

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (BEARER  
CERTIFICATES) INSTRUMENT 2021**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) 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 particulars rules);
    - (f) section 261I (Contractual scheme rules);
    - (g) section 261J (Contractual scheme particulars rules);
    - (h) section 283(1) (Facilities and information in UK); and
  - (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228);
  - (3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force as follows:
- (1) Annex A comes into force on 2 January 2022; and
  - (2) Annexes B, C and D come into force on 30 April 2021.

**Amendments to the Handbook**

- D. The modules of the FCA Handbook 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
Investment Funds sourcebook (FUND)	Annex D

**Notes**

- E. In the Annex to this instrument, the notes (indicated by “**Note:**”) are included for the convenience of the reader and do not form part of the legislative text.

**Citation**

- F. This instrument may be cited as the Collective Investment Schemes Sourcebook (Bearer Certificates) Instrument 2021.

By order of the Board  
29 April 2021

## Annex A

## Amendments to the Glossary of definitions

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

Amend the following definitions as shown.

## Comes into force: 2 January 2022

<i>bearer certificate</i>	(in <i>COLL</i> ) for <del>an ICVC</del> or a <i>recognised scheme</i> , a certificate or other documentary evidence of title, for which provision is made in the <i>instrument constituting the fund</i> , which indicates that:  ...
<i>holder</i>	...  (b) (in relation to a <i>unit</i> in any other <i>collective investment scheme</i> ):  (i) ...  (ii) <u>(in relation to a <i>recognised scheme</i>)</u> the bearer of a <i>bearer certificate</i> representing that <i>unit</i> .
<i>shareholder</i>	(1) (in relation to an <i>ICVC</i> ):  (a) <del>(in relation to a <i>share</i> that is represented by a <i>bearer certificate</i>) the <i>person</i> who holds the certificate;</del>  (b) <del>(in relation to a <i>share</i> that is not represented by a <i>bearer certificate</i>) the <i>person</i> whose name is entered on the <i>register</i> in relation to that <i>share</i>.</del>  (2) ...
<i>unitholder</i>	(a) (in relation to an <i>ICVC</i> , <i>ACS</i> or an <i>AUT</i> as appropriate, and subject to <i>COLL</i> 4.4.4R (Special meaning of unitholder in <i>COLL</i> 4.4)):  (i) <del>(in relation to a <i>share</i> in an <i>ICVC</i> that is represented by a <i>bearer certificate</i>) the <i>person</i> who holds that certificate; or</del>  (ii) <del>(in relation to a <i>unit</i> that is not represented by a <i>bearer certificate</i>) the <i>person</i> whose name is entered on the <i>register</i> in relation to that <i>unit</i>; or</del>  (b) (in relation to a <i>unit</i> in a <i>collective investment scheme</i> <u>that is not within (a) and in respect of which section 241A of the <i>Act</i> applies</u> ):  (i) <del>the holder of the <i>bearer certificate</i> representing that <i>unit</i>; or</del>

- (ii) the *person* who is entered on the *register* of the *scheme* as the holder of that *unit*; or
- (c) (in relation to a *unit* in a *collective investment scheme* not within (a) or (b)):

  - (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*.

## Annex B

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

In this Annex, underlining indicates new text.

#### 18 Specialist Regimes

...

#### 18.5 Residual CIS operators and small authorised UK AIFMs

...

Scheme documents for an unauthorised fund

##### 18.5.5 R ...

Prohibition on issue of bearer units

18.5.5-A G The effect of section 241A of the Act is that no bearer *units* in a *collective investment scheme* may be issued, converted or cancelled from 1 January 2021. However, the Bearer Certificates (Collective Investment Schemes) Regulations 2020 (SI 2020/1346) contain transitional provisions for the conversion of bearer *units* to registered *units* and the cancellation of bearer *units* on or before 1 January 2022.

...

#### 18.5A Full-scope UK AIFMs

...

Adequate information

...

##### 18.5A.12 G ...

Prohibition on issue of bearer units

18.5A.13 G The effect of section 241A of the Act is that no bearer *units* in a *collective investment scheme* may be issued, converted or cancelled from 1 January 2021. However, the Bearer Certificates (Collective Investment Schemes) Regulations 2020 (SI 2020/1346) contain transitional provisions for the conversion of bearer *units* to registered *units* and the cancellation of bearer *units* on or before 1 January 2022.

...

**Annex C**

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

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

**3 Constitution**

...

**3.2 The instrument constituting the fund**

...

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)

...		
<b>Certificates</b>		
15	A statement:	
	(1)	<del>for ICVCs, authorising the issue of bearer certificates if any, and how such holders are to identify themselves; and</del>
	(2)	authorising the <i>person</i> responsible for the <i>register</i> to charge for issuing any document recording, or for amending, an entry on the <i>register</i> , other than on the <i>issue</i> or <i>sale</i> of <i>units</i> .
...		

...

**4 Investor Relations**

...

**4.2 Pre-sale notifications**

...

Table: contents of the prospectus

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

...		
<b>Characteristics of the units</b>		
5	Information as to:	
	(a)	...
	(b)	<del>where the instrument of incorporation of an ICVC provides for the issue of bearer certificates, that fact and what procedures will operate for them; [deleted]</del>
	(c)	...
...		

...

#### 4.4 Meetings of unitholders and service of notices

...

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 *shares* in an *ICVC*, *shareholders* of bearer *shares* which were in *issue* at the time applicable under ~~(a)~~.

...

Notices to unitholders

4.4.12 R (1) Where this sourcebook requires any notice or *document* to be served upon a *unitholder*, it is duly served:

- (a) for *units* held by a registered *unitholder*, if it is:
  - (i) ...
  - (ii) sent by using an electronic medium in accordance with *COLL* 4.4.13R (Other notices); ~~or,~~

- (b) for *units* represented by *bearer certificates*, if given in the manner provided for in the *prospectus*. [deleted]

...

...

**9 Recognised schemes**

...

**9.4 Facilities in the United Kingdom**

...

~~Bearer certificates and characteristics of units in the scheme~~

- 9.4.4 R (1) ~~The operator must maintain facilities in the United Kingdom at which the unitholder of a bearer certificate may obtain free of charge:~~
- ~~(a) payment of dividends; and~~
  - ~~(b) details or copies of any notices which have been given or sent to participants in the scheme.~~
- (2) ~~The operator must state:~~
- ~~(a) the nature of the right represented by the units in the scheme; and~~
  - ~~(b) whether persons other than unitholders can vote at meetings of unitholders and, if so, who those persons are. [deleted]~~

...

**TP 1 Transitional Provisions**

**TP 1.1**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					

**Amendments made by the Collective Investment Schemes Sourcebook (Bearer Certificates) Instrument 2021**



52	TP 1.1(53)R to (54)G	R	In TP 1.1(53)R and 1.1(54)R, “outstanding bearer share” and “the surrender year” have the meanings given in the Bearer Certificates (Collective Investment Schemes) Regulations 2020 (SI 2020/1346).	From 30 April 2021 to the end of 1 January 2022	30 April 2021
53	<u>COLL</u> 3.2.6R; <u>COLL</u> 4.4.4R; and <u>COLL</u> 4.4.12R	R	<p>(1) <u>This rule applies to an ICVC which has one or more outstanding bearer shares in issue during the surrender year.</u></p> <p>(2) <u>If immediately before 2 January 2021 the instrument constituting the fund contained a statement pursuant to COLL 3.2.6R setting out how the holders of bearer certificates are to identify themselves, the arrangements specified in that statement continue to apply to the extent necessary during the surrender year subject to:</u></p> <p>(a) <u>the OEIC Regulations;</u> <u>and</u></p> <p>(b) <u>any changes to those arrangements made in accordance with the Bearer Certificates (Collective</u></p>	From 30 April 2021 to the end of 1 January 2022	30 April 2021

Investment Schemes) Regulations 2020 (SI 2020/1346), the OEIC Regulations, the rules, the instrument constituting the fund and the prospectus.

- (3) Any procedures identified in the prospectus in relation to the operation of bearer certificates pursuant to COLL 4.2.5R(5) continue to apply to outstanding bearer shares during the surrender year subject to:
- (a) the OEIC Regulations;  
and
  - (b) any changes to that operation made in accordance with the Bearer Certificates (Collective Investment Schemes) Regulations 2020, the OEIC Regulations, the rules, the instrument constituting the fund and

			<p style="text-align: center;"><u>the</u> <u>prospectus.</u></p> <p>(4) <u>Subject to the provisions of the Bearer Certificates (Collective Investment Schemes) Regulations 2020 and the OEIC Regulations, the amendments made to COLL 4.4.4R(3) and COLL 4.4.12R(1) are to be disregarded in relation to outstanding bearer shares in issue during the surrender year.</u></p>		
<u>54</u>	<u>TP 1.1(53)R</u>	<u>G</u>	<p><u>The Bearer Certificates (Collective Investment Schemes) Regulations 2020 set out certain requirements relating to the conversion and cancellation of outstanding bearer shares during the surrender year.</u></p>	<u>From 30 April 2021</u>	<u>30 April 2021</u>
<u>55</u>	<u>TP 1.1(56)R</u>	<u>G</u>	<p>(1) <u>Schemes which issue bearer certificates create significant risks in relation to money laundering and financial crime. These risks are relevant both to the protection of participants in such schemes and to the constitution and management arrangements for a scheme.</u></p> <p>(2) <u>Paragraph (3) applies where a</u></p>	<u>From 30 April 2021</u>	<u>30 April 2021</u>

scheme which is recognised under section 272 of the Act either issues or has issued bearer certificates to participants in the United Kingdom that have not been cancelled on or before 1 January 2022.

(3) The FCA is of the view that a scheme within (2) is unlikely to satisfy the requirements for recognition set out in section 272 of the Act or, alternatively, that it is unlikely to be desirable in the interests of the participants in the scheme for the scheme to continue to be recognised.

(4) Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing required the Member States of the European Union to take measures to prevent the misuse of bearer shares. As such, the FCA expects most schemes and sub-

56	<p><u>TP 1.1(55)G and COLL 9.4.4R which was deleted by the Collective Investment Schemes Sourcebook (Bearer Certificates) Instrument 2021.</u></p>	R	<p><u>funds which are temporarily recognised under Part 6 of the Collective Investment Schemes (Amendment etc) (EU Exit) Regulations 2019 and the operators of such schemes or sub-funds to be subject to relevant national measures implementing the Directive.</u></p> <p>(1) Paragraphs (2) to (4) apply to:</p> <p>(a) <u>the operator of a scheme or sub-fund temporarily recognised under Part 6 of the Collective Investment Schemes (Amendment etc) (EU Exit) Regulations 2019; and</u></p> <p>(b) <u>the operator of a scheme recognised under section 272 of the Act.</u></p>	<p><u>From 30 April 2021</u></p>	<p><u>30 April 2021</u></p>
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- (2) An operator within (1) must maintain facilities in the United Kingdom at which the unitholder of a bearer certificate may obtain free of charge:
- (a) payment of dividends; and
  - (b) details or copies of any notices which have been given or sent to participants in the scheme or sub-fund.
- (3) The operator must state:
- (a) the nature of the right represented by the units in the scheme or sub-fund; and
  - (b) whether persons other than unitholders can vote at meetings of unitholders and, if so, who those persons are.
- (4) The facilities maintained by the operator of the scheme or sub-fund must also allow a participant:

			<p>(a) <u>to surrender any bearer certificates held by the unitholder in exchange for registered units in the scheme or sub-fund; and</u></p> <p>(b) <u>where relevant, to provide the details necessary for an entry to be made in the appropriate register of participants for the scheme or sub-fund.</u></p>	
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## Annex D

### Amendments to the Investment Funds sourcebook (FUND)

In this Annex, underlining indicates new text.

### 3 Requirements for alternative investment fund managers

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#### 3.2 Investor information

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Subordinate measures

3.2.7 G ...

Prohibition on issue of bearer units

3.2.8 G The effect of section 241A of the Act is that no bearer *units* in a *collective investment scheme* may be issued, converted or cancelled from 1 January 2021. Similar provision is made by regulation 48 of the *OEIC Regulations in relation to ICVCs*. However, the *Bearer Certificates (Collective Investment Schemes) Regulations 2020 (SI 2020/1346)* contain transitional provisions for the conversion of bearer *units* to registered *units* and the cancellation of bearer *units* on or before 1 January 2022.