

Chapter 1

Introduction

1.2 Types of authorised fund

Types of authorised fund

1.2.1

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

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

Umbrella schemes

1.2.1A

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

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

Types of authorised fund - explanation

1.2.2

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

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

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

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

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

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

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

UCITS schemes

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

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

Master UCITS

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

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

Pension feeder funds

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- (1) Except for (2), all provisions of the *Handbook* that apply:
 - (a) to a *feeder UCITS* are also applicable to a *pension feeder fund* that is constituted as a *UCITS scheme*; and

- (b) to a *feeder NURS* are also applicable to a *pension feeder fund* that is constituted as a *non-UCITS retail scheme*.
- (2) A *pension feeder fund* may not invest in *units* of an *EEA UCITS scheme* unless that *scheme* is a *recognised scheme* (see ■ COLL 5.6.27R and ■ COLL 5.8.2AR).