

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (MASTER-FEEDER)  
INSTRUMENT 2012**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
    - (a) section 138 (General rule-making power);
    - (b) section 139(4) (Miscellaneous ancillary matters);
    - (c) section 156 (General supplementary powers);
    - (d) section 157(1) (Guidance);
    - (e) section 247 (Trust scheme rules); and
    - (f) section 248 (Scheme particulars rules);
  - (2) regulation 6(1) (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
  - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 27 April 2012.

**Amendments to the Handbook**

- D. The modules to 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).

(1)	(2)
Glossary of definitions	Annex A
Conduct of Business sourcebook (COBS)	Annex B
Collective Investment Schemes sourcebook (COLL)	Annex C

**Citation**

- E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Master-Feeder) Instrument 2012.

By order of the Board  
26 April 2012

## Annex A

### Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>feeder NURS</i>	<p>a <i>non-UCITS retail scheme</i> which:</p> <p>(a) does not operate as:</p> <p style="padding-left: 40px;">(i) a <i>FAIF</i>; or</p> <p style="padding-left: 40px;">(ii) a <i>feeder fund</i>; or</p> <p style="padding-left: 40px;">(iii) a <i>scheme dedicated to units in a single property authorised investment fund</i>; and</p> <p>(b) is <i>dedicated to units</i> in either:</p> <p style="padding-left: 40px;">(i) a single <i>qualifying master scheme</i>; or</p> <p style="padding-left: 40px;">(ii) a single <i>sub-fund</i> of a <i>qualifying master scheme</i> that is an <i>umbrella</i>; and</p> <p>which, in the case of either (i) or (ii), is:</p> <p style="padding-left: 40px;">(A) a <i>UCITS</i>; or</p> <p style="padding-left: 40px;">(B) a <i>non-UCITS retail scheme</i>; or</p> <p style="padding-left: 40px;">(C) a <i>recognised scheme</i>.</p>
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<i>qualifying master scheme</i>	<p>where a <i>feeder NURS</i> is <i>dedicated to units</i> in a single <i>collective investment scheme</i>, which meets the requirements in <i>COLL 5.6.26R(1)</i>, that <i>collective investment scheme</i>.</p>
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Amend the following as shown.

<i>fund of alternative investment funds</i>	<p><del>an <i>authorised fund</i> whose <i>instrument constituting the scheme</i> contains the statement in <i>COLL 3.2.6R(7C)</i> (Table: contents of the <i>instrument constituting the scheme</i>) that it is a <i>fund of alternative investment funds</i>.</del></p> <p><u>a <i>non-UCITS retail scheme</i>, or a <i>sub-fund</i> of a <i>non-UCITS retail scheme</i> which is an <i>umbrella</i> whose <i>authorised fund manager</i> operates, or proposes to operate, it in accordance with the investment and borrowing powers in <i>COLL 5.7</i> (Investment powers and borrowing limits for <i>NURS</i> operating as <i>FAIFs</i>).</u></p>
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## Annex B

### Amendments to the Conduct of Business sourcebook (COBS)

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

#### 13.3 Contents of a key features document

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13.3.3 R ...

##### Feeder NURS

13.3.4 R A key features document for a feeder NURS must include:

- (1) a statement identifying it as such a scheme;
- (2) information specific to the feeder NURS and its qualifying master scheme which enables investors to understand the qualifying master scheme's key particulars; and
- (3) a description and explanation of any material differences between the risk profile of the feeder NURS and that of the qualifying master scheme.

13.3.5 G When producing the key features document, the authorised fund manager of the feeder NURS should have due regard to the provisions in COLL 4.6.8R (Contents of the simplified prospectus) in terms of additional information appropriate to a feeder NURS and its qualifying master scheme. In particular, the appropriate charges information required by COBS 13.4.1R and COBS 13 Annex 3 (Charges) should represent the aggregate of the charges of the feeder NURS and its qualifying master scheme as disclosed in the feeder NURS' most up-to-date prospectus.

## Annex C

## Amendments to the Collective Investment Schemes sourcebook (COLL)

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

## 1.2 Types of authorised fund

Types of authorised fund

- 1.2.1 R An application for an *authorisation order* must propose that the *scheme* be one of the following types:

...

- (2) a *non-UCITS retail scheme*, including:

(a) a *non-UCITS retail scheme* operating as a *fund of alternative investment funds (FAIF)*; ~~or~~ and

(b) a *non-UCITS retail scheme* which is an *umbrella with sub-funds* operating as:

(i) *FAIFs*;

(ii) standard *non-UCITS retail schemes*; or

(iii) a mixture of (i) and (ii); or

...

...

Types of authorised fund - explanation

- 1.2.2 G ...

(2) *Non-UCITS retail schemes* are *schemes* that do not comply with all the conditions set out in the *UCITS Directive*. Such *schemes* could become *UCITS schemes* provided they are changed, so as to comply with the conditions set out in the *UCITS Directive*. *Non-UCITS retail schemes* operating as *FAIFs* have wider powers to invest in *collective investment schemes* than other *non-UCITS retail schemes*.

(2A) A *non-UCITS retail scheme* may also be structured as an *umbrella with sub-funds* operating as:

(a) *FAIFs*;

(b) standard *non-UCITS retail schemes*; or

(c) a mixture of (a) and (b).

In these cases, rules relating to investment powers and borrowing limits apply to each sub-fund as they would to a scheme.

...

...

### 3.2 The instrument constituting the scheme

...

Table: contents of the instrument constituting the scheme

3.2.6 R This table belongs to *COLL 3.2.4R* (Matters which must be included in the instrument constituting the scheme)

...	
	<b>Funds of alternative investment funds</b>
7C	<del>For a non UCITS retail scheme operating as a FAIF, a statement that it is a fund of alternative investment funds.</del>
	<b>Feeder UCITS</b>
7D	<del>For a feeder UCITS, a statement that it is a feeder UCITS and as such will permanently invest at least 85% in value of the scheme property in units of a single master UCITS.</del>
...	

...

### 4.2 Pre-sale notifications

...

4.2.3A R ...

Feeder NURS: provision of the prospectus of the qualifying master scheme

4.2.3B R (1) The authorised fund manager of a feeder NURS must, where requested by an investor or the FSA, provide such person with a copy of the prospectus of its qualifying master scheme free of charge.

(2) Except where an investor requests a paper copy or the use of electronic communications is not appropriate, the prospectus of the qualifying master scheme may be provided in a durable medium other than paper, or by means of a website that meets the website conditions.

...

Table: contents of the prospectus

4.2.5 R This table belongs to *COLL 4.2.2R* (Publishing the prospectus).

...	
<b>Authorised fund</b>	
2	A description of the <i>authorised fund</i> including:
...	
(f)	for an <i>ICVC</i> , the maximum and minimum sizes of its capital; <del>and</del>
(g)	the circumstances in which it may be wound up under the <i>rules</i> and a summary of the procedure for, and the rights of <i>unitholders</i> under, such a winding up; <u>and</u>
(h)	<u>if it is not an <i>umbrella</i>, a statement that it is a <i>feeder UCITS</i>, a <i>feeder NURS</i>, or a <i>fund of alternative investment funds</i>, where that is the case.</u>
...	
<b><u>Umbrella Schemes</u></b>	
<u>2B</u>	<u>For a <i>UCITS scheme</i> or <i>non-UCITS retail scheme</i> which is an <i>umbrella</i>, a statement detailing whether each specific <i>sub-fund</i> is a <i>feeder UCITS</i>, a <i>feeder NURS</i> or a <i>fund of alternative investment funds</i>, as appropriate.</u>
<b>Investment objectives and policy</b>	
3	The following particulars of the investment objectives and policy of the <i>authorised fund</i> :
...	
(ka)	where a <i>scheme</i> is a <i>feeder scheme</i> (other than a <i>feeder UCITS</i> <u>or</u> a <i>feeder NURS</i> ), which (in respect of investment in <i>units</i> in <i>collective investment schemes</i> ) is <i>dedicated</i> to <i>units</i> in a single <i>collective investment scheme</i> , details of the master <i>scheme</i> and the minimum (and, if relevant, maximum) investment that the <i>feeder scheme</i> may make in it;
...	
...	
<b>Funds of alternative investment funds</b>	

22B	For a <del>non-UCITS retail scheme</del> operating as a <i>FAIF</i> , a statement that it is a <i>fund of alternative investment funds</i> .	
...		
<b><u>Information on a feeder NURS</u></b>		
25B	In the case of a <i>feeder NURS</i> , the following information:	
	(a)	<u>a declaration that the <i>feeder NURS</i> is a feeder of a particular <i>qualifying master scheme</i> and as such is <i>dedicated to units</i> in a single <i>qualifying master scheme</i> and the minimum (and, if relevant, maximum) investment that the <i>feeder NURS</i> may make in its <i>qualifying master scheme</i>;</u>
	(b)	<u>the investment objective and policy of the <i>feeder NURS</i>, including its risk profile; and whether the performance records of the <i>feeder NURS</i> and the <i>qualifying master scheme</i> are identical, or to what extent and for which reasons they differ, including a description of how the balance of the <i>scheme property</i> which is not invested in <i>units</i> of the <i>qualifying master scheme</i> is invested in accordance with <i>COLL 5.6.7R(6A)</i> (Spread: general);</u>
	(c)	<u>a brief description of the <i>qualifying master scheme</i>, its organisation, its investment objective and policy, including the risk profile, and an indication of how the <i>prospectus</i> of the <i>qualifying master scheme</i> may be obtained;</u>
	(d)	<u>how the <i>unitholders</i> may obtain further information on the <i>qualifying master scheme</i>;</u>
	(e)	<u>a description of all remuneration or reimbursement of costs payable by the <i>feeder NURS</i> by virtue of its investment in <i>units</i> of the <i>qualifying master scheme</i>, as well as the aggregate charges of the <i>feeder NURS</i> and the <i>qualifying master scheme</i>; and</u>
	(f)	<u>a description of the tax implications of the investment into the <i>qualifying master scheme</i> for the <i>feeder NURS</i>.</u>
...		

### 4.3 Approvals and notifications

...

#### Change events relating to feeder UCITS and feeder NURS

- 4.3.11 R Where the *authorised fund manager* of either a *UCITS scheme* which is a *feeder UCITS* or a *feeder NURS* is notified of any change in respect of its *master UCITS* or *qualifying master scheme* which has the effect of a change to the *feeder UCITS* or *feeder NURS*, the *authorised fund manager* must:

- (1) classify it as a fundamental change, significant change or a notifiable change to the *feeder UCITS* or *feeder NURS* in accordance with the *rules* in this section; and
- (2) (a) for a fundamental change, obtain approval from the *unitholders* by way of an *extraordinary resolution*; or
- (b) for a significant change, give written notice to *unitholders* of that change; or
- (c) for a notifiable change, comply with *COLL* 4.3.8R (Notifiable changes).
- 4.3.12 R The actions required by *COLL* 4.3.11R(2)(a) and (b) must be carried out as soon as reasonably practicable after the *authorised fund manager* of the *feeder UCITS* or *feeder NURS* has been informed of the relevant change to the *master UCITS* or *qualifying master scheme*.
- 4.3.13 G (1) The *authorised fund manager* of the *feeder UCITS* or *feeder NURS* should assess the change to the *master UCITS* or *qualifying master scheme* in terms of its impact on the *feeder UCITS* or *feeder NURS*. For example, a change to the investment objective and policy of the *master UCITS* or *qualifying master scheme* that alters its risk profile would constitute a fundamental change for the *feeder UCITS* or *feeder NURS*. In order for the *feeder UCITS* or *feeder NURS* to continue investing in the *master UCITS* or *qualifying master scheme*, the *authorised fund manager* of the *feeder UCITS* or *feeder NURS* should obtain the approval of *unitholders* by way of an *extraordinary resolution*, or else make a proposal to invest in a different *master UCITS* or *qualifying master scheme*. For a *feeder UCITS* this should be done in accordance with *COLL* 11.2.2R (Application for approval of an investment in a master UCITS).
- (2) Not all changes affecting the *master UCITS* or *qualifying master scheme* will have the same significance for the *feeder UCITS* or *feeder NURS* and its *unitholders*. For example, a change to how the *prices* of the *units* in the *master UCITS* or *qualifying master scheme* are published might not be a significant change for the *feeder UCITS* or *feeder NURS* if the *prices* of its own *units* continue to be published in the same way.
- (3) Where the *authorised fund manager* of the *feeder UCITS* or *feeder NURS* receives insufficient notice of the intended change to the *master UCITS* or *qualifying master scheme* to be able to seek the prior approval of *unitholders* to any fundamental change or to inform them at least 60 days in advance of any significant change, it should nevertheless use reasonable endeavours to inform them of the change as soon as possible so that they can make an informed judgement about the merits of continuing to invest in the *feeder UCITS* or *feeder NURS*.



...

## 4.5 Reports and accounts

...

### Contents of a short report

4.5.5 R ...

(1A) The short report of a *UCITS scheme* which is a *feeder UCITS* must also include:

- (a) in relation to each *annual accounting period* only, a statement on the aggregate charges of the *feeder UCITS* and the *master UCITS*;

...

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

(1B) The short report of a *feeder NURS* must also include:

- (a) in relation to each *annual accounting period* only, a statement on the aggregate charges of the *feeder NURS* and its *qualifying master scheme*;
- (b) a description of how the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* can be obtained; and
- (c) where the *qualifying master scheme* is a *UCITS scheme* or *non-UCITS retail scheme*, a description of how the annual and half-yearly short reports of its *qualifying master scheme* can be obtained.

...

...

### Contents of the annual long report

4.5.7 R ...

(5) ...

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

(6) An annual long report of a *feeder NURS* must also include:

- (a) a statement on the aggregate charges of the *feeder NURS* and its

qualifying master scheme; and

- (b) a description of how the annual long report (or nearest equivalent document for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* can be obtained.

Contents of the half-yearly long report

4.5.8 R ....

(4) ...

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

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

...

4.5.15 R ...

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

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

4.5.16 R (1) The *authorised fund manager* of a *feeder NURS* must, where requested by an investor or the *FSA*, provide to such *person* copies of the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* free of charge.

- (2) Except where an investor requests paper copies or the use of *electronic communications* is not appropriate, the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* may be provided in a *durable medium* other than paper, or by means of a website that meets the *website conditions*.

## 4.6 Simplified Prospectus provisions

...

Contents of the simplified prospectus

4.6.8 R This table belongs to the rule on production and publication of a simplified prospectus (*COLL* 4.6.2R and *COLL* 4.6.6R)

## Contents of simplified prospectus

...			
(23)	... of the <i>simplified prospectus</i> ;		
<u>Additional information for a feeder NURS: Objectives and investment policy</u>			
(24)	(a)	<u>where the <i>scheme</i> is a <i>feeder NURS</i>, in the description of objectives and investment policy, information about the proportion of the <i>feeder NURS</i>' assets which is invested in the <i>qualifying master scheme</i>; and</u>	
	(b)	<u>a description of the <i>qualifying master scheme</i>'s objectives and investment policy, supplemented by:</u>	
		(i)	<u>an indication that the investment returns of the <i>feeder NURS</i> will be very similar to those of the <i>qualifying master scheme</i>; or</u>
		(ii)	<u>an explanation of how and why the investment returns of the <i>feeder NURS</i> and <i>qualifying master scheme</i> may differ;</u>
<u>Additional information for a feeder NURS: Risk profile</u>			
(25)	(a)	<u>a description and explanation of any material differences between the risk profile of the <i>feeder NURS</i> and that of the <i>qualifying master scheme</i>; and</u>	
	(b)	<u>details of:</u>	
		(i)	<u>any liquidity risk; and</u>
		(ii)	<u>the relationship between purchase and redemption arrangements for the <i>qualifying master scheme</i> and <i>feeder NURS</i>;</u>
<u>Additional information for a feeder NURS: Practical information</u>			
(26)	<u>where the <i>scheme</i> is a <i>feeder NURS</i>, information specific to the <i>feeder NURS</i>, including:</u>		
	(a)	<u>a statement that the following <i>documents</i> of the <i>qualifying master scheme</i> are available to <i>unitholders</i> of the <i>feeder NURS</i> upon request, and details of how they may be obtained:</u>	
		(i)	<u>the <i>prospectus</i>;</u>
		(ii)	<u>A</u>
			<u>the <i>key investor information document</i>; or</u>
		<u>B</u>	<u>where the <i>authorised fund manager</i> of the <i>qualifying master scheme</i> has a dispensation in the form of a <i>general waiver</i> by consent so that it may provide a <i>key investor information document</i> as modified by the <i>general waiver direction</i>, that document (a '<i>NURS KII document</i>'); or</u>

		<u>C</u>	<u>the key features document; or</u>
		<u>D</u>	<u>the simplified prospectus; or</u>
		<u>E</u>	<u>the nearest equivalent document for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i>;</u>
		(iii)	<u>the annual and half-yearly long reports (or nearest equivalent documents for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i>); and</u>
		(iv)	<u>where the <i>qualifying master scheme</i> is a <i>UCITS scheme</i> or <i>non-UCITS retail scheme</i>, its annual and half-yearly short reports;</u>
	(b)		<u>where the <i>qualifying master scheme</i> is not established in the <i>United Kingdom</i>, and where this may affect the <i>feeder NURS</i>' tax treatment, a statement to this effect;</u>
<u>Feeder NURS: past performance presentations</u>			
(27)	(a)		<u>any past performance presentation in the document of the <i>feeder NURS</i> must be specific to the <i>feeder NURS</i> and must not reproduce the performance record of the <i>qualifying master scheme</i>;</u>
	(b)		<u>the requirement in (a) does not apply where the <i>feeder NURS</i>:</u>
		(i)	<u>shows the past performance of its <i>qualifying master scheme</i> as a benchmark; or</u>
		(ii)	<u>was launched as a <i>feeder NURS</i> at a later date than the <i>qualifying master scheme</i> and where a simulated performance which is based on the past performance of the <i>qualifying master scheme</i> is shown for the years before the <i>feeder NURS</i> existed; or</u>
		(iii)	<u>has a performance record from before the date on which it began to operate as a feeder, its own record being retained in the bar chart of the relevant years, with any material change labelled.</u>
General Note			
...			

...

**5.6 Investment powers and borrowing limits for non-UCITS retail schemes**

...

5.6.3 R (1) ...

(1A) For a feeder NURS, (1) applies only to the extent that the feeder NURS invests in assets other than units of its qualifying master scheme.

...

...

Spread: general

5.6.7 R ...

(6) Except for a *feeder fund*, a *feeder NURS* or a *scheme dedicated to units* in a single *property authorised investment fund*, not more than 35% in value of the *scheme* is to consist of the *units* of any one *scheme*.

(6A) *Schemes* which (in respect of investment in *units* in *collective investment schemes*) are *dedicated to units* in a single *property authorised investment fund* or *qualifying master scheme* must, in addition to the investment in the *property authorised investment fund* or *qualifying master scheme*, only hold cash or *near cash* to maintain sufficient liquidity to enable the *scheme* to meet its commitments, such as *redemptions*. *Schemes* may also use techniques and instruments for the purpose of *efficient portfolio management*, where appropriate, such as forward foreign exchange transactions entered into for the purpose of reducing the effect of fluctuations in the rate of exchange between relevant currencies.

...

...

Investment in collective investment schemes

5.6.10 R A non-UCITS retail scheme, except for a feeder NURS (which must instead comply with COLL 5.6.26R), must not invest in units in a collective investment scheme (second scheme) unless the second scheme meets each of the requirements at (1) to (5):

...

...

5.6.24 R ...

(2) A *sub-fund* may invest in or dispose of *units* of another *sub-fund* of the same *umbrella* (the second *sub-fund*) only if the following conditions are satisfied:

...

(b) the conditions in COLL 5.2.16R (Investment in other group

schemes) and *COLL 5.6.11R* (Investment in associated collective investment schemes) are complied with (for the purposes of this *rule*, *COLL 5.2.16R* and *COLL 5.6.11R* are to be read as modified by *COLL 5.6.11R(2)*); ~~and~~

- (c) not more than 35% in value of the investing or disposing *sub-fund* is to consist of *units* of the second *sub-fund*; and
- (d) the investing or disposing *sub-fund* must not be a feeder NURS to the second *sub-fund*.

...

#### Qualifying collective investment schemes for feeder NURS

5.6.26 R The authorised fund manager of a feeder NURS must ensure that the feeder NURS does not invest in the qualifying master scheme, unless the qualifying master scheme meets both of the requirements in (1) and (2):

- (1) the qualifying master scheme:
  - (a) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
  - (b) is a recognised scheme; or
  - (c) is a non-UCITS retail scheme; and
- (2) where the qualifying master scheme is an umbrella, the provisions in COLL 5.6.7R (Spread: general) apply to each sub-fund as if it were a separate scheme.

### **5.7 Investment powers and borrowing limits for NURS operating as FAIFs**

...

Purpose

5.7.2 G ...

- (2) ~~Some examples~~ One example of the different investment and borrowing powers under the *rules* in this section for *non-UCITS retail schemes* operating as *FAIFs* ~~are~~ is the power to: invest up to 100% of the value of the scheme property in schemes to which COLL 5.7.7R (Investment in collective investment schemes) applies.
  - (a) ~~invest up to 100% of the value of the scheme property in schemes captured by COLL 5.7.7R; and~~
  - (b) ~~invest in a single master scheme.~~

...

Non-UCITS retail schemes that are umbrellas with FAIF sub-funds

5.7.12 R In relation to a non-UCITS retail scheme which is an umbrella comprised of sub-funds which are:

(1) FAIFs; or

(2) a mixture of FAIFS and standard non-UCITS retail schemes;

the provisions in this section apply to each sub-fund operating as a FAIF as they would to a separate scheme.

...

**7.2 Suspension and restart of dealings**

...

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

7.2.1A R Where:

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

(2) an operator of an EEA UCITS scheme which is a master UCITS or a qualifying master scheme temporarily suspends the issue, cancellation, sale or redemption of its units, whether at its own initiative or at the request of its Home State regulator; or

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

(4) the operator of a recognised scheme which is a qualifying master scheme temporarily suspends the issue, cancellation, sale or redemption of its units whether at its own initiative or at the request of its regulator;

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

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

...

After COLL 12 insert the following new chapter. This text is not underlined.

## **13 Operation of feeder NURS**

### **13.1 Introduction**

Application

13.1.1 R This chapter applies to:

- (1) the *authorised fund manager* of a *feeder NURS*;
- (2) an *ICVC* that is a *feeder NURS*;
- (3) the *authorised fund manager* of a *UCITS scheme* or *non-UCITS retail scheme* which operates as a *qualifying master scheme* to a *feeder NURS*; and
- (4) (in the case of *COLL 13.2.6R* (Inducements) only) any *person* acting on behalf of either the *feeder NURS* or the *authorised fund manager* of the *feeder NURS*.

Purpose

13.1.2 G This chapter sets out various obligations, additional to those found elsewhere in the *Handbook*, that *persons* listed in *COLL 13.1.1R* must comply with in relation to the operation of a *feeder NURS* and its *qualifying master scheme*.

### **13.2 Operational requirements for feeder NURS**

Application

13.2.1 R This section applies as follows:

- (1) *COLL 13.2.2R* to *COLL 13.2.6R* apply to the *authorised fund manager* of a *feeder NURS*;
- (2) *COLL 13.2.6R* also applies to:
  - (a) an *ICVC* that is a *feeder NURS*; and
  - (b) any *person* acting on behalf of either the *feeder NURS* or the *authorised fund manager* of the *feeder NURS*; and
- (3) *COLL 13.2.7R* applies to the *authorised fund manager* of a *UCITS scheme* or a *non-UCITS retail scheme* which operates as a *qualifying master scheme* to a *feeder NURS*.

Pre-investment requirements of the authorised fund manager of a feeder NURS



- 13.2.2 R Before investing in the *qualifying master scheme*, the *authorised fund manager* of the *feeder NURS* must:
- (1) be satisfied on reasonable grounds that the *authorised fund manager* can obtain from the *qualifying master scheme* all the information necessary to comply on an ongoing basis with the *rules* in *COLL*;
  - (2) having consulted with the *depository* of the *feeder NURS*, be satisfied on reasonable grounds that the *depository* of the *feeder NURS* can obtain from the *qualifying master scheme*, the *operator* of the *qualifying master scheme* or the *depository* of the *qualifying master scheme* all the information necessary to comply with its duties under *COLL* 6.6.4R (General duties of the depository); and
  - (3) where the *qualifying master scheme* is a *UCITS scheme* or a *non-UCITS retail scheme*, inform the *authorised fund manager* of the *qualifying master scheme* of the date on which the *feeder NURS* will begin to invest into the *qualifying master scheme* as a *feeder NURS*.

#### Ownership of units in a feeder NURS

- 13.2.3 R The *authorised fund manager* of a *feeder NURS* must take reasonable care to ensure that its *units* are not owned, including beneficially owned, by the *qualifying master scheme*.

#### Charges made by the qualifying master scheme or its operator to a feeder NURS on investment or disposal

- 13.2.4 R
- (1) Where the *operator* of a *qualifying master scheme* or the *authorised fund manager* of a *qualifying master scheme* imposes any charge which is, or is equivalent in effect to, a *preliminary charge* or *redemption charge* on the *feeder NURS* for the acquisition or disposal of *units* in the *qualifying master scheme*, the *authorised fund manager* of the *feeder NURS* must pay to the *feeder NURS* an amount equal to such *charge* within four *business days* following the relevant acquisition or disposal.
  - (2) In this *rule*, where the *operator* of a *qualifying master scheme* or *authorised fund manager* of a *qualifying master scheme* requires any addition to or deduction from the consideration paid on the acquisition or disposal of *units* in the *qualifying master scheme* which is, or is equivalent in effect to, a *dilution levy* made in accordance with *COLL* 6.3.8R (Dilution) or *SDRT provision* made in accordance with *COLL* 6.3.7R (SDRT Provision), it is to be treated as part of the *price* of the *units* and not as part of any *preliminary charge* or *redemption charge* referred to in (1).

#### Avoidance of opportunities for market timing

- 13.2.5 R The *authorised fund manager* of a *feeder NURS* must take appropriate measures to co-ordinate the timing of the *feeder NURS*' net asset value calculation and publication with those of its *qualifying master scheme*,

including the publication of *dealing prices*, in order to avoid market timing of their *units*, and prevent arbitrage opportunities.

#### Inducements

13.2.6 R Where, in connection with an investment in the *units* of the *qualifying master scheme*, a distribution fee, commission or other monetary benefit is received by:

- (1) a *feeder NURS*; or
- (2) an *authorised fund manager* of a *feeder NURS*; or
- (3) any *person* acting on behalf of (1) or (2);

that fee, commission or other monetary benefit must be paid into the *scheme property* of the *feeder NURS* within four *business days* of receipt of that *fee*, commission or other monetary benefit.

#### Obligations to unitholders of a qualifying master scheme

13.2.7 R Where the *qualifying master scheme* is a *UCITS scheme* or a *non-UCITS retail scheme*, the *authorised fund manager* of the *qualifying master scheme* must not, if it would unfairly prejudice the interests of *unitholders* of the *qualifying master scheme* other than the *feeder NURS*, provide or make available information to the *authorised fund manager* of the *feeder NURS* without at the same time also providing or making available that information to the *unitholders* of the *qualifying master scheme* other than the *feeder NURS*.

Amend the following as shown.

#### Schedule 2 Notification requirements

...

Sch G 1 Notification requirements  
2.2

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<i>COLL</i> 4.2.3AR(1)(b)	...			
<i>COLL</i> 4.2.3BR(1)	<u>Prospectus of the <i>qualifying master scheme</i> of a <i>feeder</i></u>	<u>Copy provided</u>	<u>Upon request by the <i>FSA</i></u>	<u>Immediate</u>

	<u>NURS</u>			
...				
<i>COLL</i> 4.5.15R(1)(b)	...			
<u><i>COLL</i></u> <u>4.5.16R(1)</u>	<u>Annual and half-yearly long report (or nearest equivalent documents for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i>) of the <i>qualifying master scheme</i> of a <i>feeder NURS</i></u>	<u>Copy provided</u>	<u>Upon request by the <i>FSA</i></u>	<u>Immediate</u>
...				