

NON-UCITS RETAIL SCHEMES (AMENDMENT) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 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); and
 - (g) section 261J (Contractual scheme particulars rules);
 - (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (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 on 20 December 2024.

Amendments to the Handbook

- D. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Non-UCITS Retail Schemes (Amendment) Instrument 2024.

By order of the Board
19 December 2024

Annex

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

5 Investment and borrowing powers

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

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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):*

(1) the second scheme:

...

(e) provided the non-UCITS retail scheme complies with COLL 5.6.10-AR, is a scheme not falling within (a) to (d) ~~and in respect of which no more than 20% in value of the scheme property (including any transferable securities which are not approved securities) is invested;~~

...

(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 or COLL 5.6.10DR applies);

...

(5) ...

5.6.10-A R A non-UCITS retail scheme must not invest more than 20% in value of the scheme property in total in:

(1) units in collective investment schemes that do not fall within COLL 5.6.10R(1)(a) to (d); and

- (2) transferable securities which are not approved securities.

Investment in feeder schemes

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5.6.10C G ...

Investments in second schemes which are long-term asset funds

5.6.10D R For the purposes of *COLL* 5.6.10R(3), this *rule* applies where the second *scheme* is a *long-term asset fund* provided that:

- (1) the authorised fund manager is satisfied that the long-term asset fund's liquidity, redemption policy and dealing arrangements are sufficient for the non-UCITS retail scheme to be able to meet its obligations in respect of redemptions; and
- (2) if relevant, the authorised fund manager ensures that the non-UCITS retail scheme's holdings of units of different long-term asset funds are diversified enough so that it can meet its obligations in respect of redemptions.

Investment in long-term asset funds: guidance

5.6.10E G When determining the matters in *COLL* 5.6.10DR(1), the authorised fund manager should have regard to the liquidity of the other assets in which the scheme property is invested, particularly where such assets are inherently illiquid assets. This includes having regard to the redemption policies and dealing arrangements for other second schemes in which the non-UCITS retail scheme holds units.

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5.7 Investment powers and borrowing limits for NURS operating as FAIFs

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Investment in collective investment schemes

5.7.7 R ...

- (3) A non-UCITS retail scheme operating as a FAIF may invest in units in a second scheme which is a long-term asset fund provided In relation to (1)(c), the conditions are that:

- (a) the authorised fund manager of the non-UCITS retail scheme operating as a FAIF is satisfied that the long-term asset fund's liquidity, redemption policy

and *dealing* arrangements are sufficient for the *non-UCITS retail scheme* to be able to meet its obligations in respect of *redemptions*;

...

Investment in long-term asset funds: guidance

5.7.7A G ...

- (2) (a) ~~In order to comply with COLL 5.7.7R(3), the *non-UCITS retail scheme's authorised fund manager* must be satisfied that the *long term asset fund's* liquidity, *redemption* policy and *dealing* arrangements are sufficient for the *non-UCITS retail scheme* to be able to meet its own *redemption* obligations.~~
- (b) ~~In determining whether (2)(a) is satisfied~~ When determining the matters in COLL 5.7.7R(3)(a), the *authorised fund manager* should have regard to the liquidity of the other assets in which the *scheme property* is invested, particularly where such assets are *inherently illiquid assets*. This includes having regard to the *redemption* policies and *dealing* arrangements for other second *schemes* in which the *non-UCITS retail scheme* holds *units*.

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