of that period.

Contents of the half-yearly report

- 8.3.5B R (1) A half-yearly report on an *authorised fund* or *sub-fund* must contain:
- (a) the ~~full~~ accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*; and

...

...

...

Report of the depositary

- 8.3.5D R ...

- (2) The *depositary's* report must contain:

...

- (b) a statement whether in any material respect:
- (i) the *issue, sale, redemption and cancellation* and calculation of the *price* of the *units* and the application of the *authorised fund's income revenue*, have not been carried out in accordance with the *rules* in this sourcebook and, where applicable, the *OEIC Regulations* and the *instrument constituting the scheme*; and

...

Signing of annual and half-yearly reports

- 8.3.5E R The annual reports in COLL 8.3.5AR(1) and (2) and the half-yearly reports in COLL 8.3.5BR(1) must:

- (1) in the case of an ICVC, if there is:

- (a) more than one director, be approved by the board of directors and signed on their behalf by the ACD and at least one other director; or

- (b) no director other than the ACD, be signed by the ACD;

- (2) in the case of an AUT, if the authorised fund manager has:

- (a) more than one director, be signed by at least two directors of the authorised fund manager; or

- (b) only one director, be signed by the director of the *authorised fund manager*.

...

Income

8.5.15 R ...

- (3A) *COLL 6.8.3R(3) (Income allocation and distribution) to COLL 6.8.3AG (Allocation of income to difference classes of unit) also apply to a qualified investor scheme.*
- (4) ~~*A qualified investor scheme must have a distribution account where the income property is transferred at the end of the relevant accounting period. [deleted]*~~
- (5) ~~If income is allocated and distributed during an accounting period:~~
- (a) ~~with effect from the end of the relevant accounting period, the amount of income allocated to *unit classes* that accumulate income becomes part of the *capital property* and requires an adjustment to the proportion of the value of the *scheme property* to which they relate if other *classes units* are in *issue* during the period;~~
- (b) ~~the adjustment in (a) must ensure the *price* remains unchanged despite the transfer of income; and~~
- (c) ~~the amount of any interim distribution may not be more than the amount which, in the opinion of the *authorised fund manager*, would be available for allocation if the *interim accounting period* and all previous *interim accounting periods* in the same *annual accounting period*, taken together, were an *annual accounting period*. [deleted]~~

Transitional Provisions

TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
16	<u>COLL 4.5 and COLL 8.3.5R to COLL 8.3.5ER</u>	R	In relation to the preparation of any report pursuant to <u>COLL 4.5 or COLL 8.3.5R to COLL 8.3.5ER</u> for the last <u>annual accounting period or half-yearly accounting period ending before 6 March 2010</u> , the <u>authorised fund manager, depositary and auditor</u> may together elect to comply with those <u>rules as they were in force on 5 March 2010</u> . The <u>authorised fund manager</u> must make a record of any such election and retain it for a period of six years from the date on which that record is made.	From <u>6 March 2010 to 5 July 2010</u>	<u>6 March 2010</u>

Sch 1 Record keeping requirements

Sch 1.1 G 1 Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<u>COLL 8.5.10R(4)</u>	...			
<u>COLL TP 1.1 16</u>	<u>Election to comply with COLL 4.5 or COLL 8.3.5R to COLL 8.3.5DR as those rules were in force on 5 March 2010</u>	<u>Details</u>	<u>At election</u>	<u>6 years</u>