

Chapter 5A

The COLL sourcebook

5A.1 Introduction

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- (1) *COLL* is a specialist sourcebook that sits in Block 6 (Specialist Sourcebooks) of the *FCA Handbook*. It provides the detailed framework within which *authorised funds* operate and includes requirements relating to *recognised schemes*.
- (2) The material in *COLL* (excluding chapter 9) forms a major part of the product regulation regime for *ICVCs* and *AUTs*, supplementing the material in the *OEIC Regulations* (for *ICVCs*) and chapter III of Part 17 of the *Act* (for *AUTs*) and giving effect to the relevant parts of the *UCITS Directive*. This is shown in the diagram at ■ COLLG 5A.1.5 G.
- (3) The sourcebook is designed as a two-tier approach, depending on whether the *authorised fund* is capable of being promoted to the general public (a *retail scheme*) or is sold to sophisticated investors (a *qualified investor scheme*).

Definition of terms in COLL

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Some parts of *COLL* relate only to *ICVCs* and some parts only to *AUTs*. However, most of *COLL* covers both *ICVCs* and *AUTs*, so some of the defined terms included relate equally to both *ICVCs* and *AUTs* (together defined as "*authorised funds*"). Other key terms are:

- (1) "*authorised fund manager*", which refers to both the *ACD* of an *ICVC* and the *manager* of an *AUT*;
- (2) "*depository*", which when used for an *authorised fund* refers to both the *depository* of an *ICVC* and the *trustee* of an *AUT*; and
- (3) "*unit*", which according to the context can refer to a "*share*" in an *ICVC*, a "*unit*" in an *AUT*, and the rights or interests of *participants* in other types of *collective investment scheme*.

Outline of the content of COLL

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The contents of *COLL* are outlined below.

- (1) ■ COLL 1 (Introduction) sets out which firms *COLL* applies to and gives an overview of the types of *authorised fund*.
- (2) ■ COLL 2 (*Authorised fund applications*) sets out the initial application requirements for *authorised funds* and the *rules* concerning notifications which need to be made to the *FCA* in its role as registrar of *ICVCs*.

- (3) ■ COLL 3 (Constitution) includes requirements regarding the contents of the *instrument constituting the scheme for authorised funds* that are retail schemes and other matters relating to their constitutional features, such as *classes of units*.
- (4) ■ COLL 4 (Investor relations) includes consumer-facing material relating to *authorised funds* that are retail schemes. So, material on the *prospectus*, *key investor information document*, *simplified prospectus* (for *non-UCITS retail schemes* or *feeder NURS*, where the *authorised fund manager* opts to produce this), and reports and accounts is included in that chapter, together with *rules* relating to when *Unitholders* must be notified of events and when meetings of *Unitholders*, are required. The chapter also includes the information to be given to *Unitholders* of a *feeder UCITS* in certain circumstances. (A *key investor information document* is not required for a *non-UCITS retail scheme* or *feeder NURS*. However, an *authorised fund manager* of such a *scheme* can choose to produce an equivalent document to the *key investor information document*, which is referred to as a *NURS-KII document*, by applying for a modification by consent (see www.fca.org.uk/firms/waivers-modifications/consent). If an *authorised fund manager* of such a *scheme* does not choose to produce a *NURS-KII document* it must produce a *key features document*, in accordance with the provisions of ■ COBS 13.3 (Contents of a *key features document*), or opt to produce a *simplified prospectus*).
- (5) ■ COLL 5 (Investment and borrowing powers) requires *authorised funds* that are retail schemes, their *authorised fund managers* and *depositories*, to comply with *rules* on the investment composition of the *scheme*. It is divided up as follows:
- (a) ■■ COLL 5.2 to ■ COLL 5.3 implement the *UCITS Directive* requirements which require quality, spread and counterparty limits to be imposed on the assets of funds within the scope of the Directive (as set out in ■ COLLG 2A.1.4 G);
 - (b) ■ COLL 5.4 provides rules on *stock lending*;
 - (c) ■ COLL 5.5 provides *rules* on holding cash and *near cash*, borrowing and lending;
 - (d) ■ COLL 5.6 provides investment rules for *non-UCITS retail schemes*;
 - (e) ■ COLL 5.7 provides a regime for a *non-UCITS retail scheme* that is to be operated as a *fund of alternative investment funds (FAIF)*. The *authorised fund manager* of such a fund must carry out certain additional due diligence procedures in relation to the funds in which the *FAIF* is to invest;
 - (f) ■■ COLL 5.8 sets out investment powers and limits for a *UCITS scheme* that is to be operated as a *feeder UCITS*. It also sets out what other provisions in ■ COLL 5 are applicable to a *feeder UCITS*; and
 - (g) ■ COLL 5.9 specifies the permitted investments for a *UCITS scheme* or a *non-UCITS retail scheme* operating as a *money market fund* or a *short-term money market fund*. These restrictions reflect *CESR's guidelines on a common definition of European money market funds*.

- (6) ■ COLL 6 (Operating duties and responsibilities) contains *rules* on the day-to-day operation of *authorised funds* that are *retail schemes*. In particular:
- (a) ■ COLL 6.2 sets out rules relating to *dealing* in *units*, including the *issue* and *cancellation of units*;
 - (b) ■ COLL 6.3 sets out how *authorised funds* must be valued and *prices of units* calculated and published;
 - (c) ■ COLL 6.4 provides requirements relating to the *register of Unitholders* in an *AUT* (see the *OEIC Regulations for ICVCs*) and any *plan register*;
 - (d) ■ COLL 6.5 sets out *rules* relating to the appointment and replacement of the *authorised fund manager* and *depository*;
 - (e) ■ COLL 6.6 imposes certain powers and duties on the *authorised fund manager* and the *depository* and ■ COLL 6.6A imposes certain powers and duties on the *authorised fund managers* of *UCITS schemes* and on a *UK UCITS management company* of an *EEA UCITS scheme*;
 - (f) ■ COLL 6.7 lays down conditions concerning charges and expenses that may be taken when investors buy or sell *units*, and what payments may be made out of the *scheme property*;
 - (g) ■ COLL 6.8 provides *rules* and *guidance* on the calculation and distribution of income;
 - (h) ■ COLL 6.9 gives *guidance* relating to independence of the *depository* and *management company*, *scheme names* and the restrictions on the business of the *UCITS*;
 - (i) ■ COLL 6.10 sets out the oversight responsibilities of *senior personnel* in relation to a *UCITS scheme*;
 - (j) ■ COLL 6.11 and ■ COLL 6.12 set out more detail about the risk controls and risk management policy that must be employed in relation to a *UCITS scheme*; and
 - (k) ■ COLL 6.13 sets out record-keeping requirements in relation to a *UCITS scheme*.
- (7) ■ COLL 7 (Suspension of dealings and termination of authorised funds) includes the requirements for suspension of *dealing* in the *units* of *authorised funds* and how they may be wound up (including termination of *sub-funds*). ■ COLL 7.7 provides *rules* in relation to mergers subject to the *UCITS Directive*.
- (8) ■ COLL 8 (Qualified Investor Schemes) provides a framework of *rules* for a *scheme* which restricts subscription to certain prescribed categories of investor (principally *professional clients* and sophisticated investors). For such a *scheme*, the *FCA* considers that not all the detailed product *rule* protections that apply to *retail schemes* are necessary. This type of *scheme*, called a *qualified investor scheme*, satisfies the essential features of an authorised product and so distinguishes itself from an *unregulated collective investment scheme*, but otherwise is allowed more flexibility in its operation compared to the framework for *retail schemes*. ■ COLL 2 (Authorised fund applications) contains details of the application procedure for *qualified investor schemes*.

- (9) ■ COLL 9 (Recognised Schemes) applies to *collective investment schemes* established outside the *United Kingdom*. It brings together the material relating to the admission to *marketing* of such *schemes* in the *United Kingdom*, supplementing material in chapter V of Part 17 of the *Act* (Recognised overseas schemes).
- (10) ■ COLL 10 (Fees) is no longer used as the provisions are set out in *FEES*.
- (11) ■ COLL 11 (Master-feeder arrangements under the UCITS Directive) sets out various Directive requirements applicable to *feeder UCITS* and *master UCITS*, including the arrangements for co-ordination and information-sharing between *the UCITS management companies*, *depositories* and auditors of each *scheme*.
- (12) ■ COLL 12 (Management company and product passports under the UCITS Directive) provides more information about the rules that are applicable to the use of the *UCITS management company* passport and the *UCITS* product passport. It sets out which rules in *COLL* are applicable to an *EEA UCITS management company* that wishes to operate a *UCITS* scheme in the *UK* through the exercise of passporting rights.
- (13) ■ COLL 13 (Operation of a *feeder NURS*) sets out requirements relating to the operation of a *feeder NURS* and certain types of *qualifying master scheme*. Such operational obligations concern, for example, information which is to be obtained and/or provided pre-investment, and the treatment of a *charge* made to a *feeder NURS* for acquisition or disposal of *units* in a *qualifying master scheme*.

Related Sourcebooks

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- (1) There are a number of other parts of the *Handbook* that are particularly relevant to those having a responsibility in relation to *authorised funds*. These include:
- (a) *PRIN* (The Principles for Businesses);
 - (b) *SYSC* (Senior Management Arrangements, Systems and Controls);
 - (c) *APER* (The Statements of Principle and Code of Practice for Approved Persons);
 - (d) *FEES* (the Fees manual), which includes details of the application and periodic fees payable for *authorised funds* and *recognised schemes*;
 - (e) *COBS* (the Conduct of Business sourcebook);
 - (f) *CASS* (the Client Assets sourcebook);
 - (g) *SUP* (the Supervision manual);
 - (h) *DEPP* (the Decision Procedure and Penalties manual);
 - (i) *DISP* (Dispute resolution: complaints); and
 - (j) *COMP* (Compensation).
- (2) *UPRU* (the Prudential sourcebook for UCITS firms) sets out the financial resources requirements for an *authorised fund manager* of a *UCITS* scheme where that manager is undertaking only *scheme management activity*. *BIPRU* (the Prudential sourcebook for Banks,

Building Societies and Investment Firms) applies certain requirements to the *authorised fund manager* of a *UCITS scheme* where that manager is a *UCITS investment firm*. Both sourcebooks include certain requirements of the *UCITS Directive*.

(3) *IPRU(INV)* (the Interim Prudential sourcebook for Investment Businesses) sets out the financial resources requirements for an *authorised fund manager* of a *qualified investor scheme* or a *non-UCITS retail scheme*, unless the *authorised fund manager* is a *BIPRU investment firm*, in which case *BIPRU* (the Prudential sourcebook for Banks, Building Societies and Investment Firms) sets out the financial resources requirements.

(4) In addition to the listed sourcebooks, Regulatory Guides may also be of relevance. For example [EG link 14](#) (Collective Investment Schemes) sets out the *FCA's* policies and procedures concerning the use of its enforcement powers in relation to *regulated collective investment schemes*.

Regulated schemes: explanatory diagram

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This diagram provides a general description of the products covered by *COLL* and the relevant legislation and sections of *COLL*.

