Powers exercised

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

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

(a) section 137A (The FCA’s general rules);
(b) section 137T (General supplementary powers);
(c) section 139A (Power of the FCA to give guidance);
(d) section 247 (Trust scheme rules);
(e) section 248 (Scheme particular rules);
(f) section 261I (Contractual scheme rules); and
(g) section 261J (Contractual scheme particular rules); and

(2) regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 October 2016.

Amendments to the Handbook

D. The modules of the FCA’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) below.

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>Collective Investment Schemes sourcebook (COLL)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Investment Funds sourcebook (FUND)</td>
<td>Annex C</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016.

By order of the Board
22 September 2016
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 order. The text is not underlined.

**charity authorised investment fund**

an *authorised fund* that has been registered as a charity with the Charity Commission under Part 4 of the Charities Act 2011.

**pension feeder fund**

an *AUT* or *ACS* that is a *relevant pension scheme* and is *dedicated* to *units* in a single *regulated collective investment scheme*.

Amend the following as shown.

**bearer certificate**

(in COLL) for an *ICVC* or a *recognised scheme*, a certificate or other documentary evidence of title, for which provision is made in the *instrument constituting the fund*, which indicates that:

(a) the *holder* of the document is entitled to the *units* specified in it; and

(b) no entry will be made on the *register* identifying the *holder* of those *units*.

**feeder NURS**

a *non-UCITS retail scheme* which:

(a) does not operate as:

(i) a *FAIF*; or

(ii) a *feeder fund*; or [deleted]

(iii) a *scheme dedicated to units* in a single *property authorised investment fund*; and

(b) is *dedicated* to *units* in either:

(i) a single *qualifying master scheme*; or

(ii) a single *sub-fund* of a *qualifying master scheme* that is an *umbrella*; and

which, in the case of either (i) or (ii), is:

(A) a *UCITS*; or

(B) a *non-UCITS retail scheme*; or
(C) a recognised scheme.

large deal (in COLL) a transaction (or series of transactions) in one dealing period by any person to buy, sell or exchange units in an authorised fund, of any value as set out in the prospectus, for the purposes of:

(a) an SDRT provision; [deleted]

(b) a dilution levy; or

(c) a dilution adjustment; or [deleted]

(d) calculating the prices, for a dual-priced authorised fund, at which units may be sold or redeemed.

unitholder (a) (in relation to an ICVC, ACS or an AUT as appropriate, and subject to COLL 4.4.4R (Special meaning of unitholder in COLL 4.4)):

(i) (in relation to a unit share in an ICVC which is represented by a bearer certificate) the person who holds that certificate; or

(ii) (in relation to a unit that is not represented by a bearer certificate) the person whose name is entered on the register in relation to that unit; or

(b) (in relation to a unit in a collective investment scheme not within (a)):

(i) the holder of the bearer certificate representing that unit; or

(ii) the person who is entered on the register of the scheme as the holder of that unit.

Delete the following definitions.

feeder fund an AUT or ACS that is a relevant pension scheme and dedicated to units in a single regulated collective investment scheme.

SDRT provision a charge of such amount or at such rate as is determined by the authorised fund manager to be made as a provision for stamp duty reserve tax for which the ICVC may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies) (Amendment No.2) Regulations 2000 or the trustee may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of units to the authorised fund manager.
Annex B

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

1 Introduction

1.2 Types of authorised fund

Types of authorised fund - explanation

1.2.2 G

(2) (a) Non-UCITS retail schemes are schemes that do not comply with all the conditions set out in the UCITS Directive.

(b) A non-UCITS retail scheme is an AIF and must be managed by an AIFM.

(c) Under article 43 of AIFMD, where an AIF can be marketed to retail clients, Member States may impose stricter requirements on the AIFM or the AIF than the requirements that apply to an AIF marketed only to professional clients.

(d) This sourcebook contains the stricter requirements for a non-UCITS retail scheme.

(e) A full-scope UK AIFM must also comply with the requirements in FUND and any other applicable provisions of AIFMD.

(f) Such schemes Non-UCITS retail schemes could become UCITS schemes, provided they are changed, so as to comply with the conditions set out in the UCITS Directive.

(g) Non-UCITS retail schemes operating as FAIFs have wider powers to invest in collective investment schemes than other non-UCITS retail schemes.

…

(3) (a) Qualified investor schemes may only be promoted to:
(i) professional investors professional clients; and

(ii) retail clients who are sophisticated investors, on the same terms as unregulated collective investment schemes non-mainstream pooled investments.

(b) A qualified investor scheme is an AIF and must be managed by an AIFM.

(c) Under article 43 of AIFMD, where an AIF can be marketed to retail clients, Member States may impose stricter requirements on the AIFM or the AIF than the requirements that apply to an AIF marketed only to professional clients.

(d) This sourcebook contains the stricter requirements for a qualified investor scheme.

(e) A full-scope UK AIFM must also comply with the requirements in FUND and any other applicable provisions of AIFMD.

(f) Such schemes Qualified investor schemes could change to become non-UCITS retail schemes or UCITS schemes.

Pension feeder funds

1.2.5 G (1) Except for (2), all provisions of the Handbook that apply:

(a) to a feeder UCITS are also applicable to a pension feeder fund that is constituted as a UCITS scheme; and

(b) to a feeder NURS are also applicable to a pension feeder fund that is constituted as a non-UCITS retail scheme.

(2) A pension feeder fund may not invest in units of an EEA UCITS scheme unless that scheme is a recognised scheme under section 264 of the Act (see COLL 5.6.27R and COLL 5.8.2AR).
3 Constitution

... 

3.2 The instrument constituting the fund

... 

Relationship between the instrument constituting the fund and the rules

3.2.2 R (1) The instrument constituting the fund must not contain any provision that:

(a) conflicts with any applicable rule in this sourcebook;

...

...

Table: contents of the instrument constituting the fund

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Government and public securities: investment in one issuer**

8 Where relevant, for a UCITS scheme, a statement in accordance with COLL 5.2.12R (Spread: government and public securities) as to with the names of the individual states, local authorities or public international bodies issuing or guaranteeing the transferable securities or approved money-market instruments in which over more than 35% of the in value of the scheme property may be invested in government and public securities.

...

**Certificates**

15 A statement:

(1) for ICVCs and AUTs, authorising the issue of bearer certificates if any, and how such holders are to identify themselves; and

...

...
4 Investor Relations

... Pre-sale notifications

Publishing the prospectus

4.2.2 R ... 

(2) The *authorised fund manager* must ensure that the *prospectus*: 

(a) contains the information required by *COLL 4.2.5R* (Table: contents of the prospectus); 

(aa) for a non-UCITS retail scheme managed by a full-scope UK AIFM, contains the information required by: 

(i) *FUND 3.2.2R* and *FUND 3.2.3R* (Prior disclosure of information to investors); and 

(ii) *FUND 3.2.5R* and *FUND 3.2.6R* (Periodic disclosure), unless the up-to-date information has been published in the scheme’s most recent annual report or half-yearly report; 

... 

(c) does not contain any provision that conflicts with any applicable rule in this sourcebook; and 

... 

Table: contents of the prospectus

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

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td><strong>Authorised fund</strong></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>A description of the <em>authorised fund</em> including:</td>
</tr>
<tr>
<td>(a)</td>
<td>its name;</td>
</tr>
<tr>
<td>(aa)</td>
<td>its <em>FCA product reference number</em> (PRN);</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Umbrella Schemes</strong></td>
<td></td>
</tr>
<tr>
<td>2B</td>
<td>For a <em>UCITS scheme</em> or <em>non-UCITS retail scheme</em> which is an umbrella:</td>
</tr>
<tr>
<td></td>
<td>(a) a statement detailing whether each specific sub-fund is a <em>feeder UCITS</em>, a <em>feeder NURS</em>, a <em>fund of alternative investment funds</em> or a <em>property authorised investment fund</em>, as appropriate; and</td>
</tr>
<tr>
<td></td>
<td>(b) the FCA product reference number (PRN) of each sub-fund.</td>
</tr>
<tr>
<td><strong>Investment objectives and policy</strong></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>The following particulars of the investment objectives and policy of the <em>authorised fund</em>:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) where COLL 5.2.12R(3) (Spread: government and public securities) applies:</td>
</tr>
<tr>
<td></td>
<td>(i) a prominent statement as to the fact that more than 35% in value of the <em>scheme property</em> is or may be invested in <em>government and public securities</em>, <em>transferable securities</em> or <em>approved money-market instruments</em> issued or guaranteed by a single state, local authority or public international body; and</td>
</tr>
<tr>
<td></td>
<td>(ii) the names of the individual states, local authorities or public international bodies in whose <em>securities</em> the <em>authorised fund</em> may invest, issuing or guaranteeing the <em>securities</em> in which more than 35% in value of the <em>scheme property</em> may be invested;</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Characteristics of the units</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Information as to:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) where the <em>instrument constituting the fund instrument of incorporation of an ICVC</em> provides for the <em>issue of bearer certificates</em>, that fact and what procedures will operate for them;</td>
</tr>
</tbody>
</table>
Valuation and pricing of scheme property

<table>
<thead>
<tr>
<th>16</th>
<th>In relation to the valuation of scheme property and pricing of units:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>details of:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>where relevant in the case of a <strong>dual-priced authorised fund</strong>, an explanation of what is meant by <strong>large deals</strong> and the <strong>authorised fund manager's policy in relation to large deals</strong>; and</td>
</tr>
</tbody>
</table>

Dilution

<table>
<thead>
<tr>
<th>18</th>
<th>In the case of a <strong>single-priced authorised fund</strong>, details of what is meant by <strong>dilution</strong> including:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>...</td>
</tr>
<tr>
<td>(b)</td>
<td>if the <strong>authorised fund manager</strong> may require a <strong>dilution levy</strong> or make a <strong>dilution adjustment</strong>, a statement of:</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>the <strong>authorised fund manager's policy in deciding when to require a dilution levy</strong>, including what is meant by <strong>large deals</strong> and the <strong>authorised fund manager's policy on large deals</strong>, or when to make a <strong>dilution adjustment</strong>;</td>
</tr>
</tbody>
</table>

SDRT provision

<table>
<thead>
<tr>
<th>19</th>
<th>An explanation of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>what is meant by <strong>stamp duty reserve tax</strong>, <strong>SDRT provision</strong> and <strong>large deals</strong>; and</td>
</tr>
<tr>
<td>(b)</td>
<td>the <strong>authorised fund manager’s policy on imposing an SDRT provision</strong> including its policy on <strong>large deals</strong>, and the occasions, and the likely frequency of the occasions, in which an <strong>SDRT provision</strong> may be imposed and the maximum rate of it (a usual rate may also be stated), <strong>[deleted]</strong></td>
</tr>
</tbody>
</table>
### Forward and historic pricing

| 20 | The authorised fund manager's normal basis of pricing An explanation of forward pricing under COLL 6.3.9R (Forward and historic pricing). |

... |

Guidance on contents of prospectus

4.2.6 G ...

(7) (a) A full-scope UK AIFM that is the authorised fund manager of a non-UCITS retail scheme should ensure that the prospectus of the scheme includes the information required under FUND 3.2 (Investor information) and COLL 4.2.5R.

(b) The authorised fund manager need not state the same information twice to satisfy both sets of requirements.

... |

4.4 Meetings of unitholders and service of notices

... |

General Meetings

4.4.2 R ...

(4) The advisory committee of a charity authorised investment fund may also request the convening of a general meeting of unitholders by giving notice in accordance with COLL 14.3.5R.

... |

Special meaning of unitholder in COLL 4.4

4.4.4 R ...

(3) For the purposes of (2), in COLL 4.4.6R (Quorum) to COLL 4.4.11R (Chairman, adjournments and minutes) "unitholders" in relation to those units means:

(a) the persons entered on the register at a time to be determined by the authorised fund manager and stated in the notice of the meeting, which must not be more than 48 hours before the time fixed for the meeting; or

(b) in the case of bearer units shares in an ICVC, unitholders shareholders of bearer units shares which were in issue at the time applicable under (a).
... 

4.5 Reports and accounts

... 

Full-scope UK AIFM of a non-UCITS retail scheme

4.5.2A G (1) A full-scope UK AIFM that is the authorised fund manager of a non-UCITS retail scheme should comply with both:

(a) FUND 3.3 (Annual report of an AIF); and

(b) this chapter,

regarding the preparation and publication of annual reports.

(2) The authorised fund manager need not state the same information twice to satisfy both sets of requirements.

(3) The authorised fund manager, when preparing the half-yearly long report, needs to comply only with this chapter.

... 

5 Investment and borrowing powers

... 

5.2 General investment powers and limits for UCITS schemes

... 

Spread: general

5.2.11 R (1) This rule does not apply to government and public securities in respect of a transferable security or an approved money-market instrument to which COLL 5.2.12R (Spread: government and public securities) applies.

... 

(10) In applying the limits in (3),(4),(5), (6) and (7) in relation to a single body, and subject to (5A), not more than 20% in value of the scheme property is to consist of any combination of two or more of the following:

(a) transferable securities (including covered bonds) or approved money-market instruments issued by that body; or

(b) deposits made with that body; or
(c) exposures from *OTC derivatives* transactions made with a single that body.

...

... Spread: government and public securities

5.2.12 R (1) This rule applies to government and public securities in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:

(a) an *EEA State*;

(b) a local authority of an *EEA State*;

(c) a non-EEA State; or

(d) a public international body to which one or more *EEA States* belong.

...

(3) An *authorised fund* may invest more than 35% in value of the scheme property in such securities issued by any one body provided that:

...

(d) the disclosures in (4) COLL 3.2.6R(8) (Table: contents of the instrument constituting the fund) and COLL 4.2.5R(3)(i) (Table: contents of the prospectus) have been made.

(4) Where it is intended that (3) may apply, the instrument constituting the scheme, and the most recently published prospectus, must prominently state:

(a) the fact that more than 35% of the scheme property is or may be invested in such securities issued by one issuer; and

(b) the names of the individual states, the local authorities or public international bodies issuing such securities in which the authorised fund may invest over 35% of its assets. [deleted]

...

(6) Notwithstanding COLL 5.2.11R(1) and subject to (2) and (3), in applying the 20% limit in COLL 5.2.11R(10) with respect to a single body, government and public such securities issued by
that body shall be taken into account.

Investment in other group schemes

5.2.16 R  ...

(4) In this rule:

(a) any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy made in accordance with COLL 6.3.8R (Dilution) or SDRT provision made in accordance with COLL 6.3.7 (SDRT provision) is to be treated as part of the price of the units and not as part of any charge; and

(b)  ...

Derivatives: general

5.2.19 R  ...

(4) Where a scheme invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R (Relevant indices) COLL 5.2.20AR (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

Disclosure requirements in relation to UCITS schemes or EEA UCITS schemes that employ particular investment strategies

5.2.34 G  (1)  Authorised fund managers of UCITS schemes or EEA UCITS schemes should bear in mind that where a UCITS scheme, or an EEA UCITS scheme that is a recognised scheme under section 264 of the Act, employs particular investment strategies such as investing more than 35% of its scheme property in government and public securities, or investing principally in units in collective investment schemes, deposits or derivatives, or replicating an index those in (2), COBS 4.13.2R (Marketing communications relating to UCITS schemes or EEA UCITS schemes) and COBS 4.13.3R (Marketing communications relating to a feeder UCITS) contain additional disclosure requirements in relation to marketing communications that
concern those investment strategies.

(2) Examples of investment strategies that require these additional disclosures include a scheme:

(a) investing more than 35% in value of its scheme property in transferable securities or approved money-market instruments specified in COLL 5.2.12R (Spread: government and public securities); or

(b) investing principally in units in collective investment schemes, deposits or derivatives; or

(c) replicating an index.

5.4 Stock lending

Stock lending: requirements

5.4.4 R (1) An ICVC, or the depositary of an authorised fund acting in accordance with the instructions of the authorised fund manager, may enter into a repo contract, or a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:

... (b) the counterparty is:

... (iv) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:

... (B) the Federal Deposit Insurance Corporation, and

... (D) the Office of Thrift Supervision; and
[deleted]

...
5.5 Cash, borrowing, lending and other provisions

Borrowing limits

5.5.5A An authorised fund manager should ensure when calculating the authorised fund’s borrowing for COLL 5.5.5R(1) that:

(1) the figure calculated is the total of all borrowing in all currencies by the authorised fund; and

(2) long and short positions in different currencies are not netted off against each other.

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

Spread: general

5.6.7 R (1) This rule does not apply in respect of government and public securities a transferable security or an approved money-market instrument to which COLL 5.6.8R (Spread: government and public securities) applies.

(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.

Spread: government and public securities

5.6.8 R (1) This rule applies in respect of government and public securities a transferable security or an approved money-market instrument (“such securities”) that is issued or guaranteed by:

(a) an EEA State; or
(b) a local authority of an EEA State; or

(c) a non-EEA State; or

(d) a public international body to which one or more EEA States belong.

(2) The requirements in COLL 5.2.12R (Spread: government and public securities) apply to investment in government and public securities such securities by a non-UCITS retail scheme, except for COLL 5.2.12R(4) COLL 5.2.12R(3)(d), which will apply applies to such a scheme only to the extent that it concerns the most recently published prospectus of the scheme.

Investment in collective investment schemes

5.6.10  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):

…

(3) the second scheme is prohibited from having more than 15% in value of the property of that scheme consisting of units in collective investment schemes (unless COLL 5.6.10AR applies);

…

Investment in feeder schemes

5.6.10A  A non-UCITS retail scheme that is not a feeder NURS may, if the conditions in (2) to (5) are met, invest in units of:

(a) a feeder UCITS; or

(b) a feeder NURS; or

(c) a scheme dedicated to units in a single property authorised investment fund; or

(d) a scheme dedicated to units in a recognised scheme.

(2) (a) The relevant master UCITS must comply with COLL 5.2.13R(2), (3) and (4) as if it were the second scheme for the purpose of that rule.

(b) The relevant qualifying master scheme, property authorised investment fund or recognised scheme must comply with COLL 5.6.10R(2) to (5) as if it were the
second scheme for the purpose of that rule.

(3) Not more than 35% in value of the scheme property of the non-UCITS retail scheme may consist of units of one or more schemes permitted under (1)(a) to (d).

(4) The non-UCITS retail scheme must not invest directly in units of the relevant master UCITS, qualifying master scheme, property authorised investment fund or recognised scheme.

(5) The authorised fund manager of the non-UCITS retail scheme must be able to show on reasonable grounds that an investment in one or more schemes permitted under (1)(a) to (d) is:

(a) in the interests of investors; and
(b) no less advantageous than if the non-UCITS retail scheme had held units directly in the relevant:
   (i) master UCITS; or
   (ii) qualifying master scheme; or
   (iii) property authorised investment fund; or
   (iv) recognised scheme.

5.6.10B G When determining whether an investment is no less advantageous for COLL 5.6.10AR(5)(b), an authorised fund manager should have regard in particular to:

(1) the risk profile of the non-UCITS retail scheme;
(2) the total costs borne by the non-UCITS retail scheme; and
(3) the benefits to investors of investing in units of one or more schemes permitted under COLL 5.6.10AR (1)(a) to (d).

5.6.10C G A non-UCITS retail scheme that is a feeder NURS is required to comply with COLL 5.6.26R instead of COLL 5.6.10AR.

Standing independent valuer and valuation

5.6.20 R …

(3) The following requirements apply in relation to the functions of the standing independent valuer:

…

(f) any valuation by the standing independent valuer must
be undertaken in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (6th 9th edition published January 2008 November 2013), or, in the case of overseas immovables, on an appropriate basis, but subject to COLL 6.3 (Valuation and pricing).

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) to (3):

(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; and

(3) the qualifying master scheme:
   (a) is not:
      (i) a feeder UCITS; or
      (ii) a feeder NURS; or
      (iii) otherwise dedicated to units in a single collective investment scheme; and
   (b) does not hold units in:
      (i) a feeder UCITS; or
      (ii) a feeder NURS; or
      (iii) a scheme otherwise dedicated to units in a single collective investment scheme.

5.6.27 R An EEA UCITS scheme that is not a recognised scheme under section 264 of the Act is not a qualifying master scheme for COLL 5.6.26R(3) for a pension feeder fund that is a feeder NURS.
5.7 Investment powers and borrowing limits for NURS operating as FAIFs

... Spread: general

5.7.5 R (1) This rule does not apply in respect of government and public securities a transferable security or an approved money-market instrument to which COLL 5.6.8R (Spread: government and public securities) applies.

...

5.8 Investment powers and borrowing limits for feeder UCITS

...

Permitted types of scheme property

...

5.8.2A R The authorised fund manager of a pension feeder fund that is a feeder UCITS must ensure that the single master UCITS is:

(1) a UCITS scheme; or

(2) an EEA UCITS scheme that is a recognised scheme under section 264 of the Act.

...

5.9 Investment powers and other provisions for money market funds

...

High quality money market instruments

5.9.6 R In determining whether approved money-market instruments are high quality in accordance with COLL 5.9.3R(3), the authorised fund manager must take into account a range of factors including, but not limited to:

(1) the credit quality of the instrument based on the authorised fund manager’s own documented assessment of its credit quality; an instrument will be considered not to be high quality unless it is:

(a) an approved money-market instrument which has been awarded one of the two highest available short term credit ratings by each recognised credit rating agency...
that has rated the instrument or, if the instrument is not rated, it is of an equivalent quality as determined by the authorised fund manager's internal rating process; or

(b) for a money market fund, an approved money-market instrument of investment grade quality which is issued or guaranteed by one of the following:

(i) a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation; or

(ii) a regional or local authority of an EEA State; or

(iii) the European Central Bank or a central bank of an EEA State; or

(iv) the European Union or the European Investment Bank;

...
(b) a regional or local authority of an EEA State; or

(c) the European Central Bank or a central bank of an EEA State; or

(d) the EU or the European Investment Bank.

(5) The guidance in (4) does not apply to the authorised fund manager of a short-term money market fund.

6 Operating duties and responsibilities

6.1 Introduction and Application

Explanation of this chapter

6.1.3 G …

(2) (a) The authorised fund manager does not necessarily have to carry out all the activities it is responsible for and may delegate functions to other persons.

(b) The rules in this chapter set out the parameters of such delegation, except in relation to a non-UCITS retail scheme managed by a full-scope UK AIFM, where this chapter supplements FUND 3.10 (Delegation).

6.2 Dealing

…

Payment for units issued

6.2.13 R (1) The authorised fund manager must, by the close of business on the fourth business day following the issue of any units, arrange for payment to the depositary of an AUT or ACS or the ICVC of:

(a) in the case of a single-priced authorised fund, the price of the units and any payments required under COLL 6.3.7R (SDRT provision) and COLL 6.3.8R (Dilution); or

(b) in the case of a dual-priced authorised fund, the issue price of the units and any payment required under COLL 6.3.7R.
Payment for cancelled units

6.2.14 R (1) On cancelling units the authorised fund manager must, before the expiry of the fourth business day following the cancellation of the units or, if later, as soon as practicable after delivery to the depositary of the AUT or ACS or the ICVC of such evidence of title to the units as it may reasonably require, require the depositary to pay:

(a) in the case of a single-priced authorised fund, the price of the units (less any deduction required under COLL 6.3.7R and COLL 6.3.8R); or

(b) in the case of a dual-priced authorised fund, the cancellation price of the units (less any deduction under COLL 6.3.7R);

Sale and redemption

6.2.16 R  …

(6) Except where (7) applies, and subject to COLL 6.2.21R (Deferred redemption), the authorised fund manager must sell or redeem units at a price determined no later than the end of the business day immediately following the receipt and acceptance of an instruction to do so, or at the next valuation point for the purposes of dealing in units if later (or, for a sale or redemption at an historic price, at the price determined at the last valuation point).

Sale and redemption: guidance

6.2.17 G (1) The prospectus of an authorised fund that does not operate on the basis of historic prices may allow the authorised fund manager to identify a point in time in advance of a valuation point (a cut-off point) after which it will not accept instructions to sell or redeem units at that valuation point. In order to protect customers’ interests, the cut-off point should be no earlier than the close of business on the business day before the valuation point it relates to. If there is more than one valuation point in a day the cut-off should not be before any previous valuation point.
6.3 Valuation and pricing

Purpose

6.3.2 G ...

(2) An authorised fund manager is responsible for valuing the scheme property of the authorised fund it manages and for calculating the price of units in the authorised fund. This section protects clients by:

...  

(b) allowing for the authorised fund manager to mitigate the effects of any dilution (reduction) in the value of the scheme property caused by:

(i) payment of stamp duty reserve tax (SDRT) in relation to certain unit transactions; and

(ii) buying and selling underlying investments as a result of the issue or cancellation of units; and

(c) making appropriate provision to ensure clients are treated fairly where units are being dealt in at a known (historic) price; and [deleted]

...

(5) A full-scope UK AIFM that is the authorised fund manager of a non-UCITS retail scheme should comply with the requirements of:

(a) FUND 3.9 (Valuation); and

(b) this chapter.

...
Valuation points

6.3.4 R ...

(8) The authorised fund manager may determine to have an additional valuation point for an authorised fund as a result of market movement under COLL 6.3.9R (Forward and historic pricing) or otherwise, in which case it must inform the depositary.

...

Sale and redemption prices for single-priced authorised funds

6.3.5A R The authorised fund manager of a single-priced authorised fund must not:

(1) sell a unit for more than the price of a unit of the relevant class at the relevant valuation point, to which may be added any preliminary charge permitted and any payments required payment made under COLL 6.3.7R and COLL 6.3.8R; or

(2) redeem a unit for less than the price of a unit of the relevant class at the relevant valuation point, less any redemption charge permitted and any deductions deduction under COLL 6.3.7R.

Sale and redemption prices parameters for dual-priced authorised funds

6.3.5B R (1) The authorised fund manager of a dual-priced authorised fund must not:

(a) sell a unit for more than the maximum sale price of a unit of the relevant class at the relevant valuation point, to which may be added any payment required under COLL 6.3.7R; or

(b) redeem a unit for less than the cancellation price of a unit of the relevant class at the relevant valuation point, less any redemption charge permitted and any deduction under COLL 6.3.7R.

...

...

Valuation and pricing guidance

6.3.6 G Table: This table belongs to COLL 6.3.2G(2)(a) and COLL 6.3.3R (Valuation).
### The rectification of pricing breaches

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>The rectification of pricing breaches</td>
</tr>
<tr>
<td>(1)</td>
<td>COLL 6.6.3R(1) COLL 6.6.3R(3)(c) (Functions of the authorised fund manager) places a duty on the authorised fund manager to take action to reimburse affected unitholders, former unitholders, and the scheme itself, for instances of incorrect pricing, except if it appears to the depositary that the breach is of minimal significance.</td>
</tr>
</tbody>
</table>

### SDRT Provision

6.3.7 R (4) The authorised fund manager may, in accordance with the prospectus, require the payment of an SDRT provision for the issue or sale of units or any class of units or the deduction of an SDRT provision for the redemption or cancellation of units or any class of units.

(2) Any such payment or deduction becomes due at the same time as payment or transfer of property becomes due for the issue, sale, redemption or cancellation.

(3) Any payment referred to in (1) must be paid to the depositary to become part of scheme property as soon as practicable after receipt.

(4) As soon as practicable after each valuation point, the authorised fund manager must notify the depositary of the transactions, or types of transactions for which an SDRT provision is applied and the amounts or rates of those SDRT provisions. [deleted]

### Forward and historic pricing

6.3.9 R (1) For the sale and redemption of units, the authorised fund manager must, in accordance with the prospectus of an authorised fund, operate on the basis of forward price only or historic prices all deals must be at a forward price.

(2) If forward prices only are to be used, all deals must be at a forward price. [deleted]

(3) Forward prices for the sale and redemption of units must be used:

(a) for a higher volatility fund;

(b) where the regular valuation points are more than one business day apart;
(c) if the request to deal reaches the authorised fund manager through the post or by any similar form of non-interactive communication;

(d) for an issue or cancellation under COLL 6.2.7 (Issue and cancellation of units through an authorised fund manager);

(e) if the applicant for the sale or redemption so requests; or

(f) where the authorised fund manager has reason to believe at any time that the price that would reflect the current value of the scheme property would vary by more than 2% from the last calculated price, unless the authorised fund manager has decided to carry out an additional valuation. [deleted]

(4) If an authorised fund manager operates historic prices, the prospectus must detail the circumstances under which deals in the authorised fund, individually or otherwise, will nevertheless be carried out on a forward price basis or when the authorised fund will elect to move to forward prices or declare an additional valuation point. [deleted]

(5) Where the authorised fund elects to move to forward prices temporarily in accordance with (4), such election will only apply until the next valuation point. [deleted]

(6) All sub-funds of a scheme which is an umbrella must adopt the same pricing basis, but this does not apply merely because of a requirement to price on a forward price basis temporarily under this rule. [deleted]

Historic pricing: guidance

6.3.10 G The authorised fund manager should advise the depositary of the date and time of any decision to use forward prices. [deleted]

... 6.4 Titles and registers ...

Explanation of this section

6.4.3 G (1) (a) This section deals with matters relating to the register of unitholders of units in an AUT or ACS including its establishment and contents.

(b) The authorised fund manager or depositary may be responsible for the register.
(c) In any event, the person responsible for the register must be stated in the trust deed or contractual scheme deed and this section details what his duties are.

(d) The provisions relating to documents evidencing title to units, including the issue of bearer certificates are dependent on the provisions in the trust deed or contractual scheme deed and their operation should be set out in the prospectus.

…

Register: general requirements and contents

6.4.4 R …

(3) The register must contain:

(a) the name and address of each unitholder (for joint unitholders, no more than four need to be registered) other than units represented by bearer certificates;

(b) the number of units of each class held by each unitholder (other than units represented by bearer certificates);

(c) the date on which the unitholder was registered for units standing in his name (other than units represented by bearer certificates); and

(d) the number of units of each class currently in issue, including bearer certificates and the number of units of those bearer certificates.

…

(6) The person responsible for the register in (1) must:

…

(c) make the register available for inspection free of charge in the United Kingdom by or on behalf of any unitholder (including the manager or authorised fund manager), during office hours, but it may be closed for periods not exceeding 30 business days in any one year;

…

The authorised fund manager as unitholder

6.4.5 R (1) Subject to (3), if no person is entered in the register as the unitholder of a unit, the authorised fund manager must be treated as the unitholder of each such unit which is in issue
(other than a unit which is represented by a bearer certificate).

Transfer of units by act of parties: AUTs and ACSs

6.4.6 R (1) Every unitholder of an AUT is entitled to transfer units held on the register by an instrument of transfer in any form that the person responsible for the register may approve, but that person is under no duty to accept a transfer unless it is permitted by the trust deed or prospectus:

(a) …and
(b) the transfer is excluded by Schedule 19 of the Finance Act 1999 from a charge to stamp duty reserve tax, or there has been paid to the trustee, for the account of the AUT, an amount agreed between the trustee and the manager not exceeding the amount that would be derived by applying the rate of stamp duty reserve tax to the market value of the units being transferred.

Certificates (including bearer certificates)

6.4.7 R …

(3) Bearer certificates may only be issued for AUTs if they are permitted by the instrument constituting the fund. [deleted]

(4) Bearer certificates may not be issued for AUTs or ACSs.

6.6 Powers and duties of the scheme, the authorised fund manager, and the depositary

…

Functions of the authorised fund manager

6.6.3 R (1) The authorised fund manager must manage the scheme in accordance with:

…

(b) the applicable rules in this sourcebook;
(2) The *authorised fund manager* must take such steps as necessary to ensure compliance with the *rules* in this sourcebook that impose obligations upon the *ICVC*.

\[\text{…}\]

\[\text{…}\]

General duties of the depositary

6.6.4 R …

(4) The *depositary*:

(a) must also take reasonable care to ensure that;

(i) the *authorised fund manager* considers whether or not to exercise the power provided by COLL 6.3.7R (SDRT provision) or COLL 6.3.8R (Dilution) (as the case may be) and, if applicable, the rate or amount of any SDRT provision, dilution levy or dilution adjustment that is imposed;

\[\text{…}\]

\[\text{…}\]

Committees and delegation

6.6.15A R (1) This *rule* applies to:

(a) an *authorised fund manager* (other than an *EEA UCITS management company*) of an *AUT*, *ACS* or an *ICVC* where such *AUT*, *ACS* or *ICVC* is a *UCITS scheme* or a *non-UCITS retail scheme*; and

(aa) a *small authorised UK AIFM* that is the *authorised fund manager* of an *AUT*, *ACS* or an *ICVC* that is a *non-UCITS retail scheme*; and

\[\text{…}\]

\[\text{…}\]
6.7 Payments

... 

Charges on buying and selling units

6.7.7 R ... 

(2) An authorised fund manager must not make any charge or levy in connection with:

(a) the issue or sale of units except where a preliminary charge is made in accordance with the prospectus of the scheme which must be either:

(i) a fixed amount; or

(ii) calculated as a percentage of the price of a unit; or

(iii) calculated as a percentage of the amount being subscribed; or

(b) ... 

(3) This rule is subject to COLL 6.3.7R (SDRT provision), COLL 6.3.8R (Dilution) and COLL 11.3.11R (Obligations of the master UCITS).

Charges on buying and selling units: guidance

6.7.8 G ... 

(4) (a) For a UCITS scheme, article 10(2)(a) of the KII Regulation requires the key investor information document to disclose the maximum percentage that might be deducted as an entry charge from the investor’s capital commitment.

(b) Where a preliminary charge is charged as a fixed amount or is calculated as a percentage of the price of a unit, the AFM should ensure that the actual amount charged, if it were expressed as a percentage of the amount being subscribed, does not exceed the maximum percentage stated as the entry charge in the key investor information document.

(5) When a preliminary charge is calculated as a percentage of the price of a unit, the percentage amount should be added to:

(a) the price of a unit (for a single-priced authorised fund); or

(b) the issue price (for a dual-priced authorised fund).
7 Suspension of dealings and termination of authorised funds

... 

7.4 Winding up an AUT and terminating a sub-fund of an AUT

... 

When an AUT is to be wound up or a sub-fund terminated

7.4.3 R ... (2) The events referred to in (1) are:

... 

(g) the date on which a relevant pension scheme is notified in writing by the Occupational Pensions Schemes Regulatory Authority The Pensions Regulator that the scheme is no longer registered under the Welfare and Pensions Reform Act 1999 as a stakeholder pension scheme.

... 

8 Qualified investor schemes

... 

8.3 Investor relations

... 

Drawing up and availability of prospectus

8.3.2 R ... (1A) A full-scope UK AIFM that is the authorised fund manager of a qualified investor scheme must also ensure that the prospectus contains the information for investors required by:

(i) FUND 3.2.2R and FUND 3.2.3R (Prior disclosure of information to investors); and

(ii) FUND 3.2.5R and FUND 3.2.6R (Periodic disclosure), unless the up-to-date information has been published in the scheme’s most recent annual report or half-yearly report.

...
Table: contents of qualified investor scheme prospectus

8.3.4 R This table belongs to COLL 8.3.2R.

<table>
<thead>
<tr>
<th>2</th>
<th>Description of the authorised fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Information detailing:</td>
</tr>
<tr>
<td>(1)</td>
<td>the name of the <em>authorised fund</em>;</td>
</tr>
<tr>
<td>(1A)</td>
<td>its FCA product reference number (PRN);</td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14</th>
<th>Valuation of scheme property</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Details as to:</td>
</tr>
<tr>
<td></td>
<td>(3) how the <em>price of units</em> of each <em>class</em> will be determined, including whether a statement that a <em>forward or historic price</em> basis is to be applied.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17</th>
<th>Information on the umbrella</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In the case of a <em>scheme</em> which is an <em>umbrella</em>, the following information:</td>
</tr>
<tr>
<td></td>
<td>(4) in respect of each <em>sub-fund</em>, the currency in which the <em>scheme property</em> allocated to it will be valued and the <em>price of units</em> calculated and payments made, if this currency is not the <em>base currency</em> of the <em>umbrella</em>; and</td>
</tr>
<tr>
<td></td>
<td>(5) for an <em>ICVC</em> or a <em>co-ownership scheme</em>, that:</td>
</tr>
<tr>
<td></td>
<td>(b) for an <em>ICVC</em> or a <em>co-ownership scheme</em>, while the provisions of the <em>OEIC Regulations</em>, and section 261P (Segregated liability in relation to umbrella co-ownership schemes) of the <em>Act</em> in the case of <em>co-ownership schemes</em>, provide for segregated liability</td>
</tr>
</tbody>
</table>
between sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known how those foreign courts will react to regulations 11A and 11B of the OEIC Regulations or, as the case may be, section 261P of the Act; and

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(6)</td>
<td>the FCA product reference number (PRN) of each sub-fund.</td>
</tr>
</tbody>
</table>

Reports and accounts

8.3.5 R ...

(3) The authorised fund manager must within a reasonable time after the end of each relevant accounting period, publish the annual report and half-yearly report and provide a copy free of charge on request to any unitholder.

(3A) The timing of the publication of the annual report in (3) is subject to FUND 3.3.3R if the authorised fund manager is a full-scope UK AIFM.

...

8.4 Investment and borrowing powers

...

Standing independent valuer and valuation

8.4.13 R ...

(2) The following apply in relation to the functions of the standing independent valuer:

...

(f) any valuation by the standing independent valuer must be undertaken in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (6th 9th edition published January 2008 November 2013), or, in the case of overseas immovables on an appropriate basis, but is subject to any provisions of the instrument constituting the fund.

...
8.5 Powers and responsibilities

Functions of the authorised fund manager

8.5.2 R (1) The authorised fund manager must manage the scheme in accordance with:

(b) The applicable rules in this sourcebook;

(2) The authorised fund manager must carry out such functions as necessary to ensure compliance with the rules in this sourcebook that impose obligations on the authorised fund manager or the ICVC, as appropriate.

Delegation

8.5.5 R (1) The authorised fund manager, A small authorised UK AIFM (or in addition any other director in the case of an ICVC managed by a small authorised UK AIFM) may delegate any function to any person.

(a) The depositary of a scheme managed by a small authorised UK AIFM has the power to delegate any function to anyone, including in the case of an ICVC a director, to assist the depositary to perform its functions.

(b) save that However, it must not retain the services of the authorised fund manager or, in the case of an ICVC, any other director to perform any part of its functions of safe custody of the scheme property.
11 Master-feeder arrangements under the UCITS Directive

... 

11.3 Co-ordination and information exchange for master and feeder UCITS

... 

Obligations of the master UCITS

... 

11.3.11 R ... 

(2) Where the authorised fund manager of a master UCITS requires any addition to or deduction from the consideration paid on the acquisition or disposal of units by a feeder UCITS which is, or is like, 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 charge. 

... 

13 Operation of feeder NURS

... 

13.2 Operational requirements for feeder NURS

... 

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

13.2.4 R ... 

(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). 

... 

After COLL 13 (Operation of feeder NURS) insert the following new chapter. The text is not
14  Charity authorised investment funds

14.1  Introduction

Application

14.1.1  R  This chapter applies to:

(1)  an authorised fund manager of a charity authorised investment fund;

(2)  an ICVC that is a charity authorised investment fund;

(3)  the depositary of a charity authorised investment fund; and

(4)  the authorised fund manager and the depositary of an authorised fund that was previously registered as a charity with the Charity Commission.

Purpose

14.1.2  G  This chapter sets out modifications to the rules and guidance in this sourcebook for authorised fund managers and depositaries of charity authorised investment funds.

Types of charity authorised investment fund

14.1.3  G  (1)  A charity authorised investment fund may be:

   (a)  a UCITS scheme; or

   (b)  a non-UCITS retail scheme; or

   (c)  a qualified investor scheme.

   (2)  A charity authorised investment fund may be structured as:

   (a)  an authorised unit trust (AUT); or

   (b)  an investment company with variable capital (ICVC); or

   (c)  an authorised contractual scheme (ACS).

14.2  Registration with the Charity Commission

14.2.1  R  The authorised fund manager of a charity authorised investment fund must notify the FCA without undue delay when it receives its registration
as a charity from the Charity Commission.

14.2.2 R The authorised fund manager and the depositary of an authorised fund that was previously registered as a charity with the Charity Commission must notify the FCA without undue delay when it ceases to be registered as a charity with the Charity Commission.

14.3 Advisory committee

14.3.1 G A charity authorised investment fund may have an advisory committee which is independent from the authorised fund manager and the depositary if the advisory committee has a consultative function only.

14.3.2 R If the charity authorised investment fund has an advisory committee the authorised fund manager must ensure that:

(1) the instrument constituting the fund sets out the role and responsibilities of the advisory committee; and

(2) the prospectus contains at least the following information about the advisory committee:

(a) a description of its role and responsibilities;

(b) its membership;

(c) how its members are nominated and how their membership is terminated; and

(d) how meetings are called and operated, including the quorum.

14.3.3 R If the charity authorised investment fund has an advisory committee, the authorised fund manager must ensure that on the request of the committee, the scheme’s annual long report includes a statement prepared and approved by the committee.

14.3.4 G The statement may address matters such as:

(1) how the advisory committee is discharging its role and responsibilities as set out in the instrument constituting the fund;

(2) any observations the committee may have on how the authorised fund manager has carried out its functions during the annual accounting period; and

(3) any other matters the committee considers of interest to the unitholders of the charity authorised investment fund.

14.3.5 R (1) The authorised fund manager or depositary must convene a general meeting of unitholders if it receives a notice from the
advisory committee of a charity authorised investment fund which:

(a) states the objects of the meeting;

(b) is dated; and

(c) is signed by or on behalf of the advisory committee.

(2) The authorised fund manager or the depositary must ensure the general meeting of the authorised fund takes place no later than eight weeks after receipt of the notice in (1).

14.3.6 R The authorised fund manager and depositary of a charity authorised investment fund must keep records of any dealings with an advisory committee for at least five calendar years.

14.4 Income allocation and distribution

Income reserve account

14.4.1 R As an exception to COLL 6.8.3R(3) (Income allocation and distribution), a charity authorised investment fund is not required to transfer income to a distribution account where this is allowed by COLL 14.4.2R.

14.4.2 R (1) The authorised fund manager and the depositary of a charity authorised investment fund may establish an income reserve account for the scheme if this is provided for in:

(a) the instrument constituting the fund; and

(b) the prospectus.

(2) (a) The authorised fund manager may instruct the depositary to transfer up to 15% of the income available for allocation or distribution on an annual income allocation date to the income reserve account.

(b) Any income transferred under (a) remains part of the income property of the scheme but is not available for allocation or distribution.

(c) The transfer in (a) must be for the sole purpose of avoiding fluctuations in the income available for allocation or distribution for the annual accounting period.

(3) The authorised fund manager may instruct the depositary to transfer income in the income reserve account to the income account.

(4) The authorised fund manager and the depositary must treat:
(a) any income transferred from the income reserve account to the *income account* as income available for allocation or distribution at the next *annual income allocation date*; and

(b) any interest or other amounts earned on the income in the income reserve account as income due to the *scheme*.

14.4.3 R The *authorised fund manager* of a *charity authorised investment fund* with an income reserve account must not allow a payment that has been allocated to *income property* in the first instance to be made from the *capital account* if that payment could be met, in whole or in part, by transferring income from the income reserve account to the *income account*.

14.4.4 R (1) *COLL 14.4.1R* ceases to apply if the *scheme* commences winding up or termination in accordance with:

(a) *COLL 7.3.6R* (Consequences of commencement of winding up or termination) for an *ICVC*; or

(b) *COLL 7.4.3R* (When an *AUT* is to be wound up or a sub-fund terminated) for an *AUT*; or

(c) *COLL 7.4A.4R* (When an *ACS* is to be wound up or a sub-fund of a co-ownership scheme terminated) for an *ACS*.

(2) Any income in the income reserve account must be transferred to the *income account* as soon as practicable after the winding up or termination commences.

**Total return approach**

14.4.5 R (1) The *authorised fund manager* and *depositary* of a *charity authorised investment fund* may adopt a total return approach to the allocation or distribution of income where this is provided for in:

(a) the *instrument constituting the fund*; and

(b) the *prospectus*.

(2) Under a total return approach the *authorised fund manager* may make transfers between the *capital account* and the *income account* in addition to those in *COLL 6.8.3R(3A)(c)*.

(3) The *authorised fund manager* and *depositary* must ensure that any transfer under a total return approach:

(a) is solely for the purpose of meeting the pre-determined target amount disclosed in the *prospectus* in accordance with *COLL 14.4.6R(1)*; and
(b) is consistent with the explanation given in the prospectus in accordance with COLL 14.4.6R(2).

14.4.6 R If the charity authorised investment fund has adopted a total return approach to the allocation or distribution of income, the authorised fund manager must ensure that the prospectus contains:

(1) the pre-determined target of the income available for allocation or distribution in any annual accounting period; and

(2) an explanation of how the target amount is consistent with the investment objective and policy and the distribution policy of the scheme.

Amend the following as shown.

**TP 1 Transitional Provisions**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>COLL 4.2.5R(8)(f), (g) and (h), and COLL 4.2.5R(28)</td>
<td>R</td>
<td>(1) The authorised fund manager of a UCITS scheme need not, for any prospectus issued before 18 March 2016, comply with COLL 4.2.5R(8)(f), (g) and (h) and COLL 4.2.5R(28).</td>
<td>From 18 March 2016 until 30 September 2016</td>
</tr>
</tbody>
</table>

[expired]

From 18 March 2016 until 30 September 2016

18 March 2016
<table>
<thead>
<tr>
<th></th>
<th>COLL Section(s)</th>
<th>Requirement</th>
<th>Time Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>COLL 4.5.7R(7)</td>
<td>The authorised fund manager need not include the disclosures required under COLL 4.5.7R(7) in an annual long report that relates to an annual accounting period ending before 18 March 2016.</td>
<td>From 18 March 2016 until 18 July 2016</td>
</tr>
<tr>
<td>40</td>
<td>COLL 3.2.6R(8) and COLL 5.2.12R(3)(d)</td>
<td>An authorised fund manager is not required to update existing statements in the instrument constituting the fund concerning use of the derogation at COLL 5.2.12R(3) due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes: (a) COLL 3.2.6R(8) and (b) COLL 5.2.12R(3)(d).</td>
<td>From 1 October 2016 to 30 September 2019</td>
</tr>
<tr>
<td>41</td>
<td>COLL 3.2.6R(15)</td>
<td>An authorised fund manager is not required to update the instrument constituting the fund due to the amendment to COLL 3.2.6R(15) until it is updated for other purposes.</td>
<td>From 1 October 2016 to 30 September 2019</td>
</tr>
<tr>
<td>42</td>
<td>COLL 4.2.5R(3)(i) and COLL 5.2.12R(3)(d).</td>
<td>An authorised fund manager is not required to update existing statements in the</td>
<td>From 1 October 2016 to 30 September</td>
</tr>
<tr>
<td>No.</td>
<td>Provisions</td>
<td>Type</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>------------</td>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>43</td>
<td>COLL 4.2.5R(3)(i), COLL 5.6.7R(1), COLL 5.6.8R, and COLL 5.7.5R</td>
<td>R</td>
<td>An authorised fund manager of a non-UCITS retail scheme is not required to comply with the amendments to the rules in column (2) in relation to government and public securities made by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016.</td>
</tr>
<tr>
<td>44</td>
<td>COLL 4.2.2R, COLL 4.2.5R, and COLL 4.2.6G.</td>
<td>R</td>
<td>An authorised fund manager is not required to update the prospectus due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes: (a) COLL 4.2.2R(2)(aa); (b) COLL 4.2.5R(2)(aa); (c) COLL 4.2.5R(2B)(b); (d) COLL 4.2.5R(5)(b); (e) COLL 5.2.12R(3)(d).</td>
</tr>
</tbody>
</table>
4.2.5R(16)(b)(v);
(f) **COLL** 4.2.5R(18)(b)(i);
(g) **COLL** 4.2.5R(19);
(h) **COLL** 4.2.5R(20); and
(i) **COLL** 4.2.6G(7)(a).

| 45 | **COLL** 8.3.2R and **COLL** 8.3.4R | R | **An authorised fund manager** is not required to update the **prospectus** due to the amendments to the following provisions by the Collective Investment Schemes Sourcebook (Amendment No 9) Instrument 2016 until it is updated for other purposes:
(a) **COLL** 8.3.2R(1A);
(b) **COLL** 8.3.4R(2)(1A);
(c) **COLL** 8.3.4R(14)(3); and
(d) **COLL** 8.3.4R(17)(6). | From 1 October 2016 to 30 September 2017 | From 1 October 2016 |

---

**Sch 1**  
Record keeping requirements

**Sch 1.1G**  
Record keeping requirements

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Subject of record</th>
<th>Contents of record</th>
<th>When record must be made</th>
<th>Retention period</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><strong>COLL</strong> 8.5.10R(4)</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><strong>COLL</strong> 14.3.6R</td>
<td>Dealings with an advisory committee</td>
<td>Details</td>
<td>As implicit from the <strong>rules</strong> in <strong>COLL</strong></td>
<td>5 years</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>
### Sch 2 Notification requirements

#### 1 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>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><strong>COLL 11.4.3R</strong></td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><strong>COLL 14.2.1R</strong></td>
<td>Registration as a charity with the Charity Commission</td>
<td>Details</td>
<td>On registering as a charity with the Charity Commission</td>
<td>Without undue delay</td>
</tr>
<tr>
<td><strong>COLL 14.2.2R</strong></td>
<td>De-registration as a charity with the Charity Commission</td>
<td>Details</td>
<td>On de-registering as a charity with the Charity Commission</td>
<td>Without undue delay</td>
</tr>
</tbody>
</table>
Annex C

Amendments to the Investment Funds sourcebook (FUND)

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

1 Introduction

...

1.2 Structure of the Investment Funds sourcebook

1.2.1 FUND is structured as follows:

...

(2) [A description of FUND 2 will follow when this section in FUND is introduced] [deleted]

(3) ...

[A description of FUND 5 to 9 will follow when the relevant sections in FUND are introduced]

...

2 Authorisation [not used]

2.1 [To follow]

...

3 Requirements for alternative investment fund managers

...

3.3 Annual report of an AIF

...

Provision of an annual report

...

3.3.3 Subject to FUND 3.3.4R(2) and FUND 3.3.4R, an AIFM must make the annual report available, in line with FUND 3.3.2R(1), no later than six months after the end of the financial year.

...
3.3.4A R  *FUND 3.3.3R does not apply to a full-scope UK AIFM of a non-UCITS retail scheme.*

3.3.4B G  *A full-scope UK AIFM of a non-UCITS retail scheme* is required to make available and publish its annual report within four *months* after the end of each *annual accounting period* (see COLL 4.5.14R (Publication and availability of annual and half-yearly long report)).

---

**5 Additional requirements for retail alternative investment funds [not used]**

5.1 [To-follow]

---

**6 Additional requirements for qualified investor alternative investment funds [not used]**

6.1 [To-follow]

---

**7 Additional requirements for UCITS funds [not used]**

7.1 [To-follow]

---

**8 Additional requirements for UCITS and AIF master-feeder arrangements [not used]**

8.1 [To-follow]

---

**9 Suspension of dealings and termination of authorised funds [not used]**

9.1 [To-follow]

---

**11 Recognised funds [not used]**

11.1 [To-follow]
### Sch 1  Record keeping requirements

<table>
<thead>
<tr>
<th>Handbook reference (1)</th>
<th>Subject of record (2)</th>
<th>Contents of record (3)</th>
<th>When record must be made (4)</th>
<th>Retention period (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND 3.11.21R(2)</strong></td>
<td>AIF custodial assets</td>
<td>Details</td>
<td>Upon the holding of AIF custodial assets in custody</td>
<td>5 years after the date on which the asset ceases to be an asset of the AIF</td>
</tr>
<tr>
<td><strong>FUND 3.11.23R(2)</strong></td>
<td>Assets of an AIF that are not AIF custodial assets</td>
<td>Details</td>
<td>Upon a depositary satisfying itself that the AIF, or the AIFM acting on behalf of the AIF, is the owner of the assets</td>
<td>5 years after the date on which the asset ceases to be an asset of the AIF</td>
</tr>
<tr>
<td><strong>FUND 3.11.33R(1)</strong></td>
<td>AIF custodial assets and assets of an AIF that are not AIF custodial assets</td>
<td>Details</td>
<td>When an entity assumes responsibility for carrying out the duties referred to in <strong>FUND 3.11.21R(2)</strong> or <strong>3.11.23R(2)</strong></td>
<td>5 years after the date on which the asset ceases to be an asset of the AIF</td>
</tr>
</tbody>
</table>

### Sch 2  Notification requirements

<table>
<thead>
<tr>
<th>Handbook reference (1)</th>
<th>Matter to be notified (2)</th>
<th>Contents of notification (3)</th>
<th>Trigger event (4)</th>
<th>Time allowed (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND 3.9.11R</strong></td>
<td>Appointment of an external</td>
<td>Details</td>
<td>Appointment of the</td>
<td>One month before the</td>
</tr>
<tr>
<td>valuer</td>
<td>external valuer</td>
<td>appointment takes effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>----------------</td>
<td>--------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND 3.10.2R(1) and FUND 3.10.2AR</strong></td>
<td>The carrying out of any function of an AIFM by a delegate</td>
<td>Details</td>
<td>Upon agreement of delegation arrangement</td>
<td>Before delegation arrangements become effective</td>
</tr>
<tr>
<td><strong>FUND 3.10.4R(2) and FUND 3.10.4AR</strong></td>
<td>The sub-delegation of any function of an AIFM by a delegate</td>
<td>Details</td>
<td>When an AIFM’s delegate carries out a sub-delegation</td>
<td>Before the sub-delegation arrangements become effective</td>
</tr>
</tbody>
</table>