

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK
(AMENDMENT NO 9) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (the “Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (d) section 247 (Trust scheme rules);
 - (e) section 248 (Scheme particular rules);
 - (f) section 261I (Contractual scheme rules); and
 - (g) section 261J (Contractual scheme particular rules); and
 - (2) regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 October 2016.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Collective Investment Schemes sourcebook (COLL)	Annex B
Investment Funds sourcebook (FUND)	Annex C

Citation

- E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016.

By order of the Board
22 September 2016

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 definitions in the appropriate alphabetical order. The text is not underlined.

charity authorised investment fund an *authorised fund* that has been registered as a charity with the Charity Commission under Part 4 of the Charities Act 2011.

pension feeder fund an *AUT* or *ACS* that is a *relevant pension scheme* and is *dedicated to units* in a single *regulated collective investment scheme*.

Amend the following as shown.

bearer certificate (in *COLL*) for an *ICVC* or a *recognised scheme*, a certificate or other documentary evidence of title, for which provision is made in the *instrument constituting the fund*, which indicates that:

- (a) the *holder* of the document is entitled to the *units* specified in it; and
- (b) no entry will be made on the *register* identifying the *holder* of those *units*.

feeder NURS a *non-UCITS retail scheme* which:

- (a) does not operate as:
 - (i) a *FAIF*; or
 - (ii) ~~a *feeder fund*~~; or [deleted]
 - (iii) a *scheme dedicated to units* in a single *property authorised investment fund*; and
- (b) is *dedicated to units* in either:
 - (i) a single *qualifying master scheme*; or
 - (ii) a single *sub-fund* of a *qualifying master scheme* that is an *umbrella*; and

which, in the case of either (i) or (ii), is:

- (A) a *UCITS*; or
- (B) a *non-UCITS retail scheme*; or

(C) a recognised scheme.

- large deal* (in *COLL*) a transaction (or *series of transactions*) in one *dealing period*) by any *person* to *buy, sell* or exchange *units* in an *authorised fund*, of any value as set out in the *prospectus*, for the purposes of:
- (a) ~~an *SDRT provision*~~; [deleted]
 - (b) a *dilution levy*; or
 - (c) ~~a *dilution adjustment*~~; or [deleted]
 - (d) calculating the *prices*, for a *dual-priced authorised fund*, at which *units* may be *sold* or *redeemed*.
- unitholder*
- (a) (in relation to an *ICVC*, *ACS* or an *AUT* as appropriate, and subject to *COLL* 4.4.4R (Special meaning of unitholder in *COLL* 4.4)):
 - (i) (in relation to a ~~*unit share in an ICVC*~~ ~~which that~~ is represented by a *bearer certificate*) the *person* who holds that certificate; or
 - (ii) (in relation to a *unit* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *unit*; or
 - (b) (in relation to a *unit* in a *collective investment scheme* not within (a)):
 - (i) the holder of a the *bearer certificate* representing that *unit*; or
 - (ii) the *person* who is entered on the *register* of the *scheme* as the holder of that *unit*.

Delete the following definitions.

- feeder fund* an *AUT* or *ACS* that is a *relevant pension scheme* and *dedicated* to *units* in a single *regulated collective investment scheme*.
- SDRT provision* a *charge* of such amount or at such rate as is determined by the *authorised fund manager* to be made as a provision for stamp duty reserve tax for which the *ICVC* may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) (Amendment No.2) Regulations 2000 or the *trustee* may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of *units* to the *authorised fund manager*.

Annex B

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

1 Introduction

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1.2 Types of authorised fund

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Types of authorised fund - explanation

1.2.2

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- (2) (a) *Non-UCITS retail schemes* are schemes that do not comply with all the conditions set out in the *UCITS Directive*.
- (b) A non-UCITS retail scheme is an AIF and must be managed by an AIFM.
- (c) Under article 43 of AIFMD, where an AIF can be marketed to retail clients, Member States may impose stricter requirements on the AIFM or the AIF than the requirements that apply to an AIF marketed only to professional clients.
- (d) This sourcebook contains the stricter requirements for a non-UCITS retail scheme.
- (e) A full-scope UK AIFM must also comply with the requirements in FUND and any other applicable provisions of AIFMD.
- (f) ~~Such schemes~~ *Non-UCITS retail schemes* could become *UCITS schemes*, provided they are changed, so as to comply with the conditions set out in the *UCITS Directive*.
- (g) *Non-UCITS retail schemes* operating as *FAIFs* have wider powers to invest in *collective investment schemes* than other *non-UCITS retail schemes*.

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- (3) (a) *Qualified investor schemes* may only be promoted to:

- (i) ~~professional investors~~ *professional clients*;
and
- (ii) *retail clients* who are sophisticated investors,
on the same terms as ~~unregulated collective investment schemes~~ *non-mainstream pooled investments*.
- (b) A qualified investor scheme is an AIF and must be managed by an AIFM.
- (c) Under article 43 of AIFMD, where an AIF can be marketed to retail clients, Member States may impose stricter requirements on the AIFM or the AIF than the requirements that apply to an AIF marketed only to professional clients.
- (d) This sourcebook contains the stricter requirements for a qualified investor scheme.
- (e) A full-scope UK AIFM must also comply with the requirements in FUND and any other applicable provisions of AIFMD.
- (f) ~~Such schemes~~ *Qualified investor schemes* could change to become *non-UCITS retail schemes* or *UCITS schemes*.

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Pension feeder funds

- 1.2.5 G (1) Except for (2), all provisions of the Handbook that apply:
- (a) to a feeder UCITS are also applicable to a pension feeder fund that is constituted as a UCITS scheme; and
 - (b) to a feeder NURS are also applicable to a pension feeder fund that is constituted as a non-UCITS retail scheme.
- (2) A pension feeder fund may not invest in units of an EEA UCITS scheme unless that scheme is a recognised scheme under section 264 of the Act (see COLL 5.6.27R and COLL 5.8.2AR).

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3 Constitution

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3.2 The instrument constituting the fund

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Relationship between the instrument constituting the fund and the rules

- 3.2.2 R (1) The *instrument constituting the fund* must not contain any provision that:
- (a) conflicts with any applicable rule ~~in this sourcebook~~;
 - ...
 - ...

...

Table: contents of the instrument constituting the fund

- 3.2.6 R This table belongs to *COLL 3.2.4R* (Matters which must be included in the instrument constituting the fund)

...	
	Government and public securities: investment in one issuer
8	Where relevant, for a <i>UCITS scheme</i> , a statement in accordance with <i>COLL 5.2.12R</i> (Spread: government and public securities) as to <u>with the names of the individual states, local authorities or public international bodies issuing or guaranteeing the transferable securities or approved money-market instruments</u> in which over <u>more than 35% of the in</u> value of the <i>scheme property</i> may be invested in government and public securities .
...	
	Certificates
15	A statement:
	(1) for <i>ICVCs</i> and AUFs , authorising the issue of <i>bearer certificates</i> if any, and how such <i>holders</i> are to identify themselves; and
	...
...	

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4 **Investor Relations**

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4.2 **Pre-sale notifications**

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Publishing the prospectus

4.2.2 R ...

(2) The *authorised fund manager* must ensure that the *prospectus*:

(a) contains the information required by *COLL 4.2.5R* (Table: contents of the prospectus);

(aa) for a *non-UCITS retail scheme* managed by a *full-scope UK AIFM*, contains the information required by:

(i) *FUND 3.2.2R* and *FUND 3.2.3R* (Prior disclosure of information to investors); and

(ii) *FUND 3.2.5R* and *FUND 3.2.6R* (Periodic disclosure), unless the up-to-date information has been published in the *scheme's* most recent annual report or half-yearly report;

...

(c) does not contain any provision that conflicts with any applicable rule ~~in this sourcebook~~; and

...

...

Table: contents of the prospectus

4.2.5 R This table belongs to *COLL 4.2.2R* (Publishing the prospectus).

...	
Authorised fund	
2	A description of the <i>authorised fund</i> including:
	(a) its name;
	(aa) <u>its <i>FCA</i> product reference number (PRN);</u>

	...	
...		
Umbrella Schemes		
2B	For a <i>UCITS scheme</i> or <i>non-UCITS retail scheme</i> which is an <i>umbrella</i> ;	
	(a)	a statement detailing whether each specific <i>sub-fund</i> is a <i>feeder UCITS</i> , a <i>feeder NURS</i> , a <i>fund of alternative investment funds</i> or a <i>property authorised investment fund</i> , as appropriate; <u>and</u>
	(b)	<u>the FCA product reference number (PRN) of each <i>sub-fund</i>.</u>
Investment objectives and policy		
3	The following particulars of the investment objectives and policy of the <i>authorised fund</i> :	
	...	
	(i)	where <i>COLL 5.2.12R(3)</i> (Spread: government and public securities) applies;
	(i)	a prominent statement as to the fact that more than 35% <u>in value</u> of the <i>scheme property</i> is or may be invested in <i>government and public securities transferable securities</i> or <i>approved money-market instruments</i> issued or guaranteed by a single state, local authority or public international body; and
	(ii)	the names of the individual states, local authorities or public international bodies in whose securities the <i>authorised fund</i> may invest <u>issuing or guaranteeing the securities in which more than 35% in value of the <i>scheme property</i> may be invested;</u>
	...	
Characteristics of the units		
5	Information as to:	
	...	
	(b)	where the <i>instrument constituting the fund instrument of incorporation of an ICVC</i> provides for the issue of <i>bearer certificates</i> , that fact and what procedures will operate for them;

	...		
...			
Valuation and pricing of scheme property			
16	In relation to the valuation of <i>scheme property</i> and <i>pricing of units</i> :		
	...		
	(b)	details of:	
		...	
		(v)	where relevant in the case of a <i>dual-priced authorised fund</i> , <u>an explanation of what is meant by <i>large deals</i></u> and the <i>authorised fund manager's</i> policy in relation to <i>large deals</i> ; and
	...		
...			
Dilution			
18	In the case of a <i>single-priced authorised fund</i> , details of what is meant by <i>dilution</i> including:		
	(a)	...	
	(b)	if the <i>authorised fund manager</i> may require a <i>dilution levy</i> or make a <i>dilution adjustment</i> , a statement of:	
		(i)	the <i>authorised fund manager's</i> policy in deciding when to require a <i>dilution levy</i> , including <u>what is meant by <i>large deals</i></u> and the <i>authorised fund manager's</i> policy on <i>large deals</i> , or when to make a <i>dilution adjustment</i> ;
		...	
SDRT provision			
19	An explanation of:		
	(a)	what is meant by stamp duty reserve tax, <i>SDRT provision</i> and <i>large deals</i> ; and	
	(b)	the <i>authorised fund manager's</i> policy on imposing an <i>SDRT provision</i> including its policy on <i>large deals</i> , and the occasions, and the likely frequency of the occasions, in which an <i>SDRT provision</i> may be imposed and the maximum rate of it (a usual rate may also be stated). [deleted]	

Forward and historic pricing	
20	The authorised fund manager's normal basis of pricing <u>An explanation of forward pricing</u> under COLL 6.3.9R (Forward and historic pricing).
...	

Guidance on contents of prospectus

4.2.6

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- (7) (a) A full-scope UK AIFM that is the authorised fund manager of a non-UCITS retail scheme should ensure that the prospectus of the scheme includes the information required under FUND 3.2 (Investor information) and COLL 4.2.5R.
- (b) The authorised fund manager need not state the same information twice to satisfy both sets of requirements.

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4.4 Meetings of unitholders and service of notices

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General Meetings

4.4.2

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- (4) The advisory committee of a charity authorised investment fund may also request the convening of a general meeting of unitholders by giving notice in accordance with COLL 14.3.5R.

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Special meaning of unitholder in COLL 4.4

4.4.4

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- (3) For the purposes of (2), in COLL 4.4.6R (Quorum) to COLL 4.4.11R (Chairman, adjournments and minutes) "unitholders" in relation to those *units* means:
- (a) the *persons* entered on the *register* at a time to be determined by the *authorised fund manager* and stated in the notice of the meeting, which must not be more than 48 hours before the time fixed for the meeting; or
- (b) in the case of bearer *units shares* in an *ICVC*, *unitholders shareholders* of bearer *units shares* which were in *issue* at the time applicable under (a).

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4.5 Reports and accounts

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Full-scope UK AIFM of a non-UCITS retail scheme

- 4.5.2A G (1) A full-scope UK AIFM that is the authorised fund manager of a non-UCITS retail scheme should comply with both:
- (a) FUND 3.3 (Annual report of an AIF); and
 - (b) this chapter,
- regarding the preparation and publication of annual reports.
- (2) The authorised fund manager need not state the same information twice to satisfy both sets of requirements.
- (3) The authorised fund manager, when preparing the half-yearly long report, needs to comply only with this chapter.

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5 Investment and borrowing powers

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5.2 General investment powers and limits for UCITS schemes

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Spread: general

- 5.2.11 R (1) This rule does not apply to ~~government and public securities~~ in respect of a transferable security or an approved money-market instrument to which COLL 5.2.12R (Spread: government and public securities) applies.
- ...
- (10) In applying the limits in (3),(4),(5), (6) and (7) in relation to a single body, and subject to (5A), not more than 20% in value of the scheme property is to consist of any combination of two or more of the following:
- (a) transferable securities (including covered bonds) or approved money-market instruments issued by that body;
or
 - (b) deposits made with that body; or

- (c) exposures from *OTC derivatives* transactions made with a single that body.

...

...

Spread: government and public securities

- 5.2.12 R (1) This *rule* applies ~~to government and public securities~~ in respect of a transferable security or an approved money-market instrument (“such securities”) that is issued by:
- (a) an EEA State;
 - (b) a local authority of an EEA State;
 - (c) a non-EEA State; or
 - (d) a public international body to which one or more EEA States belong.
- ...
- (3) An *authorised fund* may invest more than 35% in value of the *scheme property* in such *securities* issued by any one body provided that:
- ...
- (d) the disclosures in (4) COLL 3.2.6R(8) (Table: contents of the instrument constituting the fund) and COLL 4.2.5R(3)(i) (Table: contents of the prospectus) have been made.
- (4) ~~Where it is intended that (3) may apply, the instrument constituting the scheme, and the most recently published prospectus, must prominently state:~~
- (a) ~~the fact that more than 35% of the scheme property is or may be invested in such securities issued by one issuer; and~~
 - (b) ~~the names of the individual states, the local authorities or public international bodies issuing such securities in which the authorised fund may invest over 35% of its assets. [deleted]~~
- ...
- (6) Notwithstanding *COLL 5.2.11R(1)* and subject to (2) and (3), in applying the 20% limit in *COLL 5.2.11R(10)* with respect to a single body, ~~government and public~~ such securities issued by

that body shall be taken into account.

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Investment in other group schemes

5.2.16

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(4) In this *rule*:

(a) any addition to or deduction from the consideration paid on the acquisition or disposal of *units* in the second *scheme*, which is applied for the benefit of the second *scheme* and is, or is like, a *dilution levy* made in accordance with *COLL 6.3.8R* (Dilution) ~~or *SDRT provision* made in accordance with *COLL 6.3.7* (SDRT provision)~~ is to be treated as part of the *price* of the *units* and not as part of any charge; and

(b) ...

...

Derivatives: general

5.2.19

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(4) Where a *scheme* invests in an index based *derivative*, provided the relevant index falls within ~~*COLL 5.2.33R* (Relevant indices)~~ *COLL 5.2.20AR* (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of *COLL 5.2.11R* and *COLL 5.2.12R*.

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Disclosure requirements in relation to UCITS schemes or EEA UCITS schemes that employ particular investment strategies

5.2.34

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(1) *Authorised fund managers* of *UCITS schemes* or *EEA UCITS schemes* should bear in mind that where a *UCITS scheme*, or an *EEA UCITS scheme* that is a *recognised scheme* under section 264 of the *Act*, employs particular investment strategies such as ~~investing more than 35% of its *scheme property* in *government and public securities*, or investing principally in *units* in *collective investment schemes*, *deposits* or *derivatives*, or replicating an index~~ those in (2), *COBS 4.13.2R* (Marketing communications relating to UCITS schemes or EEA UCITS schemes) and *COBS 4.13.3R* (Marketing communications relating to a feeder UCITS) contain additional disclosure requirements in relation to marketing communications that

concern those investment strategies.

(2) Examples of investment strategies that require these additional disclosures include a *scheme*:

- (a) investing more than 35% in value of its *scheme property* in *transferable securities* or *approved money-market instruments* specified in *COLL 5.2.12R* (*Spread: government and public securities*); or
- (b) investing principally in *units in collective investment schemes, deposits or derivatives*; or
- (c) replicating an index.

...

5.4 Stock lending

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Stock lending: requirements

- 5.4.4 R (1) An *ICVC*, or the *depository* of an *authorised fund* acting in accordance with the instructions of the *authorised fund manager*, may enter into a *repo* contract, or a *stock lending* arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:

...

- (b) the counterparty is:

...

- (iv) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to *OTC derivatives* by at least one of the following federal banking supervisory authorities of the United States of America:

...

- (B) the Federal Deposit Insurance Corporation, and

...

- (D) ~~the Office of Thrift Supervision; and~~
[deleted]

...

...

...

5.5 Cash, borrowing, lending and other provisions

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Borrowing limits

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- 5.5.5A G An authorised fund manager should ensure when calculating the authorised fund's borrowing for COLL 5.5.5R(1) that:
- (1) the figure calculated is the total of all borrowing in all currencies by the authorised fund; and
 - (2) long and short positions in different currencies are not netted off against each other.

...

5.6 Investment powers and borrowing limits for non-UCITS retail schemes

...

Spread: general

- 5.6.7 R (1) This rule does not apply in respect of ~~government and public securities~~ a transferable security or an approved money-market instrument to which COLL 5.6.8R (Spread: government and public securities) applies.
- ...
- (6) Except for a ~~feeder fund~~, a feeder NURS or a scheme dedicated to units in a single property authorised investment fund, not more than 35% in value of the scheme is to consist of the units of any one scheme.

...

...

Spread: government and public securities

- 5.6.8 R (1) This rule applies in respect of ~~government and public securities~~ a transferable security or an approved money-market instrument ("such securities") that is issued or guaranteed by:
- (a) an EEA State; or

- (b) a local authority of an *EEA State*; or
- (c) a non-*EEA State*; or
- (d) a public international body to which one or more *EEA States* belong.

- (2) The requirements in *COLL 5.2.12R* (Spread: government and public securities) apply to investment in ~~government and public securities~~ such securities by a *non-UCITS retail scheme*, except for ~~*COLL 5.2.12R(4)*~~ *COLL 5.2.12R(3)(d)*, which ~~will apply~~ applies to such a *scheme* only to the extent that it concerns the most recently published *prospectus* of the *scheme*.

...

Investment in collective investment schemes

- 5.6.10 R A non-UCITS retail scheme, except for a *feeder NURS* (which must instead comply with *COLL 5.6.26R*), must not invest in *units* in a *collective investment scheme* (second *scheme*) unless the second *scheme* meets each of the requirements at (1) to (5):

...

- (3) the second *scheme* is prohibited from having more than 15% in value of the property of that *scheme* consisting of *units* in *collective investment schemes* (unless *COLL 5.6.10AR* applies);

...

Investment in feeder schemes

- 5.6.10A R (1) A non-UCITS retail scheme that is not a feeder NURS may, if the conditions in (2) to (5) are met, invest in units of:
- (a) a feeder UCITS; or
 - (b) a feeder NURS; or
 - (c) a scheme dedicated to units in a single property authorised investment fund; or
 - (d) a scheme dedicated to units in a recognised scheme.
- (2) (a) The relevant master UCITS must comply with *COLL 5.2.13R(2)*, (3) and (4) as if it were the second scheme for the purpose of that rule.
- (b) The relevant qualifying master scheme, property authorised investment fund or recognised scheme must comply with *COLL 5.6.10R(2)* to (5) as if it were the

second scheme for the purpose of that rule.

- (3) Not more than 35% in value of the scheme property of the non-UCITS retail scheme may consist of units of one or more schemes permitted under (1)(a) to (d).
- (4) The non-UCITS retail scheme must not invest directly in units of the relevant master UCITS, qualifying master scheme, property authorised investment fund or recognised scheme.
- (5) The authorised fund manager of the non-UCITS retail scheme must be able to show on reasonable grounds that an investment in one or more schemes permitted under (1)(a) to (d) is:
 - (a) in the interests of investors; and
 - (b) no less advantageous than if the non-UCITS retail scheme had held units directly in the relevant:
 - (i) master UCITS; or
 - (ii) qualifying master scheme; or
 - (iii) property authorised investment fund; or
 - (iv) recognised scheme.

5.6.10B G When determining whether an investment is no less advantageous for COLL 5.6.10AR(5)(b), an authorised fund manager should have regard in particular to:

- (1) the risk profile of the non-UCITS retail scheme;
- (2) the total costs borne by the non-UCITS retail scheme; and
- (3) the benefits to investors of investing in units of one or more schemes permitted under COLL 5.6.10AR (1)(a) to (d).

5.6.10C G A non-UCITS retail scheme that is a feeder NURS is required to comply with COLL 5.6.26R instead of COLL 5.6.10AR.

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Standing independent valuer and valuation

5.6.20 R ...

- (3) The following requirements apply in relation to the functions of the *standing independent valuer*:
 - ...
 - (f) any valuation by the *standing independent valuer* must

be undertaken in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (6th 9th edition published ~~January 2008~~ November 2013); or, in the case of overseas immovables, on an appropriate basis; but subject to *COLL* 6.3 (Valuation and pricing).

...

...

Qualifying collective investment schemes for feeder NURS

5.6.26 R The *authorised fund manager* of a *feeder NURS* must ensure that the *feeder NURS* does not invest in the *qualifying master scheme*, unless the *qualifying master scheme* meets ~~both of~~ the requirements in (1) ~~and (2)~~ to (3):

- (1) the *qualifying master scheme*:
 - (a) satisfies the conditions necessary for it to enjoy the rights conferred by the *UCITS Directive*; or
 - (b) is a *recognised scheme*; or
 - (c) is a *non-UCITS retail scheme*; ~~and~~
- (2) where the *qualifying master scheme* is an *umbrella*, the provisions in *COLL* 5.6.7R (Spread: general) apply to each *sub-fund* as if it were a separate *scheme*; and
- (3) the *qualifying master scheme*:
 - (a) is not:
 - (i) a *feeder UCITS*; or
 - (ii) a *feeder NURS*; or
 - (iii) otherwise dedicated to units in a single collective investment scheme; and
 - (b) does not hold units in:
 - (i) a *feeder UCITS*; or
 - (ii) a *feeder NURS*; or
 - (iii) a scheme otherwise dedicated to units in a single collective investment scheme.

5.6.27 R An EEA UCITS scheme that is not a recognised scheme under section 264 of the Act is not a qualifying master scheme for COLL 5.6.26R(3) for a pension feeder fund that is a feeder NURS.

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

...

Spread: general

- 5.7.5 R (1) This *rule* does not apply in respect of ~~government and public securities~~ a transferable security or an approved money-market instrument to which COLL 5.6.8R (Spread: government and public securities) applies.

...

...

5.8 Investment powers and borrowing limits for feeder UCITS

...

Permitted types of scheme property

...

- 5.8.2A R The authorised fund manager of a pension feeder fund that is a feeder UCITS must ensure that the single master UCITS is:

- (1) a UCITS scheme; or
 (2) an EEA UCITS scheme that is a recognised scheme under section 264 of the Act.

...

5.9 Investment powers and other provisions for money market funds

...

High quality money market instruments

- 5.9.6 R In determining whether *approved money-market instruments* are high quality in accordance with COLL 5.9.3R(3), the *authorised fund manager* must take into account a range of factors including, but not limited to:
- (1) the credit quality of the instrument based on the authorised fund manager's own documented assessment of its credit quality; ~~an instrument will be considered not to be high quality unless it is:~~
- (a) ~~an approved money-market instrument which has been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency~~

that has rated the instrument or, if the instrument is not rated, it is of an equivalent quality as determined by the *authorised fund manager's* internal rating process; or

- (b) ~~for a *money market fund*, an *approved money market instrument* of investment grade quality which is issued or guaranteed by one of the following:~~
 - (i) ~~a central authority of an *EEA State* or, if the *EEA State* is a federal state, one of the members making up the federation; or~~
 - (ii) ~~a regional or local authority of an *EEA State*; or~~
 - (iii) ~~the European Central Bank or a central bank of an *EEA State*; or~~
 - (iv) ~~the European Union or the European Investment Bank;~~

...

- 5.9.6A G
- (1) When assessing the credit quality of an *approved money-market instrument* the *authorised fund manager* should have regard to credit ratings of that instrument provided by one or more credit rating agencies registered and supervised by *ESMA*.
 - (2) However, the *authorised fund manager* should not rely solely or mechanistically on those credit ratings.
 - (3) The *authorised fund manager* should undertake a new assessment of an *approved money-market instrument* to ensure it continues to be of appropriate credit quality, if any credit rating agency registered and supervised by *ESMA* that has rated the instrument issues:
 - (a) a downgrade of that instrument below the two highest short-term credit ratings; or
 - (b) for an instrument referred to in (4), a downgrade to below investment grade or any other equivalent rating grade.
 - (4) The *authorised fund manager* of a *money market fund* may hold an *approved money market instrument* of a lower internally-assigned credit quality if the instrument is issued or guaranteed by one of the following:
 - (a) a central authority of an *EEA State* or, if the *EEA State* is a federal state, one of the members making up the federation; or

- (b) a regional or local authority of an EEA State; or
 - (c) the European Central Bank or a central bank of an EEA State; or
 - (d) the EU or the European Investment Bank.
- (5) The guidance in (4) does not apply to the authorised fund manager of a short-term money market fund.

...

6 Operating duties and responsibilities

6.1 Introduction and Application

...

Explanation of this chapter

6.1.3 G ...

- (2) (a) The *authorised fund manager* does not necessarily have to carry out all the activities it is responsible for and may delegate functions to other *persons*.
- (b) The *rules* in this chapter set out the parameters of such delegation, except in relation to a non-UCITS retail scheme managed by a full-scope UK AIFM, where this chapter supplements FUND 3.10 (Delegation).

...

6.2 Dealing

...

Payment for units issued

- 6.2.13 R (1) The *authorised fund manager* must, by the close of business on the fourth *business day* following the issue of any *units*, arrange for payment to the *depository* of an *AUT* or *ACS* or the *ICVC* of:
- (a) in the case of a *single-priced authorised fund*, the *price* of the *units* and any payments required under ~~COLL 6.3.7R (SDRT provision) and COLL 6.3.8R (Dilution)~~; or
 - (b) in the case of a *dual-priced authorised fund*, the *issue price* of the *units* ~~and any payment required under COLL 6.3.7R.~~

...

Payment for cancelled units

- 6.2.14 R (1) On *cancelling units* the *authorised fund manager* must, before the expiry of the fourth *business day* following the *cancellation* of the *units* or, if later, as soon as practicable after delivery to the *depository* of the *AUT* or *ACS* or the *ICVC* of such evidence of title to the *units* as it may reasonably require, require the *depository* to pay:
- (a) in the case of a *single-priced authorised fund*, the *price* of the *units* (less any deduction required under ~~*COLL 6.3.7R*~~ and *COLL 6.3.8R*); or
 - (b) in the case of a *dual-priced authorised fund*, the *cancellation price* of the *units* (~~less any deduction under *COLL 6.3.7R*~~);

...

...

Sale and redemption

- 6.2.16 R ...
- (6) Except where (7) applies, and subject to *COLL 6.2.21R* (Deferred redemption), the *authorised fund manager* must *sell* or *redeem units* at a *price* determined no later than the end of the *business day* immediately following the receipt and acceptance of an instruction to do so, or at the next *valuation point* for the purposes of *dealing in units* if later (~~or, for a *sale* or *redemption* at an *historic price*, at the *price* determined at the last *valuation point*~~).

...

Sale and redemption: guidance

- 6.2.17 G (1) The *prospectus* of an *authorised fund* ~~that does not operate on the basis of *historic prices*~~ may allow the *authorised fund manager* to identify a point in time in advance of a *valuation point* (a cut-off point) after which it will not accept instructions to *sell* or *redeem units* at that *valuation point*. In order to protect *customers'* interests, the cut-off point should be no earlier than the close of business on the *business day* before the *valuation point* it relates to. If there is more than one *valuation point* in a *day* the cut-off should not be before any previous *valuation point*.

...

...

6.3 Valuation and pricing

...

Purpose

6.3.2 G ...

(2) An *authorised fund manager* is responsible for valuing the *scheme property* of the *authorised fund* it manages and for calculating the *price of units* in the *authorised fund*. This section protects clients by:

...

(b) allowing ~~for~~ the *authorised fund manager* to mitigate the effects of any *dilution* (reduction) in the value of the *scheme property* caused by:

(i) ~~payment of stamp duty reserve tax (SDRT) in relation to certain *unit* transactions; and~~

(ii) buying and selling underlying investments as a result of the *issue* or *cancellation of units*; and

(c) ~~making appropriate provision to ensure *clients* are treated fairly where *units* are being *dealt in* at a known (*historic*) *price*; and [deleted]~~

...

...

(5) A full-scope UK AIFM that is the *authorised fund manager* of a *non-UCITS retail scheme* should comply with the requirements of:

(a) FUND 3.9 (Valuation); and

(b) this chapter.

...

Valuation points

- 6.3.4 R ...
- (8) The *authorised fund manager* may determine to have an additional *valuation point* for an *authorised fund* as a result of market movement under ~~COLL 6.3.9R (Forward and historic pricing) or otherwise~~, in which case it must inform the *depository*.

...

Sale and redemption prices for single-priced authorised funds

- 6.3.5A R The *authorised fund manager* of a *single-priced authorised fund* must not:
- (1) *sell a unit* for more than the *price* of a *unit* of the relevant *class* at the relevant *valuation point*, to which may be added any *preliminary charge* permitted and any ~~payments required~~ payment made under ~~COLL 6.3.7R and COLL 6.3.8R~~; or
- (2) *redeem a unit* for less than the *price* of a *unit* of the relevant *class* at the relevant *valuation point*, less any *redemption charge* permitted and any ~~deductions~~ deduction under ~~COLL 6.3.7R and COLL 6.3.8R~~.

Sale and redemption prices parameters for dual-priced authorised funds

- 6.3.5B R (1) The *authorised fund manager* of a *dual-priced authorised fund* must not:
- (a) *sell a unit* for more than the maximum *sale price* of a *unit* of the relevant *class* at the relevant *valuation point*; ~~to which may be added any payment required under COLL 6.3.7R~~; or
- (b) *redeem a unit* for less than the *cancellation price* of a *unit* of the relevant *class* at the relevant *valuation point*, less any *redemption charge* permitted ~~and any deduction under COLL 6.3.7R~~.

...

...

Valuation and pricing guidance

- 6.3.6 G Table: This table belongs to *COLL 6.3.2G(2)(a)* and *COLL 6.3.3R* (Valuation).

Valuation and pricing

...		
5	The rectification of pricing breaches	
	(1)	COLL 6.6.3R(1) <u>COLL 6.6.3R(3)(c)</u> (Functions of the authorised fund manager) places a duty on the <i>authorised fund manager</i> to take action to reimburse affected <i>unitholders</i> , former <i>unitholders</i> , and the <i>scheme</i> itself, for instances of incorrect <i>pricing</i> , except if it appears to the <i>depository</i> that the breach is of minimal significance.
	...	

SDRT Provision

- 6.3.7 R (1) ~~The *authorised fund manager* may, in accordance with the *prospectus*, require the payment of an *SDRT provision* for the *issue* or *sale* of *units* or any *class* of *units* or the deduction of an *SDRT provision* for the *redemption* or *cancellation* of *units* or any *class* of *units*.~~
- (2) ~~Any such payment or deduction becomes due at the same time as payment or transfer of property becomes due for the *issue*, *sale*, *redemption* or *cancellation*.~~
- (3) ~~Any payment referred to in (1) must be paid to the *depository* to become part of *scheme property* as soon as practicable after receipt.~~
- (4) ~~As soon as practicable after each *valuation point*, the *authorised fund manager* must notify the *depository* of the transactions, or types of transactions for which an *SDRT provision* is applied and the amounts or rates of those *SDRT provisions*. [deleted]~~

...

Forward and historic pricing

- 6.3.9 R (1) For the *sale* and *redemption* of *units*, ~~the *authorised fund manager* must, in accordance with the *prospectus* of an *authorised fund*, operate on the basis of *forward price* only or *historic prices* all deals must be at a *forward price*.~~
- (2) ~~If *forward prices* only are to be used, all *deals* must be at a *forward price*. [deleted]~~
- (3) ~~*Forward prices* for the *sale* and *redemption* of *units* must be used:~~
- (a) ~~for a *higher volatility fund*;~~
- (b) ~~where the regular *valuation points* are more than one *business day* apart;~~

- (c) if the request to *deal* reaches the *authorised fund manager* through the post or by any similar form of non-interactive communication;
 - (d) for an *issue* or *cancellation* under *COLL 6.2.7* (Issue and cancellation of units through an authorised fund manager);
 - (e) if the applicant for the *sale* or *redemption* so requests; or
 - (f) where the *authorised fund manager* has reason to believe at any time that the *price* that would reflect the current value of the *scheme property* would vary by more than 2% from the last calculated *price*, unless the *authorised fund manager* has decided to carry out an additional valuation. [deleted]
- (4) If an *authorised fund manager* operates *historic prices*, the *prospectus* must detail the circumstances under which *deals* in the *authorised fund*, individually or otherwise, will nevertheless be carried out on a *forward price* basis or when the *authorised fund* will elect to move to *forward prices* or declare an additional *valuation point*. [deleted]
- (5) ~~Where the *authorised fund* elects to move to *forward prices* temporarily in accordance with (4), such election will only apply until the next *valuation point*. [deleted]~~
- (6) ~~All *sub-funds* of a *scheme* which is an *umbrella* must adopt the same pricing basis, but this does not apply merely because of a requirement to price on a *forward price* basis temporarily under this *rule*. [deleted]~~

~~Historic pricing guidance~~

- 6.3.10 G The *authorised fund manager* should advise the *depository* of the date and time of any decision to use *forward prices*. [deleted]

...

6.4 Titles and registers

...

Explanation of this section

- 6.4.3 G (1) (a) This section deals with matters relating to the *register* of *unitholders* of *units* in an *AUT* or *ACS* including its establishment and contents.
- (b) The *authorised fund manager* or *depository* may be responsible for the *register*.

- (c) In any event, the *person* responsible for the *register* must be stated in the *trust deed* or *contractual scheme deed* and this section details what his duties are.
- (d) The provisions relating to *documents evidencing title to units*, ~~including the issue of *bearer certificates*~~ are dependent on the provisions in the *trust deed* or *contractual scheme deed* and their operation should be set out in the *prospectus*.

...

Register: general requirements and contents

6.4.4 R ...

- (3) The *register* must contain:
 - (a) the name and address of each *unitholder* (for joint *unitholders*, no more than four need to be registered) ~~other than *units* represented by *bearer certificates*~~;
 - (b) the number of *units* of each *class* held by each *unitholder* ~~(other than *units* represented by *bearer certificates*)~~;
 - (c) the date on which the *unitholder* was registered for *units* standing in his name ~~(other than *units* represented by *bearer certificates*)~~; and
 - (d) the number of *units* of each *class* currently in *issue*; ~~including *bearer certificates* and the number of *units* of those *bearer certificates*~~.

...

- (6) The *person* responsible for the *register* in (1) must:

...

- (c) make the *register* available for inspection free of charge in the *United Kingdom* by or on behalf of any *unitholder* (including the *manager* or *authorised fund manager*), during office hours, ~~but it may be closed for periods not exceeding 30 *business days* in any one year~~;

...

The authorised fund manager as unitholder

6.4.5 R (1) Subject to (3), if no *person* is entered in the *register* as the *unitholder* of a *unit*, the *authorised fund manager* must be treated as the *unitholder* of each such *unit* which is in *issue*

(other than a *unit* which is represented by a *bearer certificate*).

...

Transfer of units by act of parties: AUTs and ACSs

- 6.4.6 R (1) Every *unitholder* of an *AUT* is entitled to transfer *units* held on the *register* by an instrument of transfer in any form that the *person* responsible for the *register* may approve, but that *person* is under no duty to accept a transfer unless it is permitted by the *trust deed* or *prospectus*.²
- (a) ~~;~~ and
- (b) ~~the transfer is excluded by Schedule 19 of the Finance Act 1999 from a charge to stamp duty reserve tax, or there has been paid to the trustee, for the account of the AUT, an amount agreed between the trustee and the manager not exceeding the amount that would be derived by applying the rate of stamp duty reserve tax to the market value of the units being transferred.~~

...

...

Certificates (including bearer certificates)

- 6.4.7 R ...
- (3) ~~*Bearer certificates* may only be issued for *AUTs* if they are permitted by the *instrument constituting the fund*. [deleted]~~
- (4) ~~*Bearer certificates* may not be issued for *AUTs* or *ACSs*.~~

...

6.6 Powers and duties of the scheme, the authorised fund manager, and the depositary

...

Functions of the authorised fund manager

- 6.6.3 R (1) The *authorised fund manager* must manage the *scheme* in accordance with:

...

- (b) the applicable rules ~~in this sourcebook~~;

...

- (2) The *authorised fund manager* must take such steps as necessary to ensure compliance with the *rules in this sourcebook* that impose obligations upon the *ICVC*.

...

...

General duties of the depositary

6.6.4 R ...

- (4) The *depositary*:
 - (a) must also take reasonable care to ensure that;
 - (i) the *authorised fund manager* considers whether or not to exercise the power provided by ~~COLL 6.3.7R (SDRT provision)~~ or *COLL 6.3.8R (Dilution)* (as the case may be) and, if applicable, the rate or amount of any ~~SDRT provision, dilution levy or dilution adjustment~~ that is imposed;

...

...

...

Committees and delegation

...

- 6.6.15A R (1) This *rule* applies to:
- (a) an *authorised fund manager* (other than an *EEA UCITS management company*) of an *AUT, ACS* or an *ICVC* where such *AUT, ACS* or *ICVC* is a *UCITS scheme* ~~or a non-UCITS retail scheme~~; and
 - (aa) a small authorised UK AIFM that is the authorised fund manager of an AUT, ACS or an ICVC that is a non-UCITS retail scheme; and

...

...

...

6.7 Payments

...

Charges on buying and selling units

6.7.7 R ...

- (2) An *authorised fund manager* must not make any charge or levy in connection with:
- (a) the *issue* or *sale* of *units* except where a *preliminary charge* is made in accordance with the *prospectus* of the *scheme* which must be ~~either~~:
- (i) a fixed amount; or
 - (ii) calculated as a percentage of the *price* of a *unit*; or
 - (iii) calculated as a percentage of the amount being subscribed; or
- (b) ...
- (3) This rule is subject to ~~COLL 6.3.7R (SDRT provision)~~, *COLL 6.3.8R* (Dilution) and *COLL 11.3.11R* (Obligations of the master UCITS).

Charges on buying and selling units: guidance

6.7.8 G ...

- (4) (a) For a *UCITS scheme*, article 10(2)(a) of the *KII Regulation* requires the *key investor information document* to disclose the maximum percentage that might be deducted as an entry charge from the investor's capital commitment.
- (b) Where a *preliminary charge* is charged as a fixed amount or is calculated as a percentage of the *price* of a *unit*, the *AFM* should ensure that the actual amount charged, if it were expressed as a percentage of the amount being subscribed, does not exceed the maximum percentage stated as the entry charge in the *key investor information document*.
- (5) When a *preliminary charge* is calculated as a percentage of the *price* of a *unit*, the percentage amount should be added to:
- (a) the *price* of a *unit* (for a *single-priced authorised fund*); or
 - (b) the *issue price* (for a *dual-priced authorised fund*).

...

7 Suspension of dealings and termination of authorised funds

...

7.4 Winding up an AUT and terminating a sub-fund of an AUT

...

When an AUT is to be wound up or a sub-fund terminated

7.4.3 R ...

(2) The events referred to in (1) are:

...

(g) the date on which a *relevant pension scheme* is notified in writing by ~~the Occupational Pensions Schemes Regulatory Authority~~ The Pensions Regulator that the *scheme* is no longer registered under the Welfare and Pensions Reform Act 1999 as a *stakeholder pension scheme*.

...

...

8 Qualified investor schemes

...

8.3 Investor relations

...

Drawing up and availability of prospectus

8.3.2 R ...

(1A) A full-scope UK AIFM that is the authorised fund manager of a qualified investor scheme must also ensure that the prospectus contains the information for investors required by:

(i) FUND 3.2.2R and FUND 3.2.3R (Prior disclosure of information to investors); and

(ii) FUND 3.2.5R and FUND 3.2.6R (Periodic disclosure), unless the up-to-date information has been published in the scheme's most recent annual report or half-yearly report.

...

...

Table: contents of qualified investor scheme prospectus

8.3.4 R This table belongs to *COLL* 8.3.2R.

...		
2	Description of the authorised fund	
	Information detailing:	
	(1)	the name of the <i>authorised fund</i> ;
	(1A)	<u>its FCA product reference number (PRN)</u> ;
	...	
...		
14	Valuation of scheme property	
	Details as to:	
	...	
	(3)	how the <i>price of units</i> of each <i>class</i> will be determined, including whether a statement that a forward or historic price basis is to be applied.
...		
17	Information on the umbrella	
	In the case of a <i>scheme</i> which is an <i>umbrella</i> , the following information:	
	...	
	(4)	in respect of each <i>sub-fund</i> , the currency in which the <i>scheme property</i> allocated to it will be valued and the <i>price of units</i> calculated and payments made, if this currency is not the <i>base currency</i> of the <i>umbrella</i> ; and
	(5)	for an <i>ICVC</i> or a <i>co-ownership scheme</i> , that:
		...
	(b)	for an <i>ICVC</i> or a <i>co-ownership scheme</i> , while the provisions of the <i>OEIC Regulations</i> , and section 261P (Segregated liability in relation to umbrella co-ownership schemes) of the <i>Act</i> in the case of <i>co-ownership schemes</i> , provide for segregated liability

		between <i>sub-funds</i> , the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under <i>foreign law contracts</i> , it is not yet known how those foreign courts will react to regulations 11A and 11B of the <i>OEIC Regulations</i> or, as the case may be, section 261P of the <i>Act</i> ; and
	(6)	<u>the FCA product reference number (PRN) of each <i>sub-fund</i>.</u>
...		

Reports and accounts

8.3.5

R ...

(3) The *authorised fund manager* must within a reasonable time after the end of each relevant accounting period, publish the annual report and half-yearly report and provide a copy free of charge on request to any *unitholder*.

(3A) The timing of the publication of the annual report in (3) is subject to FUND 3.3.3R if the *authorised fund manager* is a *full-scope UK AIFM*.

...

...

8.4 Investment and borrowing powers

...

Standing independent valuer and valuation

8.4.13

R ...

(2) The following apply in relation to the functions of the *standing independent valuer*:

...

(f) any valuation by the *standing independent valuer* must be undertaken in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (~~6th~~ 9th edition published ~~January 2008~~ November 2013); or, in the case of overseas immovables, on an appropriate basis, but ~~is~~ subject to any provisions of the *instrument constituting the fund*.

...

...

8.5 Powers and responsibilities

...

Functions of the authorised fund manager

- 8.5.2 R (1) The *authorised fund manager* must manage the *scheme* in accordance with:
- ...
- (b) The applicable rules ~~in this sourcebook~~;
- ...
- (2) The *authorised fund manager* must carry out such functions as are necessary to ensure compliance with the *rules* ~~in this sourcebook~~ that impose obligations on the *authorised fund manager* or the *ICVC*, as appropriate.
- ...

...

Delegation

- 8.5.5 R (1) ~~The authorised fund manager~~ A small authorised UK AIFM (or in addition any other *director* in the case of an *ICVC* managed by a small authorised UK AIFM) may delegate any function to any *person*.
- (2) (a) The depositary of a scheme managed by a small authorised UK AIFM has the power to delegate any function to anyone, including in the case of an *ICVC* a *director*, to assist the *depositary* to perform its functions;
- (b) ~~save that~~ However, it must not retain the services of the *authorised fund manager* or, in the case of an *ICVC*, any other *director* to perform any part of its functions of safe custody of the *scheme property*.
- ...

...

11 Master-feeder arrangements under the UCITS Directive

...

11.3 Co-ordination and information exchange for master and feeder UCITS

...

Obligations of the master UCITS

...

11.3.11 R ...

- (2) Where the *authorised fund manager* of a *master UCITS* requires any addition to or deduction from the consideration paid on the acquisition or disposal of *units* by a *feeder UCITS* which is, or is like, a *dilution levy* made in accordance with *COLL 6.3.8R (Dilution)* ~~or *SDRT provision* made in accordance with *COLL 6.3.7R (SDRT provision)*~~, it is to be treated as part of the *price* of the *units* and not as part of any charge.

...

...

13 Operation of feeder NURS

...

13.2 Operational requirements for feeder NURS

...

Charges made by the qualifying master scheme or its operator to a feeder NURS on investment or disposal

13.2.4 R ...

- (2) In this *rule*, where the *operator* of a *qualifying master scheme* or *authorised fund manager* of a *qualifying master scheme* requires any addition to or deduction from the consideration paid on the acquisition or disposal of *units* in the *qualifying master scheme* which is, or is equivalent in effect to, a *dilution levy* made in accordance with *COLL 6.3.8R (Dilution)* ~~or *SDRT provision* made in accordance with *COLL 6.3.7R (SDRT Provision)*~~, it is to be treated as part of the *price* of the *units* and not as part of any *preliminary charge* or *redemption charge* referred to in (1).

...

After COLL 13 (Operation of feeder NURS) insert the following new chapter. The text is not

underlined.

14 Charity authorised investment funds

14.1 Introduction

Application

- 14.1.1 R This chapter applies to:
- (1) an *authorised fund manager* of a *charity authorised investment fund*;
 - (2) an *ICVC* that is a *charity authorised investment fund*;
 - (3) the *depository* of a *charity authorised investment fund*; and
 - (4) the *authorised fund manager* and the *depository* of an *authorised fund* that was previously registered as a charity with the Charity Commission.

Purpose

- 14.1.2 G This chapter sets out modifications to the *rules* and *guidance* in this sourcebook for *authorised fund managers* and *depositories* of *charity authorised investment funds*.

Types of charity authorised investment fund

- 14.1.3 G
- (1) A *charity authorised investment fund* may be:
 - (a) a *UCITS scheme*; or
 - (b) a *non-UCITS retail scheme*; or
 - (c) a *qualified investor scheme*.
 - (2) A *charity authorised investment fund* may be structured as:
 - (a) an *authorised unit trust (AUT)*; or
 - (b) an *investment company with variable capital (ICVC)*; or
 - (c) an *authorised contractual scheme (ACS)*.

14.2 Registration with the Charity Commission

- 14.2.1 R The *authorised fund manager* of a *charity authorised investment fund* must notify the *FCA* without undue delay when it receives its registration

as a charity from the Charity Commission.

- 14.2.2 R The *authorised fund manager* and the *depository* of an *authorised fund* that was previously registered as a charity with the Charity Commission must notify the *FCA* without undue delay when it ceases to be registered as a charity with the Charity Commission.

14.3 Advisory committee

- 14.3.1 G A *charity authorised investment fund* may have an advisory committee which is independent from the *authorised fund manager* and the *depository* if the advisory committee has a consultative function only.
- 14.3.2 R If the *charity authorised investment fund* has an advisory committee the *authorised fund manager* must ensure that:
- (1) the *instrument constituting the fund* sets out the role and responsibilities of the advisory committee; and
 - (2) the *prospectus* contains at least the following information about the advisory committee:
 - (a) a description of its role and responsibilities;
 - (b) its membership;
 - (c) how its members are nominated and how their membership is terminated; and
 - (d) how meetings are called and operated, including the quorum.
- 14.3.3 R If the *charity authorised investment fund* has an advisory committee, the *authorised fund manager* must ensure that on the request of the committee, the *scheme's* annual long report includes a statement prepared and approved by the committee.
- 14.3.4 G The statement may address matters such as:
- (1) how the advisory committee is discharging its role and responsibilities as set out in the *instrument constituting the fund*;
 - (2) any observations the committee may have on how the *authorised fund manager* has carried out its functions during the *annual accounting period*; and
 - (3) any other matters the committee considers of interest to the *unitholders* of the *charity authorised investment fund*.
- 14.3.5 R (1) The *authorised fund manager* or *depository* must convene a general meeting of *unitholders* if it receives a notice from the

advisory committee of a *charity authorised investment fund* which:

- (a) states the objects of the meeting;
 - (b) is dated; and
 - (c) is signed by or on behalf of the advisory committee.
- (2) The *authorised fund manager* or the *depository* must ensure the general meeting of the *authorised fund* takes place no later than eight weeks after receipt of the notice in (1).

14.3.6 R The *authorised fund manager* and *depository* of a *charity authorised investment fund* must keep records of any dealings with an advisory committee for at least five calendar years.

14.4 Income allocation and distribution

Income reserve account

14.4.1 R As an exception to *COLL* 6.8.3R(3) (Income allocation and distribution), a *charity authorised investment fund* is not required to transfer income to a *distribution account* where this is allowed by *COLL* 14.4.2R.

14.4.2 R (1) The *authorised fund manager* and the *depository* of a *charity authorised investment fund* may establish an income reserve account for the *scheme* if this is provided for in:

- (a) the *instrument constituting the fund*; and
- (b) the *prospectus*.

(2) (a) The *authorised fund manager* may instruct the *depository* to transfer up to 15% of the income available for allocation or distribution on an *annual income allocation date* to the income reserve account.

(b) Any income transferred under (a) remains part of the *income property* of the *scheme* but is not available for allocation or distribution.

(c) The transfer in (a) must be for the sole purpose of avoiding fluctuations in the income available for allocation or distribution for the *annual accounting period*.

(3) The *authorised fund manager* may instruct the *depository* to transfer income in the income reserve account to the *income account*.

(4) The *authorised fund manager* and the *depository* must treat:

- (a) any income transferred from the income reserve account to the *income account* as income available for allocation or distribution at the next *annual income allocation date*; and
 - (b) any interest or other amounts earned on the income in the income reserve account as income due to the *scheme*.
- 14.4.3 R The *authorised fund manager* of a *charity authorised investment fund* with an income reserve account must not allow a payment that has been allocated to *income property* in the first instance to be made from the *capital account* if that payment could be met, in whole or in part, by transferring income from the income reserve account to the *income account*.
- 14.4.4 R (1) *COLL* 14.4.1R ceases to apply if the *scheme* commences winding up or termination in accordance with:
- (a) *COLL* 7.3.6R (Consequences of commencement of winding up or termination) for an *ICVC*; or
 - (b) *COLL* 7.4.3R (When an *AUT* is to be wound up or a sub-fund terminated) for an *AUT*; or
 - (c) *COLL* 7.4A.4R (When an *ACS* is to be wound up or a sub-fund of a co-ownership scheme terminated) for an *ACS*.
- (2) Any income in the income reserve account must be transferred to the *income account* as soon as practicable after the winding up or termination commences.

Total return approach

- 14.4.5 R (1) The *authorised fund manager* and *depository* of a *charity authorised investment fund* may adopt a total return approach to the allocation or distribution of income where this is provided for in:
- (a) the *instrument constituting the fund*; and
 - (b) the *prospectus*.
- (2) Under a total return approach the *authorised fund manager* may make transfers between the *capital account* and the *income account* in addition to those in *COLL* 6.8.3R(3A)(c).
- (3) The *authorised fund manager* and *depository* must ensure that any transfer under a total return approach:
- (a) is solely for the purpose of meeting the pre-determined target amount disclosed in the *prospectus* in accordance with *COLL* 14.4.6R(1); and

- (b) is consistent with the explanation given in the *prospectus* in accordance with *COLL* 14.4.6R(2).

14.4.6 R If the *charity authorised investment fund* has adopted a total return approach to the allocation or distribution of income, the *authorised fund manager* must ensure that the *prospectus* contains:

- (1) the pre-determined target of the income available for allocation or distribution in any *annual accounting period*; and
- (2) an explanation of how the target amount is consistent with the investment objective and policy and the distribution policy of the *scheme*.

Amend the following as shown.

TP 1 Transitional Provisions

(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
...					
31	<i>COLL</i> 4.2.5R(8)(f), (g) and (h), and <i>COLL</i> 4.2.5R(28)	R	<p>(1) The <i>authorised fund manager</i> of a <i>UCITS scheme</i> need not, for any <i>prospectus</i> issued before 18 March 2016, comply with <i>COLL</i> 4.2.5R(8)(f), (g) and (h) and <i>COLL</i> 4.2.5R(28).</p> <p>(2) The <i>prospectus</i> must, however, contain a description of the <i>depository's</i> principal business activity.</p> <p>[expired]</p>	From 18 March 2016 until 30 September 2016	18 March 2016

...					
33	<i>COLL 4.5.7R(7)</i>	R	The authorised fund manager need not include the disclosures required under <i>COLL 4.5.7R(7)</i> in an annual long report that relates to an annual accounting period ending before 18 March 2016. [expired]	From 18 March 2016 until 18 July 2016	18 March 2016
...					
40	<u><i>COLL 3.2.6R(8)</i></u> and <u><i>COLL 5.2.12R(3)(d)</i></u>	R	<u>An authorised fund manager is not required to update existing statements in the instrument constituting the fund concerning use of the derogation at <i>COLL 5.2.12R(3)</i> due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes:</u> <u>(a) <i>COLL 3.2.6R(8)</i> and</u> <u>(b) <i>COLL 5.2.12R (3)(d)</i>.</u>	From 1 October 2016 to 30 September 2019	From 1 October 2016
41	<u><i>COLL 3.2.6R(15)</i></u>	R	<u>An authorised fund manager is not required to update the instrument constituting the fund due to the amendment to <i>COLL 3.2.6R(15)</i> until it is updated for other purposes.</u>	From 1 October 2016 to 30 September 2019	From 1 October 2016
42	<u><i>COLL 4.2.5R(3)(i)</i></u> and <u><i>COLL 5.2.12R(3)(d)</i>.</u>	R	<u>An authorised fund manager is not required to update existing statements in the</u>	From 1 October 2016 to 30 September	From 1 October 2016

			<p><u>prospectus concerning use of the derogation under COLL 5.2.12R(3) due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes:</u></p> <p>(a) <u>COLL 4.2.5R(3)(i) (subject to COLL TP1.1 (43)) and</u></p> <p>(b) <u>COLL 5.2.12R (3)(d).</u></p>	<u>2017</u>	
43	<u>COLL 4.2.5R(3)(i), COLL 5.6.7R(1), COLL 5.6.8R, and COLL 5.7.5R</u>	R	<p><u>An authorised fund manager of a non-UCITS retail scheme is not required to comply with the amendments to the rules in column (2) in relation to government and public securities made by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016.</u></p>	<u>From 1 October 2016 to 31 March 2017</u>	<u>From 1 October 2016</u>
44	<u>COLL 4.2.2R, COLL 4.2.5R, and COLL 4.2.6G.</u>	R	<p><u>An authorised fund manager is not required to update the prospectus due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes:</u></p> <p>(a) <u>COLL 4.2.2R(2)(aa)</u></p> <p>(b) <u>COLL 4.2.5R(2)(aa);</u></p> <p>(c) <u>COLL 4.2.5R(2B)(b);</u></p> <p>(d) <u>COLL 4.2.5R(5)(b);</u></p> <p>(e) <u>COLL</u></p>	<u>From 1 October 2016 to 30 September 2017</u>	<u>From 1 October 2016</u>

			<p>4.2.5R(16)(b)(v);</p> <p><u>(f) COLL</u> 4.2.5R(18)(b)(i);</p> <p><u>(g) COLL</u> 4.2.5R(19);</p> <p><u>(h) COLL</u> 4.2.5R(20); and</p> <p><u>(i) COLL</u> 4.2.6G(7)(a).</p>		
45	<u>COLL 8.3.2R</u> and <u>COLL 8.3.4R</u>	R	<p><u>An authorised fund manager is not required to update the prospectus due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes:</u></p> <p><u>(a) COLL 8.3.2R(1A);</u></p> <p><u>(b) COLL 8.3.4R(2)(1A);</u></p> <p><u>(c) COLL 8.3.4R(14)(3);</u> and</p> <p><u>(d) COLL 8.3.4R(17)(6).</u></p>	From 1 October 2016 to 30 September 2017	From 1 October 2016

...

Sch 1 Record keeping requirements

Sch 1.1G 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 14.3.6R</u>	<u>Dealings with an advisory committee</u>	<u>Details</u>	<u>As implicit from the rules in COLL</u>	<u>5 years</u>
...				

Sch 2 Notification requirements

...

Sch 2.2G 1 Notification requirements

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<i>COLL 11.4.3R</i>
<u><i>COLL 14.2.1R</i></u>	<u>Registration as a charity with the Charity Commission</u>	<u>Details</u>	<u>On registering as a charity with the Charity Commission</u>	<u>Without undue delay</u>
<u><i>COLL 14.2.2R</i></u>	<u>De-registration as a charity with the Charity Commission</u>	<u>Details</u>	<u>On de-registering as a charity with the Charity Commission</u>	<u>Without undue delay</u>

Annex C

Amendments to the Investment Funds sourcebook (FUND)

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

1 Introduction

...

1.2 Structure of the Investment Funds sourcebook

1.2.1 G *FUND* is structured as follows:

...

(2) ~~[A description of FUND 2 will follow when this section in FUND is introduced]~~ [deleted]

(3) ...

~~[A description of FUND 5 to 9 will follow when the relevant sections in FUND are introduced]~~

...

2 ~~Authorisation~~ [not used]

~~2.1~~ [To follow]

...

3 Requirements for alternative investment fund managers

...

3.3 Annual report of an AIF

...

Provision of an annual report

...

3.3.3 R Subject to *FUND* 3.3.4R(2) and FUND 3.3.4AR, an AIFM must make the annual report available, in line with *FUND* 3.3.2R(1), no later than six *months* after the end of the financial year.

...

...

3.3.4A R *FUND 3.3.3R does not apply to a full-scope UK AIFM of a non-UCITS retail scheme.*

3.3.4B G *A full-scope UK AIFM of a non-UCITS retail scheme is required to make available and publish its annual report within four months after the end of each annual accounting period (see COLL 4.5.14R (Publication and availability of annual and half-yearly long report)).*

...

5 ~~**Additional requirements for retail alternative investment funds**~~ [not used]

5.1 {To follow}

6 ~~**Additional requirements for qualified investor alternative investment funds**~~ [not used]

6.1 {To follow}

7 ~~**Additional requirements for UCITS funds**~~ [not used]

7.1 {To follow}

8 ~~**Additional requirements for UCITS and AIF master-feeder arrangements**~~ [not used]

8.1 {To follow}

9 ~~**Suspension of dealings and termination of authorised funds**~~ [not used]

9.1 {To follow}

...

11 ~~**Recognised funds**~~ [not used]

11.1 {To follow}

...

Sch 1 Record keeping requirements

Sch 1.1 G {to follow}

<u>Handbook reference (1)</u>	<u>Subject of record (2)</u>	<u>Contents of record (3)</u>	<u>When record must be made (4)</u>	<u>Retention period (5)</u>
<u>FUND 3.11.21R(2)</u>	<u>AIF custodial assets</u>	<u>Details</u>	<u>Upon the holding of AIF custodial assets in custody</u>	<u>5 years after the date on which the asset ceases to be an asset of the AIF</u>
<u>FUND 3.11.23R(2)</u>	<u>Assets of an AIF that are not AIF custodial assets</u>	<u>Details</u>	<u>Upon a depositary satisfying itself that the AIF, or the AIFM acting on behalf of the AIF, is the owner of the assets</u>	<u>5 years after the date on which the asset ceases to be an asset of the AIF</u>
<u>FUND 3.11.33R(1)</u>	<u>AIF custodial assets and assets of an AIF that are not AIF custodial assets</u>	<u>Details</u>	<u>When an entity assumes responsibility for carrying out the duties referred to in FUND 3.11.21R(2) or 3.11.23R(2)</u>	<u>5 years after the date on which the asset ceases to be an asset of the AIF</u>

Sch 2 Notification requirements

Sch 2.1 G {to follow}

<u>Handbook reference (1)</u>	<u>Matter to be notified (2)</u>	<u>Contents of notification (3)</u>	<u>Trigger event (4)</u>	<u>Time allowed (5)</u>
<u>FUND 3.9.11R</u>	<u>Appointment of an external</u>	<u>Details</u>	<u>Appointment of the</u>	<u>One month before the</u>

	<u>valuer</u>		<u>external valuer</u>	<u>appointment takes effect</u>
<u>FUND 3.10.2R(1) and FUND 3.10.2AR</u>	The carrying out of any function of an <u>AIFM</u> by a <u>delegate</u>	<u>Details</u>	Upon <u>agreement of delegation arrangement</u>	<u>Before delegation arrangements become effective</u>
<u>FUND 3.10.4R(2) and FUND 3.10.4AR</u>	The sub-delegation of any function of an <u>AIFM</u> by a <u>delegate</u>	<u>Details</u>	When an <u>AIFM's delegate carries out a sub-delegation</u>	<u>Before the sub-delegation arrangements become effective</u>