

Chapter 11

Master-feeder arrangements for UCITS schemes

11.5 Auditors

Information-sharing agreement between auditors

- 11.5.1 **R** Where a *master UCITS* and a *feeder UCITS* have different auditors, those auditors must enter into an information-sharing agreement in order to ensure the fulfilment of their respective duties, including the arrangements taken to comply with ■ COLL 11.5.3 R and ■ COLL 11.5.4 R (Preparation of the audit report).

[Note: article 62(1) first paragraph of the *UCITS Directive*]

Contents of the information-sharing agreement between auditors

- 11.5.2 **R**
- (1) The information-sharing agreement referred to in ■ COLL 11.5.1 R must include:
 - (a) identification of the *documents* and categories of information which are to be routinely shared between both auditors;
 - (b) whether the information or *documents* referred to in (a) are to be provided by one auditor to the other or made available on request;
 - (c) the manner and timing, including any applicable deadlines, of the transmission of information by the auditor of the *master UCITS* to the auditor of the *feeder UCITS*;
 - (d) the co-ordination of the involvement of each auditor in the accounting year-end procedures for their respective *scheme*;
 - (e) identification of matters that must be treated as irregularities and disclosed in the audit report for the *master UCITS* for the purposes of ■ COLL 11.5.3R (2);
 - (f) the manner and timing for handling ad hoc requests for assistance from one auditor to the other, including a request for further information on irregularities disclosed in the audit report for the *master UCITS*; and
 - (g) provisions regarding the preparation of the audit reports referred to in ■ COLL 11.5.3 R and ■ COLL 4.5.12 R (Report of the auditor) and the manner and timing for the provision of the audit report for the *master UCITS* (and drafts of it) to the auditor of the *feeder UCITS*.
 - (2) Where the *feeder UCITS* and the *master UCITS* have different accounting year-end dates, the information-sharing agreement must include the manner and timing by which the auditor of the *master*

UCITS is to make the ad hoc report as required by ■ COLL 11.5.4 R and to provide it (and drafts of it) to the auditor of the feeder UCITS.

- (3) Where a *master-feeder agreement* exists in accordance with ■ COLL 11.3.2R (1) (Master-feeder agreement and internal conduct of business rules), the information-sharing agreement between the auditors must provide that UK law applies to that agreement, and both auditors agree to the exclusive jurisdiction of the UK courts in relation to that agreement.
- (4) Where the *master-feeder agreement* has been replaced by internal conduct of business rules in accordance with ■ COLL 11.3.2R (2) (Master-feeder agreement and internal conduct of business rules), the information-sharing agreement between the auditors must provide that UK law applies to that agreement, and both auditors agree to the exclusive jurisdiction of the UK courts in relation to that agreement.

[Note: articles 27 and 28 of the UCITS implementing Directive No 2]

11.5.2A R

- (1) An *information-sharing agreement* between the auditors that is effective prior to *IP completion day* need not comply with ■ COLL 11.5.2R.
- (2) This paragraph applies where the applicable law of the *information-sharing agreement* between the auditors was:
 - (a) *United Kingdom law* before *IP completion day*, and remains so; or
 - (b) the law of a given *EEA State* before *IP completion day*, and remains so.

Preparation of the audit report

11.5.3 R

When preparing its audit report, the auditor of a feeder UCITS must:

- (1) take into account the audit report of the master UCITS; and
- (2) report on any irregularities revealed in the audit report of the master UCITS and their impact on the feeder UCITS.

[Note: article 62(2) first paragraph first sentence and second paragraph of the UCITS Directive]

11.5.4 R

Where a master UCITS and one or more of its feeder UCITS have different accounting years, the auditor of the master UCITS must make an ad hoc report on the closing date of the accounting year of each feeder UCITS.

[Note: article 62(2) first paragraph second sentence of the UCITS Directive]

Disclosure by an auditor

11.5.5 G

Section 351A of the Act provides that where an auditor of an AUT or ACS which is a master UCITS or a feeder UCITS, or any person acting on their behalf, makes a disclosure to comply with rules implementing Chapter VIII of the UCITS Directive, that disclosure is not to be taken as a contravention of

any duty to which the *person* making the disclosure is subject. The *OEIC Regulations* (see regulation 83A) contain corresponding provisions for auditors of *ICVCs* that are *feeder UCITS* and *master UCITS*.

Responsibility of authorised fund managers

11.5.6

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The *authorised fund managers* of a *master UCITS* and a *feeder UCITS* must ensure that the terms on which auditors of their respective *schemes* are appointed require each auditor to comply with the *rules* in this section.