

## Chapter 8

# Qualified investor schemes

## 8.3 Investor relations

### Application

8.3.1

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This section applies to an *ICVC* which is a *qualified investor scheme* and the *authorised fund manager* of a *qualified investor scheme*.

### Drawing up and availability of a prospectus

8.3.2

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- (1) An *authorised fund manager* must ensure that a *prospectus* of a *qualified investor scheme* is drawn up which contains the information, specified in ■ COLL 8.3.4 R (Table: contents of qualified investor scheme prospectus), and the *authorised fund manager* must:
  - (a) revise the *prospectus* immediately upon the occurrence of any materially significant change in the information required to be stated within it;
  - (b) include the date of any revision in a prominent manner in the revised *prospectus*;
  - (c) send a copy of the original and any revised *prospectus* to the *FSA*; and
  - (d) review the *prospectus* periodically and revise it to take account of any significant change or new matter.
- (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.
- (2) The *prospectus* must not contain any provision which is unfairly prejudicial to the interests of *unitholders* generally or to the *unitholders* of any *class of units*.
- (3) An *ICVC* or the *authorised fund manager* of an *AUT* or *ACS* must offer a copy of the *scheme's* most recent *prospectus* free of charge to any *person* eligible to invest in a *qualified investor scheme* prior to the purchase of any *units*.

8.3.2A

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- (1) The *PRIIPs Regulation* requires the manufacturer of a *PRIIP* to draw up a *key information document* in accordance with the *PRIIPs*

Regulation before that *PRIP* is made available to retail investors (as defined in the *PRIPs Regulation*).

- (2) The requirements of the *PRIPs Regulation* form part of *UK* law.
- (3) As a result, when a *qualified investor scheme* is made available to *retail clients* the *authorised fund manager* will need to prepare a *key information document* in accordance with the *PRIPs Regulation*, in addition to the *prospectus*.

**False or misleading prospectus**

8.3.3

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The *authorised fund manager* must ensure that the *prospectus* does not contain any untrue or misleading statement or omit any matter required by the *rules* in this sourcebook to be included in it.

**Table: contents of qualified investor scheme prospectus**

8.3.4

**R**

This table belongs to ■ COLL 8.3.2 R.

<b>1</b>	<p><b>Document status</b></p> <p>A statement that this document is the <i>prospectus</i> of the <i>authorised fund</i> valid as at a particular date which shall be the date of the <i>document</i>.</p>
<b>2</b>	<p><b>Description of the authorised fund</b></p> <p>Information detailing:</p> <ul style="list-style-type: none"> <li>(1) the name of the <i>authorised fund</i>;</li> <li>(1A) its <i>FCA</i> product reference number (PRN);</li> <li>(2) that the <i>authorised fund</i> is either an <i>ICVC</i>, <i>ACS</i> or an <i>AUT</i>;</li> <li>(3) that the <i>scheme</i> is a <i>qualified investor scheme</i>;</li> <li>(4) where relevant, that the <i>unitholders</i> in an <i>ICVC</i> are not liable for the debts of the <i>authorised fund</i>;</li> <li>(5) where relevant, the address of the <i>ICVC</i>'s head office and the address in the <i>United Kingdom</i> for service on the <i>ICVC</i> of documents required or authorised to be served on it;</li> <li>(6) the effective date of the <i>authorisation order</i> made by the <i>FCA</i> and, if the duration of the <i>authorised fund</i> is not unlimited, when it will or may terminate;</li> <li>(7) the <i>base currency</i> for the <i>authorised fund</i>;</li> <li>(8) where relevant, the maximum and minimum sizes of the <i>ICVC</i>'s capital;</li> <li>(9) the circumstances in which the <i>authorised fund</i> may be wound up under the <i>rules</i> in <i>COLL</i> and a summary of the procedure for, and the rights of <i>unitholders</i> under, such a winding up; and</li> <li>(10) for an <i>ACS</i> that is a <i>limited partnership scheme</i>, the address of the proposed principal place of business of the <i>limited partnership scheme</i>.</li> </ul>
<b>3</b>	<p><b>Investment objectives and policy</b></p> <ul style="list-style-type: none"> <li>(1) Sufficient information to enable a <i>unitholder</i> to ascertain:</li> </ul>

- (a) the investment objectives of the *authorised fund*;
  - (b) the *authorised fund's* investment policy for achieving those investment objectives, including:
    - (i) the general nature of the portfolio and any intended specialisation;
    - (ii) the policy for the spreading of risk in the *scheme property*; and
    - (iii) the policy in relation to the exercise of borrowing powers;
  - (c) a description of any restrictions in the assets in which investment may be made; and
  - (d) the extent (if any) to which that investment policy does not envisage remaining fully invested at all times.
- (2) For investment in immovables :
- (a) the countries or territories of immovables in which the *authorised fund* may invest;
  - (b) the policy of the *authorised fund manager* in relation to insurance of immovables forming part of the *scheme property*; and
  - (c) the policy of the *authorised fund manager* in relation to the granting of options over immovables in the *scheme property* and the purchase of options on immovables.
- (3) If intended, whether the *scheme property* may consist of *units* in *collective investment schemes* ("second schemes") which are managed by or operated by the *authorised fund manager* or by one of its *associates* and a statement as:
- (a) to the basis of the maximum amount of the charges in respect of transactions in a second *scheme*; and
  - (b) the extent to which any such charges will be reimbursed to the *scheme*.
- (4) If intended, whether the *scheme* may enter into *stock lending* transactions and, if so, what procedures will operate and what *collateral* will be required.
- (5) Where a *scheme* is a feeder *scheme* which (in respect of investment in *units* in a single *collective investment scheme*) is *dedicated* to *units* in a *collective investment scheme*, details of the master *scheme* and the minimum (and, if relevant, maximum) investment that the feeder *scheme* may make in it;

**4 Distributions and accounting dates**

Relevant details of accounting and distribution dates and a description of the procedures:

- (1) for determining and applying income (including how any distributable income is paid); and
- (2) relating to unclaimed distributions.

**5 The characteristics of units in the authorised fund**

Information as to:

- (1) the names of the *classes of units* in issue or available for *issue* and the rights attached to them in so far as they vary from the rights attached to other *classes*;
- (2) how *unitholders* may exercise their voting rights and what these are; and
- (3) the circumstances where a mandatory *redemption, cancellation* or conversion of *units* from one *class* to another may be required.

**5A Issue of units in ACSs: eligible investors**

- (1) A statement that *units* may not be *issued* to a *person* other than to a *person* :
  - (a) who is a:
    - (i) *professional ACS investor*; or
    - (ii) *large ACS investor*; or
    - (iii) *person* who already holds *units* in the *scheme*; and
  - (b) to whom *units* in a *qualified investor scheme* may be promoted under **COBS 4.12B.7R**.
- (2) A statement that the *authorised contractual scheme manager* of an ACS 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 (1).

**5B Transfer of units in ACSs**

- (1) A statement whether the transfer of *units* in the ACS *scheme* is either:
  - (a) prohibited; or
  - (b) allowed;
 by the *instrument constituting the fund* and prospectus.
- (2) A statement that where transfer of *units* is allowed by the *instrument constituting the fund* and prospectus in accordance with (1)(b), *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 *person* :
  - (a) who is a:
    - (i) *professional ACS investor*; or
    - (ii) *large ACS investor*; or
    - (iii) *person* who already holds *units* in the *scheme*; and
  - (b) to whom *units* in a *qualified investor scheme* may be promoted under **COBS 4.12B.7R**.
- (3) For a *co-ownership scheme* which is an *umbrella*, a statement in accordance with (1)(a) or (1)(b) and, where appropriate, a statement in accordance with (2), 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.

**6 The authorised fund manager**

- The following particulars of the *authorised fund manager*:
- (1) its name and the nature of its corporate form;

- (2) the country or territory of its incorporation;
- (3) the date of its incorporation and if the duration of its corporate status is limited, when that status will or may cease;
- (4) if it is a *subsidiary*, the name of its ultimate *holding company* and the country or territory in which that *holding company* is incorporated;
- (5) the address of its registered office, its head office, and, if different, the address of its principal place of business in the *United Kingdom*;
- (6) the amount of its issued share capital and how much of it is paid up;
- (7) for an *ICVC*, a summary of the material provisions of the contract between the *ICVC* and the *authorised fund manager* which may be relevant to *unitholders* including provisions (if any) relating to termination, compensation on termination and indemnity; and
- (8) for an *AUT*, the names of the *directors* of the *authorised fund manager*.

**7 Directors of an ICVC, other than the ACD**

Other than for the *ACD*:

- (1) the names and positions in the *ICVC* of the *directors*; and
- (2) the manner, amount and calculation of the *remuneration* of the *directors*.

**8 The depositary**

The following particulars of the *depositary*:

- (1) its name and the nature of its corporate form;
- (2) the country or territory of its incorporation;
- (3) the address of its registered office and the address of its head office if that is different from the address of its registered office; and
- (4) if neither its registered office nor its head office is in the *United Kingdom*, the address of its principal place of business in the *United Kingdom*.

**9 The investment adviser**

If an *investment adviser* is retained in connection with the business of the *authorised fund*, its name and whether or not it is authorised by the *FCA*.

**10 The auditor**

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

**11 The register of Unitholders**

Details of the address in the *United Kingdom* where the *register of unitholders* is kept and can be inspected by *unitholders*.

**12 Payments out of the scheme property**

The payments that may be made out of the *scheme property* to any *person* whether by way of *remuneration* for services, or reimbursement of expense and for each category of *remuneration* or expense, the following should be specified:

- (1) the current rates or amounts of such *remuneration*;
- (2) how the *remuneration* will be calculated and accrue and when it will be paid;

- (3) if notice has been given to *unitholders* of the *authorised fund manager's* intention to:
  - (a) introduce a new category of *remuneration* for its services; or
  - (b) increase the basis of any current charge; or
  - (c) change the basis of the treatment of a payment from the *capital property* set out in COLL 8.5.13 R (2) (Payments);

particulars of that introduction or increase and when it will take place;
- (4) the types of any other charges and expenses that may be taken out of the *scheme property*;
- (5) if, in accordance with COLL 8.5.13 R (2), all or part of the *remuneration* or expense are to be treated as a capital charge:
  - (a) that fact; and
  - (b) the basis of the charge which may be so treated; and
- (6) 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.

**13 Dealing**

Details of:

- (1) the *dealing days* and times in the *dealing day* on which the *authorised fund manager* will receive requests for the *sale* and *redemption* of *units*;
- (2) the procedures for effecting:
  - (a) the *issue* and *cancellation* of *units*;
  - (b) the *sale* and *redemption* of *units*; and
  - (c) the settlement of transactions;
- (3) the steps required to be taken by a *unitholder* in redeeming *units* before he can receive the proceeds including any relevant notice periods and the circumstances and periods where a deferral of payment as provided in COLL 8.5.11 R (3) (Sale and redemption) may be applied;
- (4) the circumstances in which the *redemption* of *units* may be suspended;
- (5) the *days* and times in the *day* on which recalculation of the *price* will commence;
- (6) details of the minimum number or value of each type of *unit* in the *authorised fund* which:
  - (a) any one *person* may hold; and
  - (b) may be the subject of any one transaction of *sale* or *redemption*;
- (7) the circumstances in which the *authorised fund manager* may arrange for, and the procedure for, a *redemption* of *units* in specie;

- (8) the circumstances in which the further *issue* of *units* in any particular *class* may be limited and the procedures relating to this;
- (9) the circumstances in which direct *issue* or *cancellation* of *units* by the *ICVC* or the *depository* of an *AUT* or *ACS* (as appropriate) may occur and the relevant procedures for such *issues* and *cancellations*;
- (10) 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
- (11) 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:
  - (a) a description of when the *authorised fund manager* may retain any profits it earns and absorb any losses it incurs for these activities; and
  - (b) a statement of non-accountability as referred to in COLL 8.5.14G.

**14 Valuation of scheme property**

Details as to:

- (1) how frequently and at what times of the *day* the *scheme property* will be regularly valued to determine the *price* at which *units* in the *scheme* may be purchased from or redeemed by the *authorised fund manager* and a description of any circumstance where the *scheme property* may be specially valued;
- (2) in relation to each purpose for which the *scheme property* must be valued, the basis on which it will be valued; and
- (3) how the *price* of *units* of each *class* will be determined, including a statement that a *forward price* basis is to be applied.

**15 Sale and redemption charges**

If the *authorised fund manager* makes any charges on *sale* or *redemption* of *units*, details of the charging structure and how notice will be provided to *unitholders* of any increase.

**15A Property Authorised Investment Funds**

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

- (1) it is a *property authorised investment fund*;
- (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.

**16 General information**



Details as to:

- (1) when annual and half- yearly reports will be published; and
- (2) the address at which copies of the *instrument constituting the fund*, any amending instrument and the most recent annual reports may be inspected and from which copies may be obtained.

**17 Information on the umbrella**

In the case of a *scheme* which is an *umbrella*, the following information:

- (1) that a *unitholder* may exchange *units* in one *sub-fund* for *units* in another *sub-fund* and that such an exchange is treated as a *redemption* and *sale*;
- (2) what charges may be made on exchanging *units* in one *sub-fund* for *units* in other *sub-funds*;
- (3) 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*;
- (4) in respect of 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 *umbrella*;
- (5) for an *ICVC* or a *co-ownership scheme*, that:
  - (a) for an *ICVC*, 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*, 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*, 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*; and
- (6) the *FCA* product reference number (PRN) of each *sub-fund*.

**18 Application of the prospectus contents to an umbrella**

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

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

**18A Investment in overseas property through an intermediate holding vehicle**

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 vehicles* is to enable the holding of overseas immovables by the *scheme*.

**18B Information on authorised contractual schemes**

A statement that:

- (1) a *unitholder* in a *co-ownership scheme* is not liable to make any further payment after he has paid the price of his *units* and that no further liability can be imposed on him in respect of the *units* he holds;
- (2) 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;
- (3) the exercise of rights conferred on *limited partners* by *FCA rules* does not constitute taking part in the management of the partnership business; and
- (4) 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*).

**18C Sustainability information**

The following information, as applicable:

- (1) 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); or
- (2) 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) the information required under ESG 5.3.2R(2).

**19 Additional information**

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 the making of reasonable enquiries which investors and their professional advisers would reasonably require, and reasonably expect to find in the *prospectus*, for the purpose of making an informed judgement about the merits of investing in the *authorised fund* and the extent and characteristics of the risks accepted by so participating.

### Pre-sale information to be made available on securities financing transactions and total return swaps

8.3.4A

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The *Securities Financing Transactions Regulation* sets out the additional information which an *authorised fund manager* who is a *full-scope UK AIFM* of a *qualified investor scheme* must make available to investors before they invest.

■ COLL 4.2.5BEU and ■ COLL 4.2.5CEU copy out the relevant provisions of that regulation.

An *authorised fund manager* who is a *full-scope UK AIFM* of a *qualified investor scheme* should publish the information in the *scheme prospectus*.

An *authorised fund manager* of a *qualified investor 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 8.3.4AG: see ■ COLL TP 1.39G]

### Report and accounts

8.3.5

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- (1) The *authorised fund manager* must prepare a report in respect of each *annual accounting period* and *half-yearly accounting period*.
- (2) [deleted]
- (2A) Where the first *annual accounting period* of a *scheme* is less than 12 *months*, a half-yearly report need not be prepared.
- (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*.
- (4) [deleted]
- (5) The *authorised fund manager* must provide free of charge on the request of any *person* eligible to invest in the *scheme* a copy of the latest annual or half-yearly report before the conclusion of any sale to such *person*.
- (6) The *authorised fund manager* must provide a copy of each annual and half-yearly report to the *FCA*.
- (7) For a *scheme* which is an *umbrella*, any annual report provided under (3) or (5) may be a report prepared under ■ COLL 8.3.5AR (3), but the *authorised fund manager* must nevertheless provide free of charge the report prepared under ■ COLL 8.3.5AR (2) if a *unitholder* or any other *person* eligible to invest in the *scheme* requests it.

**Contents of the annual report**

8.3.5A

**R**

- (1) An annual report, other than for a *scheme* which is an *umbrella*, must contain:
  - (a) the accounts for the *annual accounting period* prepared in accordance with the requirements of the *SORP*;
  - (b) the report of the *authorised fund manager* in accordance with ■ COLL 8.3.5C R (Authorised fund manager's report);
  - (bA) comparative information in accordance with ■ COLL 4.5.10R (1A) and ■ (2A) (Comparative information);
  - (c) the report of the *depository* in accordance with ■ COLL 8.3.5D R (Report of the depository);
  - (d) the report of the auditor in accordance with ■ COLL 4.5.12 R (Report of the auditor);
  - (e) subject to ■ COLL 8.3.5AR(1)(d), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 2.3.1R;
  - (f) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R; and
  - (g) if applicable, the amounts paid as donations for Sharia compliance purposes and the *registered charities* which received these payments.
- (2) An annual report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
  - (a) for each *sub-fund*:
    - (i) the accounts required by (1)(a);
    - (ii) the report of the *authorised fund manager* in accordance with ■ COLL 8.3.5C R;
    - (iii) comparative information in accordance with ■ COLL 4.5.10R (1A) and ■ (2A);
    - (iv) subject to ■ COLL 8.3.5AR(2)(v), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 2.3.1R;
    - (v) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R; and
    - (vi) if applicable, the amounts paid as donations for Sharia compliance purposes and the *registered charities* which received these payments;
  - (b) [deleted]
  - (c) the report of the *depository* in accordance with ■ COLL 8.3.5D R; and

- (d) the report of the auditor in accordance with ■ COLL 4.5.12 R.
- (3) The *authorised fund manager* of a scheme which is an *umbrella* may, in addition to complying with (2), prepare a further annual report for any one or more individual *sub-funds* of the *umbrella*, in which case it must contain:
- (a) for the *sub-fund*:
    - (i) the accounts required by (1)(a);
    - (ii) the report of the *authorised fund manager* in accordance with ■ COLL 8.3.5C R; and
    - (iii) comparative information in accordance with ■ COLL 4.5.10R (1A) and ■ (2A);
  - (b) the report of the *depository* in accordance with ■ COLL 8.3.5D R; and
  - (c) the report of the auditor in accordance with ■ COLL 4.5.12 R.
- (4) The *directors* of an *ICVC* or the *authorised fund manager* of an *AUT* or *ACS* must ensure that the accounts referred to in (1)(a), (2)(a) and (3)(a) give a true and fair view of the net revenue and the net capital gains or losses on the *scheme property* of the *authorised fund* or *sub-fund* for the relevant *annual accounting period*, and of the financial position of the *authorised fund* or *sub-fund* as at the end of that period.
- (5) An annual report of an *authorised fund* must also contain a statement setting out a description of the assessment of value required by ■ COLL 8.5.17R including:
- (a) a separate discussion and conclusion for the matters covered in each paragraph of ■ COLL 6.6.21R, and for each other matter that formed part of the assessment, covering the considerations taken into account in the assessment, a summary of its findings and the steps undertaken as part of or as a consequence of the assessment;
  - (b) an explanation for any case in which benefits from economies of scale that were identified in the assessment have not been passed on to *unitholders*;
  - (c) an explanation for any case in which *unitholders* hold *units* in a *class* for which the payments out of *scheme property* in relation to that *class* as set out in the *prospectus* (in this rule, “charges”) are higher than those applying to other *classes* of the same *scheme* with substantially similar rights;
  - (d) the conclusion of the *authorised fund manager’s* assessment of whether the charges are justified in the context of the overall value delivered to the *unitholders* in the *scheme*; and
  - (e) if the assessment has identified that the charges are not justified in the context of the overall value delivered to the *unitholders*, a clear explanation of what action has been or will be taken to address the situation.
- (6) An *AFM* need not include the information required by (5) in its annual report if it makes the information available to *unitholders*

annually in a composite report covering two or more of the *schemes* it manages, published in the same manner as the annual report.

**Information to be included in annual reports on securities financing transactions and total return swaps**

8.3.5AA

G

- (1) The *Securities Financing Transactions Regulation* sets out the additional information which an *authorised fund manager* who is a *full-scope UK AIFM* of a *qualified investor scheme* must include in the *scheme's* annual report.
- (2) ■ COLL 4.5.8ABEU and ■ COLL 4.5.8ACEU copy out the relevant provisions of that regulation.
- (3) An *authorised fund manager* of a *qualified investor scheme* that has not used *securities financing transactions* or *total return swaps* during the relevant *annual accounting period* is not required to include the information in ■ COLL 4.5.8ACEU in its reports.

**Contents of the half-yearly report**

8.3.5B

R

- (1) A half-yearly report on an *authorised fund* or *sub-fund* must contain:
  - (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *SORP*;
  - (b) the report of the *authorised fund manager* in accordance with ■ COLL 8.3.5C R;
  - (c) subject to ■ COLL 8.3.5BR(1)(d), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 2.3.1R, where the half-yearly report most closely follows the reporting deadline of 30 June, under ■ ESG 2.1.1R(1); and
  - (d) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R, where the half-yearly report is the report that most closely follows the date on which Part B of the *public product-level sustainability report* was published.
- (2) For a *scheme* which is an *umbrella*, the *authorised fund manager* may choose whether the half-yearly report is prepared for the *umbrella* as a whole, or for each individual *sub-fund*, or both.

**Authorised fund manager's report**

8.3.5C

R

The report of the *authorised fund manager* must include:

- (1) a review of the investment activities during the period to which the report relates;
- (1A) a portfolio statement prepared in accordance with the requirements of the *SORP*;

- (1B) in the case of an *umbrella* which has more than one *sub-fund*, particulars in the form of a table showing, as at the end of the period to which the report relates:
  - (a) for each *sub-fund*, the number of *units* in that *sub-fund* that were held by a second *sub-fund* of that *umbrella*; and
  - (b) the value of each such holding;
 or, alternatively, a statement that there were no such holdings as at the end of that period;
- (2) particulars of any fundamental or significant change to the *authorised fund* made since the date of the last report; and
- (3) any other information which would enable *unitholders* to make an informed judgement on the development of the activities of the *authorised fund* during the period and the results of those activities as at the end of the period.

### Report of the depositary

8.3.5D

**R**

- (1) The *depositary* must make an annual report to *unitholders* which must be included in the annual report.
- (2) The *depositary's* report must contain:
  - (a) a description, which may be in summary form, of the duties of the *depositary* under ■ COLL 8.5.4 R (Duties of the depositary) and in respect of the safekeeping of the *scheme property*; and
  - (b) a statement whether in any material respect:
    - (i) the *issue, sale, redemption and cancellation* and calculation of the *price* of the *units* and the application of the *authorised fund's* revenue, have not been carried out in accordance with the *rules* in this sourcebook and, where applicable, the *OEIC Regulations* and the *instrument constituting the fund*; and
    - (ii) the investment and borrowing powers and restrictions applicable to the *authorised fund* have been exceeded.

8

### Signing of annual and half-yearly reports

8.3.5E

**R**

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

- (1) in the case of an *ICVC*, if there is:
  - (a) more than one *director*, be approved by the board of *directors* and signed on their behalf by the *ACD* and at least one other *director*; or
  - (b) no *director* other than the *ACD*, be signed by the *ACD*;
- (2) in the case of an *AUT* or *ACS*, if the *authorised fund manager* has:
  - (a) more than one *director*, be signed by at least two *directors* of the *authorised fund manager*; or

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

**Alterations to the scheme and notices to Unitholders**

8.3.6

**R**

- (1) Any proposed change which would be reasonably considered to be a fundamental change to the *scheme* requires the prior sanction of an ordinary resolution of the *unitholders*.
- (2) Any proposed change to the *scheme* which is not within (1) but which would be reasonably considered to be significant, requires the giving of reasonable notice to *Unitholders* to become effective.
- (3) Alterations affecting only a particular *sub-fund* or *class* of *units* may be approved in accordance with (1) or (2) for the particular *sub-fund* or *class* of *units*, with the consent of, or, as the case may be, notice to, the relevant *unitholders*.
- (4) This *rule* and **COLL 8.3.8 R** (Meetings) will apply (unless the context requires otherwise) to alterations concerning *unitholders* of a particular *sub-fund* or *class* of *units* rather than the *scheme* or *sub-fund* as a whole.

**Alterations to the scheme and notices to Unitholders: guidance**

8.3.7

**G**

Although account should be taken of the *guidance* on fundamental changes (**COLL 4.3.5 G** (Guidance on fundamental changes)) and significant changes (**COLL 4.3.7 G** (Guidance on significant changes)) the impact of any change to the *scheme* should be assessed individually based on the nature of the *scheme* and its investor profile.

**Meetings**

8.3.8

**R**

- (1) Details of the procedures for the convening and conducting of meetings and resolutions must be set out in the *instrument constituting the fund* and be reasonable and fair as between all relevant parties.
- (2) The *authorised fund manager* must record and keep minutes for six years of all proceedings to which **COLL 8.3.6 R** (Alterations to the scheme and notices to Unitholders) and this *rule* are relevant.
- (3) The provisions in **COLL 4.4.12 R** (Notices to Unitholders), **COLL 4.4.13 R** (Other notices) and **COLL 4.4.14 G** (References to writing and electronic documents) apply in relation to *qualified investor schemes*.