

## Chapter 11

# Master-feeder arrangements for UCITS schemes



Contents of the internal conduct of business rules

This table belongs to the *rule* on the conclusion and prescribed content of the internal conduct of business rules (■ COLL 11.3.2R (2)).

- (1) Provisions related to conflicts of interest
- (a) The internal conduct of business rules referred to in COLL 11.3.2R (2) must include appropriate measures to mitigate conflicts of interest that may arise between:
- (i) the *feeder UCITS* and the *master UCITS*; or
  - (ii) the *feeder UCITS* and other *unitholders* of the *master UCITS*;
- to the extent that these are not sufficiently addressed by the measures applied by the *management company* in order to meet the requirements of the provisions listed in (b).
- (b) The provisions referred to in (a) are:
- (i) SYSC 10.1.4 R (Types of conflicts);
  - (ii) SYSC 10.1.6 R (Record of conflicts);
  - (iii) SYSC 10.1.10 R (Conflicts policy);
  - (iv) SYSC 10.1.11 R (Contents of policy);
  - (v) SYSC 10.1.17 R (Additional requirements for a management company);
  - (vi) SYSC 10.1.19 R (Structure and organisation of a management company);
  - (vii) SYSC 10.1.20 R (Avoidance of conflicts of interest for a management company);
  - (viii) SYSC 10.1.21 R (Disclosure of conflicts for a management company); and
  - (ix) COLL 6.6A.6 R (Strategies for the exercise of voting rights);
- or the equivalent provisions implementing articles 12(1)(b) and 14(1)(d) of the *UCITS Directive* and Chapter III of the *UCITS implementing Directive*.

[Note: article 15 of the *UCITS implementing Directive No 2*]

- (2) Provisions related to the basis of investment and divestment by the *feeder UCITS*:
- (a) a statement of which *classes* of *units* of the *master UCITS* are available for investment by the *feeder UCITS*;
  - (b) the charges and expenses to be borne by the *feeder UCITS* and details of any rebate or retrocession of charges or expenses by the *master UCITS*; and
  - (c) where applicable, the terms on which any initial or subsequent transfer of assets in kind may be made from the *feeder UCITS* to the *master UCITS*.

[Note: article 16 of the *UCITS implementing Directive No 2*]

- (3) Provisions related to standard dealing arrangements:
- (a) co-ordination of the frequency and timing of the net asset value calculation process and the publication of prices of *units*;
  - (b) co-ordination of transmission of dealing orders by the *feeder UCITS*, including, where applicable, the role of transfer agents or any other third party;
  - (c) where applicable, any arrangements necessary to take account of the fact that *units* of the *master UCITS* or the *feeder UCITS* are listed or traded on a secondary market;

- (d) where necessary, appropriate measures to ensure compliance with the requirements in COLL 11.3.6 R (Avoidance of opportunities for market timing);
- (e) where the *units* of the *feeder UCITS* and the *master UCITS* are denominated in different currencies, the basis for conversion of dealing orders;
- (f) settlement cycles and payment details for purchases or subscriptions and repurchases or *redemptions* of *units* of the *master UCITS* including, where agreed between the parties, the terms on which the *master UCITS* may settle *redemption* requests by a transfer of assets in kind to the *feeder UCITS*, notably where a *master UCITS* is wound up, merges with another *UCITS scheme* or *EEA UCITS scheme* or divides into two or more such *schemes*; and
- (g) where the *instrument constituting the fund* and *prospectus* of the *master UCITS* give it certain rights or powers in relation to *unitholders*, and the *master UCITS* chooses to limit or forego the exercise of all or any such rights and powers in relation to the *feeder UCITS*, a statement of the terms on which it does so.

[Note: article 17 of the *UCITS implementing Directive No 2*]

(4) Provisions related to events affecting dealing arrangements:

- (a) the manner and timing of notification by either the *master UCITS* or the *feeder UCITS* of the temporary suspension and resumption of repurchase, *redemption*, purchase or subscription of its *units*; and
- (b) the arrangements for notifying and resolving pricing errors in the *master UCITS*.

[Note: article 18 of the *UCITS implementing Directive No 2*]

(5) Provisions related to the standard arrangements for the audit report:

- (a) where the *feeder UCITS* and the *master UCITS* have the same accounting years, the co-ordination of the production of their periodic reports; and
- (b) where the *feeder UCITS* and the *master UCITS* have different accounting years, arrangements for the *feeder UCITS* to obtain any necessary information from the *master UCITS* to enable it to produce its periodic reports on time and which ensure that the auditor of the *master UCITS* is in a position to produce an ad hoc report on the closing date of the accounting year of the *feeder UCITS* in accordance with COLL 11.5.4 R (Preparation of the audit report).

[Note: article 19 of the *UCITS implementing Directive No 2*]