

Chapter 15

Long-term asset funds

15.1 Introduction

Application

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- (1) This chapter applies to:
 - (a) an *authorised fund manager* of an *AUT*, *ACS* or an *ICVC*;
 - (b) any other *director* of an *ICVC*;
 - (c) the *depository* of an *AUT*, *ACS* or an *ICVC*; and
 - (d) an *ICVC*,which is a *long-term asset fund*.
- (2) Where this chapter refers to *rules* in any other chapter of this sourcebook, those *rules* and any relevant *guidance* should be applied as if they referred to *long-term asset funds*.

Purpose

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- (1) This chapter assists in achieving the *statutory objective* of securing an appropriate degree of protection for *consumers* in respect of *authorised funds* that are only intended for investors that are, in general, prepared to accept a higher degree of risk in their investments or have a higher degree of experience and expertise than investors in a *UCITS scheme* or a *non-UCITS retail scheme*.
- (2) A *long-term asset fund* is essentially a type of *scheme* where different types of permitted asset may be included as part of the *scheme property*, depending on the investment objectives and policy of that *scheme* and within any restrictions in the *rules*. The *FCA* expects the investment strategy of an *LTAf* to be to invest at least 50% of the *scheme property* of an *LTAf* in assets that are illiquid and need to be held over the longer term.
- (3) In comparison to *qualified investor schemes*, *long-term asset funds* have greater flexibility in their investment powers. Therefore, to assist the *FCA* in achieving the *statutory objective* of securing an appropriate degree of protection for *consumers*, this chapter balances this additional flexibility by placing other requirements on the *authorised fund managers* and *depositories* of *LTAfs*.
- (4) This chapter ceases to apply where a *long-term asset fund* has converted to be authorised as a *UCITS scheme*, a *non-UCITS retail scheme* or a *qualified investor scheme*.

Long-term asset funds: eligible investors

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- (1) Subject to (3), the *authorised fund manager* of a *long-term asset fund* must take reasonable care to ensure that ownership of *units* in that *scheme* is recorded in the *register* only for a *person* to whom such *units* may be promoted without contravening the *rules* in ■ COBS 4.12A (Promotion of restricted mass market investments).
- (2) In addition to (1), the *authorised contractual scheme manager* of a *long-term asset fund* which is an ACS must take reasonable care to ensure that ownership of *units* in that *scheme* is only recorded in the *register* for a *person* that meets the criteria set out in ■ COLL 15 Annex 1R (ACS Long-term asset funds: eligible investors).
- (3) The *authorised fund manager* will be regarded as complying with (1) and (2) to the extent that it can show that it was reasonable for it to rely on relevant information provided by another *person*.
- (4) Where:
 - (a) the *scheme* is intended only for *limited protection LTAF investors* or the *scheme* has a *limited protection LTAF class*; and
 - (b) ■ COLL 15.5.-10BR to ■ COLL 15.5.-10EG, ■ COLL 15.5.-12BR, ■ COLL 15.7.-12BR, and ■ COLL 15.8.15EG to ■ COLL 15.8.15PR have not been applied in relation to the *scheme* or the *limited protection LTAF class*,

the *authorised fund manager* must also take reasonable care to ensure that ownership of *units* in the *scheme* or *class* is recorded in the *register* only for a *person* who is a *limited protection LTAF investor*.

Long-term asset funds - explanation

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- (1) *Long-term asset funds* are *authorised funds* which are subject to a restriction on promotion. They are intended only for *professional clients* and for *retail clients* who are sophisticated investors, *certified high net worth investors*, and those *retail clients* to whom *long-term asset funds* may be promoted without contravening the *rules* in ■ COBS 4.12A (Promotion of restricted mass market investments).
- (2) The *authorised contractual scheme manager* of a *long-term asset fund* which is an ACS must take reasonable care to ensure that it accepts subscription to *units* in the *LTAF* only from a *person* to whom such *units* may be promoted without contravening the *rules* in ■ COBS 4.12A (Promotion of restricted mass market investments) and who also meets the criteria in ■ COLL 15 Annex 1R.
- (3) (a) Some of the *rules* in ■ COLL 15 relating to:
 - (i) alterations to *schemes*, notices to *unitholders* and change events for *feeder LTAFs* (see ■ COLL 15.5.-10BR to ■ COLL 15.5.-10DR);
 - (ii) *unitholder* meetings (see ■ COLL 15.5.-12BR);
 - (iii) the *register* (see ■ COLL 15.7.-12BR); and
 - (iv) payments (■ COLL 15.8.15CR to ■ COLL 15.8.15PR),

apply where the *scheme* or (where applicable) a particular *class* of *unit* is made available to *retail clients* who are not *limited protection LTAF investors* (an *LTAF retail class*).

- (b) These *rules* may also be applied to a *scheme* or *class* that is intended only for *limited protection LTAF investors*. Where the *rules* are not applied in relation to such a *scheme* or a *class*, the *authorised fund manager* is required under ■ COLL 15.1.3R(4) to take reasonable care to ensure that ownership of *units* in the *scheme* or *class* is recorded in the *register* only for a *person* who is a *limited protection LTAF investor*.

Application and notification procedures

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Details of the application procedures in respect of *long-term asset funds* are contained in ■ COLL 2.1 (Authorised fund applications). Further information is available on the *FCA* website at www.fca.org.uk/firms/authorised-recognised-funds/apply-fund-authorisation.