

Collective Investment Schemes

Chapter 1

Introduction

1.1 Applications and purpose

Application

- 1.1.1 **G** (1) This sourcebook, except for ■ COLL 9 (Recognised schemes), applies to:
- (a) *investment companies with variable capital (ICVCs);*
 - (b) *ACDs, other directors and depositaries of ICVCs;*
 - (c) *managers and trustees of authorised unit trust schemes (AUTs);*
and
 - (cA) *authorised fund managers, depositaries and nominated partners of authorised contractual schemes (ACSs).*
 - (d) [deleted]
- (2) ■ COLL 9 applies to *operators of schemes that are recognised schemes* and to those seeking to secure recognised status for such *schemes*.
- (3) ■ COLL 11.5 (Auditors) also applies to auditors of *master UCITS* and *feeder UCITS* which are *UCITS schemes*.
- (4) [deleted]
- (5) ■ COLL TP 1.1(48) contains transitional provisions that apply in relation to any *scheme* that will need to become a *regulated money market fund* in accordance with the *Money Market Funds Regulation*, and which operates as a *scheme* prior to 21 July 2018.

1.1.1A **R** [deleted]

1.1.1B **R** [deleted]

1.1.1C **G** [deleted]

Purpose

- 1.1.2 **G** (1) The general purpose of this sourcebook is to contribute to the *FCA* meeting its *statutory objectives* of the protection of *consumers*. It provides a regime of product regulation for *authorised funds*, which sets appropriate standards of protection for investors by specifying a number of features of those products and how they are to be operated.

(2) In addition, this sourcebook implemented part of the requirements of the *UCITS Directive* relevant to *authorised funds and management companies*, along with other requirements implemented in other parts of the *Handbook*.

UCITS management company and product passport.....

1.1.2A **G** [deleted]

The Collective Investment Schemes Information Guide.....

1.1.3 **G** The Collective Investment Schemes Information Guide *COLLG* provides some general background material on the regulatory structure surrounding *scheme* regulation in the *UK*.

1.2 Types of authorised fund

Types of authorised fund

1.2.1 **R** An application for an *authorisation order* must propose that the *scheme* be one of the following types:

- (1) a *UCITS scheme*;
- (2) a *non-UCITS retail scheme*, including:
 - (a) a *non-UCITS retail scheme* operating as a *fund of alternative investment funds (FAIF)*; and
 - (b) a *non-UCITS retail scheme* which is an *umbrella* with *sub-funds* operating as:
 - (i) *FAIFs*;
 - (ii) *standard non-UCITS retail schemes*; or
 - (iii) a mixture of (i) and (ii);
- (3) a *qualified investor scheme*; or
- (4) a *long-term asset fund*.

Umbrella schemes

1.2.1A **G** Any *authorised fund*, except for an *ACS* that is a *limited partnership scheme*, may be structured as an *umbrella* with separate *sub-funds*.

[**Note:** article 1(2) second paragraph of the *UCITS Directive*]

Types of authorised fund - explanation

- 1.2.2 **G**
- (1) *UCITS schemes* must in particular comply with:
 - (a) ■ COLL 3.2.8 R (*UCITS obligations*); and
 - (b) the investment and borrowing powers rules for *UCITS schemes* set out in ■ COLL 5.2 to ■ COLL 5.5.
 - (2)
 - (a) *Non-UCITS retail schemes* are *schemes* that do not comply with all the conditions necessary to be a *UCITS scheme*.
 - (b) A *non-UCITS retail scheme* is an *AIF* and must be managed by an *AIFM*.
 - (c) The *UK* may, under the legislation which implemented article 43 of *AIFMD*, impose stricter requirements on

an AIFM or an AIF marketed to retail clients than the requirements that apply to an AIF marketed only to professional clients.

- (d) This sourcebook contains the stricter requirements for an AIF which is 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) *Non-UCITS retail schemes* could become *UCITS schemes*, provided they are changed, so as to comply with the necessary conditions.
 - (g) *Non-UCITS retail schemes* operating as *FAIFs* have wider powers to invest in *collective investment schemes* than other *non-UCITS retail schemes*.
- (2A) A *non-UCITS retail scheme* may also be structured as an *umbrella* with *sub-funds* operating as:
- (a) *FAIFs*;
 - (b) standard *non-UCITS retail schemes*; or
 - (c) a mixture of (a) and (b).

In these cases, *rules* relating to investment powers and borrowing limits apply to each *sub-fund* as they would to a *scheme*.

- (3) (a) *Qualified investor schemes* may be promoted only to:
- (i) *professional clients*; and
 - (ii) *retail clients* who are sophisticated investors, on the same terms as *non-mainstream pooled investments* (see ■ COBS 4.12B (Promotion of non-mass market investments)).
- (b) A *qualified investor scheme* is an AIF and must be managed by an AIFM.
- (c) [deleted]
- (d) This sourcebook contains the stricter requirements for an AIF which is 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) *Qualified investor schemes* could change to become *non-UCITS retail schemes* or *UCITS schemes*.
- (3A) (a) A *long-term asset fund* may be promoted only to:
- (i) *professional clients*; and
 - (ii) *retail clients* who are sophisticated investors, *certified high net worth investors*, and those other *retail clients* to whom *units* in *long-term asset funds* can be promoted without contravening the *rules* in ■ COBS 4.12A (Promotion of restricted mass market investments).
- (b) A *long-term asset fund* is an AIF and must be managed by a *full-scope UK AIFM* (see ■ COLL 15.2.2R (Authorised fund manager to be a full-scope UK AIFM)).

- (c) Under the *Act* and the *UK AIFM regime*, the *FCA* is able to impose stricter requirements on an *AIFM* or an *AIF* marketed to *retail clients* than the requirements that apply to an *AIF* marketed only to *professional clients*. This sourcebook contains stricter requirements for an *AIF* which is a *long-term asset fund*.
- (d) A *full-scope UK AIFM* must also comply with the requirements in *FUND* and any other applicable provisions of the *UK AIFM regime*.
- (e) A *long-term asset fund* could change to become a *qualified investor scheme*, a *non-UCITS retail scheme* or a *UCITS scheme*, provided it complies with the necessary conditions. The *authorised fund manager* of an *LTAF* may need to make significant changes to the *LTAF's* constitution, objectives and investment powers for it to become a *UCITS scheme* or a *non-UCITS retail scheme*.
- (f) A *qualified investor scheme* could become authorised as a *long-term asset fund* if the *authorised fund manager* operates, or proposes to operate, the *scheme* in accordance with the *rules* in ■ COLL 15 (Long-term asset funds).
- (g) The nature of the assets that are held (or expected to be held) by a *long-term asset fund* means that it will not be able to seek authorisation as a *regulated money market fund*, or to have the characteristics of such a *fund* without significant changes to its constitution, objectives and investment powers. See also article 6 of the *Money Market Funds Regulation*.

(4) The changes referred to in (2), (3) and (3A) require approval by the *FCA*.

UCITS schemes

1.2.3

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A *UCITS scheme* is deemed to be established in the *United Kingdom*, irrespective of whether it has been established under the laws of England and Wales, Scotland or Northern Ireland.

[Note: article 4 of the *UCITS Directive*]

Master UCITS

1.2.4

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A *master UCITS* that has two or more *feeder UCITS* as its only *unitholders* satisfies the requirement that a *UCITS scheme* must invest capital raised from the public.

[Note: article 58(4) of the *UCITS Directive*]

Pension feeder funds

1.2.5

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- (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* (see ■ COLL 5.6.27R and ■ COLL 5.8.2AR).

