

Chapter 4

Investor Relations

4.5 Reports and accounts

Application

- 4.5.1 **R** The *rules* and *guidance* in this section apply to an *authorised fund manager*, a *depository* and any other *director* of an *ICVC*.

Explanation

- 4.5.2 **G** In order to provide the *unitholders* with regular and relevant information about the progress of the *authorised fund*, the *authorised fund manager* must:

- (1) prepare a long report half-yearly and annually; and
- (2) [deleted]
- (3) make the long report available to *unitholders* on request.

Full-scope UK AIFM of a non-UCITS retail scheme

- 4.5.2A **G**
- (1) A *full-scope UK AIFM* that is the *authorised fund manager* of a *non-UCITS retail scheme* should comply with both:
 - (a) **FUND 3.3** (Annual report of an AIF); and
 - (b) this chapter, regarding the preparation and publication of annual reports.
 - (2) The *authorised fund manager* need not state the same information twice to satisfy both sets of requirements.
 - (3) The *authorised fund manager*, when preparing the half-yearly long report, needs to comply only with this chapter.

Preparation of long reports

- 4.5.3 **R**
- (1) The *authorised fund manager* must for each *annual accounting period* and *half-yearly accounting period*, prepare a long report for a *scheme*.
 - (2) [deleted]

(3) Where the first *annual accounting period* of a *scheme* is less than 12 *months*, a half-yearly report need not be prepared.

(4) [deleted]

ICVC requirements

4.5.4

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(1) The *OEIC Regulations* contain requirements for the preparation of annual and half-yearly reports and make the *directors* of an *ICVC* responsible for the preparation of annual and half-yearly reports on the *ICVC*.

(2) Regulations 66 (Reports: preparation), 67 (Reports: accounts) and 68 (Reports: voluntary revision) of the *OEIC Regulations* also contain a number of other requirements relating to reports and accounts of an *ICVC*.

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4.5.6

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Contents of the annual long report

4.5.7

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(1) An annual long report on an *authorised fund*, other than a *scheme* which is an *umbrella*, must contain:

(a) the accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;

(b) the report of the *authorised fund manager* in accordance with ■ COLL 4.5.9 R (Authorised fund manager's report);

(c) comparative information in accordance with ■ COLL 4.5.10 R (Comparative information);

(d) the report of the *depository* in accordance with ■ COLL 4.5.11 R (Report of the depository); and

(e) the report of the auditor in accordance with ■ COLL 4.5.12 R (Report of the auditor).

(2) An annual long 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 for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;

(ii) the report of the *authorised fund manager* in accordance with ■ COLL 4.5.9 R; and

(iii) comparative information in accordance with ■ COLL 4.5.10 R;

(b) [deleted]

(c) the report of the *depository* in accordance with ■ COLL 4.5.11 R; and

(d) the report of the auditor in accordance with ■ COLL 4.5.12 R.

- (3) 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 (4)(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, in the case of (2)(a) and (4)(a), the *sub-fund*, for the *annual accounting period* in question and the financial position of the *authorised fund* or *sub-fund* as at the end of that period.
- (4) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further annual long report for any one or more individual *sub-funds* of the *scheme*, in which case it must contain:
- (a) in relation to the *sub-fund*:
 - (i) the accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
 - (ii) the report of the *authorised fund manager* in accordance with ■ COLL 4.5.9 R; and
 - (iii) comparative information in accordance with ■ COLL 4.5.10 R;
 - (b) the report of the *depository* in accordance with ■ COLL 4.5.11 R; and
 - (c) the report of the auditor in accordance with ■ COLL 4.5.12 R.
- (5) An annual long report of a *UCITS scheme* which is a *feeder UCITS* must also include:
- (a) a statement on the aggregate charges of the *feeder UCITS* and the *master UCITS*; and
 - (b) a description of how the annual long report of its *master UCITS* can be obtained.

[Note: article 63(2) of the *UCITS Directive*]

- (6) An annual long report of a *feeder NURS* must also include:
- (a) a statement on the aggregate charges of the *feeder NURS* and its *qualifying master scheme*; and
 - (b) a description of how the annual long report (or nearest equivalent document for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* can be obtained.
- (7) An annual long report of a *UCITS scheme* must also include:
- (a)
 - (i) the total amount of *remuneration* paid by the *authorised fund manager* to its staff for the financial year, split into fixed and variable *remuneration*;
 - (ii) the number of beneficiaries; and
 - (iii) where relevant, any amount paid directly by the *UCITS scheme* itself, including any performance fee;
 - (b) the aggregate amount of *remuneration* broken down by categories of *UCITS Remuneration Code staff*;

- (c) a description of how the *remuneration* and the benefits have been calculated;
- (d) the outcome of the reviews referred to in ■ SYSC 19E.2.7R(1) and ■ SYSC 19E.2.8R, including any irregularities that have occurred; and
- (e) details of any material changes to the adopted *remuneration* policy since the previous annual long report was prepared.

[Note: article 69(3) second paragraph of the *UCITS Directive*]

4.5.7A

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- (1) The *FCA* recognises that the annual long report, including the *remuneration* related disclosures in ■ COLL 4.5.7R(7), may be required to be made available to *unitholders* before the completion of the *authorised fund manager's* first annual performance period in which it has to comply with the *UCITS Remuneration Code*.
- (2) Under (1), the *FCA* expects the *authorised fund manager* to make best efforts to comply with ■ COLL 4.5.7R(7) to the extent possible.
- (3) The *authorised fund manager*, having made best efforts to achieve compliance with ■ COLL 4.5.7R(7), may omit to disclose information relating to *remuneration* where the information:
 - (a) is not available to the *authorised fund manager* for the relevant *annual accounting period*; or
 - (b) is available but will not provide materially relevant, reliable, comparable and clear information to *unitholders* about the *remuneration* policy of the *authorised fund manager*, as it affects the particular *UCITS scheme*.
- (4) Where disclosure is omitted, the *authorised fund manager* should explain the basis for that omission.

4.5.8-A

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Contents of the half-yearly long report

4.5.8

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- (1) A half-yearly long report on an *authorised fund*, other than for a *scheme* which is an *umbrella*, must contain:
 - (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*; and
 - (b) the report of the *authorised fund manager* in accordance with ■ COLL 4.5.9 R (Authorised fund manager's report).
- (2) A half-yearly long 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 for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*; and

(ii) the report of the *authorised fund manager* in accordance with ■ COLL 4.5.9 R; and

(b) [deleted]

(3) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further half-yearly long report for any one or more individual *sub-funds* of the *scheme*. Such reports must contain the accounts and the report of the *authorised fund manager* that would be required by (1) if the *sub-fund* were a separate *authorised fund*.

(4) The half-yearly long report of a *UCITS scheme* which is a *feeder UCITS* must also include a description of how the half-yearly and annual reports of its *master UCITS* can be obtained.

[Note: article 63(2) second subparagraph of the *UCITS Directive*]

(5) The half-yearly long report of a *feeder NURS* must also include a description of how the half-yearly and annual long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* can be obtained.

Annual and half-yearly long reports for sub-funds of an umbrella

4.5.8A

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The *authorised fund manager* may, but need not, prepare annual and half-yearly long reports for any individual *sub-fund* of an *umbrella* in accordance with ■ COLL 4.5.7R (4) and ■ COLL 4.5.8R (3) and make them available on request to any *unitholder* investing in the relevant *sub-fund*. However, if the *authorised fund manager* does so, this does not relieve it of its duty:

(1) to prepare annual and half-yearly long reports on the *umbrella* as a whole (■ COLL 4.5.7R (2) and ■ COLL 4.5.8R (2)); and

(2) to make available and publish the annual and half-yearly long reports for the *umbrella* as a whole (■ COLL 4.5.14 R).

Information to be included in annual and half-yearly reports on securities financing transactions and total return swaps

4.5.8AA

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(1) The *Securities Financing Transactions Regulation* sets out the additional information which:

(a) an *authorised fund manager* of a *UCITS scheme* must include in the *scheme's* annual and half-yearly reports; and

(b) an *authorised fund manager* who is a *full-scope UK AIFM* of a *non-UCITS retail 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 *UCITS scheme* or a *non-UCITS retail scheme* that has not used *securities financing transactions* or *total*

return swaps during the relevant *annual accounting period* or *half-yearly accounting period* is not required to include the information in ■ COLL 4.5.8ACEU in its reports.

4.5.8AB EU

Transparency of collective investment undertakings in periodical reports

1. UCITS management companies, UCITS investment companies, and AIFMs shall inform investors on the use they make of SFTs and total return swaps in the following manner:
 - (a) for UCITS management companies or UCITS investment companies in the half-yearly and annual reports referred to in Article 68 of Directive 2009/65/EC;
 - (b) for AIFMs in the annual report referred to in Article 22 of Directive 2011/61/EU.
2. The information on SFTs and total return swaps shall include the data provided for in Section A of the Annex.

[Note: article 13(1) and 13(2) of the *Securities Financing Transactions Regulation* and article 3 for relevant definitions]

4.5.8AC EU

Information to be provided in the UCITS half-yearly and annual reports and the AIF's annual report**Global data:**

- The amount of securities and commodities on loan as a proportion of total lendable assets defined as excluding cash and cash equivalents;
- The amount of assets engaged in each type of SFTs and total return swaps expressed as an absolute amount (in the collective investment undertaking's currency) and as a proportion of the collective investment undertaking's assets under management (AUM).

Concentration data:

- Ten largest collateral issuers across all SFTs and total return swaps (break down of volumes of the collateral securities and commodities received per issuer's name);
- Top 10 counterparties of each type of SFTs and total return swaps separately (Name of counterparty and gross volume of outstanding transactions).

Aggregate transaction data for each type of SFTs and total return swaps separately to be broken down according to the below categories:

- Type and quality of collateral;
- Maturity tenor of the collateral broken down in the following maturity buckets: less than one day, one day to one week, one week to one month, one to three months, three months to one year, above one year, open maturity;
- Currency of the collateral;
- Maturity tenor of the SFTs and total return swaps broken down in the following maturity buckets: less than one day, one day to one week, one week to one month, one to three months, three months to one year, above one year, open transactions;
- Country in which the counterparties are established;

Information to be provided in the UCITS half-yearly and annual reports and the AIF's annual report

- Settlement and clearing (e.g., tri-party, Central Counterparty, bilateral).

Data on reuse of collateral:

- Share of collateral received that is reused, compared to the maximum amount specified in the prospectus or in the disclosure to investors;
- Cash collateral reinvestment returns to the collective investment undertaking.

Safekeeping of collateral received by the collective investment undertaking as part of SFTs and total return swaps:

Number and names of custodians and the amount of collateral assets safe-kept by each of the custodians

Safekeeping of collateral granted by the collective investment undertaking as part of SFTs and total return swaps:

The proportion of collateral held in segregated accounts or in pooled accounts, or in any other accounts

Data on return and cost for each type of SFTs and total return swaps

broken down between the collective investment undertaking, the manager of the collective investment undertaking and third parties (e.g. agent lender) in absolute terms and as a percentage of overall returns generated by that type of SFTs and total return swaps

[Note: section A of the annex to the *Securities Financing Transactions Regulation* and article 3 for relevant definitions]

Additional information that may need to be included in the annual and half-yearly long report of a UCITS scheme

4.5.8AD

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The annual and half-yearly long reports of a *UCITS scheme* may be required to contain additional matters not referred to in ■ COLL 4.5.7 R and ■ COLL 4.5.8 R, such as those required by the *ESMA Guidelines on ETFs and other UCITS issues*, which can be found at

https://www.esma.europa.eu/sites/default/files/library/2015/11/2012-832en_guidelines_on_etfs_and_other_ucits_issues.pdf

Signing of annual and half-yearly reports

4.5.8B

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The annual reports in ■ COLL 4.5.7R (1) and ■ (2), and the half-yearly reports in ■ COLL 4.5.8R (1) and ■ (2), 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*.

Authorised fund manager's report

4.5.9

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The matters set out in (1) to (13) must be included in any *authorised fund manager's report*, except where otherwise indicated:

- (1) the names and addresses of :
 - (a) the *authorised fund manager*;
 - (b) the *depository*;
 - (c) the *registrar*;
 - (d) any *investment adviser*;
 - (e) the auditor; and
 - (f) for a *scheme* which invests in immovables, the *standing independent valuer*;
- (2) (for an *ICVC*), the names of any *directors* other than the *ACD*;
- (3) a statement of the authorised status of the *scheme*;
- (4) (for an *ICVC*) a statement that the *unitholders* of the *ICVC* are not liable for the debts of the *ICVC*;
- (5) the investment objectives of the *authorised fund*;
- (6) the policy and strategy pursued for achieving those objectives;
- (7) a review of the investment activities during the period to which the report relates;
- (7A) a portfolio statement prepared in accordance with the requirements of the *IMA SORP*;
- (7B) 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;
- (8) particulars of any fundamental changes in accordance with ■ COLL 4.3.4 R (Fundamental change requiring prior approval by meeting) made since the date of the last report;
- (9) particulars of any significant changes which have occurred in accordance with ■ COLL 4.3.6 R (Significant change requiring pre-event notification) since the date of the last report;
- (9A) in the case of a *UCITS scheme* or a *KII-compliant NURS* that does not have a significant exposure to immovables, the figure for the

synthetic risk and reward indicator disclosed in its most recent *key investor information document* or *NURS-KII document* and any changes to that figure that have taken place during the period;

- (10) any other information which would enable *unitholders* to make an informed judgement on the development of the activities of the *authorised fund* during this period and the results of those activities as at the end of that period;
- (11) for a report on an *umbrella* prepared in accordance with ■ COLL 4.5.7R (2) or ■ COLL 4.5.8R (2) , information required by (1) to (10) must be given for each *sub-fund*, if it would vary from that given in respect of the *umbrella* as a whole;
- (12) for a *UCITS scheme* which invests a substantial proportion of its assets in other *schemes*, a statement as to the maximum proportion of management fees charged to the *scheme* itself and to other *schemes* in which that *scheme* invests; and
- (13) for a report on an individual *sub-fund* of a *scheme* which is an *umbrella* prepared in accordance with ■ COLL 4.5.7R (4) or ■ COLL 4.5.8R (3), a statement that the latest long report prepared for the *umbrella* as a whole is available on request.

Comparative information

4.5.10

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The comparative information required by ■ COLL 4.5.7 R (Contents of the annual long report) and ■ COLL 8.3.5A R (Contents of the annual report) must be shown for the last three *annual accounting periods* (or all of the *authorised fund's annual accounting periods*, if fewer than three) and must set out:

(1) [deleted]

(1A) for a *unit* of each *class* in issue, a comparative table as at the end of the period to which the report relates, prepared in accordance with the requirements of the *IMA SORP* and showing at least:

- (a) the performance record of a *unit* of that *class*;
- (b) an indication of the actual charges and costs borne by the *class*;
- (c) the net income distributed (or, for *accumulation units*, allocated) for the *unit*, taking account of any sub-division or consolidation of *units* that occurred during that period;
- (d) the net asset value of the *unit* as at the end of the period;

(e) (i) (for a report of the *directors* of an *ICVC*) the number of *units* of the *class* in issue as at the end of the period; or

(ii) (for a report of the *authorised fund manager* of an *AUT* or an *ACS*) the number of *units* of the *class* that are in existence or treated as in existence as at the end of the period; and

(f) the highest and the lowest *prices* of the *unit* during the period;

(2) [deleted]

(2A) for the *scheme property*, its total net asset value as at the end of the period; and

(3) if, in the period covered by the information:

- (a) the *authorised fund* has been the subject of any event (such as a *scheme of arrangement*) having a material effect on the size of the *authorised fund*, but excluding any *issue* or *cancellation of units* for cash; or
- (b) there have been changes in the investment objective and policy of the *authorised fund*;
- (c) [deleted]

an indication, related in the body of the table to the relevant year in the table, of the date of the event or change in the investment objective and policy, and a brief description of its nature.

4.5.10A

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- (1) The figure for the "return before operating charges" shown in the comparative table required by ■ COLL 4.5.10R (1A) should include all costs and charges actually borne by the *class of units* it describes.
- (2) The indication of actual costs and charges borne by a *class of units* should cover pro-rata allocations of the operating charges borne by the *scheme* (e.g. annual management fee, fees and expenses payable to the *depository*, auditors and *FCA*, costs of buying and selling *units* in an underlying *scheme*, etc.), any performance-related fee and direct transaction-related costs where known to the *AFM* (e.g. dealing commission on equity transactions and stamp duty). Where possible, the operating charges should be presented as a single figure in both pence per *unit* and as a percentage of net asset value.

Report of the depository

4.5.11

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- (1) The *depository* must make an annual report to *unitholders* which must be included in the annual report.
- (2) The annual report must contain:
 - (a) a description, which may be in summary form, of the duties of the *depository* under ■ COLL 6.6.4 (General duties of the depository) 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.

Report of the auditor

4.5.12 **R** The *authorised fund manager* must ensure that the report of the auditor to the *unitholders* includes the following statements:

- (1) whether, in the auditor's opinion, the accounts have been properly prepared in accordance with the *IMA SORP*, the *rules* in this sourcebook, and the *instrument constituting the fund*;
- (2) whether, in the auditor's opinion, the accounts 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, as the case may be, the *scheme property* attributable to the *sub-fund*) for the *annual accounting period* in question and the financial position of the *authorised fund* or *sub-fund* as at the end of that period;
- (3) whether the auditor is of the opinion that proper accounting records for the *authorised fund* (or, as the case may be, *sub-fund*) have not been kept or whether the accounts are not in agreement with those records;
- (4) whether the auditor has been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit; and
- (5) whether the auditor is of the opinion that the information given in the report of the *directors* or in the report of the *authorised fund manager* for that period is consistent with the accounts.

4.5.13 **R** [deleted]

Publication and availability of annual and half-yearly long report

4.5.14 **R** (1) The *authorised fund manager* must, within four *months* after the end of each *annual accounting period* and two *months* after the end of each *half-yearly accounting period* respectively, make available and publish the long reports prepared in accordance with **■** COLL 4.5.7R (1) to **■** (3) (Contents of the annual long report) and **■** COLL 4.5.8R (1) to **■** (2) (Contents of the half-yearly long report).

- (2) The reports referred to in (1) must:
 - (a) be supplied free of charge to any *person* on request;
 - (b) be available in English, for inspection by the public free of charge during ordinary office hours at a place specified;
 - (c) for a *UCITS scheme*, be available for inspection by the public at a place designated by the *authorised fund manager* in each *EEA State* other than the *United Kingdom* in which *units* in the *authorised fund* are marketed, in English and in at least one of that other *EEA State's* official languages; and
 - (d) be sent to the *FCA* and, if the *UCITS scheme* is managed by an *EEA UCITS management company*, to that company's *Home State regulator* on request.

[Note: article 74 of the *UCITS Directive*]

Provision of annual and half-yearly long reports for master and feeder UCITS

4.5.15

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- (1) The *authorised fund manager* of a *UCITS* scheme which is a *feeder UCITS* must:
- (a) where requested by an investor, provide copies of the annual and half-yearly long reports of its *master UCITS* free of charge; and
 - (b) file copies of the annual and half-yearly long reports of its *master UCITS* with the *FCA* .
- (2) Except where an investor requests paper copies or the use of electronic communications is not appropriate, the annual and half-yearly long reports of its *master UCITS* may be provided in a *durable medium* other than paper or by means of a website that meets the *website conditions*.

[Note: articles 63(3) and 63(5) of the *UCITS Directive*]

Provision of annual and half-yearly long reports for qualifying master schemes of feeder NURS

4.5.16

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- (1) The *authorised fund manager* of a *feeder NURS* must, where requested by an investor or the *FCA* , provide to such *person* copies of the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* free of charge.
- (2) Except where an investor requests paper copies or the use of *electronic communications* is not appropriate, the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* may be provided in a *durable medium* other than paper, or by means of a website that meets the *website conditions*.