

Chapter 4

Investor Relations

4.2 Pre-sale notifications

Application

- 4.2.1 **R** This section applies to an *authorised fund manager*, an *ICVC* and any other *director* of an *ICVC*

Publishing the prospectus

- 4.2.2 **R**
- (1) A *prospectus* must be drawn up in English and published as a *document* by the *authorised fund manager* and, for an *ICVC*, it must be approved by the *directors*.
 - (2) The *authorised fund manager* must ensure that the *prospectus*:
 - (a) contains the information required by ■ COLL 4.2.5 R (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;
 - (b) does not contain any provision which is unfairly prejudicial to the interests of *unitholders* generally or to the *unitholders* of any *class of units*;
 - (c) does not contain any provision that conflicts with any applicable *rule*; and
 - (d) is kept up-to-date and that revisions are made to it, whenever appropriate.

Provision and filing of the prospectus

- 4.2.3 **R**
- (1) The *authorised fund manager* of an *AUT*, *ACS* or an *ICVC* must:
 - (a) provide a copy of the *scheme's* most recent *prospectus* drawn up and published in accordance with ■ COLL 4.2.2 R (Publishing the prospectus) free of charge to any *person* on request; and
 - (b) file a copy of the *scheme's* original *prospectus*, together with all revisions thereto, with the *FCA*.
 - (1A) Except where an investor requests a paper copy or the use of electronic communications is not appropriate, the *prospectus* may be

provided in a *durable medium* or by means of a website that meets the *website conditions*.

- (2) [deleted]
- (3) An *authorised fund manager* must, upon the request of a *unitholder* in a *UCITS scheme* that it manages, provide information supplementary to the *prospectus* of that *scheme* relating to:
- (a) the quantitative limits applying to the risk management of that *scheme*;
 - (b) the methods used in relation to (a); and
 - (c) any recent development of the risk and yields of the main categories of *investment*.

[Note: articles 74, 75(1) and 75(2) of the *UCITS Directive*]

Provision and filing of the prospectus of a master UCITS

4.2.3A

R

- (1) The *authorised fund manager* of a *UCITS scheme* that is a *feeder UCITS* must:
- (a) where requested by an investor, provide a copy of the *prospectus* of its *master UCITS* free of charge; and
 - (b) file a copy of the *prospectus* of its *master UCITS* and any amendments thereto with the *FCA*.
- (2) Except where an investor requests a paper copy or the use of electronic communications is not appropriate, the *prospectus* of the *master UCITS* may be provided in a *durable medium* other than paper or by means of a website that meets the *website conditions*.

[Note: articles 63(3), 63(5), 75(1) and 75(2) of the *UCITS Directive*]

Feeder NURS: provision of the prospectus of the qualifying master scheme

4.2.3B

R

- (1) The *authorised fund manager* of a *feeder NURS* must, where requested by an investor or the *FCA*, provide such *person* with a copy of the *prospectus* of its *qualifying master scheme* free of charge.
- (2) Except where an investor requests a paper copy or the use of *electronic communications* is not appropriate, the *prospectus* of the *qualifying master scheme* may be provided in a *durable medium* other than paper, or by means of a website that meets the *website conditions*.

False or misleading prospectus

4.2.4

R

- (1) The *authorised fund manager*:
- (a) must ensure that the *prospectus* of the *authorised fund* does not contain any untrue or misleading statement or omit any matter required by the *rules* in this sourcebook to be included in it; and
 - (b) is liable to pay compensation to any *person* who has acquired any *units* in the *authorised fund* and suffered loss in respect of them

as a result of such statement or omission; this is in addition to any liability incurred apart from under this *rule*.

- (2) The *authorised fund manager* is not in breach of (1)(a) and is not liable to pay compensation under (1)(b) if, at the time when the *prospectus* was made available to the public, it had taken reasonable care to determine that the statement was true and not misleading, or that the omission was appropriate, and that:
 - (a) it continued to take such reasonable care until the time of the relevant acquisition of *units* in the *scheme*; or
 - (b) the acquisition took place before it was reasonably practicable to bring a correction to the attention of potential purchasers; or
 - (c) it had already taken all reasonable steps to ensure that a correction was brought to the attention of potential purchasers; or
 - (d) the *person* who acquired the *units* was not materially influenced or affected by that statement or omission in making the decision to invest.
- (3) The *authorised fund manager* is also not in breach of (1)(a) and is not liable to pay compensation under (1)(b) if:
 - (a) before the acquisition a correction had been published in a manner calculated to bring it to the attention of *persons* likely to acquire the *units* in question; or
 - (b) it took all reasonable steps to secure such publication and had reasonable grounds to conclude that publication had taken place before the *units* were acquired.
- (4) The *authorised fund manager* is not liable to pay compensation under (1)(b) if the *person* who acquired the *units* knew at the time of the acquisition that the statement was untrue or misleading or knew of the omission.
- (5) For the purposes of this *rule* a revised *prospectus* will be treated as a different *prospectus* from the original one.
- (6) References in this *rule* to the acquisition of *units* include references to contracting to acquire them.

Table: contents of the prospectus

4.2.5



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

Document status

- 1 A statement that the *document* is the *prospectus* of the *authorised fund* valid as at a particular date (which shall be the date of the *document*).

Authorised fund

- 2 A description of the *authorised fund* including:
 - (a) its name;
 - (aa) its *FCA* product reference number (PRN);
 - (b) whether it is an *ICVC*, *ACS* or an *AUT*;

- (ba) whether it is a *UCITS scheme* or a *non-UCITS retail scheme*;
- (bb) a statement that *unitholders* in an *AUT*, *ICVC* or *co-ownership scheme* are not liable for the debts of the *authorised fund*;
- (bc) a statement that the *scheme property* of a *co-ownership scheme* is beneficially owned by the *participants* as tenants in common (or, in Scotland, is the common property of the *participants*);
- (bd) a statement that a *unitholder* in a *limited partnership scheme* is not liable for the debts or obligations of the *limited partnership scheme* beyond the amount of the *scheme property* which is available to the *authorised contractual scheme manager* to meet such debts or obligations, provided that the *unitholder* does not take part in the management of the partnership business;
- (be) a statement that the exercise of rights conferred on *limited partners* by *FCA rules* does not constitute taking part in the management of the partnership business;
- (c) for an *ICVC*, the address of its head office and the address of the place in the *United Kingdom* for service on the *ICVC* of notices or other documents required or authorised to be served on it;
- (ca) for an *ACS* that is a *limited partnership scheme*, the address of the proposed principal place of business of the *limited partnership scheme*;
- (d) the effective date of the *authorisation order* made by the *FCA* and relevant details of termination, if the duration of the *authorised fund* is limited;
- (e) its *base currency*;
- (f) for an *ICVC*, the maximum and minimum sizes of its capital;
- (g) the circumstances in which it may be wound up under the *rules* and a summary of the procedure for, and the rights of *unitholders* under, such a winding up; and
- (h) if it is not an *umbrella*, a statement that it is a *feeder UCITS*, a *feeder NURS*, a *fund of alternative investment funds* or a property authorised investment fund, where that is the case.

Umbrella ICVCs or co-ownership schemes

2A The following statements for an *ICVC* or a *co-ownership scheme* which is an *umbrella*:

- (a) for an *ICVC*, a statement that its *sub-funds* are segregated portfolios of assets and, accordingly, the assets of a *sub-fund* belong exclusively to that *sub-fund* and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other *person* or body, including the *umbrella*, or any other *sub-fund*, and shall not be available for any such purpose;
- (aa) for a *co-ownership scheme*, a statement that the property subject to a *sub-fund* is beneficially owned by the *participants* in that *sub-fund* as tenants in common (or, in Scotland, is the common property of the *participants* in that *sub-fund*) and must not be used to discharge any liabilities of, or meet any claims against, any *person* other than the *participants* in that *sub-fund*; and

- (b) for an *ICVC* or a *co-ownership scheme*, a statement that while the provisions of the *OEIC Regulations*, and section 261P (Segregated liability in relation to umbrella co-ownership schemes) of the *Act* in the case of *co-ownership schemes*, provide for segregated liability between *sub-funds*, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under *foreign law contracts*, it is not yet known how those foreign courts will react to regulations 11A and 11B of the *OEIC Regulations* or, as the case may be, section 261P of the *Act*.

Umbrella Schemes

2B For a *UCITS scheme* or *non-UCITS retail scheme* which is an *umbrella*:

- (a) a statement detailing whether each specific *sub-fund* is a *feeder UCITS*, a *feeder NURS*, a *fund of alternative investment funds* or a *property authorised investment fund*, as appropriate; and
- (b) the *FCA* product reference number (PRN) of each *sub-fund*.

Investment objectives and policy

3 The following particulars of the investment objectives and policy of the *authorised fund*:

- (a) the investment objectives, including its financial objectives;
- (b) the *authorised fund's* investment policy for achieving those investment objectives, including the general nature of the portfolio and, if appropriate, any intended specialisation;
- (c) an indication of any limitations on that investment policy;
- (c-b) where:
- (i) a target for a *scheme's* performance has been set, or a payment out of *scheme property* is permitted, by reference to a comparison of one or more aspects of the *scheme property* or *price* with fluctuations in the value or price of an index or indices or any other similar factor (a "*target benchmark*"); or
- (ii) without being a *target benchmark*, arrangements are in place in relation to the *scheme* according to which the composition of the portfolio of the *scheme* is, or is implied to be, constrained by reference to the value, the price or the components of an index or indices or any other similar factor (a "*constraining benchmark*"); or
- (iii) without being a *target benchmark* or a *constraining benchmark*, the *scheme's* performance is compared against the value or price of an index or indices or any other similar factor (a "*comparator benchmark*"),

a statement providing sufficient information for investors to understand the choice and use of any *target benchmark*, *constraining benchmark* or *comparator benchmark* in relation to the *scheme*;

- (c-a) where no *target benchmark*, *constraining benchmark* or *comparator benchmark* is used, a statement to that effect and an explanation of how investors can assess the performance of the *scheme*;
- (ca) for an *authorised fund* that has indicated in its name, investment objectives or fund literature (including in any *financial promotions* for the fund), through use of descriptions such as 'absolute return', 'total return' or similar, an intention to deliver positive returns in all market conditions (and where there is no actual guarantee of such returns), additional statements in the *authorised fund's* investment objectives specifying:
 - (i) that capital is in fact at risk;
 - (ii) the investment period over which the authorised fund aims to achieve a positive return; and
 - (iii) there is no guarantee that this will be achieved over that specific, or any, time period;
- (d) the description of assets which the *capital property* may consist of;
- (e) the proportion of the *capital property* which may consist of an asset of any description;
- (f) the description of transactions which may be effected on behalf of the *authorised fund* and an indication of any techniques and instruments or borrowing powers which may be used in the management of the *authorised fund*;
- (g) a list of the *eligible* markets through which the *authorised fund* may invest or *deal* in accordance with COLL 5.2.10 R (2)(b) (Eligible markets: requirements);
- (h) for an ICVC, a statement as to whether it is intended that the *scheme* will have an interest in any immovable property or movable property ((in accordance with COLL 5.6.4 R (2) (Investment powers: general) or COLL 5.2.8 R (2) (UCITS schemes: general)) for the direct pursuit of the ICVC's business;
- (i) where COLL 5.2.12 R (3) (Spread: government and public securities) applies:
 - (i) a prominent statement as to the fact that more than 35% in value of the *scheme property* is or may be invested in *transferable securities* or *approved money-market instruments* 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 issuing or guaranteeing the *securities* in which more than 35% in value of the *scheme property* may be invested;
- (k) for an *authorised fund* which may invest in other *schemes*, the extent to which the *scheme property* may be invested in the *units* of *schemes* which are managed by the *authorised fund manager* or by its *associate*;
- (ka) where a *scheme* is a *feeder scheme* (other than a *feeder UCITS* or a *feeder NURS*), which (in respect of investment in *units* in *collective investment schemes*) is *dedicated* to *units* in a single *collective investment scheme*, details of the master *scheme* and the minimum (and, if relevant,

- maximum) investment that the feeder *scheme* may make in it;
- (l) where a *scheme* invests principally in *scheme units*, *deposits* or *derivatives*, or replicates an index in accordance with COLL 5.2.31 R or COLL 5.6.23 R (Schemes replicating an index), a prominent statement regarding this investment policy;
 - (m) where *derivatives* transactions may be used in a *scheme*, a prominent statement as to whether these transactions are for the purposes of *efficient portfolio management* (including hedging) or meeting the investment objectives or both and the possible outcome of the use of *derivatives* on the risk profile of the *scheme*;
 - (n) information concerning the profile of the typical investor for whom the *scheme* is designed;
 - (o) information concerning the historical performance of the *scheme*, comparing in particular its historical performance against each *target benchmark* and each *constraining benchmark* used in relation to the *scheme*, presented in accordance with COBS 4.6.2R (the rules on past performance);
 - (p) for a *non-UCITS retail scheme* which invests in immovables, a statement of the countries or territories of situation of land or buildings in which the *authorised fund* may invest;
 - (pa) for a *fund investing in inherently illiquid assets* at least the following (see FUND 3.2.2R(8) (Prior disclosure of information to investors)):
 - (i) an explanation of the risks associated with the *scheme* investing in *inherently illiquid assets* and how those risks might crystallise;
 - (ii) a description of the tools and arrangements the *authorised fund manager* would propose using, including those required by *FCA rules*, to mitigate the risks referred to in (i); and
 - (iii) an explanation of the circumstances in which those tools and arrangements would typically be deployed and the likely consequences for investors;
 - (q) for a *UCITS scheme* which invests a substantial portion of its assets in other *schemes*, a statement of the maximum level of management fees that may be charged to that *UCITS scheme* and to the *schemes* in which it invests;
 - (qa) where the *authorised fund* is a *qualifying money market fund*, a statement identifying it as such a fund and a statement that the *authorised fund's* investment objectives and policies will meet the conditions specified in the definition of *qualifying money market fund*;
 - (r) where the net asset value of a *UCITS scheme* is likely to have high volatility owing to its portfolio composition or the portfolio management techniques that may be used, a prominent statement to that effect;
 - (s) for a *UCITS scheme*, a statement that any *unitholder* may obtain on request the types of information (which must be listed) referred to in COLL 4.2.3R (3) (Availability of prospectus and long report); and

- (t) for a *UCITS scheme* that is or is intended to be a *master UCITS*, a statement that it is not a *feeder UCITS* and will not hold *units* of a *feeder UCITS*.

Reporting, distributions and accounting dates

- 4 Relevant details of the reporting, accounting and distribution information which includes:
- (a) the accounting and distribution dates;
 - (b) procedures for:
 - (i) determining and applying income (including how any distributable income is paid);
 - (ii) unclaimed distributions; and
 - (iii) if relevant, calculating, paying and accounting for *income equalisation*; and
 - (c) the *accounting reference date* and when the long report will be published in accordance with COLL 4.5.14 R (Publication and availability of annual and half-yearly long report).
 - (d) [deleted]

Characteristics of the units

- 5 Information as to:
- (a) where there is more than one *class of unit* in *issue* or available for *issue*, the name of each such *class* and the rights attached to each *class* in so far as they vary from the rights attached to other *classes*;
 - (b) [deleted]
 - (c) how *unitholders* may exercise their voting rights and what these amount to;
 - (d) where a mandatory *redemption*, *cancellation* or conversion of *units* from one *class* to another may be required, in what circumstances it may be required; and
 - (e) for an *AUT*, the fact that the nature of the right represented by *units* is that of a beneficial interest under a trust.

5A ACSs: UCITS and NURS eligible investors

- (a) A statement that *units* may not be *issued* to a *person* other than a:
 - (i) *professional ACS investor*; or
 - (ii) *large ACS investor*; or
 - (iii) *person* who already holds *units* in the *scheme*.
- (b) A statement that the *authorised contractual scheme manager* must redeem *units* as soon as practicable after becoming aware that those *units* are vested in anyone (whether as a result of subscription or transfer of *units*) other than a *person* meeting the criteria in paragraph 5A(a).

5B ACSs: UCITS and NURS transfer of units

- (a) A statement whether the transfer of *units* in the *ACS scheme* is either:
 - (i) prohibited; or
 - (ii) allowed;

- by the *instrument constituting the fund and prospectus*.
- (b) Where transfer of *units* is allowed by the *instrument constituting the fund and prospectus* in accordance with (a)(ii), a statement that *units* may only be transferred in accordance with the conditions specified by *FCA rules*, including that *units* may not be transferred to a *person* other than a:
- (i) *professional ACS investor*; or
 - (ii) *large ACS investor*; or
 - (iii) *person* who already holds *units* in the *scheme*.
- (c) For a *co-ownership scheme* which is an *umbrella*, a statement in accordance with (5B)(a)(i) or (ii) and, where appropriate, a statement in accordance with (5B)(b), must also be made for the *sub-funds*. Where individual *sub-funds* have differing policies in relation to transfer of *units*, separate statements are required.

Authorised fund manager

6 The following particulars of the *authorised fund manager*:

- (a) its name;
- (b) the nature of its corporate form;
- (c) the date of its incorporation;
- (d) the address of its registered office;
- (e) the address of its head office, if that is different from the address of its registered office;
- (f) [deleted]
- (g) if the duration of its corporate status is limited, when that status will or may cease; and
- (h) the amount of its issued share capital and how much of it is paid up.

Directors of an ICVC, other than the ACD

7 Other than for the *ACD*:

- (a) the names and positions in the *ICVC* of any other *directors* (if any); and
- (b) the manner, amount and calculation of the *remuneration* of such *directors*.

Depositary

8 The following information and particulars concerning the *depository*:

- (a) its name;
- (b) the nature of its corporate form;
- (c) the address of its registered office;
- (d) the address of its head office, if that is different from the address of its registered office;
- (e) [deleted]
- (f) a description of its duties and conflicts of interest that may arise between the *depository* and:
 - (i) the *scheme*; or
 - (ii) the *unitholders* in the *scheme*; or
 - (iii) the *authorised fund manager*;

- (g) (i) a description of any safekeeping functions delegated by the *depository*;
- (ii) a description of any conflicts of interest that may arise from such delegation; and
- (iii) for a *UCITS scheme*, a list showing the identity of each delegate and sub-delegate; and
- (h) for a *UCITS scheme*, a statement that up-to-date information regarding the points covered under (a),(f) and (g), above, will be made available to *unitholders* on request.

Investment adviser

- 9 If an *investment adviser* is retained in connection with the business of an *authorised fund*:
- (a) its name; and
 - (b) where it carries on a significant activity other than providing services to the *authorised fund* as an *investment adviser*, what that significant activity is.

Auditor

- 10 The name of the auditor of the *authorised fund*.

Contracts and other relationships with parties

- 11 The following relevant details:
- (a) for an *ICVC*:
 - (i) a summary of the material provisions of the contract between the *ICVC* and the *ACD* which may be relevant to *unitholders* including provisions (if any) relating to remuneration, termination, compensation on termination and indemnity;
 - (ii) the main business activities of each of the *directors* (other than those connected with the business of the *ICVC*) where these are of significance to the *ICVC*'s business;
 - (iii) if any *director* is a *body corporate* in a *group* of which any other corporate *director* of the *ICVC* is a member, a statement of that fact;
 - (iv) the main terms of each contract of service between the *ICVC* and a *director* in summary form; and
 - (v) for an *ICVC* that does not hold annual general meetings, a statement that copies of contracts of service between the *ICVC* and its *directors*, including the *ACD*, will be provided to a *unit-holder* on request;
 - (b) the names of the *directors* of the *authorised fund manager* and the main business activities of each of the *directors* (other than those connected with the business of the *authorised fund*) where these are of significance to the *authorised fund's* business;
 - (c) a summary of the material provisions of the contract between the *ICVC* or the *manager* of the *AUT* and the *depository* which may be relevant to *unitholders*, including provisions relating to the *remuneration* of the *depository*;
 - (ca) in the case of an *ACS*, a summary of the material provisions of the contracts between:

- (i) the *authorised fund manager* and the *nominated partner* (if any); and
- (ii) the *authorised fund manager* and *depository*; which may be relevant to *unitholders*, including provisions relating to the *remuneration* of the *depository*;
- (d) if an *investment adviser* retained in connection with the business of the *authorised fund* is a *body corporate* in a *group* of which any *director* of the *ICVC* or the *authorised fund manager* of the *AUT* or *ACS* is a member, that fact;
- (e) a summary of the material provisions of any contract between the *authorised fund manager* or the *ICVC* and any *investment adviser* which may be relevant to *unitholders*;
- (f) if an *investment adviser* retained in connection with the business of the *authorised fund* has the authority of the *authorised fund manager* or the *ICVC* to make decisions on behalf of the *authorised fund manager* or the *ICVC*, that fact and a description of the matters in relation to which it has that authority;
- (g) a list of:
 - (i) the functions which the *authorised fund manager* has delegated in accordance with *FCA rules*; and
 - (ii) the *person* to whom such functions have been delegated; and
- (h) in what capacity (if any), the *authorised fund manager* acts in relation to any other *regulated collective investment schemes* and the name of such *schemes*.

Register of Unitholders

12 Details of:

- (a) the address in the *United Kingdom* where the *register of unitholders*, and where relevant the *plan register* is kept and can be inspected by *unitholders*; and
- (b) the *registrar's* name and address.

Payments out of scheme property

13 In relation to each type of payment from the *scheme property*, details of:

- (a) who the payment is made to;
- (b) what the payment is for;
- (c) the rate or amount where available;
- (d) how it will be calculated and accrued;
- (e) when it will be paid;
- (f) where a performance fee is taken, examples of its operation in plain English and the maximum it can amount to; and
- (g) where donations are to be made to one or more *registered charities* for Sharia compliance purposes from the *income property* of the *scheme* (in this *rule*, 'purification'), in addition to the details required above, the *person* who advises the *authorised fund manager* on the required percentage of the *income property* recognised for purification.

Allocation of payments

14 If, in accordance with COLL 6.7.10 R (Allocation of payments to income or capital), the *authorised fund manager* and the *depository* have agreed that all or part of any income expense payments may be treated as a capital expense:

- (a) that fact;
- (b) the policy for allocation of these payments; and
- (c) a statement that this policy may result in capital erosion or constrain capital growth.

Moveable and immovable property (ICVC only)

15 An estimate of any expenses likely to be incurred by the *ICVC* in respect of movable and immovable property in which the *ICVC* has an interest.

Valuation and pricing of scheme property

16 In relation to the valuation of *scheme property* and *pricing of units*:

- (a) either:
 - (i) in the case of a *single-priced authorised fund*, a provision that there must be only a single *price* for any *unit* as determined from time to time by reference to a particular *valuation point*; or
 - (ii) in the case of a *dual-priced authorised fund*, the *authorised fund manager's* policy for determining *prices* for the *sale* and *redemption* of *units* by reference to a particular *valuation point* and an explanation of how those *prices* may differ;
- (b) details of:
 - (i) how the value of the *scheme property* is to be determined in relation to each purpose for which the *scheme property* must be valued;
 - (ii) how frequently and at what time or times of the *day* the *scheme property* will be regularly valued for *dealing* purposes and a description of any circumstance in which the *scheme property* may be specially valued;
 - (iii) where relevant, how the *price* of *units* of each *class* will be determined for *dealing* purposes;
 - (iv) where and at what frequency the most recent *prices* will be published; and
 - (v) where relevant in the case of a *dual-priced authorised fund*, an explanation of what is meant by *large deals* and the *authorised fund manager's* policy in relation to *large deals*; and
- (c) if provisions in (a) and (b) do not take effect when the *instrument constituting the fund* or (where appropriate) supplemental *trust deed* takes effect, a statement of the time from which those provisions are to take effect or how it will be determined.

Dealing

17 The following particulars:

- (a) the procedures, the dealing periods and the circumstances in which the *authorised fund manager* will effect:

- (i) the *sale* and *redemption* of *units* and the settlement of transactions (including the minimum number or value of *units* which one *person* may hold or which may be subject to any transaction of *sale* or *redemption*) for each *class* of *unit* in the *authorised fund*; and
- (ii) any direct *issue* or *cancellation* of *units* by an *ICVC* or by the *depository* of an *AUT* or *ACS* (as appropriate) through the *authorised fund manager* in accordance with COLL 6.2.7R (2) (Issue and cancellation of units through an authorised fund manager);
- (b) the circumstances in which the *redemption* of *units* may be suspended;
- (c) whether certificates will be issued in respect of registered *units*;
- (d) the circumstances in which the *authorised fund manager* may arrange for, and the procedure for the *issue* or *cancellation* of *units* in specie;
- (e) the investment exchanges (if any) on which *units* in the *scheme* are listed or dealt;
- (f) the circumstances and conditions for issuing *units* in an *authorised fund* which limit the *issue* of any *class* of *units* in accordance with COLL 6.2.18 R (Limited issue);
- (g) the circumstances and procedures for the limitation or deferral of *redemptions* in accordance with COLL 6.2.19 R (Limited redemption) or COLL 6.2.21 R (Deferred redemption);
- (h) in a *prospectus* available during the period of any *initial offer*:
 - (i) the length of the *initial offer* period;
 - (ii) the initial *price* of a *unit*, which must be in the *base currency*;
 - (iii) the arrangements for issuing *units* during the *initial offer*, including the *authorised fund manager's* intentions on investing the subscriptions received during the *initial offer*;
 - (iv) the circumstances when the *initial offer* will end;
 - (v) whether *units* will be *sold* or *issued* in any other currency; and
 - (vi) any other relevant details of the *initial offer* ;
- (i) whether a *unitholder* may effect transfer of title to *units* on the authority of an *electronic communication* and if so the conditions that must be satisfied in order to effect a transfer; and
- (j) if the *authorised fund manager* deals as principal in *units* of the *scheme* and holds them for that purpose, a statement of its policy for doing so and, where applicable:
 - (i) a description of when the *authorised fund manager* may retain any profits it earns and absorb any losses it incurs for these activities; and
 - (ii) a statement of non-accountability as referred to in COLL 6.7.16G.

Dilution

- 18 In the case of a *single-priced authorised fund*, details of what is meant by *dilution* including:
- (a) a statement explaining:
 - (i) that it is not possible to predict accurately whether *dilution* is likely to occur; and
 - (ii) which of the policies the *authorised fund manager* is adopting under COLL 6.3.8 (1) (Dilution) together with an explanation of how this policy may affect the future growth of the *authorised fund*; and
 - (b) if the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment*, a statement of:
 - (i) the *authorised fund manager's* policy in deciding when to require a *dilution levy*, including what is meant by *large deals* and the *authorised fund manager's* policy on *large deals*, or when to make a *dilution adjustment*;
 - (ii) the estimated rate or amount of any *dilution levy* or *dilution adjustment* based either on historical data or future projections; and
 - (iii) the likelihood that the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment* and the basis (historical or projected) on which the statement is made.

SDRT provision

19

[deleted]

Forward pricing

20 An explanation of *forward pricing* under COLL 6.3.9 (Forward pricing).

Preliminary charge

21 Where relevant, a statement authorising the *authorised fund manager* to make a *preliminary charge* and specifying the basis for and current amount or rate of that charge.

Redemption charge

22 Where relevant, a statement authorising the *authorised fund manager* to deduct a *redemption charge* out of the proceeds of *redemption*; and if the *authorised fund manager* makes a *redemption charge*:

- (a) the current amount of that charge or if it is variable, the rate or method of calculating it;
- (b) if the amount, rate or method has been changed, that details of any previous amount, rate or method may be obtained from the *authorised fund manager* on request; and
- (c) how the order in which *units* acquired at different times by a *unitholder* is to be determined so far as necessary for the purposes of the imposition of the *redemption charge*.

Property Authorised Investment Funds

22A For a *property authorised investment fund*, a statement that:

- (1) [deleted]

- (2) no *body corporate* may seek to obtain or intentionally maintain a holding of more than 10% of the net asset value of the fund; and
- (3) in the event that the *authorised fund manager* reasonably considers that a *body corporate* holds more than 10% of the net asset value of the fund, the *authorised fund manager* is entitled to delay any redemption or cancellation of *units* if the *authorised fund manager* reasonably considers such action to be:
 - (a) necessary in order to enable an orderly reduction of the holding to below 10%; and
 - (b) in the interests of the *unitholders* as a whole.

General information

23 Details of:

- (a) the address at which copies of the *instrument constituting the fund*, any amending instrument and the most recent annual and half-yearly long reports may be inspected and from which copies may be obtained;
- (b) the manner in which any notice or *document* will be served on *unitholders*;
- (c) the extent to which and the circumstances in which:
 - (i) the *scheme* is liable to pay or suffer tax on any appreciation in the value of the *scheme property* or on the income derived from the *scheme property*; and
 - (ii) deductions by way of withholding tax may be made from distributions of income to *unitholders* and payments made to *unitholders* on the redemption of *units*;
- (d) for a *UCITS scheme*, any possible fees or expenses not described in paragraphs 13 to 22, distinguishing between those to be paid by a *unitholder* and those to be paid out of *scheme property*; and
- (e) for an *ICVC*, whether or not annual general meetings will be held.

Information on the umbrella

24 In the case of a *scheme* which is an *umbrella* with two or more *sub-funds*, the following information:

- (a) that a *unitholder* is entitled to exchange *units* in one *sub-fund* for *units* in any other *sub-fund* (other than a *sub-fund* which has limited the *issue* of *units*);
- (b) that an exchange of *units* in one *sub-fund* for *units* in any other *sub-fund* is treated as a *redemption* and *sale* and will, for *persons* subject to *United Kingdom* taxation, be a realisation for the purposes of capital gains taxation;
- (c) that in no circumstances will a *unitholder* who exchanges *units* in one *sub-fund* for *units* in any other *sub-fund* be given a right by law to withdraw from or cancel the transaction;
- (d) the policy for allocating between *sub-funds* any assets of, or costs, charges and expenses payable out of, the *scheme property* which are not attributable to any particular *sub-fund*;

- (e) what charges, if any, may be made on exchanging *units* in one *sub-fund* for *units* in any other *sub-fund*; and
- (f) for each *sub-fund*, the currency in which the *scheme property* allocated to it will be valued and the *price of units* calculated and payments made, if this currency is not the *base currency* of the *scheme* which is an *umbrella*.
- (g) [deleted]

Application of the prospectus contents to an umbrella

25 For a *scheme* which is an *umbrella*, information required must be stated:

- (a) in relation to each *sub-fund* where the information for any *sub-fund* differs from that for any other; and
- (b) for the *umbrella* as a whole, but only where the information is relevant to the *umbrella* as a whole.

Information on a feeder UCITS

25A In the case of a *feeder UCITS*, the following information:

- (a) a declaration that the *feeder UCITS* is a feeder of a particular *master UCITS* and as such permanently invests at least 85% in value of the *scheme property* in *units* of that *master UCITS*;
- (b) the investment objective and policy, including the risk profile; and whether the performance records of the *feeder UCITS* and the *master UCITS* are identical, or to what extent and for which reasons they differ, including a description of how the balance of the *scheme property* which is not invested in *units* of the *master UCITS* is invested in accordance with COLL 5.8.3 R (Balance of scheme property: investment restrictions on a feeder UCITS);
- (c) a brief description of the *master UCITS*, its organisation, its investment objective and policy, including the risk profile, and an indication of how the *prospectus* of the *master UCITS* may be obtained;
- (d) a summary of the *master-feeder agreement* or where applicable, the internal conduct of business rules referred to in COLL 11.3.2 R (2) (Master-feeder agreement and internal conduct of business rules);
- (e) how the *unitholders* may obtain further information on the *master UCITS* and the *master-feeder agreement*;
- (f) a description of all remuneration or reimbursement of costs payable by the *feeder UCITS* by virtue of its investment in *units* of the *master UCITS*, as well as the aggregate charges of the *feeder UCITS* and the *master UCITS*; and
- (g) a description of the tax implications of the investment into the *master UCITS* for the *feeder UCITS*.

[Note: article 63(1) of the *UCITS Directive*]

Information on a feeder NURS

25B In the case of a *feeder NURS*, the following information:

- (a) a declaration that the *feeder NURS* is a feeder of a particular *qualifying master scheme* and as such is *dedicated to units* in a single *qualifying master scheme* and the minimum (and, if relevant, maximum) investment that the *feeder NURS* may make in its *qualifying master scheme*;

- (b) the investment objective and policy of the *feeder NURS*, including its risk profile; and whether the performance records of the *feeder NURS* and the *qualifying master scheme* are identical, or to what extent and for which reasons they differ, including a description of how the balance of the *scheme property* which is not invested in *units* of the *qualifying master scheme* is invested in accordance with COLL 5.6.7 R (6A) (Spread: general);
- (c) a brief description of the *qualifying master scheme*, its organisation, its investment objective and policy, including the risk profile, and an indication of how the *prospectus* of the *qualifying master scheme* may be obtained;
- (d) how the *unitholders* may obtain further information on the *qualifying master scheme*;
- (e) a description of all remuneration or reimbursement of costs payable by the *feeder NURS* by virtue of its investment in *units* of the *qualifying master scheme*, as well as the aggregate charges of the *feeder NURS* and the *qualifying master scheme*; and
- (f) a description of the tax implications of the investment into the *qualifying master scheme* for the *feeder NURS*.

Marketing in another EEA state

26 [deleted]

Investment in overseas property through an intermediate holding vehicle

26A If investment in an overseas immovable is to be made through an *intermediate holding vehicle* or a series of *intermediate holding vehicles*, a statement disclosing the existence of that *intermediate holding vehicle* or series of *intermediate holding vehicles* and confirming that the purpose of that *intermediate holding vehicle* or series of *intermediate holding vehicle* is to enable the holding of overseas immovables by the *scheme*.

Sustainability information

26B The following information, as applicable:

- (a) where a *sustainability label* is used in relation to a *scheme*, the information set out at ESG 5.3.3R and ESG 5.3.6R, in accordance with ESG 5.3.2R(1);
- (b) where a *sustainability label* is not used in relation to a *scheme*, but that *scheme* uses the terms in ESG 4.3.2R(2) under ESG 4.3.2R(1) in the product's name or in a *financial promotion* relating to that *scheme*, the information required under ESG 5.3.2R(2).

Additional information

27 Any other material information which is within the knowledge of the *directors* of an *ICVC* or the *authorised fund manager* of an *AUT* or *ACS*, or which the *directors* or *authorised fund manager* would have obtained by making reasonable enquiries, including but not confined to, the following matters:

<p>Remu- nera- tion Policy</p>	<ul style="list-style-type: none"> (a) information which investors and their professional advisers would reasonably require, and reasonably expect to find in the <i>prospectus</i>, for the purpose of making an informed judgement about the merits of investing in the <i>authorised fund</i> and the extent and characteristics of the risks accepted by so participating; (b) a clear and easily understandable explanation of any risks which investment in the <i>authorised fund</i> may reasonably be regarded as presenting for reasonably prudent investors of moderate means; (c) if there is any arrangement intended to result in a particular capital or income return from a holding of <i>units</i> in the <i>authorised fund</i> or any investment objective of giving protection to the capital value of, or income return from, such a holding: <ul style="list-style-type: none"> (i) details of that arrangement or protection; (ii) for any related guarantee, sufficient details about the guarantor and the guarantee to enable a fair assessment of the value of the guarantee; (iii) a description of the risks that could affect achievement of that return or protection; and (iv) details of the arrangements by which the <i>authorised fund manager</i> will notify <i>unitholders</i> of any action required by the <i>unitholders</i> to obtain the benefit of the guarantee; and (d) whether any notice has been given to <i>unitholders</i> of the <i>authorised fund manager</i> intention to propose a change to the <i>scheme</i> and if so, its particulars.
<p>28</p>	<p>For a <i>UCITS scheme</i> and in relation to <i>UCITS Remuneration Code staff</i>:</p> <ul style="list-style-type: none"> (a) up-to-date details of the <i>remuneration</i> policy including, but not limited to: <ul style="list-style-type: none"> (i) a description of how <i>remuneration</i> and benefits are calculated; and (ii) the identities of persons responsible for awarding the <i>remuneration</i> and benefits, including the composition of the <i>remuneration</i> committee, where such a committee exists; or (b) a summary of the <i>remuneration</i> policy and a statement that: <ul style="list-style-type: none"> (i) up-to-date details of the matters set out in (a) above are available by means of a website, including a reference to that website; and (ii) a paper copy of that website information will be made available free of charge upon request.

[Note: A transitional provision applies to row 3(ca) of this table: see ■ COLL TP 1.28.]

Information to be provided on securities financing transactions and total return swaps

4.2.5A G

- (1) The *Securities Financing Transactions Regulation* sets out the additional information which:
 - (a) an *authorised fund manager* of a *UCITS scheme* must include in the *UCITS scheme prospectus*; and
 - (b) an *authorised fund manager* who is a *full-scope UK AIFM* of a *non-UCITS retail scheme* must make available to investors before they invest.
- (2) ■ COLL 4.2.5BEU and ■ COLL 4.2.5CEU copy out the relevant provisions of that regulation.
- (3) An *authorised fund manager* who is a *full-scope UK AIFM* of a *non-UCITS retail scheme* should publish the information in the *scheme's prospectus*.
- (4) An *authorised fund manager* of a *UCITS scheme* or a *non-UCITS retail scheme* that does not use *securities financing transactions* or *total return swaps* is not required to include the information in ■ COLL 4.2.5CEU in the *prospectus* or other pre-sale documents.

[Note: A transitional provision applies to ■ COLL 4.2.5AG: see ■ COLL TP 1.38G]

4.2.5B UK

Transparency of collective investment undertakings in pre-contractual documents

1. The prospectus referred to in [COLL 4.2.2R], and the disclosure by AIFMs to investors required by [FUND 3.2.2R] shall specify the SFT and total return swaps which UCITS management companies or UCITS investment companies, and AIFMs respectively, are authorised to use and include a clear statement that those transactions and instruments are used.
2. The prospectus and the disclosure to investors referred to in paragraph 1 shall include the data provided for in Section B of the Annex.

[Note: article 14(1) and (2) of the *Securities Financing Transactions Regulation* and article 3 for relevant definitions]

4.2.5C UK

Information to be included in the UCITS Prospectus and AIF disclosure to investors:

- General description of the SFTs and total return swaps used by the collective investment undertaking and the rationale for their use.
- Overall data to be reported for each type of SFTs and total return swaps
 - Types of assets that can be subject to them.
 - Maximum proportion of AUM that can be subject to them.
 - Expected proportion of AUM that will be subject to each of them.
- Criteria used to select counterparties (including legal status, country of origin, minimum credit rating).

Information to be included in the UCITS Prospectus and AIF disclosure to investors:

- Acceptable collateral: description of acceptable collateral with regard to asset types, issuer, maturity, liquidity as well as the collateral diversification and correlation policies.
- Collateral valuation: description of the collateral valuation methodology used and its rationale, and whether daily mark-to-market and daily variation margins are used.
- Risk management: description of the risks linked to SFTs and total return swaps as well as risks linked to collateral management, such as operational, liquidity, counterparty, custody and legal risks and, where applicable, the risks arising from its reuse.
- Specification of how assets subject to SFTs and total return swaps and collateral received are safe-kept (e.g. with fund custodian).
- Specification of any restrictions (regulatory or self-imposed) on reuse of collateral.
- Policy on sharing of return generated by SFTs and total return swaps: description of the proportions of the revenue generated by SFTs and total return swaps that is returned to the collective investment undertaking, and of the costs and fees assigned to the manager or third parties (e.g. the agent lender). The prospectus or disclosure to investors shall also indicate if these are related parties to the manager.

[Note: section B of the annex to the *Securities Financing Transactions Regulation* and article 3 for relevant definitions.]

[Note: AUM means assets under management.]

Guidance on contents of the prospectus

4.2.6

G

- (1) In relation to ■ COLL 4.2.5R (3)(b) the *prospectus* might include:
 - (a) a description of the extent (if any) to which that policy does not envisage the *authorised fund* remaining fully invested at all times;
 - (b) for a *non-UCITS retail scheme* which may invest in immovable property:
 - (i) the maximum extent to which the *scheme property* may be invested in immovables; and
 - (ii) a statement of the policy of the *authorised fund manager* in relation to insurance of immovables forming part of the *scheme property*; and
 - (c) a description of any restrictions in the assets in which investment may be made, including restrictions in the extent to which the *authorised fund* may invest in any category of asset, indicating (if appropriate) where the restrictions are more onerous than those imposed by ■ COLL 5 (Investment and borrowing powers).
- (1A) In relation to ■ COLL 4.2.5R(3)(c-b), the *prospectus* might explain, if it is the case, that one index or factor may be used for both a *target benchmark* and a *constraining benchmark* in relation to the same *scheme*.
- (2) In relation to ■ COLL 4.2.5R (13), the type of payments are likely to include management fees (such as periodic and performance fees), *depository* fees, custodian fees, transaction fees, registrar fees, audit

fees and FCA fees. Expenses which represent properly incurred costs of the *scheme* may also be treated as a type of payment for this purpose.

- (3) [deleted]
- (4) In relation to ■ COLL 4.2.5 R (16)(a), where the *prospectus* includes provisions for both a *single-priced authorised fund* and a *dual-priced authorised fund*, it should state prominently which method of *pricing* is applicable to which *authorised fund*, and explain how the differences between them may affect *unitholders* (for example if a *unitholder* exchanges *units* in a *single-priced authorised fund* for *units* in a *dual-priced authorised fund*, or vice versa).
- (4A) In relation to ■ COLL 4.2.5R(3)(pa)(ii) and (iii), the types of liquidity management tools and arrangements that should typically be described include:
 - (a) suspension of dealing under ■ COLL 7.2.-3R, ■ COLL 7.2.-2R, ■ COLL 7.2.-1R and ■ COLL 7.2.1R;
 - (b) fair value price adjustment (see ■ COLL 6.3.3ER, and ■ COLL 6.3.6G(1)(5) to ■ COLL 6.3.6G(1)(7));
 - (c) fair and reasonable valuation of an immovable (see ■ COLL 6.3.6G(1)(7A) and ■ COLL 6.3.6G(1)(7B)); and
 - (d) measures to prevent dilution, such as applying a dilution levy (see ■ COLL 6.3.8R).
- (5) Additional matters which are not contained in ■ COLL 4.2.5 R may be required to be included in the *prospectus*, for example for the purposes of making the *scheme* eligible under relevant tax legislation.
- (6) The *authorised fund manager* of a *UCITS scheme* should consider the appropriateness of including additional matters in its *prospectus* as a result of the *ESMA Guidelines on ETFs and other UCITS issues* (ESMA 2012/832).
- (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.