

## Chapter 7

# Suspension of dealings and termination of authorised funds

## 7.2 Suspension and restart of dealings

### Requirement

7.2.1

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- (1) The *authorised fund manager* may, with the prior agreement of the *depository*, and must without delay, if the *depository* so requires, temporarily suspend the *issue, cancellation, sale and redemption of units* in an *authorised fund* (referred to in this chapter as "*dealings in units*"), where due to exceptional circumstances it is in the interest of all the *unitholders* in the *authorised fund*. Where an *authorised fund* is a *regulated money market fund*, the *authorised fund manager* must ensure that any such suspensions are consistent with the *Money Market Funds Regulation*.
- (1A) The *authorised fund manager* and the *depository* must ensure that the suspension is only allowed to continue for as long as it is justified having regard to the interests of the *unitholders*.
- (2) On suspension, the *authorised fund manager*, or the *depository* if it has required the *authorised fund manager* to suspend *dealings in units*, must:
- (a) immediately inform the *FCA*, stating the reason for its action; and
  - (b) as soon as practicable give written confirmation of the suspension and the reasons for it to:
    - (i) the *FCA*; and
    - (ii) the *Home State regulator* in each *EEA State* in which the *authorised fund manager* holds itself out as willing to *sell* or *redeem units* of the *authorised fund* concerned.
- (2A) The *authorised fund manager* must ensure that a notification of the suspension is made to *unitholders* of the *authorised fund* as soon as practicable after suspension commences.
- (2B) In making the notification set out in (2A), the *authorised fund manager* must ensure that it:
- (a) draws *unitholders'* particular attention to the exceptional circumstance which resulted in the suspension;
  - (b) is clear, fair and not misleading; and
  - (c) informs *unitholders* how to obtain the information detailed in (2C).
- (2C) The *authorised fund manager* must ensure that it publishes (on its website or by other general means) sufficient details to keep

*unitholders* appropriately informed about the suspension including, if known, its likely duration.

- (3) During a suspension:
  - (a) none of the obligations in ■ COLL 6.2 (Dealing) apply; and
  - (b) the *authorised fund manager* must comply with as much of ■ COLL 6.3 (Valuation and pricing) as is practicable in the light of the suspension.
- (4) The suspension of *dealings* in *units* must cease as soon as practicable after the exceptional circumstances referred to in (1) have ceased.
- (4A) The *authorised fund manager* and the *depository* must formally review the suspension at least every 28 days and inform the *FCA* of the results of this review and any change to the information provided in (2).
- (5) The *authorised fund manager* must inform the *FCA* of the proposed restart of *dealings* in *units* and immediately after the restart must confirm this by giving notice to the *FCA* and the authorities mentioned in (2)(b)(ii).
- (6) The *authorised fund manager* may agree, during the suspension, to *deal* in *units* in which case all *deals* accepted during, and outstanding prior to, the suspension will be undertaken at a *price* calculated at the first *valuation point* after restart of *dealing* in *units*, subject to (8).
- (7) This *rule* applies to a *sub-fund* as it applies to an *authorised fund*, and:
  - (a) references to the *units* of the *class* or *classes* relate to that *sub-fund* and to the *scheme property* attributable to the *sub-fund*; and
  - (b) this *rule* can only apply to one or more *classes* of *units* without being applied to other *classes*, if it is in the interest of all the *unitholders*.
- (8) If an *authorised fund* operates *limited redemption arrangements*, and the event in (1) has affected a *valuation point*, the *authorised fund manager* must declare an additional *valuation point* as soon as possible after the restart of *dealings* in *units*.

[Note: article 45(2) of the *UCITS Directive*]

**Temporary suspension of units of a master UCITS or qualifying master scheme**

7.2.1A



Where:

- (1) an *authorised fund manager* of a *UCITS scheme* which is a *master UCITS* or a *qualifying master scheme* temporarily suspends the *issue*, *cancellation*, *sale* and *redemption* of its *units*, whether at its own initiative or at the request of the *FCA*; or

- (2) an operator of an EEA UCITS scheme which is a master UCITS or a qualifying master scheme temporarily suspends the issue, cancellation, sale or redemption of its units, whether at its own initiative or at the request of its Home State regulator; or
- (3) an authorised fund manager of a non-UCITS retail scheme which is a qualifying master scheme temporarily suspends the issue, cancellation, sale or redemption of its units, whether at its own initiative or at the request of the FCA; or
- (4) the operator of a recognised scheme which is a qualifying master scheme temporarily suspends the issue, cancellation, sale or redemption of its units whether at its own initiative or at the request of its regulator;

the authorised fund manager of each of its feeder UCITS (which is a UCITS scheme) or feeder NURS is entitled to suspend the issue, cancellation, sale or redemption of its units for the same period of time as the master UCITS or qualifying master scheme.

[Note: article 60(3) of the UCITS Directive]

**Guidance**

7.2.2

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- (1) Suspension should be allowed only in exceptional cases where circumstances so require and suspension is justified having regard to the interests of the unitholders. Difficulties in realising scheme assets or temporary shortfalls in liquidity may not on their own be sufficient justification for suspension. In such circumstances the authorised fund manager and depositary would need to be confident that suspension could be demonstrated genuinely to be in the best interests of the unitholders. Before an authorised fund manager and depositary determines that it is the best interests of unitholders to suspend dealing, it should ensure that any alternative courses of action have been discounted.
- (2) The authorised fund manager will need to ensure that any suspension, while maintaining unitholders' interests, is temporary, of minimal duration and is consistent with the provisions of the prospectus and the instrument constituting the fund.
- (3) During a suspension, the authorised fund manager should inform any person who requests a sale or redemption of units that all dealings in units have been suspended and that that person has the option to withdraw the request during the period of suspension or have the request executed at the first opportunity after the suspension ends.