

Chapter 5

Investment and borrowing powers



5.1 Introduction

Application

5.1.1

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- (1) Subject to 1(A), ■ COLL 5.1 to ■ COLL 5.5 apply to the *authorised fund manager* and the *depository* of an *authorised fund*, and to an *ICVC*, which is or ever has been a *UCITS scheme*.
- (1A) The only sections of ■ COLL 5 that apply to the *authorised fund manager* and the *depository* of a *feeder UCITS*, and to an *ICVC* which is a *feeder UCITS*, are ■ COLL 5.3 and ■ COLL 5.8, although particular rules in ■ COLL 5.1, ■ COLL 5.2 and ■ COLL 5.5 are incorporated by reference.
- (2) Subject to 2(A), ■ COLL 5.1, ■ COLL 5.4 and ■ COLL 5.6 apply to the *authorised fund manager* and *depository* of an *authorised fund*, and to an *ICVC*, which is a *non-UCITS retail scheme*.
- (2A) ■ COLL 5.1, ■ COLL 5.4 and ■ COLL 5.7 apply to the *authorised fund manager* and the *depository* of an *authorised fund* and to an *ICVC* which is a *non-UCITS retail scheme* operating as a *fund of alternative investment funds*.
- (3) Paragraphs (2) and (2A) cease to apply if a *non-UCITS retail scheme* converts to be authorised as a *UCITS scheme*.
- (4) [deleted]

Purpose

5.1.2

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- (1) This chapter helps in achieving the *statutory objective* of protecting *consumers* by laying down minimum standards for the investments that may be held by an *authorised fund*. In particular:
 - (a) the proportion of *transferable securities* and *derivatives* that may be held by an *authorised fund* is restricted if those *transferable securities* and *derivatives* are not listed on an *eligible market*; the intention of this is to restrict investment in *transferable securities* or *derivatives* that cannot be accurately valued and readily disposed of; and
 - (b) *authorised funds* are required to comply with a number of *investment rules* that require the spreading of risk.
- (2) Table 5.1.4G gives an overview of the permissible investments and maximum investment limits for *UCITS schemes* and *non-UCITS retail schemes*.

Treatment of obligations

5.1.3

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- (1) Where a *rule* in this chapter allows a transaction to be entered into or an investment to be retained only if possible obligations arising out of the transaction or out of the retention would not cause the breach of any limits in this chapter, it must be assumed that the maximum possible liability of the *authorised fund* under any other of those *rules* has also to be provided for.
- (2) Where a *rule* in this chapter permits a transaction to be entered into or an investment to be retained only if that transaction, or the retention, or other similar transactions, are covered:
 - (a) it must be assumed that in applying any of those *rules*, the *authorised fund* must also simultaneously satisfy any other obligation relating to cover; and
 - (b) no element of cover must be used more than once.

Indicative overview of investment and borrowing powers

5.1.4

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This table belongs to ■ COLL 5.1.2G (2).

Scheme investments and investment techniques	Limits for UCITS schemes		Limits for non-UCITS retail schemes	
	Permissible investment	Maximum limit	Permissible investment	Maximum limit
Approved securities	Yes	None	Yes	None
Transferable securities that are not approved securities	Yes	10%	Yes	20%
Government and public securities	Yes	None	Yes	None
Regulated schemes other than qualified investor schemes and long-term asset funds	Yes	None	Yes	None
Unregulated schemes, qualified investor schemes, and long-term asset funds	No	N/A	Yes	20% (C) (D)
Warrants	Yes	None	Yes	None
Investment trusts	Yes	None	Yes	None
Deposits	Yes	None	Yes	None
Derivatives	Yes	None	Yes	None
Immovables (i.e real property)	No	N/A	Yes	None
Gold	No	N/A	Yes	10%
Hedging	Yes	None	Yes	None
Stock lending	Yes	None	Yes	None
Underwriting	Yes	None	Yes	None
Borrowing	Yes	10% (T)	Yes	10%
Cash and near cash	Yes	None	Yes	None
Note:	Meaning of terms used:			
A percentage	an upper limit (though there may be limits of other kinds).			

Scheme investments and investment techniques	Limits for UCITS schemes	Limits for non-UCITS retail schemes
"(T)"	temporary only- see COLL 5.5.4R(4)	
"N/A"	Not applicable	
"(C)"	In the case of a <i>non-UCITS retail scheme</i> operating as a <i>FAIF</i> there is no maximum limit - see COLL 5.7.7 R.	
"(D)"	The second <i>scheme</i> would also need to meet the applicable requirements specified in the <i>rules</i> .	