COLLECTIVE INVESTMENT SCHEMES (UCITS AMENDING DIRECTIVE)
INSTRUMENT 2003

Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions:

(1) the following sections of the Financial Services and Markets Act 2000 (the "Act"):

(a) section 138 (General rule-making power);
(b) section 140 (Restrictions on managers of authorised unit trust schemes);
(c) section 156 (General supplementary powers);
(d) section 157 (Guidance);
(e) section 213 (The Compensation Scheme);
(f) section 214 (General);
(g) section 242 (Applications for authorisation of unit trust schemes);
(h) section 247 (Trust scheme rules);
(i) section 248 (Scheme particulars rules);
(j) section 270 (Schemes authorised in designated countries or territories);
(k) section 274 (Applications for recognition of individual schemes);
(l) section 278 (Rules as to scheme particulars); and
(m) section 340 (Appointment); and

(2) regulations 6 (FSA rules) and 12 (Applications for authorisation ) of the Open-Ended Investment Company Regulations 2001.
B. The provisions of or under the Act listed above are specified for the purpose of section 153 (2) of the Act (Rule – making instruments).

Commencement

C. This instrument comes into force on 13 February 2004.

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
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</thead>
<tbody>
<tr>
<td>PRIN</td>
<td>Annex A</td>
</tr>
<tr>
<td>SYSC</td>
<td>Annex B</td>
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<tr>
<td>IPRU(INV)</td>
<td>Annex C</td>
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<td>COB</td>
<td>Annex D</td>
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<td>AUTH</td>
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<td>DEC</td>
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<td>COMP</td>
<td>Annex H</td>
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<td>CIS</td>
<td>Annex I</td>
</tr>
<tr>
<td>Glossary</td>
<td>Annex J</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Collective Investment Schemes (UCITS Amending Directive) Instrument 2003.

By order of the Board

17 July 2003
## Annex A

### Amendments to Principles for Businesses (PRIN)

In this Annex, underlining indicates new text.

### Table 3.3.1 R (Territorial application of the Principles)

<table>
<thead>
<tr>
<th>Principle</th>
<th>Territorial application</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td><strong>Principles 6, 7, 8, 9 and 10</strong></td>
<td><em>Principle 8, in a prudential context, applies with respect to activities wherever they are carried on; otherwise apply with respect to activities carried on from an establishment maintained by the firm or its appointed representative in the United Kingdom unless another applicable rule which is relevant to the activity has a wider territorial scope, in which case the Principle applies with that wider scope in relation to the activity described in that rule.</em></td>
</tr>
<tr>
<td>...</td>
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</tbody>
</table>
Annex B
Amendments to Senior Management Arrangements, Systems and Controls Sourcebook (SYSC)

In this Annex, underlining indicates new text.

Appendix 1

Matters reserved to a Home State regulator

1.1.2  G  …

(1)  the Single Market Directives expressly reserve responsibility for the prudential supervision of an ISD investment firm, BCD credit institution, UCITS management company or passporting insurance undertaking to the firm's Home State regulator; accordingly, the FSA, as Host State regulator, is entitled to regulate only the conduct of the firm's business within the United Kingdom;

...

...
Annex C

Amendments to the Interim Prudential Sourcebook for Investment Businesses (IPRU(INV))

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire new section of text is being inserted, the place that it goes is indicated and it is not struck through or underlined.

Before Chapter 1, insert the following:

Transitional provisions

1 Table  Transitional provisions applying to IPRU(INV)

<table>
<thead>
<tr>
<th>(1)</th>
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<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Material to which the transitional provision applies</td>
<td>Transitional provision</td>
<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td><strong>IPRU (INV) 7</strong></td>
<td>R</td>
<td>A <em>UCITS management company</em> authorised on or before 12 February 2004 need not comply with the provisions in <em>IPRU(INV) 7</em> until 12 February 2007 provided it continues to comply instead with the provisions in <em>IPRU(INV) 5</em> and it continues to restrict its activities to those specified under <em>CIS 16.5.1R (1) to (3).</em></td>
<td>From 13/2/04 to 12/2/07</td>
<td>13/2/04</td>
</tr>
</tbody>
</table>
1.2 APPLICATION

1.2.1 R The Glossary annexed to the General Provisions Instrument 2001 applies to the transitional provisions, this chapter IPRU(INV) 1, IPRU(INV) 2, IPRU(INV) 4 and IPRU(INV) 6.

1.2.2 R (1) IPRU(INV) applies to:

... 

(f) a service company; and

(g) the Society of Lloyd’s (in relation to underwriting agents); and

(h) a UCITS management company.

...

1.2.5 R Table

This table belongs to IPRU (INV) 1.2.3R

<table>
<thead>
<tr>
<th>Professional firm</th>
<th>Chapters 1 and 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>UCITS management company</td>
<td>Chapters 1 and 7</td>
</tr>
<tr>
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</tbody>
</table>

Chapter 5

...
APPENDIX 1 (INTERPRETATION)

GLOSSARY OF TERMS FOR CHAPTER 5 (FORMER IMRO FIRMS)

The following words or terms throughout Chapter 5 are to have the meanings given to them below if not inconsistent with the subject or context. If a defined term does not appear in the Chapter 5 glossary below, the definition appearing in the Glossary annexed to the General Provisions Instrument 2001 ("the Glossary") applies.

... consolidated supervision means, in relation to a firm which is a member of a group, the application of Chapter 5, or in the case of a UCITS management company Chapter 7, of the Interim Prudential Sourcebook to:

(a) that firm on a solo basis; and

(b) that firm and any other member of that group of which the firm is a member on a consolidated basis.

financial resources requirement

(a) (in relation to a UCITS management company) has the meaning given in rule 7.2.1R (2) and (3);

(b) (in relation to a firm other than one in (a)) has the meaning given in rule 5.2.3(1) (a) to (c) (Determination of requirement).

funds under management

(1) collective investment schemes other than OEICs managed by the firm including schemes where it has delegated the management function but excluding schemes that it is managing as delegate; and

(2) OEICs for which the firm is the designated management company.

Glossary means the Glossary giving the meanings of the defined expressions used in the Handbook glossary of defined terms which applies for other parts of the Handbook as amended from time to time.

initial capital (in relation to a UCITS management company) means capital calculated in accordance with Table 7.3.1R (Method of calculation of financial resources) composed of the specified items set out in that Table.
**liquid capital**

(a) (in relation to a *UCITS management company*) means capital calculated in accordance with Table 7.3.1R composed of the specified items set out in that Table;

(b) (in relation to a *firm* other than one in (a)) has the meaning given in rule 5.2.2(2) and Table 5.2.2(1) (Calculation of own funds and liquid capital).

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**own funds**

(a) (in relation to a *UCITS management company*) means capital calculated in accordance with Table 7.3.1R composed of the specified items set out in that Table;

(b) (in relation to a *firm* other than one in (a)) has the meaning given in rule 5.2.2(1) (Own funds) and Table 5.2.2(1) (Calculation of own funds and liquid capital).
After Chapter 6 (Service Companies), insert the following new chapter:

7 UCITS MANAGEMENT COMPANIES

7.1 INTRODUCTION

Application

7.1.1 R (1) This chapter, (IPRU (INV) 7) and any provisions of Chapter 5 (IPRU (INV) 5) incorporated into this chapter by reference, apply to a firm which is a UCITS management company but not an EEA UCITS management company.

(2) The definitions in the Glossary at Appendix 1 to Chapter 5 (IPRU(INV) 5) apply to this chapter.

7.1.2 G Firms are reminded that a UCITS management company can be either:

(1) a UCITS firm; or

(2) a UCITS investment firm.

Purpose

7.1.3 G (1) The purpose of this chapter is to amplify Principle 4 (Financial resources) which requires a firm to maintain adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject. This assists in the achievement of the regulatory objectives of consumer protection and market confidence.

(2) This chapter also implements certain requirements of the UCITS Directive, as amended by the amending Council Directive 2001/107/EC, which among other matters imposes capital requirements on a UCITS management company.

7.2 FINANCIAL RESOURCES AND FINANCIAL RESOURCES REQUIREMENTS

7.2.1 R (1) A firm must ensure that it has at all times financial resources calculated in accordance with Table 7.3.1 R which equal or exceed the applicable financial resources requirement.

(2) A firm must calculate its financial resources requirement in accordance with rule 7.2.2 R.

(3) In addition to (1), a UCITS investment firm must also ensure that it has at all times liquid capital calculated in accordance with Table 7.3.1 R which equal or exceed its liquid capital resource requirement.

(4) A UCITS investment firm must calculate its liquid capital resource requirement in accordance with rule 7.2.3 R.
Requirements

7.2.2  The financial resources requirement for a firm is calculated in accordance with whichever of (1) or (2) produces the higher amount:

1. subject to a maximum requirement of €10,000,000:
   - (a) initial capital requirement of €125,000; plus
   - (b) if the funds under management exceed €250,000,000, an additional amount of 0.02% of the excess; or
2. 13/52 of its annual audited fixed expenditure calculated in accordance with rule 7.2.4 R.

7.2.3  The liquid capital resource requirement for a UCITS investment firm is the sum of (1) and (2):

1. 13/52 of annual audited fixed expenditure calculated in accordance with rule 7.2.4 R; and
2. in respect of designated investment business other than when undertaking scheme management activity the sum of its:
   - (a) position risk requirement calculated in accordance with Table 5.2.3 (5)(b);
   - (b) counterparty risk requirement calculated in accordance with Table 5.2.3 (5)(c);
   - (c) foreign exchange requirement calculated in accordance with Table 5.2.3 (5)(d); and
   - (d) other assets requirement calculated in accordance with Table 5.2.3 (5)(e).

7.2.4  For the purposes of rules 7.2.2(2)R and 7.2.3(1)R a firm’s annual audited fixed expenditure is:

1. the amount described as total expenditure in the most recent annual financial return, less the following items (if they are included within such expenditure):
   - (a) staff bonuses, except to the extent that they are guaranteed;
   - (b) employees’ and directors’ shares in profits, except to the extent that they are guaranteed;
   - (c) other appropriations of profits;
(d) shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue;

(e) interest charges in respect of borrowings made to finance the acquisition of the firm’s readily realisable investments;

(f) interest paid to customers on client money;

(g) interest paid to counterparties;

(h) fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;

(i) foreign exchange losses;

(j) other variable expenditure; or

(2) where the previous accounting period does not include twelve months’ trading, an amount calculated in accordance with paragraph (1) above prorated to an equivalent annual amount; or

(3) where a firm has not prepared an annual financial return or annual accounts since the commencement of its permitted business, an amount based on forecast expenditure included in the budget for the first twelve months’ trading, as submitted with its application for authorisation.

7.2.5 A firm’s financial resources requirement will be recalculated and audited annually when its annual financial return is prepared. The firm must maintain financial resources sufficient to meet its new financial resources requirement from the date on which the annual financial return is approved by the auditor. The annual audited fixed expenditure, applicable at the accounting reference date to which the annual financial return is prepared, will be that based on the previous year’s figures. This will usually be the same as that used in the fourth quarter’s quarterly financial return prepared to the same accounting reference date.
### 7.3 METHOD OF CALCULATION OF FINANCIAL RESOURCES

#### 7.3.1 R This table belongs to rule 7.2.1R (1)

<table>
<thead>
<tr>
<th>TIER 1</th>
<th>Financial resources</th>
<th>Category</th>
<th>Part II Para</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Paid-up share capital (excluding preference shares)</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>(2)</td>
<td>Share premium account</td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>(3)</td>
<td>Audited reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4)</td>
<td>Non-cumulative preference shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5)</td>
<td>Investments in own shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6)</td>
<td>Intangible assets</td>
<td></td>
<td>B</td>
</tr>
<tr>
<td>(7)</td>
<td>Material current year losses</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>(8)</td>
<td>Material holdings in credit and financial institutions</td>
<td></td>
<td>5</td>
</tr>
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</table>

**Initial capital = (A-B) =**

<table>
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<th>TIER 2</th>
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<tbody>
<tr>
<td>(9)</td>
<td>Revaluation reserves</td>
<td></td>
</tr>
<tr>
<td>(10)</td>
<td>Fixed term cumulative preference share capital</td>
<td></td>
</tr>
<tr>
<td>(11)</td>
<td>Long-term Qualifying Subordinated Loans</td>
<td></td>
</tr>
<tr>
<td>(12)</td>
<td>Other cumulative preference share capital and debt capital</td>
<td></td>
</tr>
<tr>
<td>(13)</td>
<td>Qualifying arrangements</td>
<td></td>
</tr>
</tbody>
</table>

**Own funds = (C+D) =**

<table>
<thead>
<tr>
<th>TIER 3</th>
<th></th>
<th></th>
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</thead>
</table>

### PART I

A *firm* must calculate its financial resources as shown below, subject to the detailed requirements set out in Part II.

- **Financial resources**
- **Category**
- **Part II Para**

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Financial resources</th>
<th>Category</th>
<th>Part II Para</th>
</tr>
</thead>
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<tr>
<td>(2)</td>
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<td></td>
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<td>(7)</td>
<td>Material current year losses</td>
<td></td>
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</table>

**Initial capital = (A-B) =**

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<tr>
<th>Tier 2</th>
<th>Financial resources</th>
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</tr>
<tr>
<td>(13)</td>
<td>Qualifying arrangements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Own funds = (C+D) =**

**TIER 3**
PART II

DETAILED REQUIREMENTS

1 Ratios

(Items 10, 11 and 15)

(a) the total of fixed term cumulative preference shares (item 10) and long-term qualifying subordinated loans (item 11) that may be included in Tier 2 capital is limited to 50 per cent of Tier 1 capital (But see sub-paragraph (d) below);

(b) Tier 1 capital must equal or exceed €125,000 at all times;

(c) Tier 2 capital must not exceed 100 per cent of Tier 1 capital;

(d) capital which would otherwise qualify as Tier 2 capital but for the operation of paragraphs (a) and (c) may be treated as Tier 3 capital (liquid capital) for UCITS investment firms subject to sub-paragraph (e) below; and

(e) the total of the excess of Tier 2 capital so treated as Tier 3 capital and short-term qualifying subordinated loans (item 15) may not exceed 250 per cent of an amount equal to Tier 1 capital less the other assets requirements calculated in accordance with Table 5.2.3(5)(e).

2 Non corporate entities

(a) In the case of partnerships or sole traders, the following terms should be substituted, as appropriate, for items 1 to 4 in Tier 1 capital:

(i) partners’ capital accounts (excluding loan capital);

(ii) partners’ current accounts (excluding unaudited profits and loan capital);

(iii) proprietor's account (or other term used to signify the sole trader’s capital but excluding unaudited profits).

(b) Loans other than qualifying subordinated loans shown within partners’ or proprietors' accounts must be classified as Tier 2 capital under item 12.
3 Intangible assets (Item 6)

Intangible assets comprise:

(a) formation expenses to the extent that these are treated as an asset in the firm’s accounts;

(b) goodwill, to the extent that it is treated as an asset in the firm’s accounts; and

(c) other assets treated as intangibles in the firm’s accounts.

4 Material current year losses (Item 7)

Losses in current year operating figures must be deducted when calculating Tier 1 capital if such losses are material. For this purpose profits and losses must be calculated quarterly, as appropriate. If this calculation reveals a net loss it shall only be deemed to be material for the purposes of this Table if it exceeds 10 per cent of the firm’s Tier 1 capital.

5 Material holdings in credit and financial institutions (Item 8)

Material holdings comprise:

(a) where the firm holds more than 10 per cent of the equity share capital of the institution, the value of that holding and the amount of any subordinated loans to the institution and the value of holdings in qualifying capital items or qualifying capital instruments issued by the institution;

(b) in the case of holdings other than those mentioned in (a) above, the value of holdings of equity share capital in, and the amount of subordinated loans made to, such institutions and the value of holdings in qualifying capital items or qualifying capital instruments issued by such institutions to the extent that the total of such holdings and subordinated loans exceeds 10 per cent of the firm’s own funds calculated before the deduction of item 8.

6 Long term qualifying subordinated loans (Item 11)

Loans having the characteristics prescribed by rule 5.2.5(1) may be included in item 11, subject to the limits set out in paragraph (1) above.

7 Qualifying arrangements (Item 13)

A firm may only include a qualifying undertaking or other arrangement in item 13 if it is a qualifying capital instrument or a qualifying capital.

8 Interim profits

Non-trading book interim profits may only be included in Tier 1 of the calculation if they have been independently verified by the firm’s external auditors.

For this purpose, the external auditor should normally undertake at least the following:

(a) satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
(b) review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the firm in drawing up its annual financial statements;

(c) perform analytical review procedures on the results to date, including comparisons of actual performance to date with budget and with the results of prior periods;

(d) discuss with management the overall performance and financial position of the firm;

(e) obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisions for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and

(f) follow up problem areas of which the auditors are already aware in the course of auditing the firm’s financial statements.

A firm wishing to include interim profits in Tier 1 capital in a financial return should submit to the FSA with the financial return a verification report signed by its external auditor which states whether the interim results are fairly stated.

Profits on the sale of capital items or arising from other activities which are not directly related to the investment business of the firm may also be included within the calculation of liquid capital if they can be separately verified by the firm’s auditors. In such a case, such profits can form part of the firm’s Tier 1 capital as audited profits.

**9 Short term qualifying subordinated loans (Item 15)**

Loans having the characteristics prescribed by rule 5.2.5(3) may be included in item 15 subject to the limits set out in paragraph (1) above. Tier 2 capital which exceeds the ratios prescribed by paragraph (1)(a) and (c) may be included in item 15 subject to paragraph (1) above.

**10 Illiquid assets (Item 14)**

Illiquid assets comprise:

- (a) tangible fixed assets;

Note

In respect of tangible fixed assets purchased under finance leases the amount to be deducted as an illiquid asset shall be limited to the excess of the asset over the amount of the related liability shown on the balance sheet.

- (b) holdings in, including subordinated loans to, credit or financial institutions which may be included in the own funds of such institutions unless they have been deducted under item 8;

- (c) any investment in undertakings other than credit institutions and other financial institutions where such investments are not readily realisable;

- (d) any deficiency in net assets of a subsidiary;

- (e) deposits not available for repayment within 90 days (except for
payments in connection with margined futures or options contracts);

**Note**

Where cash is placed on deposit with a maturity of more than 90 days but is repayable on demand subject to the payment of a penalty, then this is not required to be deducted as an illiquid asset but a deduction is required for the amount of the penalty.

(f) loans, other debtors and accruals not falling due to be repaid within 90 days or which are more than one month overdue by reference to the contractual payment date;

(g) physical stocks (except where subject to the *position risk requirement* as set out in Table 5.2.3(5)(b); and

(h) prepayments to the extent that the period of prepayment exceeds thirteen weeks.

11 **Qualifying property** (Item 17)

This item comprises the qualifying amount calculated in accordance with rule 5.2.6(1).
7.4 APPLICATION OF CERTAIN RULES IN CHAPTER 5 OF IPRU(INV)

7.4.1 R (1) The following rules in IPRU(INV)5 apply to a firm in respect of qualifying subordinated loans, qualifying property, qualifying undertakings, records and consolidated supervision:

(a) rules 5.2.5(1) to 5.2.5(7);

(b) rules 5.2.6(1) to 5.2.6(3);

(c) rules 5.3.1(1) and 5.3.1(4) to 5.3.1(6); and

(d) rules 5.7.1(1), 5.7.1(2)(b) and (c), 5.7.1(3) and 5.7.1(4).

(2) In the applicable rules in IPRU(INV)5 rules references to:

(a) table 5.2.2(1) are to be construed as references to Table 7.3.1R;

(b) rule 5.2.3(1) are to be construed as references to rule 7.2.1R;

(c) rule 5.3.1(3) are to be construed as references to rule 7.6.2R;

(d) rule 5.2.1(2) are to be construed as references to rule 7.2.1R(1);

(e) rule 5.5.1(1) are to be construed as references to rule 7.5.2R; and

(f) liquid capital requirements are to be construed as references to the liquid capital resource requirement calculated in accordance with rule 7.2.3R.

7.4.2 R (1) Rules 5.2.7(2) to 5.2.7(4) in IPRU(INV)5 apply to a UCITS investment firm in regard to large exposures in respect of its designated investment business other than when undertaking scheme management activity.

(2) References in the applicable IPRU(INV)5 rules to firm or to ISD firm are to be construed as references to a UCITS investment firm.

7.5 FINANCIAL NOTIFICATION

7.5.1 G Rule 7.5.2 R applies instead of rule 5.5.1(1) (Financial Notification).

7.5.2 R A UCITS investment firm must notify the FSA in writing as soon as it has reason to believe that any of the following has occurred:

(1) a counterparty in a repo or reverse repo transaction has defaulted; or
(2) the firm is in breach of the requirement to maintain initial capital equal to or in excess of €125,000; or

(3) the firm is in breach of the large exposures limits set out in rule 5.2.7(3).

7.6 RECORDS

7.6.1 G Rule 7.6.2R applies instead of rule 5.3.1(3) (Records).

7.6.2 R A firm must ensure that proper accounting records are kept in English to show and explain the firm’s own account transactions.
Annex D

Amendments to the Conduct of Business sourcebook (COB)

In this Annex, underlining indicates new text.

4 Table Miscellaneous Transitional Rules

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material to which the transitional provision applies</td>
<td>Transitional provision</td>
<td>Transitional provision: dates in force</td>
<td>Handbook provision: coming into force</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

...  
10 \(COB\) 7.1.14 R \(UCITS\) management company \(COB\) 7.1.14 R does not take effect in relation to any discretionary management undertaken in accordance with a client agreement entered into before 12 February 2004. From 13 February 2004 to 12 February 2007 13 February 2004

After \(COB\) 7.1.13R, insert the following new rule:

UCITS management company

7.1.14 R In addition to \(COB\) 7.1.3R, a UCITS management company which also manages investments (other than of collective investment schemes) must obtain prior general approval from the client before it invests all or part of the client’s portfolio in the units of a UCITS it manages.
Annex E

Amendments to the Authorisation manual (AUTH)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3.17.2 G Applicants seeking to establish a collective investment scheme or to act as manager of a regulated collective investment scheme should note the rule in CIS 16.5, which implements article 62 of the UCITS Directive and restricts the activities of a manager of an authorised unit trust fund manager of a collective investment scheme which is a UCITS scheme to the activities stated in that rule.

3.17.3 G [Deleted] An applicant which wishes to act as manager of an authorised unit trust which is a UCITS scheme should note the restriction on the activities it may engage in (see CIS 16.5 (Managers of UCITS Schemes)).

3.17.4 G A firm which is subject to the rule in CIS 16.5 may, however in addition, carry on ‘connected activities’ referred to in CIS 16.5, which include management of PEPs, ISAs and stakeholder pension schemes, as long as they are dedicated to investments in unit trusts and OEICs for which the firm acts as manager or ACD. The Enquiries and Applications Department (Applications team) would be pleased to discuss any other activities which potential applicants consider may be connected.

...
it satisfies the service conditions).

(1A) (a) Paragraph (1) does not apply to the activity of dealing in units in a collective investment scheme in the United Kingdom where:

(i) the firm is an EEA UCITS management company;

(ii) the firm satisfies the establishment conditions in AUTH 5.4.2G; and

(iii) the FSA notifies the EEA firm and the EEA firm’s Home State regulator that the way in which it intends to market a relevant scheme in the United Kingdom does not comply with the law in force in the United Kingdom.

(b) The FSA’s notice under (1A)(a)(iii) has to be given to the EEA firm within two months of receiving the consent notice (AUTH 5.4.2G(1)) and will be similar to a warning notice.

(c) For details of the FSA’s procedures for the giving of warning notices and references to the Tribunal, see DEC 2.2 (Statutory notice procedure: Warning notice and decision notice procedure) and DEC 5 (References to the Tribunal, publication and services of notices).

...
(1) the EEA firm has given its Home State regulator notice of its intention to provide cross border services in the United Kingdom (a notice of intention);

(2) if the EEA firm is passporting under either the Investment Services Directive or the Insurance Directives, or the UCITS Directive, the FSA has received notice (“a regulator’s notice”) from the EEA firm's Home State regulator containing the information prescribed under regulation 3 of the EEA Passport Rights Regulations (see AUTH 5 Annex 2G); and

(3) if the EEA firm is passporting under the Insurance Directives, its Home State regulator has informed the EEA firm that it has sent the regulator's notice to the FSA.

5 Annex 1

G Establishment of a branch: Contents of Consent Notice

1 Table

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Para n.</th>
<th>Contents of consent notice (Regulation 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment firm</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>EEA UCITS management company</td>
<td>(2A)(a)</td>
<td>a statement that the firm is an EEA UCITS management company;</td>
</tr>
<tr>
<td></td>
<td>(b)</td>
<td>the requisite details of the branch; and</td>
</tr>
<tr>
<td></td>
<td>(c)</td>
<td>details of any compensation scheme which is intended to protect the branch’s investors.</td>
</tr>
<tr>
<td>Credit institution</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>
Table 1

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Para n.</th>
<th>Contents of consent notice—regulator’s notice (Regulation 2.3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Investment firm</em></td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><em>EEA UCITS management company</em></td>
<td>(2A)(a)</td>
<td>a statement that the <em>firm</em> is an <em>EEA UCITS management company</em>;</td>
</tr>
<tr>
<td></td>
<td>(b)</td>
<td>particulars of the programme of operations to be carried on in the <em>United Kingdom</em> including a description of the particular activities which the <em>firm</em> is seeking to carry on in the <em>United Kingdom</em> in the exercise of an <em>EEA right</em>; and</td>
</tr>
<tr>
<td></td>
<td>(c)</td>
<td>details of any compensation scheme which is intended to protect investors.</td>
</tr>
<tr>
<td><em>Insurance undertaking</em></td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>
Annex F

Amendments to the Supervision Manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Transitional provisions

<table>
<thead>
<tr>
<th></th>
<th>Table</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>Material to which the transitional provision applies</td>
</tr>
<tr>
<td>9</td>
<td>\textit{SUP} 12.5.5R \textit{SUP} 12.5.7R</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>

3.1.2 RTable: Applicable sections (see SUP 3.1.1R)
<table>
<thead>
<tr>
<th>(1) Category of firm</th>
<th>(2) Sections applicable to the firm</th>
<th>(3) Sections applicable to its auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7) Investment management firm, personal investment firm (other than a small personal investment firm), UCITS management company, or securities and futures firm (Note 3)</td>
<td>SUP 3.1 – SUP 3.7</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8 – SUP 3.10</td>
</tr>
</tbody>
</table>

3.1.10 G Table: Other relevant sections of the Handbook (see SUP 3.1.9G)

| Investment management firm, personal investment firm, securities and futures firm, UCITS management company | IPRU(INV) |

3.9.5 R Table: Auditor’s report

<table>
<thead>
<tr>
<th>(6) the relevant financial reporting statement has been properly prepared in accordance with the FSA’s rules, the relevant financial reporting statement being, in the case of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
</tr>
<tr>
<td>(d) a UCITS management company: the annual financial return (see SUP 16.7.68R);</td>
</tr>
<tr>
<td>(10) the firm (not being a corporate finance advisory firm or an OPS firm) has calculated its expenditure requirement in accordance with the relevant rules for the forthcoming year, the relevant rules being, in the case of:</td>
</tr>
</tbody>
</table>
... 

(f) a UCITS management company: IPRU(INV) 7.2.3R and 7.2.4R;

... 

(13) the firm has kept proper accounting records in accordance with the rules throughout its financial year, the relevant rules being, in the case of:

... 

(e) a UCITS management company: IPRU (INV) 7.4.1R;

... 

3.9.7 R An auditor of a firm must submit a report under SUP 3.9.4R(1) after each accounting reference date of the firm and so has to be received by the FSA within:

... 

(2) in the case of an auditor of a personal investment firm, a UCITS management company or an investment management firm, four months of the firm’s accounting reference date.

... 

3.10.5 R Table: Client assets report

<table>
<thead>
<tr>
<th>whether in the auditor’s opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
</tr>
<tr>
<td>(3) In the case of an investment management firm, personal investment firm, a UCITS management company or securities and futures firm</td>
</tr>
<tr>
<td>...</td>
</tr>
</tbody>
</table>

... 

13.3.5 G (1) If a UK firm has given the FSA a notice of intention in the required form, then:

(a) if the UK firm’s EEA right derives from the Banking Consolidation Directive, or the Investment Services Directive or the UCITS...
Directive, the FSA will give the Host State Regulator a Consent Notice within three months unless it has reason to doubt the adequacy of a UK firm’s resources or its administrative structure;

...

13.3.7 G ...

(2) If the FSA decides to refuse to give a consent notice, then paragraph 19(12) of Part III of Schedule 3 to the Act requires the FSA to give the UK firm a decision notice within three months of the date on which it received the UK firm's notice of intention (two months in the case of a UK firm which is a UCITS management company). The UK firm may refer the matter to the Tribunal.

...

13.4.3 G (1) If the EEA right is derived from the Investment Services Directive, the Banking Consolidation Directive or the UCITS Directive, the FSA has one month to notify the relevant Host State regulator;

...

13.4.4 G If a UK firm has given the FSA a notice of intention in the required form, then:

(1) if the UK firm’s EEA right derives from the Investment Services Directive, or the Banking Consolidation Directive, or the UCITS Directive, paragraph 20(3) of Part III of schedule 3 to the Act requires the FSA to send a copy of the notice of intention to the Host State Regulator within one month of receipt; or

...

13.4.6 G (1) If the UK firm is passporting under the Investment Services Directive or UCITS Directive, then when the Host State regulator receives the notice of intention, it should inform the UK firm of any applicable provisions.
Firms passporting under the Investment Services Directive, the Banking Consolidation Directive and the UCITS Directive

13.6.4 G If a UK firm has exercised an EEA right under the Investment Services Directive, or the Banking Consolidation Directive or the UCITS Directive, and established a branch in another EEA State, regulation 11(1) states that the UK firm must not make a change in the requisite details of the branch (see SUP 13 Ann 1R), unless it has satisfied the requirements of regulation 11(2), or, where the changes arise from circumstances beyond the UK firm’s control, regulation 11(3)(see SUP 13.6.10G).

Firms passporting under the Investment Services Directive and the UCITS Directive

13.7.3 G If a UK firm is passporting under the Investment Services Directive or the UCITS Directive, regulation 12(1) states that the UK firm must not make a change in its programme of operations, or the activities to be carried on under its EEA right, unless the relevant requirements in regulation 12(2) have been complied with. These requirements are:

...
The information required under 1 above, plus: the EEA State within the territory of which the UCITS management company plans to establish a branch;

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Requisite / relevant details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Investment firm</td>
<td>Requisite Details (a) details of the programme of operations, stating in particular the service or services of the UK firm intends to provide.</td>
</tr>
<tr>
<td>2 UCITS management company</td>
<td>(a) The information required under 1 above, plus: the EEA State within the territory of which the UCITS management company plans to establish a branch;</td>
</tr>
<tr>
<td>3 Insurance undertaking</td>
<td>……</td>
</tr>
</tbody>
</table>

Firms passporting under the Investment Services Directive, the Banking Consolidation Directive and the UCITS Directive

14.2.2 G (1) Where an incoming EEA firm, passporting under the Investment Services Directive, the Banking Consolidation Directive or the UCITS Directive, has established a branch in the United Kingdom, regulation 4 states that it must not make a change in the requisite details of the
branch (see AUTH 5 Ann 1G) unless it has complied with the relevant requirements.

14.3.1 G Where an incoming EEA firm passporting under the Investment Services Directive, UCITS Directive or Insurance Directives is exercising an EEA right and is providing cross border services into the United Kingdom, the EEA Passport Rights Regulations govern any changes to the details of those services. Where an incoming EEA firm has complied with the relevant requirements in the EEA Passport Rights Regulations, then the firm’s permission given under Schedule 3 to the Act is to be treated as varied accordingly.

Firms passporting under the Investment Services Directive and UCITS Directive

14.3.2 G Where an incoming EEA firm passporting under the Investment Services Directives or UCITS Directive is providing cross border services into the United Kingdom, it must not make a change in the details referred to in regulation 5(1) (see AUTH 5 Ann 2G) unless it has complied with the relevant requirements in regulation 5(3).

After SUP 15.8.3R, insert the following new section:

Delegation by UCITS management companies

15.8.4 R A UCITS management company must notify the FSA as soon as reasonably practicable if it delegates any of its functions to a third party.

15.8.5 G A UCITS management company which delegates any of its functions to a third party must, as well as complying with SUP 15.8.4 R, comply with the requirements in CIS 7.6.1 R (2) or CIS 7.10.4 R(1) as appropriate.

...
### 16.1.3 R Table: application of different sections of SUP 16

<table>
<thead>
<tr>
<th>(1) Section(s)</th>
<th>(2) Categories of firm to which section applies</th>
<th>(3) Applicable rules and guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><em>SUP 16.7</em></td>
<td><em>ELMI</em></td>
<td><em>SUP 16.7.64.R to SUP 16.7.66R..</em></td>
</tr>
<tr>
<td><em>UCITS management company</em></td>
<td>...</td>
<td><em>SUP 16.7.67R to SUP 16.7.72R</em></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

...  

### 16.7.5 G Table  Applicable rules and guidance on financial reports (see SUP 16.7.1G)

<table>
<thead>
<tr>
<th>Firm category</th>
<th>Applicable rules and guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><em>ELMI</em></td>
<td><em>SUP 16.7.64R–SUP 16.7.66R</em></td>
</tr>
<tr>
<td><em>UCITS Management Company</em></td>
<td><em>SUP 16.7.67R–SUP 16.7.72R</em></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

...  

After *SUP 16.7.66R*, insert the following new section:

**UCITS Management Companies**

### 16.7.67 R  A *UCITS management company* must submit reports to the *FSA* in accordance with *SUP 16.7.68R*. 
16.7.68 R Table: Financial reports from a UCITS management company (see SUP 16.7.67R)

<table>
<thead>
<tr>
<th>Report</th>
<th>Frequency</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Financial Return (Note 1)</td>
<td>Annually</td>
<td>4 months after the firm’s accounting reference date</td>
</tr>
<tr>
<td>Annual accounts (Note 1)</td>
<td>Annually</td>
<td>4 months after the firm’s accounting reference date</td>
</tr>
<tr>
<td>Annual solvency statement (only for individuals in partnership) (Note 2)</td>
<td>Annually</td>
<td>At the same time as the Annual Financial Return</td>
</tr>
<tr>
<td>Quarterly Financial Return (Note 3)</td>
<td>Quarterly</td>
<td>1 month after quarter end</td>
</tr>
</tbody>
</table>

Note 1: The Annual Financial Return and the annual accounts of a firm must together give a true and fair view of the state of affairs of the firm (or in the case of a sole trader, of his regulated activities) and of the firm’s profit or loss.

Note 2: The annual solvency statement is a statement from each partner in the following form: ‘I certify that I have sufficient assets to cover my personal liabilities.’

Note 3 A firm must therefore prepare four Quarterly Financial Returns each year. One Quarterly Financial Return must be prepared to the same date as the Annual Financial Return (but submitted earlier). Quarterly Financial Returns are not cumulative, and must relate only to the period concerned. A firm may need to prepare more frequent accounts, including financial resources statements, for its own internal use to ensure that it complies at all times with the rules in IPRU(INV).

16.7.69 R A UCITS management company must submit the required reports in accordance with, and in the same format as, the forms contained in SUP 16 Ann 16R, and according to the requirements contained in section 3 of that annex.

16.7.70 G The FSA expects the annual accounts to be submitted together with the auditor’s report required by SUP 3.9.4R.

Reporting periods
16.7.71 R The period covered by:
(1) quarterly financial returns may not exceed three months; and
(2) annual financial returns may not exceed twelve months.
Timely reporting

16.7. 72 R A UCITS management company must notify the FSA in writing as soon as it has reason to believe it will be unable to submit an annual or quarterly financial return by the dates specified in SUP 16.7.68R. Such notice must specify why it cannot submit the report to the FSA on time and give the date by which it will submit the report to the FSA.

...

After SUP 16 Ann 15R, insert the following new Annex:

16 Ann 16R: UCITS management companies reporting forms and requirements applying to their completion

1. Annual Financial Return

2. Quarterly Financial Return

3. Requirements applying to the completion of annual and quarterly financial returns
Financial Return

UCITS Management Companies

Annual Financial Return

For the year ended

Name of Firm

FSA firm reference number

Date of Audit Opinion

For FSA use

Date received

Entered

Completed

Annual Profit and Loss - UCITS Management Companies
For the period from ________________ (date) to ________________ (date)

(Accounting Reference Date)

£000

Dealing Profit/(Loss)

Dealing profit or (loss) – long term investments  ___________ (1)
Charges on unit trust sales/redemptions  ___________ (2)

Total dealing profit or (loss) [(1+2)]  ___________ (3)

Revenue

Commission  ___________ (4)
Investment management fees  ___________ (5)
UCITS management fees  ___________ (6)
Other revenue  ___________ (7)

Total revenue [(4) to (7)]  ___________ (8)

Expenditure

Commissions and fees  ___________ (9)
Exceptional items (specify below)  ___________ (10)
Other expenditure  ___________ (11)

Total expenditure (to UAFS5) [(9) to (11)]  ___________ (12)
Profit or (loss) on ordinary activities before taxation [(3)+(8)-(12)]  ___________ (13)
Taxation  ___________ (14)
Extraordinary items net of attributable taxation  ___________ (15)
Profit or (loss) after taxation and extraordinary items [(13)-(14 + 15)]  ___________ (16)
Appropriations  ___________ (17)

Retained profit or (loss) for the period [(16)-(17)]  ___________ (18)
As at _______________ (Accounting Reference Date) 

<table>
<thead>
<tr>
<th>Category</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>(19)</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>(20)</td>
</tr>
<tr>
<td>Investments</td>
<td>(21)</td>
</tr>
<tr>
<td>Total fixed assets [(19) to (21)]</td>
<td>(22)</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>(23)</td>
</tr>
<tr>
<td>Debtors</td>
<td>(24)</td>
</tr>
<tr>
<td>Bank and cash balances</td>
<td>(25)</td>
</tr>
<tr>
<td>Total current assets [(23) to (25)]</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Creditors: Amounts falling due within one year</strong></td>
<td></td>
</tr>
<tr>
<td>Net current assets (liabilities) [(26)-(27)]</td>
<td>(27)</td>
</tr>
<tr>
<td>Total assets less current liabilities [(22)+(28)]</td>
<td>(28)</td>
</tr>
<tr>
<td><strong>Creditors: Amounts falling due after more than one year</strong></td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Provisions for Liabilities and Charges</strong></td>
<td>(31)</td>
</tr>
<tr>
<td>Total assets less total liabilities [(29)-(30)-(31)]</td>
<td>(32)</td>
</tr>
<tr>
<td><strong>Capital and Reserves</strong></td>
<td></td>
</tr>
<tr>
<td>(Indicate constituent items from UAF33)</td>
<td></td>
</tr>
</tbody>
</table>

| Off Balance Sheet Items (detailed below with values) | (33) |
## Financial Resources

*Note: The references in brackets are to the items of capital IPRU(INV) Table 7.3.1 Part 1*

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up share capital (excluding preference shares) (Item 1)</td>
<td></td>
<td>(34)</td>
</tr>
<tr>
<td>Share premium account (Item 2)</td>
<td></td>
<td>(35)</td>
</tr>
<tr>
<td>Audited reserves (Item 3)</td>
<td></td>
<td>(36)</td>
</tr>
<tr>
<td>Non-cumulative preference shares (Item 4)</td>
<td></td>
<td>(37)</td>
</tr>
<tr>
<td>Less: Investment in own shares (Item 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets (Item 6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material current year losses (Item 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material holdings in credit and financial institutions (Item 8)</td>
<td></td>
<td>(38)</td>
</tr>
</tbody>
</table>

Initial capital [34 to 37-38]  

<table>
<thead>
<tr>
<th>Tier 2</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation reserves (Item 9)</td>
<td></td>
<td>(40)</td>
</tr>
<tr>
<td>Fixed term cumulative preference share capital (Item 10)</td>
<td></td>
<td>(41)</td>
</tr>
<tr>
<td>Long term Qualifying Subordinated Loans (Item 11)</td>
<td></td>
<td>(42)</td>
</tr>
<tr>
<td>Other cumulative preference share capital and debt capital (Item 12)</td>
<td></td>
<td>(43)</td>
</tr>
<tr>
<td>Qualifying arrangements (Item 13)</td>
<td></td>
<td>(44)</td>
</tr>
</tbody>
</table>

Own funds [39+40 to 44]  

<table>
<thead>
<tr>
<th>Tier 3</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Illiquid assets (Item 14)</td>
<td></td>
<td>(46)</td>
</tr>
</tbody>
</table>

Financial resources [45-46]  

<table>
<thead>
<tr>
<th>Tier 3</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term Qualifying Subordinated Loans and excess Tier 2 capital (Item 15)</td>
<td></td>
<td>(48)</td>
</tr>
<tr>
<td>Qualifying Property (Item 17)</td>
<td></td>
<td>(49)</td>
</tr>
</tbody>
</table>

Liquid capital [47+48+49]  

<table>
<thead>
<tr>
<th>Tier 3</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(50)</td>
</tr>
</tbody>
</table>
## Financial Resources Requirements for all UCITS Management Companies

<table>
<thead>
<tr>
<th>Test</th>
<th>Initial Capital Test</th>
<th>Financial Resources Test</th>
<th>Liquid Capital Resource Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Liquid capital (line 50)</td>
</tr>
<tr>
<td><strong>Test 1</strong></td>
<td>Initial Capital Test</td>
<td>Financial Resources Test</td>
<td>Liquid capital (line 50)</td>
</tr>
<tr>
<td><strong>Test 2</strong></td>
<td>Financial Resources Test</td>
<td>Financial Resources Test</td>
<td>Liquid capital (line 50)</td>
</tr>
<tr>
<td><strong>Test 3</strong></td>
<td>(applicable to UCITS Investment Firms only)</td>
<td>Financial Resources Test</td>
<td>Liquid capital (line 50)</td>
</tr>
</tbody>
</table>

### Test 1
**Initial Capital Test**

- Initial capital (line 41) __________________________ (51)
- Initial capital requirement (£125,000) ________ (52)

**Surplus/ Deficit of Initial Capital** (51-52) __________________________ (53)

### Test 2
**Financial Resources Test**

- Financial resources (line 47) __________________________ (54)
- Less the higher of:
  - €125,000 ________ (55)
  - Plus: Funds Under Management over €250m X 0.02% ________ (56)
- Total (55+56 is subject to a maximum of €10m) (_______) (57)
- and 13/52 of annual audited fixed expenditure (IPRU(INV) Rule 7.2.2(2) -form UAFS5) (_______) (58)

**Surplus/Deficit of financial resources** [54-57 or 58] __________________________ (59)

### Test 3
**Liquid Capital Resource Test**

- Liquid capital (line 50) __________________________ (60)
  - 13/52 of Annual Audited Fixed Expenditure (IPRU(INV) Rule 7.2.3 -form UAFS5) ______________ (61)
  - Position Risk Requirement (IPRU(INV) Table 5.2.3(5)(b)) ______________________________ (62)
  - Counterparty Risk Requirement (IPRU(INV) Table 5.2.3(5)(c)) __________________________ (63)
  - Foreign Exchange Requirement (IPRU(INV) Table 5.2.3(5)(d)) __________________________ (64)
  - Other Assets Requirement (IPRU(INV) Table 5.2.3(5)(e)) ______________________________ (65)
  - Liquid Capital Resource Requirement [61 to 65] (_______) (66)

**Surplus/Deficit of liquid capital** [60-66] __________________________ (67)
Calculation of financial resources requirement for forthcoming year-UCITS Management Companies

<table>
<thead>
<tr>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
</table>

**Annual Audited Fixed Expenditure**

Total Expenditure (per profit and loss account UAFS1 line (12))

Less: Staff bonus, except to the extent that they are guaranteed

Employees’ and Directors’ shares in profits, except to the extent that they are guaranteed

Other appropriations of profits

Allowable commission and fees

Interest charges in respect of borrowings made to finance the acquisition of the Firm’s Readily Realisable Investments

Interest paid to customers on client money

Interest paid to counterparties

Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions

Foreign exchange losses

Other variable expenditure

Audited Fixed Expenditure

Annual Audited Fixed Expenditure

(pro-rated where relevant to annual amount) (IPRU(INV)7.2.4(2))

Expenditure Based Requirement

(13/52 of Annual Audited Fixed Expenditure)

(68)

**Note:** The annual audited fixed expenditure calculated above becomes effective from the date on which this Annual Financial Return is approved by the auditor. At all times throughout the period from this date until the next Annual Financial Return is approved, the Firm’s Financial Resources must satisfy its Financial Resources Requirement incorporating the above Requirement.
(Not subject to audit) £000

1. FUNDS UNDER MANAGEMENT

Value of total funds under management at Accounting Reference Date

2. CLIENT MONEY AND ASSETS

During the period, has the Firm held Client Money?** *YES/NO (70)

During the period, has the Firm held customers' assets?** *YES/NO (71)

3. LARGE EXPOSURES (UCITS Investment Firms only)

Provide details of all Large Exposures outstanding at the end of the period (72)

<table>
<thead>
<tr>
<th>Counterparty Item</th>
<th>Value of Exposure</th>
<th>Percentage of Own Funds</th>
<th>Nature of (e.g. Accrued fees, billed fees, settlement balance etc)</th>
</tr>
</thead>
</table>

*Delete whichever is not applicable

**Consider by reference to Part IV Permission Statement
This Annual Financial Return has been properly prepared in accordance with the rules, and was approved by the Firm on .................................................................(date).

It is accompanied by the Annual Accounts and the report of the auditor to the FSA as required by the rules.

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed on behalf of the Firm by:

....................................................................................(authorised signatory).......................................(date)

....................................................................................(authorised signatory).......................................(date)
Financial Return

UCITS Management Companies

Quarterly Financial Return

For the quarter ended ______________________

Name of Firm ______________________

FSA firm reference number ______________________

For FSA use

Date received _____________________

Entered _____________________

Completed _____________________
Quarterly Profit and Loss - UCITS Management Companies

For the period from _______________ (date) to _______________ (date)

<table>
<thead>
<tr>
<th>Dealing Profit/(Loss)</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealing profit or (loss) – long term investments</td>
<td>(1)</td>
</tr>
<tr>
<td>Charges on unit trust sales/redemptions</td>
<td>(2)</td>
</tr>
<tr>
<td>Total dealing profit or (loss) [(1)+(2)]</td>
<td>(3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission</td>
<td>(4)</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(5)</td>
</tr>
<tr>
<td>UCITS management fees</td>
<td>(6)</td>
</tr>
<tr>
<td>Other revenue</td>
<td>(7)</td>
</tr>
<tr>
<td>Total revenue [(4) to (7)]</td>
<td>(8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions and fees</td>
<td>(9)</td>
</tr>
<tr>
<td>Exceptional items (specify below)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other expenditure</td>
<td>(11)</td>
</tr>
<tr>
<td>Total expenditure [(9) to (11)]</td>
<td>(12)</td>
</tr>
<tr>
<td>Profit or (loss) on ordinary activities before taxation [(3)+(8)-(12)]</td>
<td>(13)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(14)</td>
</tr>
<tr>
<td>Extraordinary items net of attributable taxation</td>
<td>(15)</td>
</tr>
<tr>
<td>Profit or (loss) after taxation and extraordinary items [(13)-(14)+(15)]</td>
<td>(16)</td>
</tr>
<tr>
<td>Appropriations</td>
<td>(17)</td>
</tr>
<tr>
<td>Retained profit or (loss) for the period [(16)-(17)]</td>
<td>(18)</td>
</tr>
</tbody>
</table>

Details of exceptional items of expenditure
As at ______________ (Quarter End Date) £000

**Fixed Assets**
- Intangible assets: (19)
- Tangible assets: (20)
- Investments: (21)

Total fixed assets [(19) to (21)]: (22)

**Current Assets**
- Investments: (23)
- Debtors: (24)
- Bank and cash balances: (25)

Total current assets [(23) to (25)]: (26)

**Creditors: Amounts falling due within One Year**
- (27)

Net current assets (liabilities [(26)-(27)]: (28)

Total assets less current liabilities [(22)+(28)]: (29)

**Creditors: Amounts falling due after more than One Year**
- (30)

**Provisions for Liabilities and Charges**
- (31)

Total assets less total liabilities [(29)-(30)-(31)]: (32)

**Capital and Reserves**
(Indicate constituent items from UQFS 3)

**Off Balance Sheet Items (detailed below with values)**

(33)
## Financial Resources

The references in brackets are to the items of capital IPRU(INV) Table 7.3.1 Part 1

### Tier 1

<table>
<thead>
<tr>
<th>Description</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up share capital (excluding preference shares) (Item 1)</td>
<td></td>
<td>(34)</td>
</tr>
<tr>
<td>Share premium account (Item 2)</td>
<td></td>
<td>(35)</td>
</tr>
<tr>
<td>Audited reserves (Item 3)</td>
<td></td>
<td>(36)</td>
</tr>
<tr>
<td>Non-cumulative preference shares (Item 4)</td>
<td></td>
<td>(37)</td>
</tr>
<tr>
<td>Less: Investment in own shares (Item 5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets (Item 6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material current year losses (Item 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material holdings in credit and financial institutions (Item 8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Initial capital</strong> [34 to 37-38]</td>
<td></td>
<td>(39)</td>
</tr>
</tbody>
</table>

### Tier 2

<table>
<thead>
<tr>
<th>Description</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation reserves (Item 9)</td>
<td></td>
<td>(40)</td>
</tr>
<tr>
<td>Fixed term cumulative preference share capital (Item 10)</td>
<td></td>
<td>(41)</td>
</tr>
<tr>
<td>Long term qualifying subordinated loans (Item 11)</td>
<td></td>
<td>(42)</td>
</tr>
<tr>
<td>Other cumulative preference share capital and debt capital (Item 12)</td>
<td></td>
<td>(43)</td>
</tr>
<tr>
<td>Qualifying arrangements (Item 13)</td>
<td></td>
<td>(44)</td>
</tr>
<tr>
<td><strong>Own funds</strong> [39+40 to 44]</td>
<td></td>
<td>(45)</td>
</tr>
</tbody>
</table>

### Tier 3

<table>
<thead>
<tr>
<th>Description</th>
<th>£000</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less illiquid assets (Item 14)</td>
<td></td>
<td>(46)</td>
</tr>
<tr>
<td><strong>Financial resources</strong> [45-46]</td>
<td></td>
<td>(47)</td>
</tr>
<tr>
<td>Short term Qualifying Subordinated Loans and excess Tier 2 capital (Item 15)</td>
<td></td>
<td>(48)</td>
</tr>
<tr>
<td>Qualifying Property (Item 17)</td>
<td></td>
<td>(49)</td>
</tr>
<tr>
<td><strong>Liquid capital</strong> [47+48+49]</td>
<td></td>
<td>(50)</td>
</tr>
</tbody>
</table>
## Financial Resources Requirements for all UCITS Management Companies

<table>
<thead>
<tr>
<th>Test</th>
<th>Description</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Test 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Initial Capital Test</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial capital (line 39)</td>
<td></td>
<td>(51)</td>
</tr>
<tr>
<td>Initial capital requirement (€ 125,000)</td>
<td></td>
<td>(52)</td>
</tr>
<tr>
<td><strong>Surplus/ Deficit of Initial Capital</strong> (51-52)</td>
<td></td>
<td>(53)</td>
</tr>
<tr>
<td><strong>Test 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Resources Test</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial resources (line 47)</td>
<td></td>
<td>(54)</td>
</tr>
<tr>
<td>Less the higher of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>€ 125,000</td>
<td></td>
<td>(55)</td>
</tr>
<tr>
<td>Plus : Funds Under Management over €250m X 0.02%</td>
<td></td>
<td>(56)</td>
</tr>
<tr>
<td>Total (55+56 is subject to a maximum of € 10m)</td>
<td></td>
<td>(57)</td>
</tr>
<tr>
<td>and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13/52 of annual audited fixed expenditure (IPRU(INV) Rule 7.2.2(2) -form UAFS 5)</td>
<td></td>
<td>(58)</td>
</tr>
<tr>
<td><strong>Surplus/Deficit of financial resources</strong> [54-57 or 58]</td>
<td></td>
<td>(59)</td>
</tr>
<tr>
<td><strong>Test 3</strong> (applicable to UCITS Investment Firms only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liquid Capital Resource Test</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid capital (line 50)</td>
<td></td>
<td>(60)</td>
</tr>
<tr>
<td>13/52 of Annual Audited Fixed Expenditure(IPRU(INV) Rule 7.2.3 -form UAFS 5)</td>
<td></td>
<td>(61)</td>
</tr>
<tr>
<td>Position Risk Requirement (IPRU(INV) Table 5.2.3(5)(b))</td>
<td></td>
<td>(62)</td>
</tr>
<tr>
<td>Counterparty Risk Requirement (IPRU(INV) Table 5.2.3(5)(c))</td>
<td></td>
<td>(63)</td>
</tr>
<tr>
<td>Foreign Exchange Requirement (IPRU(INV) Table 5.2.3(5)(d))</td>
<td></td>
<td>(64)</td>
</tr>
<tr>
<td>Other Assets Requirement (IPRU(INV) Table 5.2.3(5)(e))</td>
<td></td>
<td>(65)</td>
</tr>
<tr>
<td>Liquid Capital Resource Requirement [61 to 65]</td>
<td></td>
<td>(66)</td>
</tr>
<tr>
<td><strong>Surplus/Deficit of liquid capital</strong> [60-66]</td>
<td></td>
<td>(67)</td>
</tr>
</tbody>
</table>
1. FUNDS UNDER MANAGEMENT

Value of total funds under management at Quarter End Date

£000

(68)

2. CLIENT MONEY AND ASSETS

During the period, has the Firm held Client Money?** *YES/NO

(69)

During the period, has the Firm held customers’ assets?*** *YES/NO

(71)

3. LARGE EXPOSURES (UCITS Investment Firms only)

Provide details of all Large Exposures outstanding at the end of the period

(72)

<table>
<thead>
<tr>
<th>Counterparty Item</th>
<th>Value of Exposure</th>
<th>Percentage of Own Funds</th>
<th>Nature of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(e.g. Accrued fees, billed fees, settlement balance etc)</td>
</tr>
</tbody>
</table>

*Delete whichever is not applicable

**Consider by reference to Part IV Permission Statement
1. Is the Firm able and will it be able for the foreseeable future, to meet all of its liabilities as they fall due for payment? *YES/NO

2. Have the Firm’s Financial Resources been greater than its Financial Resources Requirement throughout the Quarter? *YES/NO

We confirm that:

(i) The Firm’s Financial Resources have been properly calculated in accordance with the Financial resources rules.

(ii) All matters (including contingent liabilities, claims and litigation) which might reasonably be expected to have a material effect on the Firm’s financial position at the date of submission of these statements have been declared herewith or notified in writing to the FSA.

SIGNATURE AND DECLARATION

Knowingly or recklessly giving the FSA information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). It should not be assumed that information is known to the FSA merely because it is in the public domain or has previously been disclosed to the FSA or another regulatory body.

I confirm that the information in this form is accurate and complete to the best of my knowledge and belief.

Signed .................................................................Date ...............................................
(Finance Officer or appointed deputy)

Signed .................................................................Date ...............................................
(Second authorised signatory)

*Delete whichever is not applicable
Section 3: UCITS management companies: requirements applying to the completion of annual and quarterly financial returns

1 Table

(see SUP 16.7.68R)

1.1.1 (1) Financial Returns must be in agreement with the underlying accounting records.
(2) Accounting policies must be consistent with those adopted in the Annual Accounts and must be consistently applied.
(3) Information required in the Annual and Quarterly Financial Returns must be prepared in accordance with generally accepted accounting practice.
(4) Investments (other than investments in subsidiary and related companies) must be included in the balance sheet at cost or market value (or the directors’ estimate of them).
(5) The Financial Returns of an individual (or individuals in partnership or association) must deal only with his regulated activities (or, in the case of individuals in partnership or association, the business of the partnership or association).
(6) The Financial Return of a firm must not give a misleading impression of the firm.

1.1.2 A Financial Return is likely to give a misleading impression if a firm wrongly omits or includes a material item, or presents a material item in the wrong way.
### Appendix 1

**Prudential categories and sub-categories**

#### 1.3.1 G  
Table  Prudential categories and sub-categories used in the Interim Prudential sourcebooks and the Supervision manual

<table>
<thead>
<tr>
<th>Prudential categories (Note 1)</th>
<th>Applicable prudential requirements (Note 2)</th>
<th>Prudential sub-categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities and futures firm*</td>
<td>...</td>
<td>UCITS qualifier</td>
</tr>
<tr>
<td>Society of Lloyd’s*</td>
<td>LLD</td>
<td>UCITS firm</td>
</tr>
<tr>
<td>UCITS management company*</td>
<td>IPRU(INV) 1, 5 and 7</td>
<td>UCITS investment firm</td>
</tr>
<tr>
<td>UCITS qualifier</td>
<td>None (unless another prudential category applies)</td>
<td></td>
</tr>
</tbody>
</table>
1.7 Prudential categories and sub-categories

Figure 1: Determination of a firm’s prudential category – general

Is the firm automatically authorised in the UK under the Single Market Directives or the Treaty?

Yes: The firm is an incoming EEA firm or an incoming Treaty firm.

No: Is the firm subject to financial supervision requirements of an overseas regulator in accordance with lead regulation agreement between the FSA and that regulator?

Yes: The firm is a lead regulated firm.

No: Does the firm’s permission include advising on syndicate participation at Lloyd’s or is the firm a Lloyd’s underwriting agent?

Yes: The firm is a member’s adviser or underwriting agent. Does the firm’s permission include regulated activities other than advising on syndicate participation at Lloyd’s, managing the underwriting capacity of a Lloyd’s syndicate or agreeing to carry on those regulated activities?

No: The firm has no other prudential category.

Is the firm a bank, building society, credit union, friendly society, ICVC, insurer, media firm, authorised professional firm, service company, incoming EEA firm (without top up permission), incoming Treaty firm (without top up permission), UCITS management company or UCITS qualifier (without top up permission)?

Yes: The firm has that prudential category. The firm is not an investment management firm, personal investment firm or securities and futures firm.

No: Does the firm’s permission include a requirement that it comply with IPRU(INV) 3, 5, 10 or 13?

Yes: The firm’s category is determined by that requirement on permission (Note 1).

No: Was the firm grandfathered into authorisation on commencement?

Yes: See Figure 2

No: The firm’s category is determined by its main regulated activities (Note 2).
### Schedule 2 (Notification requirements)

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUP 13.6.5G (1)</td>
<td>Changes to branches</td>
<td>Details of proposed change</td>
<td>Change in circumstances within control of UK firm</td>
<td>Before making change</td>
</tr>
<tr>
<td></td>
<td>(Firms passporting under the Investment Services Directive, the UCITS Directive, and the Banking Consolidation Directive)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUP 14.2.3G</td>
<td>Change to branch details in circumstances within the control of the firm (firms) passporting under the Investment Services Directive, the UCITS Directive, and the Banking Consolidation Directive</td>
<td>Details of proposed change</td>
<td>Change to branch details</td>
<td>Before making the change</td>
</tr>
<tr>
<td>Handbook reference</td>
<td>Matter to be notified</td>
<td>Contents of notification</td>
<td>Trigger event</td>
<td>Time allowed</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------</td>
<td>--------------------------</td>
<td>---------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>SUP 15.8.4 R</strong></td>
<td>Delegation by UCITS management company</td>
<td>The fact that a function of the UCITS management company has been delegated together with (a) the identity of the party to whom the function has been delegated and (b) the period during which the delegation will apply.</td>
<td>The delegation of a function by a UCITS management company.</td>
<td>As soon as reasonably practicable.</td>
</tr>
</tbody>
</table>
Annex G

Amendments to the Decision making manual (DEC)

In this Annex, underlining indicates new text.

DEC 2

Annex 1  G  Statutory notice procedure: Warning notice and decision notice procedure

1  Table: List of warning notices and decision notices under the Act (other than Part IV) and certain other enactments

<table>
<thead>
<tr>
<th>Section of the Act</th>
<th>Description</th>
<th>Handbook reference</th>
<th>Decision maker</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>385(1)/386(1)</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Paragraph 15(6)(c) of Schedule 3 (Note 3)</td>
<td>when the FSA is notifying/deciding not to withdraw a notice issued to an EEA UCITS management company wishing to deal in units in a collective investment scheme in the United Kingdom and relevant EEA State authorities, that the way in which the EEA UCITS management company intends to market a relevant scheme in the United Kingdom does not comply with UK law.</td>
<td>AUTH 5</td>
<td>Executive procedures</td>
</tr>
<tr>
<td>Paragraph 19 (8)/(12) of Schedule 3</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>
Annex H

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1.4.1 G  *Incoming EEA firms* which are conducting *regulated activities* in the *United Kingdom* under a *BCD*, or *ISD* or *UCITS Directive* passport are not required to participate in the *compensation scheme* in relation to those *passported activities*. ...

5.2.2 G Where a *claim* is against a *relevant person* which is:

(1) an *incoming EEA firm* which is a *credit institution* or *ISD investment firm*; or

(2) an appointed representative of (1);

the categories of *claim* that are *protected claims* are modified in COMP 14.5. This is because the *DGD* and *ICD* provide that compensation may be available under the firm's *Home State compensation scheme*. [deleted]

5.5.2 R *COMP 5.5.1R* only applies if the *protected investment business* was carried on from:

(1) an *establishment* of the *relevant person* in the *United Kingdom*; or

(2) a *branch* of a *UK firm* which is:

   (a) an *ISD investment firm* (including a *credit institution* which is an *ISD investment firm*), or

   (b) a *UCITS management company* established in another EEA *State* (but only in relation to *managing investments* (other than of a *collective investment scheme*), *advising on investments or safeguarding and administering investments*);

and the *claim* is an *ICD claim*; or

(3) both (1) and (2).

(4) …
6.2.2G An incoming EEA firm, which is a credit institution, or an ISD investment firm or a UCITS management company, and its appointed representatives are not relevant persons in relation to the firm’s passported activities, unless it has top-up cover (and in the case of a UCITS management company, only in relation to managing investments (other than of a collective investment scheme), advising on investments or safeguarding and administering investments). (See definition of ‘participant firm’.)

... 

14.1.1 R This chapter applies to the FSCS.

14.1.2 R This chapter also applies to an incoming EEA firm which is a credit institution or an ISD investment firm (or both), or a UCITS management company.

14.1.3 G This chapter provides supplementary rules and guidance for an incoming EEA firm which is a credit institution, or an ISD investment firm or UCITS management company. It reflects the implementation of the Deposit Guarantee Directive, and Investors Compensation Directive, and UCITS Directive. This sourcebook applies in the usual way to an incoming EEA firm which is exercising EEA rights under the Insurance Directives. Such a firm is not affected by the Deposit Guarantee Directive, or the Investors Compensation Directive or the UCITS Directive.

14.1.4 G An incoming EEA firm, which is a credit institution, or an ISD investment firm or UCITS management company is not a ‘participant firm’ in relation to its passported activities unless it ‘tops up’ into the compensation scheme (for a UCITS management company, this is only for certain passported activities). This reflects section 213 (10) of the Act (The compensation scheme) and regulation 2 of the Electing Participants Regulations (Persons not to be regarded as relevant persons). If an incoming EEA firm also carries on non-passported activities (or, for a UCITS management company, certain passported activities) for which the compensation scheme provides cover, it will be a participant firm in relation to those activities and will be covered by the compensation scheme for those activities in the usual way.

14.1.5 G In relation to an incoming EEA firm’s passported activities, its Home State compensation scheme must provide compensation cover in respect of business within the scope of the Deposit Guarantee Directive, and Investors Compensation Directive and article 5(3) of the UCITS Directive, whether that business is carried on from a UK branch or on a cross border services basis. (For a UCITS management company, this is only for certain passported activities.)

...
14.2.3 G A notice under COMP 14.2.1R should include details confirming that the incoming EEA firm falls within a prescribed category. In summary:

(1) the firm must be a credit institution, or an ISD investment firm or a UCITS management company;

...
Annex I

Amendments to the Collective Investment Schemes sourcebook (CIS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

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| 20 | CIS 16.5.1(4) to (6) | R | A *UCITS management company* may not carry on any of the activities specified in CIS 16.5.1(4) to (6) unless it is a *UCITS investment firm*:

(a) whose *permission* to carry on any such activity was given before 13 February 2004; or

(b) which complies with Chapter 7 of *IPRU(INV)*. |
|   |   | From 13 February 2004 to 12 February 2007 | 13 February 2004 |

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<td>21</td>
<td>CIS 16.5.1(4) to (6)</td>
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<td>A <em>UK firm</em> will not be able to act as such and exercise an <em>EEA right</em> under the <em>UCITS Directive</em> unless it complies with Chapter 7 of <em>IPRU(INV)</em>.</td>
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| 22 | CIS 7.6.1(4) and (5)  
CIS 7.10.4(1), (5) and (6) | R | (1) Subject to (2), in relation to a *UCITS management company* which became authorised before 13 February 2004, CIS 7.6.1(4) and (5) and CIS 7.10.4(1), (5) and (6) have effect as they applied before 12 February 2004.

(2) Paragraph (1) does not apply in relation to any *UK firm* which exercises an *EEA right* under the *UCITS Directive*. |
|   |   | From 13 February 2004 to 12 February 2007 | 13 February 2004 |
2.2.2 R ...

(7) The instrument of incorporation must not contain a provision preventing its shares being marketed in the United Kingdom.

...

2.2.6 R ...

(10) The trust deed must not contain a provision preventing its units being marketed in the United Kingdom.

...

3.1.3 G ...

(5) In addition COB 6 (Product disclosure) contains rules and guidance relating to information about authorised funds which must be provided or made available at the point of sale.

...

3.2.1 R (1) A prospectus must contain the matters specified in CIS 3.5 (Information to be contained in the prospectus) and it must be drawn up in English and published as a document by the authorised fund manager and, in the case of an ICVC, approved by the directors.

...

3.2.2 R (1) An ICVC or the manager of an AUT: must supply a copy of the prospectus drawn up in accordance with CIS 3.2.1R (Drawing up of prospectus) free of charge:

(a) must not market units in an authorised fund in the United Kingdom unless: to any person on request; and
(i) a prospectus has been drawn up in English and approved in accordance with CIS 3.2.1R;

(ii) arrangements have been made for that prospectus to be available to enable the ICVC or manager of the AUT to satisfy those who accept the offer referred to in CIS 3.2.2R(1)(b); and

(iii) a copy of that prospectus has been sent to the FSA and to the depositary;

(b) must not effect any sale of those units to any person in the United Kingdom until it has offered that person free of charge a copy of that prospectus to the FSA.

(2) An ICVC which is a UCITS scheme, or the manager of an AUT which is a UCITS scheme, must not:

(a) must not market units in the territory of another EEA State unless: a prospectus has been drawn up in an official language of that EEA State and, in the case of an ICVC, approved by the directors; and

(i) a prospectus has been drawn up in an official language of that EEA State and, in the case of an ICVC, approved by the directors; and

(ii) arrangements have been made for the prospectus to be available to enable the ICVC or manager of the AUT to satisfy those who accept the offer referred to in (b) below;

(b) effect any sale of units to any person in the territory of that EEA State until it has offered that person free of charge a copy of that prospectus to any purchaser of units free of charge on request, before the
conclusion of that sale.

3.5.2 R Table Contents of the prospectus

This table belongs to CIS 3.5.2R

3 Investment objectives and policy

... (15) In the case of a UCITS scheme, the historical performance in accordance with COB.

(16) In the case of a UCITS scheme, the profile of the typical investor for whom the scheme is designed.

6 ... (14) In the case of a UCITS scheme, which functions the authorised fund manager may delegate.

... 23 ...

(6) In the case of a UCITS scheme, any possible fees or expenses not described in paragraphs 12-22, distinguishing between those to be paid by a holder and those to be paid out of scheme property.

7.1.4 G (1) The OEIC regulations require:
(b) that if an ICVC has only one director, that director must be a body corporate which is an authorised person and has permission under Part IV of the Act (Permission to carry on regulated activities) to act as a director of an ICVC,

(3) Each ICVC must have an ACD (or equivalent). …

7.2.1 R (1) If there is only one director of the type described in CIS 7.1.4G(1)(b) it must be an ACD or an EEA UCITS management company, …

(1A) If an EEA UCITS management company is the sole director, that company must carry out the functions of the ACD as set out in CIS 7.3.1R (Functions of the ACD).

7.6.1 R (2) The ACD or the directors have the power to retain the services of anyone, including the depositary, to assist the ACD or the directors (as the case may be) to perform their respective functions, provided that:

(a) a mandate in relation to managing investments of the scheme property is not given to:

(i) the depositary:
(ii) any other person whose interests may conflict with those of the ACD or the holders; or

(iii) any other person who is not authorised or registered for managing of investments and is not subject to prudential supervision (unless there is agreement in place between the FSA and the overseas regulator of the delegate ensuring adequate co-operation);

(b) the ACD ensures that at all times it may monitor effectively the relevant activities of any person so retained; and

(c) the mandate permits the ACD to:

(i) give further instructions to the person so retained; and

(ii) withdraw the mandate with immediate effect when this is in the interests of the holders.

(d) the mandate does not prevent effective supervision of the ACD and it must not prevent the ACD from acting, or the scheme from being managed, in the best interests of the holders.

(4) If:

(a) the ACD retains the services of (or causes the ICVC to retain the services of) anyone to assist the ACD to perform any function concerning the management of the scheme property of the ICVC; or

(b) the ACD or the directors of the ICVC retain the services of (or cause the ICVC to retain the services of) the depositary, or an associate of any of the directors of the
ICVC or of the depositary, to assist the ACD or the directors (as the case may be) to perform any of their respective functions; or in

(e) the depositary retains the services of a director of the ICVC or an associate of such a director or of the depositary to assist the depositary to perform the functions of the depositary

then, in the case of (a), the ACD and in the case of (b), the ACD or the directors and in the case of (c), the depositary, remains responsible for the acts or omissions of the person retained as if they were the acts or omissions of the ACD or of the directors or of the depositary (as the case may be). Subject to the provisions of the OEIC Regulations and to (1) where services are retained under (2) the responsibility which the ACD had in respect of such services prior to that retention of services will remain unaffected.

(5) Subject to the provisions of the OEIC regulations and to (1) and (4), a person retaining services under (2) or (3) will not be held responsible by the FSA by virtue of the rules in CIS for any act or omission of the person so retained if the person retaining services can show: Where a depositary retains services under (3):

(a) that it was reasonable for the person retaining services to obtain assistance to perform the function in question; if it retains the services of a director of the ICVC, or an associate of such a director or its own associate to assist in the performance of its functions, then its liability in respect of those services shall remain unaffected, and

(b) that the person retained was and remained competent to
provide assistance in the performance of the function in question; and in any other case it will not be held responsible by virtue of the rules in CIS for any act or omission of the person so retained if it can show:

(i) that it was reasonable for it to obtain assistance to perform the function in question;

(ii) that the person retained was and remained competent to provide assistance in the performance of the function in question; and

(e) (iii) that the person retaining services it had taken reasonable care to ensure that the assistance in question was provided by the person retained in a competent manner.

(6) At any time when CIS 7.2.1R(5)(The directors) applies, the directors have, in respect of the functions conferred on the ACD in accordance with CIS 7.3.1R (The ACD), the same rights to retain the services of other persons to assist in the performance of those functions and have the same responsibilities for the acts or omissions of the person retained that an ACD has under this rule CIS 7.6.1 and responsibilities as for an ACD under this rule.

7.6.2 G (1) SYSC 3.2…

(2) SUP 15.8.4R requires an ACD of a UCITS scheme to inform the FSA where any of its duties is delegated to another person.

…

7.10.4 R (1) The manager may delegate any function to any person, including the trustee, provided that:
(a) a mandate in relation to managing investments of the scheme property is not given to:

(i) the trustee;

(ii) any other person whose interests may conflict with those of the manager or the holders; or

(iii) any other person who is not authorised or registered for managing of investments and is not subject to prudential supervision (unless there is agreement in place between the FSA and the overseas regulator of the delegate ensuring adequate co-operation);

(b) the manager ensures that at all times it may monitor effectively the relevant activities of any person so retained; and

(c) the mandate permits the manager to:

(i) give further instructions to the person so retained;

(ii) withdraw the mandate with immediate effect when this is in the interests of the holders;

(d) the mandate does not prevent effective supervision of the manager and must not prevent the manager from acting, or the scheme from being managed, in the best interest of the holders.

...

(5) If: Where delegation occurs under (1) the responsibility which the manager had in respect of such delegated services prior to that delegation will remain unaffected.

(a) the manager delegates any function concerning the management of the scheme property; or
(b) the manager delegates any function to the trustee or to an associate of its own or of the trustee; or

(e) the trustee delegates any function to the manager or to an associate of its own or of the manager;

the manager or as the case may be the trustee, remains responsible, for the acts or omissions of the delegate as if they were the acts or omissions of the manager, or as the case may be of the trustee.

(6) In the case of any delegation by the manager or the trustee to which (5) does not apply, the manager, or as the case may be the trustee will not be held responsible by virtue of the rules in CIS for any act or omission of the delegate if the manager (or trustee) can show: Where delegation occurs under (4):

(a) that it was reasonable for a delegate to be employed for the function in question; and if the trustee delegates any function to the manager or to an associate of its own or of the manager, the trustee's liability in respect of the function remains unaffected; and

(b) that the delegate was and remained competent to undertake the function in question; and in any other case the trustee will not be held responsible by virtue of the rules in CIS for any act or omission of the delegate if it can show:

(i) that it was reasonable for a delegate to be employed for the function in question;

(ii) that the delegate was and remained competent to undertake the function in question; and

(e) (iii) that the manager (or trustee) it had taken
reasonable care to ensure that the function in question was undertaken by the agent in a competent manner.

7.10.5 G (1) SYSC 3.2 …

(2) SUP 15.8.4R requires an ACD of a UCITS scheme to inform the FSA where one of its duties is delegated to another person.

…

Reports to be offered to purchasers of units made available

10.5.3 R (1) Neither the ICVC nor the authorised fund manager shall effect any issue or sale of units to any person in the United Kingdom until it has offered that person free of charge a copy in English of the most recent annual report of the authorised fund and (if more recent) the most recent half-yearly report on the authorised fund must be sent to any person, free of charge, on request before the conclusion of that sale.

(2) Neither the ICVC nor the authorised fund manager shall effect any issue or sale of units to any person in the territory of an EEA State other than the United Kingdom until it has offered that person free of charge a copy, in an official language of that EEA State, of the most recent annual report on the authorised fund and (if more recent) the most recent half-yearly report on the authorised fund before the conclusion of that sale.

…

Restrictions of business of managers of UCITS schemes

16.5
16.5.1 A firm which is the manager of an AUT which is an authorised fund manager of a UCITS scheme must not engage in any activities other than:

(1) acting as manager of:

(a) a unit trust; manager of an authorised fund; or

(b) -ended investment company or any other body corporate whose business consists of investing its funds with the aim of spreading investment risk and giving its members the benefit of the results of the management of its funds by or on behalf of that body; or

(eb) an operator of any other collective investment scheme for which the firm is subject to prudential supervision and under which the contribution of the participants and the profits or income out of which payments are to be made to them are pooled; or

(4) managing investments;

(5) advising on investments where the firm has a permission in respect of (4);

(6) safekeeping and administration of collective investment scheme units where the firm has a permission in respect of (4).
After, CIS 17.1.2G, insert the following new section:

**Guidance on passportable activities**

17.1.3  
*CIS* 16.1.8G provides guidance on notifications of schemes constituted in other *EEA States*. The *manager* of such a *scheme* will be a *UCITS qualifier*, and so be an *authorised person* under Schedule 5 to the *Act*, if it carries out *scheme management activity* and activity in connection with the operation of the *scheme* only. If the manager of such a *scheme* wishes to undertake the passportable activities of *managing investment* (other than of a *collective investment schemes*, *investment advice* or *safekeeping and administration of investments*, as provided by article 5(3) of the *UCITS Directive*, as well as *scheme* management, it will need to do so in accordance with an authorisation conferred by Schedule 3 to the *Act* and should refer to the procedures in *AUTH 5* and *SUP 14* accordingly.

...

17.2.1  
(4) The following information and documentation must be provided:

...

(l) a copy of the *prospectus* and *simplified prospectus* of the *scheme*; and

...
Annex J

Amendments to the Glossary

Insert the following new definitions in the appropriate alphabetical position:

**EEA UCITS management company** (as defined in article 1a (2) of the UCITS Directive) any incoming EEA firm, the regular business of which is the management of UCITS in the form of unit trusts or common funds or of investment companies (collective portfolio management of UCITS) or of both; this includes the functions mentioned in Annex II.

**relevant scheme** a collective investment scheme managed by an EEA UCITS management company.

**UCITS firm** a firm which:

(a) is the operator of a UCITS scheme including where in addition the firm is also the operator of a collective investment scheme which is not a UCITS scheme; and

(b) does not have a Part IV permission to carry on any regulated activities other than those which are in connection with, or for the purposes of, such schemes.

**UCITS investment firm** a firm which:

(a) is the operator of a UCITS scheme including where in addition the firm is also the operator of a collective investment scheme which is not a UCITS scheme; and

(b) has a Part IV permission to manage investments where the investments managed include one or more of the instruments listed in Section B of the Annex to the ISD.

**UCITS management company** a firm which is either:

(a) a UCITS firm; or

(b) a UCITS investment firm.

Amend the following definitions as shown (underlining indicates new text and striking through indicates deleted text).
the director of an ICVC who is the authorised corporate director of the ICVC in accordance with CIS 7.2.1R (The directors) including, if relevant, an EEA UCITS management company.

(d) [reserved for amendments implementing the Insurance Mediation Directive]

(e) [reserved for amendments implementing the Insurance Mediation Directive]

(f) (in relation to an EEA UCITS management company):

(i) a place of business which is a part of an EEA UCITS management company, which has no separate legal personality and which provides the services for which the EEA UCITS management company has been authorised;

(ii) for the purposes of the UCITS Directive, all the places of business set up in the same EEA State by an EEA UCITS management company with headquarters in another EEA State are to be regarded as a single branch.

EEA firm (in accordance with paragraph 5 of Schedule 3 to the Act (EEA Passport Rights)) any of the following, if it does not have its head office in the United Kingdom:

(e) [reserved for amendments implementing the Insurance Mediation Directive]

(f) (from 13 February 2004) a management company (as defined in article 1a of the UCITS Directive) which has been authorised under article 5 of that directive by its Home State regulator.

Home State …

(3) (in relation to a UCITS management company) the EEA State in which the management company’s registered office is situated:

(4) (5) …

(5) (6) …
a firm whose permitted activities include designated investment business, which
is not an authorised professional firm, bank, ELMI, building society, credit
union, energy market participant, friendly society, ICVC, insurer, media firm,
oil market participant, service company, incoming EEA firm (without a top-up
permission), incoming Treaty firm (without a top-up permission), UCITS
management company or UCITS qualifier (without a top-up permission), whose
permission does not include a requirement that it comply with IPRU(INV) 3 or
10 (Securities and futures firms) or 13 (Personal investment firms) and which is
within (a), (b) or (c):

... (in relation to an AUT) the firm which is the manager of the AUT in
accordance with the trust deed.

(1A) (in relation to an OEIC which is an undertaking for collective investment
in transferable securities within the meaning of the UCITS Directive and
which has appointed a person to manage the scheme) the person
appointed to manage the scheme.

(2) (as defined in section 423(1) and (2) of the Act (Manager)) (except in
relation to a unit trust scheme or an undertaking for collective investment
in transferable securities within the meaning of the UCITS Directive
(other than a unit trust scheme) or an undertaking or a registered friendly
society):

(a) an employee who:

(i) under the immediate authority of his employer, is responsible,
either alone or jointly with one or more other individuals, for
the conduct of his employer’s business; or

(ii) under the immediate authority of his employer or of a person
who is a manager in accordance with (i) exercises managerial
functions or is responsible for maintaining accounts or other
records of his employer;

(b) if the employer is not an individual, references in (a) to the
authority of the employer are references to the authority:

(i) in the case of a body corporate, of the directors;

(ii) in the case of a partnership, of the partners; and

(iii) in the case of an unincorporated association, of its officers or
the members of its governing body.

(3) (as defined in section 423(3) of the Act (Manager)) (in relation to a body
corporate other than one covered at (1A) above):
(a) a person (other than an employee of the body) who is appointed by
the body to manage any part of its business, including an employee of
the body corporate (other than the chief executive) who under the
immediate authority of a director or chief executive of the body
corporate exercises managerial functions or is responsible for
maintaining accounts or other records of the body corporate;

(b) for the purposes of (a) and in relation to a body corporate whose
principal place of business is within the United Kingdom, the chief
executive includes only a person who is an employee of the body
corporate in accordance with section 417(1) of the Act (Definitions).

operator (1) (except in ENF):

(a) in relation to an AUT the manager;

(b) (in relation to an ICVC) that company or, if applicable, the authorised
corporate director;

(ba) (in relation to any other OEIC which is an undertaking for collective
investment in transferable securities within the meaning of the UCITS
Directive and which has appointed a person to manage the scheme)
the manager;

(c) (in relation to any other collective investment scheme that is a unit
trust scheme with a separate trustee) any person who, under the trust
deed establishing the scheme, is responsible for the management of
the property held for or within the scheme;

(d) (in relation to any other collective investment scheme that is an OEIC)
that company or, if applicable, any person who, under the constitution
or founding arrangements of the scheme, is responsible for the
management of the property held for or within the scheme;

(e) (in relation to any other collective investment scheme) any person
who, under the constitution or founding arrangements of the scheme,
is responsible for the management of the property held for or within
the scheme;

(f) (in relation to an investment trust savings scheme) any person
appointed, by those responsible for managing the property of the
investment trust, to manage the investment trust savings scheme.

(2) (in ENF) (in accordance with section 237(2) of the Act (Other definitions)):

(a) (in relation to a unit trust scheme with a separate trustee) the manager,
and-
(b) in relation to an open-ended investment company) that company.

(a) (in relation to a unit trust scheme with a separate trustee) the manager;

(b) (in relation to an OEIC which is an undertaking for collective investment in transferable securities within the meaning of the UCITS Directive and which has appointed a person to manage the scheme) the manager;

(c) (in relation to any other OEIC) the company.

participant firm a firm other than:

(a) in accordance with section 210 of the Act (The Compensation scheme) and regulation 2 of the Electing Participants Regulations (Persons not to be regarded as relevant persons) an incoming EEA firm which is:

(i) a credit institution;

(ii) an ISD investment firm; or

(iii) a UCITS management company; or

(iv) both (i) and (ii);

in relation to its passported activities, unless it has top-up cover (and in the case of a UCITS management company, only in relation to the services referred to in Article 5(3) of the UCITS Directive, that is managing investments (other than of a collective investment scheme), advising on investments or safeguarding and administering investments);

personal investment firm a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, ELMI, building society, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission), UCITS management company or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 3 (Securities and futures firms), 5 (Investment management firms) or 10 (Securities and futures firms), and which is within (a), (b) or (c):

...
A firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, ELMI, building society, credit union, friendly society, ICVC, insurer, media firm, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission), UCITS management company or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e) or (f):

... service conditions (in accordance with paragraph 14 of Schedule 3 to the Act (EEA Passport Rights)) the conditions that:

(a) the firm has given its Home State regulator notice of its intention to provide services in the United Kingdom;

(b) the firm falls within paragraph (a), or (d), (e) or (f) in the definition of “EEA firm”, the FSA has received notice from the firm’s Home State regulator containing such information as may be prescribed; and

(c) if the firm falls within paragraph (d) of that definition, its Home State regulator has informed it that the regulator’s notice has been sent to the FSA.

Single Market Directives (as defined in paragraph 1 of Schedule 3 to the Act (EEA Passport Rights)):

(a) the Banking Consolidation Directive;
(b) [deleted]
(c) the Insurance Directives and;
(d) the Investment Services Directive;
(e) [ reserved for amendments implementing the Insurance Mediation Directive]
(f) (from 13 February 2004) the UCITS Directive.

top-up-cover cover provided by the compensation scheme for claims against an incoming EEA firm (which is a credit institution, an ISD investment firm or a UCITS management company)…


UCITS qualifier a firm (other than an EEA UCITS management company) which: