COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (QUALIFYING MONEY MARKET FUNDS AND MISCELLANEOUS AMENDMENTS) INSTRUMENT 2007

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(a) section 138 (General rule-making power);
(b) section 156 (General supplementary powers);
(c) section 157(1) (Guidance); and
(d) section 247 (Trust scheme rules); and

(2) regulation 6 (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 6 October 2007.

Amendments to the Handbook

D. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Qualifying Money Market Funds and Miscellaneous Amendments) Instrument 2007.

By order of the Board
27 September 2007

Annex

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text.

3.2.6 R …

	Name of scheme
…	
7	…
7A	Where the *authorised fund* is a *qualifying money market fund*, a statement to that effect 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*.
…	

4.2.5 R …

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3	…	
	(q)	…
	(qa)	where the *authorised fund* is a *qualifying money market fund*, a statement to that effect 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*;
…		

…

Guidance relating to the use of cash collateral

5.4.8 G (1) The use of *stock lending* or the reinvestment of cash collateral should not result in a change of the *scheme's* declared investment objectives or add substantial supplementary risks to the *scheme's* risk profile.

(2) Collateral taking the form of cash may only be invested in:

(a) one of the investments coming within *COLL* 5.4.6R (1)(c)(iii) to (vii) (Treatment of collateral); or

(b) *deposits*, provided they:

(i) are capable of being withdrawn within five *business days*, or such shorter time as may be dictated by the *stock lending* agreement; and

(ii) satisfy the requirements of *COLL* 5.2.26R (1) (Investment in deposits).

6.3.4 R …

(6) …

(6A) *Qualifying money market funds* must have at least one *valuation point* every *business day* at which the valuation is carried out on an amortised cost basis.

…

6.3.6 G …

1 …

(2) …

(2A) *Schemes* investing in money market instruments should value such instruments on an amortised cost basis on condition that the *scheme* is a *qualifying money market fund*.

Maintaining the value of a qualifying money market fund

6.3.13 R The *authorised fund manager* of a *qualifying money market fund* must:

(1) carry out a valuation of the *scheme property* on a mark to market basis at least once every week and at the same *valuation point* used to value the *scheme property* on an amortised cost basis; and

(2) ensure that the value of the *scheme property* when valued on a mark to market basis does not differ by more than 0.5% from the value of the *scheme property* when valued on an amortised cost basis.

6.3.14 G The *authorised fund manager* should advise the *depositary* when the mark to market value of a *qualifying money market fund* varies from its amortised cost value by 0.1%, 0.2% and 0.3% respectively. The *authorised fund manager* of a *qualifying money market fund* should agree procedures with the *depositary* designed to stabilise the value of the *scheme* in these events.

6.8.3 R …

(2) An *authorised fund* may have ~~an~~ *interim income allocation dates* and one or more *interim accounting periods* for each of those dates and, if it does, the *interim income allocation date* must be within four *months* of the end of the relevant *interim accounting period(s)*.