

LONG-TERM ASSET FUND (AMENDMENT) INSTRUMENT 2023**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 137D (FCA general rules: product intervention);
 - (c) section 137R (Financial promotion rules);
 - (d) section 137T (General supplementary powers);
 - (e) section 138C (Evidential provisions);
 - (f) section 139A (Power of the FCA to give guidance);
 - (g) section 238(5) (Restrictions on Promotion);
 - (h) section 247 (Trust scheme rules);
 - (i) section 248 (Scheme particulars rules);
 - (j) section 261I (Contractual scheme rules);
 - (k) 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 3 July 2023.

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.

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

Notes

- E. In the Annexes to this instrument, the “notes” (indicated by “*Editor’s note:*” or “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Long-Term Asset Fund (Amendment) Instrument 2023.

By order of the Board
12 June 2023

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 definition in the appropriate alphabetical position. All the text is new and is not underlined.

<i>conditional permitted illiquid assets</i>	in relation to <i>conditional permitted links</i> , and in respect of a <i>firm's</i> business with <i>linked policyholders</i> , any <i>permitted link</i> or <i>conditional permitted link</i> (other than a <i>conditional permitted long-term asset fund</i>) that has a similar liquidity profile to that of a <i>conditional permitted long-term asset fund</i> .
<i>limited protection LTAF class</i>	(in <i>COLL</i>) a <i>class</i> of <i>units</i> in a <i>long-term asset fund</i> which is intended only for <i>limited protection LTAF investors</i> .
<i>limited protection LTAF investor</i>	an investor in a <i>long-term asset fund</i> who is: <ol style="list-style-type: none"> (1) a <i>professional client</i>; or (2) a <i>retail client</i> who is: <ol style="list-style-type: none"> (a) (i) a <i>certified high net worth investor</i>; or (ii) an investor who has been certified as a 'high net worth investor' in accordance with <i>COBS</i> 4.12A.21R(1) and <i>COBS</i> 4.12A.22R (Third condition: categorisation); (b) (i) a <i>certified sophisticated investor</i>; or (ii) an investor who has been certified as a 'sophisticated investor' in accordance with <i>COBS</i> 4.12A.21R(2) and <i>COBS</i> 4.12A.22R (Third condition: categorisation); or (c) (i) a <i>self-certified sophisticated investor</i>; or (ii) an investor who has self-certified as a 'sophisticated investor' in accordance with <i>COBS</i> 4.12A.21R(3) and <i>COBS</i> 4.12A.22R (Third condition: categorisation).

LTAF retail class (in *COLL*) a *class of units* in a *long-term asset fund* which is *sold, promoted or otherwise made available to retail clients* who are not *limited protection LTAF investors*.

Amend the following definitions as shown.

<i>excluded security</i>	any of the following <i>investments</i> : ... (h) a <i>security</i> issued by a <i>regulated collective investment scheme</i> other than: (A) a <i>qualified investor scheme</i>; (B) a <i>long-term asset fund</i>.
<i>income property</i>	(1) the amount available for income allocations calculated in accordance with <i>COLL</i> 6.8.3R(3A) and not including any amount for the time being standing to the credit of the <i>distribution account</i> . (2) <u>(in relation to a <i>long-term asset fund</i>) the amount available for income allocations under <i>COLL</i> 15.8.18R(5) and not including any amount for the time being standing to the credit of the <i>distribution account</i>.</u>
<i>non-mainstream pooled investment</i>	any of the following <i>investments</i> : ... (ba) a <i>unit in a long-term asset fund</i>; ...
<i>redemption charge</i>	an amount levied by the <i>operator</i> of a <i>scheme</i> upon the <i>redemption</i> of <i>units</i> , in the case of an <i>authorised fund</i> under <i>COLL</i> 6.7.7R (Charges on buying and selling units) <u>or, if relevant in relation to a <i>long-term asset fund</i>, <i>COLL</i> 15.8.15GR (Charges on buying and selling units).</u>
<i>register</i>	... (3) (in <i>COLL</i>) <u>either</u> : (a) the <i>register</i> of <i>unitholders</i> kept under <u>(as appropriate)</u> : (i) <u>Schedule 3 to the <i>OEIC Regulations</i>;</u> or;

- (ii) *COLL 6.4.4 R* (Register: general requirements and contents); ~~or;~~
- (iii) *COLL 8.5.8 R* (The register of unitholders: AUTs or ACSs); ~~or~~
- (iv) *COLL 15.7.-12BR* (The register of unitholders: AUTs or ACSs (schemes made available to retail clients who are not limited protection LTAF investors) or *COLL 15.7.12R* (The register of unitholders: AUTs or ACSs as appropriate or, (schemes intended only for limited protection LTAF investors)) (as applicable); or

(b) in relation to a *collective investment scheme* that is not an *authorised fund*, a record of the holders (other than of *bearer certificates*) of *units* in it.

restricted mass market investment

any of the following:

...

- (c) a *P2P portfolio*;
- (d) a *unit* in a *long-term asset fund*.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

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

4 Communicating with clients, including financial promotions

...

4.12A Promotion of restricted mass market investments

...

Risk warning

...

4.12A.11 R (1) For the purposes of COBS 4.12A.10R, the *financial promotion* must contain:

...

(b) ...

(c) the following risk warning if the *financial promotion* relates to a *unit in a long-term asset fund*:

This is a high-risk investment, and assets may take a long time to buy and sell. Only invest if you can wait (possibly several years) to get your money back. You do not have protection against poor performance.

(2) Where the number of characters contained in the risk warning in (1) exceeds the number of characters permitted by a third-party marketing provider:

...

(b) ...

(c) the following risk warning must be used if the *financial promotion* relates to a *unit in a long-term asset fund*:

This is a high-risk investment, so only invest if you can wait to get your money back.

...

- (5) (a) A *firm* must omit the words “and you are unlikely to be protected if something goes wrong” from the risk ~~warning~~ warnings required by ~~(1)~~ (1)(a) or (1)(b) if the conditions in (5)(b) apply.

...

...

- (7) ...

- (8) Where the *financial promotion* relates to a *unit in a long-term asset fund*, the appropriate risk summary required by (3)(a)(ii) or (4)(b) (see *COBS 4 Annex 1R(7) (Risk summary for units in a long-term asset fund)*) must be adapted to reflect the characteristics of the relevant *LTAF*, particularly the *dealing* arrangements for the *LTAF* and the applicable *notice period*.

...

Direct offer financial promotions

4.12A.14 G ...

- (2) ...

- (3) *COBS 4.12A.18R (First condition: cooling off period) does not apply where a direct offer financial promotion to a retail client relates only to a unit in a long-term asset fund.*

4.12A.15 R (1) Unless permitted by *COBS 4.12A.17R*, and subject to (2) ~~and~~ (3) and (4), a *firm* must not:

...

- (3) ...

- (4) Where the *direct offer financial promotion* relates only to a *unit in a long-term asset fund*:

(a) the condition in *COBS 4.12A.18R (cooling off period)* does not apply; and

(b) the condition in *COBS 4.12A.20R (personalised risk warning)* does not need to be satisfied if the *retail client* has previously received a *direct offer financial promotion* relating to a *unit in a long-term asset fund* from the same *person* that would otherwise need to satisfy the condition.

4.12A.16 G The effect of *COBS 4.12A.15R* and related provisions in this section is that:

(1) a personalised risk warning and cooling off period are only required on the first occasion that a *firm*, or other *person communicating an approved direct offer financial promotion*, communicates a *direct offer financial promotion* relating to a *restricted mass market investment (other than a unit in a long-term asset fund)* to a particular *retail client*;

(1A) where a *direct offer financial promotion* relates only to a *unit in a long-term asset fund*:

(a) a personalised risk warning is required only on the first occasion that a *firm*, or other *person communicating an approved direct offer financial promotion*, communicates a *direct offer financial promotion* to a particular *retail client*; and

(b) a cooling off period is not required;

...

...

First condition: cooling off period

4.12A.18 R ...

(2) ...

(3) This condition does not apply if the *direct offer financial promotion* relates only to *units in a long-term asset fund*.

...

Second condition: personalised risk warning

4.12A.20 R (1) ~~The~~ Subject to (1A) below, the second condition is that before communicating the *direct offer financial promotion*, the *firm*, or other *person communicating the direct offer financial promotion*:

...

(b) ...

(1A) Where the *direct offer financial promotion* relates to a *unit in a long-term asset fund*, the second condition is that before communicating the *direct offer financial promotion*, the *firm*, or other *person communicating the direct offer financial promotion*:

(a) obtains the *retail client's* full name; and

- (b) having obtained the *retail client's* name, communicates to that *retail client* the following personalised risk warning:

[Client name], this is a high-risk investment, and assets may take a long time to buy and sell. Only invest if you can wait (possibly several years) to get your money back. You do not have protection against poor performance. Take 2 mins to learn more.

[*Editor's note:* The last sentence in this text will be underlined in the final rules.]

- (2) If the *direct offer financial promotion* is, or is to be, *communicated* by means of a website, mobile application or other digital medium, the personalised risk warning in (1)(b) or (1A)(b) must:
- ...
- (3) If the *direct offer financial promotion* is, or is to be, *communicated* other than by means of a website, mobile application or other digital medium:
- (a) the personalised risk warning in (1)(b) or (1A)(b) must be:
- ...
- ...
- (6) The personalised risk warning required by ~~(2)(a)~~ (1)(b) or (1A)(b) and the risk summary required by (2)(b) must comply with COBS 4.12A.40R to COBS 4.12A.42R.
- (7) ...
- (8) Where the *financial promotion* relates to a *unit in a long-term asset fund*, the appropriate risk summary required by (2)(b) or (3)(a)(ii) (see COBS 4 Annex 1R(7) (Risk summary for units in a long-term asset fund)) must be adapted to reflect the characteristics of the relevant *LTAf*, particularly the *dealing* arrangements for the *LTAf* and the applicable *notice period*.

...

Fourth condition: appropriateness

...

- 4.12A.28 R (1) The fourth condition applies where the *firm* itself or the *person* who will:
- (a) *arrange* or *deal* in relation to a *non-readily realisable security*; ~~or~~

- (b) facilitate the *retail client* becoming a *lender* under a *P2P agreement* or a *P2P portfolio*; or
- (c) arrange or deal in relation to a unit in a long-term asset fund, or issue such a unit,

is aware, or ought reasonably to be aware, that an application or order is in response to the *direct offer financial promotion*.

...

4.12A.29 G ...

- (2) The *firm* or *person* in *COBS* 4.12A.28R(1) can gather information for the purpose of assessing, and undertake its assessment of, whether a *restricted mass market investment* is appropriate for a *retail client* before the end of ~~the~~ any 'cooling off period' required by *COBS* 4.12A.18R.

...

Requirements of digital personalised risk warnings and digital risk summaries

4.12A.40 R The relevant personalised risk warning in *COBS* 4.12A.20R(2) and the relevant risk summaries in *COBS* 4.12A.11R(3)(a)(ii) and *COBS* 4.12A.20R(2)(b) must be:

...

- (2) clearly legible, contained within its own border and with bold and underlined text as indicated in *COBS* 4.12A.20R(1)(b), *COBS* 4.12A.20R(1A)(b) and *COBS* 4 Annex 1R;

...

...

Risk summaries

4.12A.44 R Where a *rule* in this section requires a *firm* to communicate a risk summary selected from *COBS* 4 Annex 1R, the *firm* must either:

- (1) (subject to *COBS* 4.12A.46R) provide the risk summary as it appears in *COBS* 4 Annex 1R; or

...

4.12A.45 G For the purposes of *COBS* 4.12A.44R(2), the following reasons are considered to be valid:

...

- (4) the sole purpose of the relevant statement in the risk summary is to include a hyperlink to a webpage and the medium of communication does not permit the incorporation of a link;
- (5) the firm is required to adapt the risk summary in accordance with COBS 4.12A.11R(8) (Risk warning) or COBS 4.12A.20R(8) (Second condition: personalised risk warning).

This list is not exhaustive.

- 4.12A.46 R COBS 4.12A.44R(1) does not apply to a firm which communicates a risk summary relating to units in an LTAF (see COBS 4.12A.11R(8) (Risk warning) and COBS 4.12A.20R(8) (Second condition: personalised risk warning)).
- 4.12A.47 G A firm communicating a risk summary relating to units in an LTAF (see COBS 4 Annex 1R(7) (Risk summaries)) is required to adapt the risk summary to reflect the characteristics of the relevant LTAF, particularly the dealing arrangements for the LTAF and the applicable notice period (see COBS 4.12A.11R(8) (Risk warning) and COBS 4.12A.20R(8) (Second condition: personalised risk warning)). Other amendments may also be appropriate. When amending the risk summary, the firm will need to comply with COBS 4.12A.44R(2).

4.12B Promotion of non-mass market investments

...

Purpose and overview of the rules

- 4.12B.5 G ...
- (5) (a) *Firms* must also comply with COBS 4.12B.7R(1)(b) and the rules in COBS 4.12B.14R to COBS 4.12B.30R (see (b) below) where:
 - (i) the *financial promotion* relates to a *non-mass market investment* ~~other than a unit in a long term asset fund~~; and
- ...
- ...
- ...
- (7) The table below explains how the *rules* apply and to which *non-mass market investments* the *rules* apply, after the provisions in COBS 4.12B.4R have been applied.
-

Handbook provision	Description of the provision	Which investments does the provision apply to	When does the provision apply
...			
<p><i>COBS</i> 4.12B.14R and <i>COBS</i> 4.12B.15R</p>	<p><i>Firms</i> must ensure that a personalised risk warning and summary of the risks is made available to the <i>client</i> and a period of at least 24 hours (the ‘cooling off period’) is applied before the <i>financial promotion</i> is <i>communicated</i></p>	<p>All <i>non-mass market investments</i> except for (1) <i>units in long-term asset funds;</i> and (2) <i>in relation to the personalised risk warning and summary of risks, securities</i> in a <i>closed-ended investment fund</i> (i) applying for, or with, a <i>premium listing</i>; and (ii) which complies with the requirements of <i>LR 15</i></p>	<p>Before the <i>financial promotion</i> is <i>communicated</i> to a certified high net worth investor, self-certified sophisticated investor or certified sophisticated investor, in reliance on the relevant exemption in <i>COBS</i> 4.12B.7R(5)</p>
<p><i>COBS</i> 4.12B.17R</p>	<p>Restrictions on monetary and non-monetary benefits being included within the <i>financial promotions</i></p>	<p>All <i>non-mass market investments</i> except for <i>units in long-term asset funds</i></p>	<p>At the time the <i>financial promotion</i> is <i>communicated</i> to a certified high net worth investor, self-certified sophisticated investor or certified sophisticated investor, in reliance on the relevant exemption in <i>COBS</i> 4.12B.7R(5)</p>
<p><i>COBS</i> 4.12B.20R, <i>COBS</i> 4.12B.21R, <i>COBS</i> 4.12B.24R,</p>	<p><i>Firms</i> must ensure that a risk warning is provided to the <i>client</i></p>	<p>All <i>non-mass market investments</i> except for (1) <i>units in long-term asset funds;</i></p>	<p>At the time the <i>financial promotion</i> is <i>communicated</i> to a certified high net worth investor, self-certified</p>

and <i>COBS</i> 4.12B.26R		and (2) <i>securities</i> in a <i>closed-ended investment fund</i> (i) applying for, or with, a <i>premium listing</i> ; and (ii) which complies with the requirements of <i>LR 15</i>	sophisticated investor or certified sophisticated investor, in reliance on the relevant exemption in <i>COBS</i> 4.12B.7R(5)
...			

...

Promotions to certified high net worth investors, certified sophisticated investors or self-certified sophisticated investors

- 4.12B.10 R (1) *COBS* 4.12B.10R to *COBS* 4.12B.31G apply to *financial promotions* which:
- (a) relate to *non-mass market investments* ~~unless the only non-mass market investment to which the financial promotion relates is a unit in a long term asset fund~~; and

...

...

...

Sophisticated and high net worth investors: guidance on certification by authorised person and reliance on self-certification

...

- 4.12B.44 G ...
- (2) (a) For example, a *retail client* whose *investment* experience is limited to mainstream *investments* such as regularly traded *securities* issued by *listed companies*, *life policies* or *units* in *regulated collective investment schemes* (other than *qualified investor schemes* ~~or long term asset funds~~) is generally unlikely to possess the requisite knowledge to adequately understand the risks associated with investing in *non-mass market investments*.

...

...

Long-term asset funds

4.12B.48 G *A firm which wishes to promote units in a long-term asset fund to a retail client in circumstances where the firm considers the financial promotion to be an excluded communication (see COBS 4.12B.4R(1)) should have regard to its duties under the Principles and the client’s best interests rule. As explained in COLL 15.1.4G (Long-term asset funds—explanation), long-term asset funds are authorised funds which are intended only for professional clients and for retail clients who are sophisticated investors or certified high net worth investors. [deleted.]*

...

4 Annex R Risk summaries
1

This Annex belongs to COBS 4.12A.11R, COBS 4.12A.20R, COBS 4.12B.14R and COBS 4.12B.21R.

...

...	...
6	...
7	<p><u>Risk summary for units in a long-term asset fund</u></p> <p><u>Estimated reading time: 2 min</u></p> <p><u>Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.</u></p> <p><u>What are the key risks?</u></p> <p><u>1. You should be ready to invest for the long term and, during this time, the value of your investment may go up or down. You may lose money on your investment.</u></p> <ul style="list-style-type: none"> • <u>Assets in this fund may take a long time to buy and sell.</u> • <u>Long-Term Asset Funds (LTAFs) can invest into fixed assets, infrastructure, or complex financial products, all of which are relatively hard to sell. Investors who do not remain invested for the long-term may not get back all of their money. It may take many years to make a profit on the investment.</u> • <u>You should carry out your own research, so that you understand what you are investing in.</u> <p><u>2. If you decide to exit early, you won’t get your money back quickly</u></p> <ul style="list-style-type: none"> • <u>This LTAF accepts requests to sell units only once a month and there is also a 90-day waiting period before the value of</u>

	<p><u>your units is determined and you receive your money. This means that:</u></p> <ul style="list-style-type: none"> ○ <u>If you choose to sell your units on 2 January, and the trading day is the 15th of the month, you won't get any money back until approximately 20 April, assuming a few extra days for the trade to close and funds to transfer.</u> ○ <u>The value of the units you sell will be at the price set on 15 April if it is a business day, or else the next business day after it.</u> <ul style="list-style-type: none"> • <u>Once your redemption request has been approved, you cannot cancel your request.</u> <p><u>3. It will take a long time to make profits</u></p> <ul style="list-style-type: none"> • <u>If the assets the LTAF invests in are successful, it may still take a long time to get your money back and make a profit.</u> • <u>You should not expect to get your money back as payments of income (unless the LTAF includes payments of income as an investment objective).</u> <p><u>4. Don't put all your eggs in one basket</u></p> <ul style="list-style-type: none"> • <u>Putting all your money into a single investment or type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well.</u> • <u>A good rule of thumb is not to invest more than 10% of your money in high-risk investments.</u> <p><u>5. You are unlikely to be protected if something goes wrong</u></p> <ul style="list-style-type: none"> • <u>Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Learn more about FSCS protection here [https://www.fscs.org.uk/check/investment-protection-checker/].</u> • <u>Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated platform, FOS may be able to consider it. Learn more about FOS protection here https://www.financial-ombudsman.org.uk/consumers/.</u>
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...

4 Annex R Restricted investor statement

5

This Annex belongs to COBS 4.12A.22R.

RESTRICTED INVESTOR STATEMENT

...

For the purposes of this statement **high-risk investments are:** peer-to-peer (P2P) loans; investment based crowdfunding; units in a long-term asset fund; and unlisted debt and equity (such as in companies not listed on an exchange like the London Stock Exchange).

...

...

10 Appropriateness (for non-advised services) (non-MiFID and non-insurance-based investment products provisions)

10.1 Application

...

10.1.2 R (1) This chapter applies to a *firm* which:

(a) *arranges or deals* in relation to a:

...

(iii) *derivative*; ~~or~~

(iv) *warrant*; or

(v) *unit in a long-term asset fund*,

with or for a *retail client*, other than in the course of *MiFID* or *equivalent third country business*; ~~or~~

(b) facilitates a *retail client* becoming a lender under a *P2P agreement*; or

(c) *issues a unit in a long-term asset fund to a retail client*,

and the *firm* is aware, or ought reasonably to be aware, that the application or order is in response to a *direct offer financial promotion*.

...

...

10.2 Assessing appropriateness: the obligations

...

Restricted mass market investments

- 10.2.9 G (1) When determining whether a *client* has the necessary knowledge to understand the risks involved in relation to a *restricted mass market investment*, a *firm* should consider asking the *client* questions that cover, at least, the matters in:
- (a) *COBS* 10 Annex 1G in relation to *non-readily realisable securities*; ~~or~~
 - (b) *COBS* 10 Annex 2G in relation to *P2P agreements* or *P2P portfolios*; or
 - ...
 - (m) *COBS* 10 Annex 3G in relation to *units in a long-term asset fund*.
- ...

10.4 Assessing appropriateness: when it need not be done

...

10.4.2 R ...

10.4.3 G As explained in *COBS* 4.12A.33G, *COBS* 10.4 is not relevant for the purpose of complying with the rules requiring an appropriateness assessment under *COBS* 4.12A in relation to *restricted mass market investments*.

...

After *COBS* 10 Annex 2G (Assessing appropriateness: P2P agreements and P2P portfolios), insert the following new Annex, *COBS* 10 Annex 3. The text is new and not underlined.

10 Annex 3 G Assessing appropriateness: units in a long-term asset fund

This Annex belongs to *COBS* 10.2.9G(1)(m).

When determining whether a *retail client* has the necessary knowledge to understand the risks involved in relation to a *long-term asset fund*, a *firm* should consider asking the *client* questions that cover, at least, the following matters:

- (1) the possibility that the *client* could see the value of the amount they invest go down;
- (2) the potential illiquidity of *LTAfs* and their underlying assets;

- (3) the possibility that it could take the *client* many years to make a profit on the *money* they invest, and (where relevant) that payments of income may be limited or non-existent;
- (4) that due to the *dealing* frequency and *notice period* after a *redemption* request has been accepted (see *COLL 15.8.12R* (Dealing: redemption of units):
 - (a) the *client* will not know the value of the proceeds of *redemption* until the end of the *notice period*; and
 - (b) it will take at least [period of time] for the *client* to receive the proceeds of *redemption*;
- (5) the risk of the *LTAF's investments* failing and the associated risk of the *client* losing all of the *money* invested;
- (6) the extent to which the protection of the *Financial Ombudsman Service* or *FSCS* apply to the investment activity (including the fact that these services do not protect investors against poor investment performance);
- (7) the nature of the *client's* contractual relationships with the *authorised fund manager* (including its role in assessing and making underlying *investments*);
- (8) the benefits of diversification and that *retail clients* should not generally invest more than 10% of their net assets in *restricted mass market investments*;
- (9) where the *units* in the *LTAF* are, or are to be, *dealt* or *arranged* by another *firm* (AF):
 - (a) the nature of the *client's* contractual relationships with (AF);
 - (b) the role of AF and the scope of the service it provides to *clients* (including the extent of the due diligence that AF undertakes in relation to *units* in *LTAFs* that it *deals* in or *arranges*); and
 - (c) the risk to any management and administration of the *client's* investment in the event of AF becoming insolvent or otherwise failing.

Amend the following as shown.

10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

...

10A.2 Assessing appropriateness: the obligations

...

Restricted mass market investments

10A.2.11 G ...

Assessing appropriateness: units in long-term asset funds

10A.2.12 G When determining whether a *client* has the necessary knowledge and experience to understand the risks involved in relation to a *unit* in a *long-term asset fund* (see *COBS 4.12A (Promotion of restricted mass market investments)*), a *firm* should consider asking the *client* questions that cover, at least, the matters in *COBS 10 Annex 3G (Assessing appropriateness: units in a long-term asset fund)*.

...

10A.4 Assessing appropriateness: when it need not be done due to type of investment

...

Other non-complex financial instruments

10A.4.2 UK ...

10A.4.2A G As explained in *COBS 4.12A.33G*, *COBS 10A.4* is not relevant for the purpose of complying with the *rules* requiring an appropriateness assessment under *COBS 4.12A* in relation to *restricted mass market investments*.

...

21 Permitted Links and conditional permitted links

...

21.3 Further rules for firms engaged in linked long-term insurance business

...

Conditional permitted links

- 21.3.15 R A *conditional permitted link* is any of the following property where the conditions in *COBS 21.3.16R* are met:
- (1) *conditional permitted unlisted securities*;
 - (2) *conditional permitted immovables*;
 - (3) *conditional permitted loans*;
 - (4) *conditional permitted scheme interests*; ~~and~~
 - (5) ~~(only in respect of a linked fund included in the default arrangement of a qualifying scheme)~~ *conditional permitted long-term asset funds*; and
 - (6) (only in respect of a linked fund included in the default arrangement of a qualifying scheme) conditional permitted illiquid assets.
- 21.3.16 R The conditions for the property in *COBS 21.3.15R* to be a *conditional permitted link* are that an *insurer* must ensure, on a continuing basis, that:
- (-1) (only in respect of conditional permitted long-term asset funds to be held other than in connection with a qualifying scheme) the policyholder has received:
 - (a) a personal recommendation, or investment management services, from a firm, as to the suitability of the investment for the policyholder; or
 - (b) (where the policyholder has not received any of the services in (a)) an assessment from a firm (which could be the insurer, and where the circumstances are appropriate, the firm may rely on assessments made by another person on whom it is reasonable for the firm to rely) that the investment is appropriate for the policyholder in accordance with COBS 21.3.16AR;

...
 - (3) ~~(only in respect of conditional permitted long-term asset funds) the linked fund investing in conditional permitted long-term asset funds may only be included in the default arrangement of a qualifying scheme.~~ (only in respect of conditional permitted illiquid assets) the linked fund investing in conditional permitted illiquid assets may only be included in the default arrangements of a qualifying scheme.
- 21.3.16A R (1) The appropriateness assessment in COBS 21.3.16R(-1)(b) must be done in accordance with the rules in either COBS 10 or COBS 10A.

- (2) The effect of (1) is that if the *rules* in COBS 10 or COBS 10A do not apply to a *firm*, the assessment the *policyholder* has received must be undertaken by the *firm* as if the *rules* in COBS 10 or COBS 10A applied.
- (3) Where (2) applies, the condition in COBS 21.3.16R(-1)(b) will be met where a *firm* has conducted the appropriateness assessment in accordance with either:
- (a) COBS 10 as it would apply to a *firm* that *arranges or deals* in relation to a *unit* in a *long-term asset fund*; or
 - (b) COBS 10A as it would apply to a *firm* that either:
 - (i) provides *investment services* in relation to a *unit* in a *long-term asset fund*; or
 - (ii) carries on *insurance distribution* in relation to an *insurance-based investment product* (taking into account the guidance in COBS 10A.2.12G as if it referred to investment in *conditional permitted long-term asset funds*), and
- the *firm* must apply the set of *rules* in either (a), (b)(i) or (b)(ii) which are the most:
- (c) consistent with the *firm's* understanding and experience; and
 - (d) appropriate for the *policyholder*.
- (4) The appropriateness assessment must ensure (but is not limited to ensuring) that the total exposure the *policyholder* has or would have to *conditional permitted long-term asset funds*, at the point the investment is made and based on expected contributions at the time, is not greater than 10% of:
- (a) (in relation to a *policy* held by an individual *policyholder* who is a natural person) the person's exposure to *permitted links* in the *policy*;
 - (b) (other than in (a) and (c) and where the investment risk is borne by a *policyholder* who is a natural person) that *natural person's* individual exposure to *permitted links* in the *policy*; or
 - (c) (where the *policy* is used by the holder of the *policy* for the purposes of providing benefits under a pension scheme, other than a *qualifying scheme*, and the investment risk is borne by a member of the scheme who is a *policyholder* and a natural person), the value of that natural person's benefits under the pension scheme.

- 21.3.16B G (1) Where a *firm* carries out insurance distribution in relation to an *insurance-based investment product* that includes investment in a *conditional permitted long-term asset fund*, the appropriateness requirement in *COBS 10A* will apply to that *firm* in any event. Therefore, *COBS 21.3.16AR(2)* will not be relevant to that activity.
- (2) Where the *rules* in *COBS 10* or *COBS 10A* do not apply, the *firm* undertaking the appropriateness assessment will have the option of electing which *rules* would be most appropriate to follow. The purpose of this is to allow for *firms* to carry out the appropriateness assessment under the *rules* with which they may be most familiar for example where they are involved with the distribution of *units* in *long-term asset fund* or where the *firm* already has processes in place to meet *COBS 10A* in relation to *insurance-based investment products*. However, this flexibility will need to be exercised in a way that maintains adequate protection for *policyholders* wanting to invest in *conditional permitted long-term asset funds*.
- (3) Where a *firm* is subject to the *rules* in *COBS 10A* when providing *investment services* in relation to *units* in a *long-term asset fund* it should not elect to comply with the *rules* in *COBS 21.3.16R(3)(a)* or (b)(ii) unless it can demonstrate why applying those *rules* was appropriate for the *policyholder*.
- (4) Where the *policy* is used for the purposes of a pension arrangement (for example an *occupational pension scheme* where the trustees include investment in a *long-term contract of insurance*) under which there is more than one *policyholder*, the assessment in *COBS 21.3.16AR(4)(c)*, should consider the total individual exposure that any relevant *policyholder* (who is a natural person and bears the investment risk) has to *conditional permitted long-term asset funds* in that pension scheme, compared to the total value of the benefits that person has under their individual arrangement in the pension scheme.
- 21.3.16C G For *COBS 21.3.16R(-1)(b)* it would be reasonable for an *insurer* to rely on assessments carried out by a *person* who is not a *firm* where:
- (1) this is properly done by or for an *occupational pension scheme* trustee or otherwise where the person has a legal responsibility to the *policyholder* who is a natural person to assess appropriateness;
- (2) the *insurer* has the necessary systems and controls to determine how the assessment assists the *insurer* to comply with *COBS 21.3.16AR*; and
- (3) where there is not another *firm* that has (or could) carry out an appropriateness assessment that the *firm* is able to rely on.

...

- 21.3.18 G The assessment in *COBS 21.3.16R(2)*, in relation to a *linked fund* which is included in a default or similar arrangement for a pension scheme, would include ongoing consideration of:
- (1) whether the investment risks of any *conditional permitted links* remain suitable and appropriate for a particular cohort of *linked policyholders*, including as that cohort moves toward retirement; and
 - (2) where the *linked fund* contains *conditional permitted long-term asset funds* or *conditional permitted illiquid assets*, the total exposure of the *default arrangement* to ~~*conditional permitted long-term asset funds*~~ and ~~*other investments*~~ of similar risk profile to that of ~~*conditional permitted long-term asset funds*~~ those *investments*.
- 21.3.18A R The assessment in *COBS 21.3.16R(2)*, in relation to a *linked fund* which is included in an individual pension arrangement under a *qualifying scheme* in circumstances where the member self-selects the *linked assets*, must include ensuring that the total exposure of that individual pension arrangement to *conditional permitted long-term asset funds* is not greater than the higher of:
- (1) the exposure to *conditional permitted long-term asset funds* and/or *conditional permitted illiquid assets* which would be considered suitable and appropriate if that member were invested only in the *qualifying scheme's default arrangement*; or
 - (2) 10% of the total value of the benefits in that individual pension arrangement under the *qualifying scheme*.
- 21.3.18B G (1) The assessment of the thresholds in *COBS 21.3.16AR(4)* and *COBS 21.3.18AR* should consider whether these are or would be exceeded at the point of the proposed investment being made (including the effect of any ongoing contributions as part of that investment).
- (2) Before the *policyholder* makes any further investment in *conditional permitted long-term asset funds* there will need to be an assessment of whether the conditions in *COBS 21.3.16R*, including the thresholds in *COBS 21.3.16AR(4)* and *COBS 21.3.18AR*, will continue to be met (including in relation to ongoing monthly contributions where the thresholds could be breached).
- (3) An *insurer* should consider how to meet the obligation in *COBS 21.3.16R* for the conditions to be met on a 'continuing basis' and also its obligations under wider *rules* including the *Principles*. Whilst the condition in *COBS 21.3.16R(-1)* would apply at the

point the particular investment is being made including taking account of any ongoing contributions as part of that investment (rather than on a continuing basis), the insurer should have appropriate arrangements in place to identify whether a policyholder's investment exposure has become, or risks becoming, materially inconsistent with the thresholds in COBS 21.3.16AR(4) or COBS 21.3.18AR. Where this has occurred the insurer should take appropriate action for example communicating with the policyholder about this risk and their options.

Conditional permitted links: requirements

...

21.3.19A R The gross assets that a *linked fund* invests in *conditional permitted long-term asset funds* (when included in a *qualifying scheme*) or *conditional permitted illiquid assets* (when included in the *default arrangement of a qualifying scheme*) must not be included in any part of the calculation when working out whether the limit set out in COBS 21.3.19R has been exceeded.

...

TP 2 Other Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
...					
2.-1B	...				
<u>2.-1C</u>	<u>COBS 4.12A.22R</u>	<u>R</u>	<u>Any change to the rules specifying the form and content of the investor statements in COBS 4 Annex 2R to COBS 4 Annex 5R does not affect the continuing validity of a statement complying with the relevant rule in force at the time that it was completed and signed.</u>	<u>From 3 July 2023</u>	<u>From 3 July 2023</u>
...					

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 Introduction

...

1.2 Types of authorised fund

...

Types of authorised fund - explanation

1.2.2 G ...

(3) (a) *Qualified investor schemes* may be promoted only to:

(i) *professional clients*; and

(ii) *retail clients* who are sophisticated investors,

on the same terms as *non-mainstream pooled investments* (see COBS 4.12B (Promotion of non-mass market investments)).

...

(3A) (a) *A long-term asset fund* may be promoted only to:

(i) *professional clients*; and

(ii) *retail clients* who are sophisticated investors ~~or~~, certified high net worth investors, and those other retail clients to whom units in long-term asset funds can be promoted without contravening the rules in COBS 4.12A (Promotion of restricted mass market investments).

~~on the same terms as non-mainstream pooled investments.~~

...

...

...

5 Investment and borrowing powers

...

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

...

Purpose

5.7.2 G ...

- (2) One example of the different investment and borrowing powers under the *rules* in this section for *non-UCITS retail schemes* operating as *FAIFs* 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 *non-UCITS retail scheme* operating as a *FAIF* is not able to hold more than 50% of its *scheme property* in *units of long-term asset funds* unless it operates *limited redemption arrangements* in accordance with *COLL 5.7.7R(3)(c)* (Investment in collective investment schemes) and *COLL 6.2.19R* (Limited redemption).

...

...

Investment in collective investment schemes

- 5.7.7 R (1) A *non-UCITS retail scheme* operating as a *FAIF* must not invest in *units* in a *collective investment scheme* (second *scheme*) unless the second *scheme*:
- (a) is a *scheme* which satisfies the criteria in *COLL 5.6.10R(1)(a) to (d)* ~~or~~;
 - (b) meets each of the requirements ~~at (1) to (4)~~ in (2)(a) to (d); or
 - (c) provided the conditions in (3) are satisfied, is a *long-term asset fund*.
- (2) A *non-UCITS retail scheme* operating as a *FAIF* may invest in a second *scheme* under this paragraph if:
- (4) (a) the second *scheme* operates on the principle of the prudent spread of risk;

- (2) (b) the second *scheme* is prohibited from investing more than 15% in value of the property of that *scheme* in *units* in *collective investment schemes* or, if there is no such prohibition, the *non-UCITS retail scheme's authorised fund manager* is satisfied, on reasonable grounds and after making all reasonable enquiries, that no such investment will be made;
- (3) (c) the participants in the second *scheme* must be entitled to have their *units* redeemed in accordance with the *scheme* at a *price*:
- (a) (i) related to the net value of the property to which the *units* relate; and
- (b) (ii) determined in accordance with the *scheme*; and
- (4) (d) where the second *scheme* is an *umbrella*, the provisions in (1) to (3) (2)(a) to (2)(c) above and *COLL 5.7.5R* (Spread: general) apply to each *sub-fund* as if it were a separate *scheme*.
- (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:
- (a) 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;
- (b) 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; and
- (c) where the non-UCITS retail scheme invests more than 50% of the value of the scheme property in units of second schemes that are long-term asset funds, the non-UCITS retail scheme operates limited redemption arrangements that:
- (i) enable it to meet its obligations in respect of redemptions; and
- (ii) are consistent with (a) and (b).

Investment in long-term asset funds: guidance

- 5.7.7A G (1) Under COLL 5.7.7R(3)(c), a non-UCITS retail scheme operating as a FAIF will need to operate limited redemption arrangements where it invests more than the 50% of the value of the scheme property in second schemes that are long-term asset funds. The FCA expects this to be where:
- (a) the investment objective and investment policy set out in the non-UCITS retail scheme's prospectus aim to invest at least 50% of the value of the scheme property in units of long-term asset funds; or
- (b) at least 50% of the value of the scheme property of the non-UCITS retail scheme has been invested in long-term asset funds for at least 3 continuous months in the last 12 months.
- (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, 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.
- (3) In practice, and having regard to the liquidity of other assets, compliance with this rule may require the non-UCITS retail scheme to operate limited redemption arrangements even in circumstances where less than 50% of the value of the scheme property is invested in second schemes that are long-term asset funds.

Feeder scheme dedicated to units in a collective investment scheme

5.7.8 R ...

Due diligence requirements

- 5.7.9 R (1) A *non-UCITS retail scheme* operating as a *FAIF* must not invest in *units* in *schemes* in ~~COLL 5.7.7R (1) to (3)~~ COLL 5.7.7R(2)(a) to (2)(c) ('second *schemes*') unless the *authorised fund manager* has carried out appropriate due diligence on each of the second *schemes* and:

...

...

15 Long-term asset funds

15.1 Introduction

...

Long-term asset funds: eligible investors

- 15.1.3 R (1) Subject to (3), the *authorised fund manager* of a *long-term asset fund* must take reasonable care to ensure that ownership of *units* in that *scheme* is recorded in the *register* only for a *person* to whom such *units* may be promoted ~~under COBS 4.12.4R (Exemptions from the restrictions on the promotion of non-mainstream pooled investments)~~ without contravening the rules in COBS 4.12A (Promotion of restricted mass market investments).

...

- (3) ...

- (4) Where:

(a) the *scheme* is intended only for *limited protection LTAF investors* or the *scheme* has a *limited protection LTAF class*; and

(b) COLL 15.5.-10BR to COLL 15.5.-10EG, COLL 15.5.-12BR, COLL 15.7.-12BR, and COLL 15.8.15EG to COLL 15.8.15PR have not been applied in relation to the *scheme* or the *limited protection LTAF class*,

the *authorised fund manager* must also take reasonable care to ensure that ownership of *units* in the *scheme* or *class* is recorded in the *register* only for a *person* who is a *limited protection LTAF investor*.

Long-term asset funds - explanation

- 15.1.4 G (1) *Long-term asset funds* are *authorised funds* which are subject to a restriction on promotion. They are intended only for professional clients and for retail clients who are sophisticated investors, or certified high net worth investors, and those retail clients to whom long-term asset funds may be promoted without contravening the rules in COBS 4.12A (Promotion of restricted mass market investments). ~~For this reason, long-term asset funds are subject to a restriction on promotion under COBS 4.12B.6R (Restrictions on the promotion of non mass market investments).~~
- (2) The *authorised contractual scheme manager* of a *long-term asset fund* which is an ACS must take reasonable care to ensure that it accepts subscription to *units* in the *LTAf* only from a *person* to whom such *units* may be promoted ~~under COBS 4.12B.7R (Exemptions from the restrictions on the promotion of non mass market investments)~~ without contravening the rules in COBS 4.12A (Promotion of restricted mass market investments) and who also meets the criteria in *COLL 15 Annex 1R*.
- (3) (a) Some of the rules in COLL 15 relating to:
- (i) alterations to schemes, notices to unitholders and change events for feeder LTAFs (see COLL 15.5.-10BR to COLL 15.5.-10DR);
 - (ii) unitholder meetings (see COLL 15.5.-12BR);
 - (iii) the register (see COLL 15.7.-12BR); and
 - (iv) payments (COLL 15.8.15CR to COLL 15.8.15PR),
- apply where the scheme or (where applicable) a particular class of unit is made available to retail clients who are not limited protection LTAF investors (an LTAF retail class).
- (b) These rules may also be applied to a scheme or class that is intended only for limited protection LTAF investors. Where the rules are not applied in relation to such a scheme or a class, the authorised fund manager is required under COLL 15.1.3R(4) to take reasonable care to ensure that ownership of units in the scheme or class is recorded in the register only for a person who is a limited protection LTAF investor.

...

15.3 Constitution

...

Table: contents of the instrument constituting the fund

15.3.6 R This table belongs to *COLL* 15.3.5R.

...	
3	Constitution
	The following statements:
...	
(9)	for an <i>ACS</i> :
	(a) the <i>contractual scheme deed</i> :
	...
	(iv) states that <i>units</i> may not be <i>issued</i> to a <i>person</i> other than a <i>person</i> :
	...
	(B) to whom <i>units</i> in a <i>long-term asset fund</i> may be promoted under <i>COBS</i> 4.12B.7R <u>without contravening the rules in <i>COBS</i> 4.12A (Promotion of restricted mass market investments)</u> ;
	...
	(vii) states:
	...
	(B) where a transfer of <i>units</i> is allowed by the <i>scheme</i> or, where appropriate, the <i>sub-fund</i> , in accordance with (A)(ii), <i>units</i> may only be transferred in accordance with the conditions specified by <i>FCA rules</i> , including that <i>units</i> may not be transferred to a <i>person</i> other than a <i>person</i> :
	...

			(ii)	to whom <i>units</i> in a <i>long-term asset fund</i> may be promoted under COBS 4.12B.7R without contravening the <u>rules in COBS 4.12A (Promotion of restricted mass market investments)</u> ; and
		(vii) (viii)		states that for a <i>limited partnership scheme</i> , the <i>scheme</i> is not dissolved on any <i>person</i> ceasing to be a <i>limited partner</i> or <i>nominated partner</i> provided that there remains at least one <i>limited partner</i> ;
	...			
...				
6	Limitation on issue and redemption of units			
...				
(2)	...			
(3)	<u>Where COLL 15.1.3R(4) (Long-term asset funds: eligible investors) applies, a statement that the <i>authorised fund manager</i> must take reasonable care to ensure that ownership of <i>units</i> in the <i>scheme</i> or a relevant <i>class</i> is recorded in the <i>register</i> only for a <i>person</i> who is a <i>limited protection LTAF investor</i>.</u>			
...				

...

15.4 Prospectus and other pre-sale notifications

...

Table: contents of a long-term asset fund prospectus

15.4.5 R This table belongs to COLL 15.4.2R.

...			
14	Fees, charges and expenses		
	A description of all fees, charges and expenses, including:		
	...		

	(2)	the payments that may be made out of the <i>scheme property</i> to any <i>person</i> whether by way of <i>remuneration</i> for services, reimbursement of expense, or charge or other payment and for each category of <i>remuneration</i> , expense, charge or payment the following should be specified:	
		...	
		(b)	if notice has been given to <i>unitholders</i> of the <i>authorised fund manager's</i> intention to:
			...
		(iii)	change the basis of the treatment of a payment from the <i>capital property</i> set out in COLL 15.8.16R(2) (Payments) <u>COLL 15.8.15JR (Allocation of payments to income or capital)</u> and <u>COLL 15.8.15QR(2) (Payments: limited protection LTAF classes)</u> (as applicable),
			particulars of that introduction or increase and when it will take place; and
		(c)	if, in accordance with COLL 15.8.16R(2) (Payments) <u>COLL 15.8.15JR (Allocation of payments to income or capital)</u> and <u>COLL 15.8.15QR(2) (Payments: limited protection LTAF classes)</u> (as applicable), all or part of the <i>remuneration</i> or expense are to be treated as a capital charge:
			...
	...		
	...		
	16	Dealing	
		The procedure and conditions for the <i>issue</i> , <i>sale</i> , <i>redemption</i> and <i>cancellation</i> of <i>units</i> or <i>shares</i> including details of the following, in fair, clear and plain language, using worked examples to explain how these procedures might apply to <i>unitholders</i> in practice:	
		...	
	(10)	...	

	(10 A)		(where <i>COLL 15.1.3R(4)</i> (Long-term asset funds: eligible investors) applies) a statement that the <i>authorised fund manager</i> must take reasonable care to ensure that ownership of <i>units</i> in the <i>scheme</i> or a relevant <i>class</i> is recorded in the <i>register</i> only for a <i>person</i> who is a <i>limited protection LTAF investor</i> ;
	...		
17	Issue of units in ACSs: eligible investors		
	(1)		A statement that <i>units</i> may not be <i>issued</i> to a <i>person</i> other than to a <i>person</i> :
	...		
		(b)	to whom <i>units</i> in a <i>long-term asset fund</i> may be promoted under <i>COBS 4.12B.7R</i> without contravening the <i>rules</i> in <i>COBS 4.12A</i> (Promotion of restricted mass market investments).
	...		
18	Transfer of units in ACSs		
	...		
	(2)		A statement that where transfer of <i>units</i> is allowed by the <i>instrument constituting the fund</i> and <i>prospectus</i> in accordance with (1)(b), <i>units</i> may only be transferred in accordance with the conditions specified by <i>FCA rules</i> , including that <i>units</i> may not be transferred to a <i>person</i> other than a <i>person</i> :
	...		
		(b)	to whom <i>units</i> in a <i>long-term asset fund</i> may be promoted under <i>COBS 4.12B.7R</i> without contravening the <i>rules</i> in <i>COBS 4.12A</i> (Promotion of restricted mass market investments).
	...		
...			

...

15.5 Annual report and investor relations

...

15.5.9 R ...

Application of the rules on alterations to the scheme and notice to unitholders

- 15.5.-10 R (1) COLL 15.5.-10BR to COLL 15.5.-10EG apply in relation to an alteration or change where the *scheme* has an *LTAf retail class* and:
- (a) the proposed alteration or change affects only *unitholders* in an *LTAf retail class*; or
 - (b) the proposed alteration or change affects *unitholders* in an *LTAf retail class* and *unitholders* in a *limited protection LTAf class*.
- (2) COLL 15.5.10R to COLL 15.5.11G may be applied in relation to an alteration or change where:
- (a) (i) the *scheme* has an *LTAf retail class*; and
 - (ii) the proposed alteration or change relates only to a *limited protection LTAf class*; or
 - (b) the *scheme* has no *LTAf retail class*.

- 15.5.-10A G Where COLL 15.5.-10BR to COLL 15.5.-10EG are not applied to a *scheme* or *class* which is intended only for *limited protection LTAf investors*, the *authorised fund manager* is required to take reasonable care to ensure that ownership of *units* in that *scheme* or *class* is recorded in the *register* only for a *person* who is a *limited protection LTAf investor* (see COLL 15.1.3R(4) (Long-term asset funds: eligible investors)).

Alterations to the scheme and notices to unitholders: rules for schemes or classes made available to retail clients who are not limited protection LTAf investors

- 15.5.-10B R (1) (a) The *authorised fund manager* must, by way of an *extraordinary resolution*, obtain prior approval from the *unitholders* for any proposed change to the *scheme* which, in accordance with (1)(b), is a fundamental change.
- (b) A fundamental change is a change or event which:
- (i) changes the purposes or nature of the *scheme*;

- (ii) may materially prejudice a *unitholder*;
 - (iii) alters the risk profile of the *scheme*; or
 - (iv) introduces any new type of payment out of the *scheme property*.
- (2) (a) The *authorised fund manager* must give prior written notice to *unitholders* in respect of any proposed change to the operation of a *scheme* that, in accordance with (2)(b), constitutes a significant change.
- (b) A significant change is a change or event which is not fundamental in accordance with (1) but which:
- (i) affects a *unitholder's* ability to exercise their rights in relation to their investment;
 - (ii) would reasonably be expected to cause the *unitholder* to reconsider their participation in the *scheme*;
 - (iii) results in any increased payments out of the *scheme property* to an *authorised fund manager* or any other *director* of an *ICVC* or an *associate* of either; or
 - (iv) materially increases other types of payment out of *scheme property*.
- (3) (a) The *authorised fund manager* must inform *unitholders* in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the *scheme*.
- (b) A notifiable change is a change or event, other than a fundamental change under (1) or a significant change under (2), which a *unitholder* must be made aware of unless the *authorised fund manager* concludes that the change is insignificant.
- (4) Alterations affecting only a particular *sub-fund* or *class* of *units* may be approved in accordance with (1), (2) or (3) for the particular *sub-fund* or *class* of *units*, with the consent of, or, as the case may be, notice to, the relevant *unitholders*.

Alterations to the scheme and notices to unitholders: guidance for schemes or classes made available to retail clients who are not limited protection LTAF investors

- 15.5.-10C G (1) Subject to (2), the *guidance* in *COLL 4.3.5G* (Guidance on fundamental changes) applies to *COLL 15.5.-10BR(1)* as if:
- (a) in *COLL 4.3.5G(2)*, the references to *COLL 4.3.4R(2)(a)* to *COLL 4.3.4R(2)(c)* were references to *COLL 15.5.-10BR(1)(a)(i)* to (iii); and
 - (b) in *COLL 4.3.5G(2)(a)*, the reference to *COLL 7.6.2R* was a reference to that *rule* as applied by *COLL 15.10.4R* (Schemes of arrangement).
- (2) *COLL 4.3.5G(2)(f)* (the introduction of *limited redemption arrangements*) does not apply to *COLL 15.5.-10BR(1)*.
- (3) The *guidance* in *COLL 4.3.7G* (Guidance on significant changes) applies to *COLL 15.5.-10BR(2)* as if the references to *COLL 4.3.6R* were references to *COLL 15.5.-10BR(2)*.
- (4) The *guidance* in *COLL 4.3.9R* (Guidance on notifiable changes) applies to *COLL 15.5.-10BR(3)* as if the reference to *COLL 4.3.8R* was a reference to *COLL 15.5.-10BR(3)*.

Change events relating to feeder LTAFs: schemes made available to retail clients who are not limited protection LTAF investors

- 15.5.-10D R (1) Where the *authorised fund manager* of a *feeder LTAF* is notified of any change in respect of its *qualifying master LTAF* which has the effect of a change to the *feeder LTAF*, the *authorised fund manager* must:
- (a) classify it as a fundamental change, significant change or a notifiable change to the *feeder LTAF* in accordance with *COLL 15.5.-10BR*; and
 - (b) (i) for a fundamental change, obtain approval from the *unitholders* by way of an *extraordinary resolution*;
 - (ii) for a significant change, give written notice to *unitholders* of that change; or
 - (iii) for a notifiable change, comply with *COLL 15.5.-10BR(3)*.

- (2) The actions required by (1)(b)(i) and (1)(b)(ii) must be carried out as soon as reasonably practicable after the *authorised fund manager* of the *feeder LTAF* has been informed of the relevant change to the *qualifying master LTAF*.
- 15.5.-10E G (1) The *authorised fund manager* of the *feeder LTAF* should assess the change to the *qualifying master LTAF* in terms of its impact on the *feeder LTAF*. For example, a change to the investment objective and policy of the *qualifying master LTAF* that alters its risk profile would constitute a fundamental change for the *feeder LTAF*.
- (2) In order for the *feeder LTAF* to continue investing in the *qualifying master LTAF*, the *authorised fund manager* of the *feeder LTAF* should obtain the approval of *unitholders* by way of an *extraordinary resolution*, or else make a proposal to invest in a different *qualifying master LTAF*. This should be done in accordance with *COLL 15.9* (Operational requirements for feeder LTAFs).
- (3) Not all changes affecting the *qualifying master LTAF* will have the same significance for the *feeder LTAF* and its *unitholders*. For example, a change to how the prices of the *units* in the *qualifying master LTAF* are published might not be a significant change for the *feeder LTAF* if the prices of its own *units* continue to be published in the same way.
- (4) Where the *authorised fund manager* of the *feeder LTAF* receives insufficient notice of the intended change to the *qualifying master LTAF* 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 LTAF*.

Alterations to the scheme and notices to unitholders: rules for schemes or classes intended only for limited protection LTAF investors

15.5.10 R ...

Alterations to the scheme and notices to unitholders: guidance for schemes or classes intended only for limited protection LTAF investors

15.5.11 G ...

Application of rules on meetings of unitholders and service of notices

- 15.5.-12 R (1) COLL 15.5.-12BR applies in relation to a meeting of unitholders where the scheme has an LTAF retail class and either:
- (a) the meeting is only for unitholders with units in an LTAF retail class; or
- (b) the meeting is for unitholders with units in an LTAF retail class and a limited protection LTAF class.
- (2) COLL 15.5.12R may be applied in relation to a meeting of unitholders where:
- (a) (i) the scheme has an LTAF retail class; and
- (ii) the meeting is only for unitholders in a limited protection LTAF class; or
- (b) the scheme has no LTAF retail class.
- 15.5.-12A G Where COLL 15.5.-12BR is not applied to a scheme or class which is intended only for limited protection LTAF investors, the authorised fund manager is required to take reasonable care to ensure that ownership of units in that scheme or class is recorded in the register only for a person who is a limited protection LTAF investor (see COLL 15.1.3R(4) (Long-term asset funds: eligible investors)).

Meetings of unitholders and service of notices: schemes or classes made available to retail clients who are not limited protection LTAF investors

- 15.5.-12B R (1) The provisions of COLL 4.4 (Meetings of unitholders and service of notices) apply to an authorised fund manager, any other director of an ICVC and a depositary of a long-term asset fund.
- (2) The authorised fund manager must record and keep minutes for 6 years of all proceedings to which COLL 15.5.-10BR (Alterations to the scheme and notices to unitholders: schemes with unitholders who are not limited protection LTAF investors) and this rule are relevant.

Meetings of unitholders and service of notices: rules for schemes or classes intended only for limited protection LTAF investors

15.5.12 R ...

15.6 Investment and borrowing powers

...

Investment in property

- 15.6.18 R ...
- (2) For an immovable:
- ...
- (c) ...
- ...
- (ii) states that in the *appropriate valuer's* opinion the interest in the immovable would, if acquired by the *scheme*, be capable of being disposed of reasonably quickly at that valuation ~~in a timeframe which is consistent with the *LTAF's* liquidity profile and redemption policy;~~
- ...
- ...
- ...
- 15.7 Powers and responsibilities of the authorised fund manager and the depositary**
- ...
- 15.7.11 R ...
- Application of the rules on the register of unitholders: AUTs or ACSs
- 15.7.-12 R (1) *COLL 15.7.-12BR* applies in respect of any *scheme* which is sold, promoted or otherwise made available to *retail clients* who are not *limited protection LTAF investors*.
- (2) *COLL 15.7.12R* may be applied to a *scheme* which is intended only for *limited protection LTAF investors*.
- 15.7.-12A G Where *COLL 15.7.-12BR* is not applied to a *scheme* which is intended only for *limited protection LTAF investors*, the *authorised fund manager* is required to take reasonable care to ensure that ownership of *units* in that *scheme* is recorded in the *register* only for a *person* who is a *limited protection LTAF investor* (see *COLL 15.1.3R* (Long-term asset funds: eligible investors)).
- The register of unitholders: AUTs or ACSs (schemes made available to retail clients who are not limited protection LTAF investors)
- 15.7.-12B R (1) (a) Either:

- (i) the *manager* or the *trustee* (as nominated in the *trust deed*); or
- (ii) the *authorised contractual scheme manager* or the *depository* of the *ACS* (as nominated in the *contractual scheme deed*),

must establish and maintain a *register of unitholders* as a *document* in accordance with this *rule*.

- (b) The *manager* or *trustee* or the *authorised contractual scheme manager* or *depository*, in accordance with their duties under (1)(a), must exercise all due diligence and take all reasonable steps to ensure the information contained on the *register* is at all times complete and up to date.
- (c) The *register* must contain:
 - (i) the name and address of each *unitholder* (for joint *unitholders*, no more than four need to be registered);
 - (ii) the number of *units* of each *class* held by each *unitholder*;
 - (iii) the date on which the *unitholder* was registered for *units* standing in their name; and
 - (iv) the number of *units* of each *class* currently in *issue*.
- (d) No notice of any trust (express, implied or constructive) which may be entered in the *register* is binding on the *manager* or *trustee*, or the *authorised contractual scheme manager* or *depository*.
- (e) The *register* is conclusive evidence of the *persons* entitled to the *units* entered in it.
- (f) The *person* responsible for the *register* in (1)(a) must:
 - (i) take reasonable steps to alter the *register* on receiving written notice of a change of name or address of any *unitholder*;
 - (ii) 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 contractual scheme manager*), during office hours;

- (iii) supply free of charge to any *unitholder*, or their authorised representative, a copy of the entries on the *register* relating to that *unitholder* on request;
 - (iv) where a *unitholder* defaults on paying for the *issue* or *sale of units*, make an alteration or deletion in the *register* to compensate for the default after which the *manager* or *authorised contractual scheme manager* becomes entitled to those *units* (until those *units* are either cancelled or re-sold and paid for); and
 - (v) carry out any conversion of *units* allowed for by (4) below after consultation with the *manager* or *trustee* or the *authorised contractual scheme manager* or *depository*, as appropriate.
- (2) (a) Subject to (2)(c), if no *person* is entered in the *register* as the *unitholder* of a *unit*, the *authorised fund manager* of the *AUT* or *ACS* must be treated as the *unitholder* of each such *unit* which is in *issue*.
- (b) Where *units* are transferred to the *authorised fund manager*, the *units* need not be cancelled and the *authorised fund manager* need not be entered on the *register* as the new *unitholder*.
- (c) In the case of a *limited partnership scheme*, unregistered *units* may be held by the *authorised contractual scheme manager*, as the agent for the *scheme*, provided the *authorised contractual scheme manager* is not entered in the *register* as the new *unitholder*.
- (3) (a) 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*.
- (b) Provided:
- (i) the requirements in *COLL 15.8.7R* (Transfer of units in an *ACS*) are satisfied; and
 - (ii) transfers of *units* are allowed by the *contractual scheme deed* and *prospectus* in accordance with the conditions specified by *rules*,

every unitholder of an ACS 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 contractual scheme deed and prospectus.

- (c) Every instrument of transfer of units of an AUT or ACS must be signed by, or on behalf of, the unitholder transferring the units (or, for a body corporate, sealed by that body corporate or signed by one of its officers (or in Scotland, two of its officers)) authorised to sign it and, unless the transferee is the authorised fund manager, the transferor must be treated as the unitholder until the name of the transferee has been entered in the register.
- (d) In the case of an AUT or ACS, every instrument of transfer (stamped as necessary) must be left for registration, with the person responsible for the register, accompanied by:
 - (i) any necessary documents that may be required by legislation; and
 - (ii) any other evidence reasonably required by the person responsible for the register.
- (e) In the case of an AUT or ACS, the details of an instrument of transfer must be kept for a period of 6 years from the date of its registration.
- (f) In the case of an AUT or ACS, on registration of an instrument of transfer, a record of the transferor and the transferee and the date of transfer must be made on the register.

- (4) Where there is more than one class of units offered for issue or sale, the unitholder has a right to convert from one to the other, provided that doing so would not contravene any provision in the prospectus.

[Note: See also COLL 15.8.7R (Transfer of units in an ACS) and the related guidance in COLL 15.8.8G in relation to transfers of units in an ACS.]

The register of unitholders: AUTs or ACSs (schemes intended only for limited protection LTAF investors)

15.7.12 R ...

...

15.8 Valuation, pricing, dealing and income

...

Transfer of units in an ACS

15.8.7 R ...

- (2) The *FCA* specifies that for the purposes of (1), and for the purposes of *COLL* 15.3.6R(3)(9)(a)(vii)(B) (Table: contents of the instrument constituting the fund) and *COLL* 15.4.5R(18)(2) (Table: contents of long-term asset fund prospectus), *units* in the ACS may only be transferred to a *person*:

...

- (b) to whom *units* in a *long-term asset fund* may be promoted ~~under *COBS* 4.12B.7R~~ without contravening the rules in *COBS* 4.12A (Promotion of restricted mass market investments).

...

Responsibilities of the authorised contractual scheme manager in relation to ACS units

15.8.9 R (1) The *authorised contractual scheme manager* of an *authorised contractual scheme* which is a *long-term asset fund* must take reasonable care to ensure that rights or interests in *units* in the *scheme* are not acquired by any *person* from or through an *intermediate unitholder* in a *long-term asset fund*, unless:

...

- (b) *units* in a *long-term asset fund* may be promoted to that *person* ~~under *COBS* 4.12B.7R~~ without contravening the rules in *COBS* 4.12A (Promotion of restricted mass market investments).

...

...

15.8.15 G ...

Payments: application of rules

15.8.15A R (1) *COLL* 15.8.15CR to *COLL* 15.8.15PR apply in relation to an *LTAf* retail class.

- (2) In relation to a *limited protection LTAf* class:

- (a) COLL 15.8.15CR and COLL 15.8.15DG always apply;
and
- (b) COLL 15.8.15QR may be applied.
- (3) COLL 15.8.15CR to COLL 15.8.15PR apply as specified in the table in (4).
- (4) This table belongs to (3).

<u>Rule</u>	<u>ICVC</u>	<u>Authorised fund manager</u>	<u>Depository of an ICVC, AUT or ACS</u>
<u>COLL 15.8.15CR</u>	<u>x</u>	<u>x</u>	<u>x</u>
<u>COLL 15.8.15DG</u>	<u>x</u>	<u>x</u>	<u>x</u>
<u>COLL 15.8.15EG</u>	<u>x</u>	<u>x</u>	
<u>COLL 15.8.15FR</u>	<u>x</u>	<u>x</u>	
<u>COLL 15.8.15GR</u>		<u>x</u>	
<u>COLL 15.8.15HG</u>		<u>x</u>	
<u>COLL 15.8.15IR</u>		<u>x</u>	
<u>COLL 15.8.15JR</u>		<u>x</u>	<u>x</u>
<u>COLL 15.8.15KG</u>		<u>x</u>	<u>x</u>
<u>COLL 15.8.15LR</u>	<u>x</u>	<u>x</u>	
<u>COLL 15.8.15MG</u>	<u>x</u>	<u>x</u>	
<u>COLL 15.8.15NR</u>	<u>x</u>	<u>x</u>	<u>x</u>

<u>COLL</u> <u>15.8.15OG</u>		<u>x</u>	<u>x</u>
<u>COLL</u> <u>15.8.15PR</u>	<u>x</u>	<u>x</u>	
Note: “x” means “applies” but not every paragraph in every rule will necessarily apply.			

- 15.8.15B G Where *COLL* 15.8.15EG to *COLL* 15.8.15PR are not applied to *classes* which are intended only for *limited protection LTAF investors*, the *authorised fund manager* is required to take reasonable care to ensure that ownership of *units* in that *scheme* is recorded in the *register* only for a *person* who is a *limited protection LTAF investor* (see *COLL* 15.1.3R (Long-term asset funds: eligible investors)).

Payments out of scheme property

- 15.8.15C R (1) The only payments which may be recovered from the *scheme property* of a *long-term asset fund* are those in respect of:
- (a) remunerating the parties operating the *authorised fund*;
- (b) the administration of the *authorised fund*; or
- (c) the investment or safekeeping of the *scheme property*.
- (2) No payment under this rule can be made from *scheme property* if it is unfair to (or materially prejudices the interests of) any class of *unitholders* or potential *unitholders*.
- (3) Paragraphs (1) and (2) do not apply to any payments in relation to any taxation payable by the *authorised fund*.
- (4) Paragraphs (1) and (2) do not permit payments to third parties for the safekeeping or administration of *units* on behalf of *unitholders* rather than on behalf of the *authorised fund*.

Payments out of scheme property: guidance

- 15.8.15D G (1) Details of permissible types of payments out of *scheme property* are to be set out in full in the *prospectus* in accordance with *COLL* 15.4.5R(14) (Table: contents of a long-term asset fund prospectus).
- (2) An *authorised fund manager* should consider whether a payment to an *affected person* is unfair because of its amount or because it confers a disproportionate benefit on the *affected person*.

- (3) COLL 15.8.15CR(2) does not invalidate a payment that gives rise to a difference between the rights of separate *classes of unit* that relates solely to the payments that may be taken out of *scheme property*.
- (4) Payments to third parties as referred to in COLL 15.8.15CR(4) include payments to *platform service providers* and other similar platform services.

Performance fees

- 15.8.15E G (1) For the *authorised fund manager's* periodic charge or for payments out of *scheme property* to the *investment adviser*, the *prospectus* may permit a payment based on a comparison of one or more aspects of the *scheme property* or *price* in comparison with fluctuations in the value or price of property of any description or index or other factor designated for the purpose (a 'performance fee').
- (2) Any performance fee should be specified in the appropriate manner in the *prospectus* and should be consistent with COLL 15.8.15CR. In determining whether the performance fee is consistent, the *authorised fund manager* should have regard to factors such as:
- (a) where it is made on the basis of performance of the *authorised fund* against any index or any other factor, that benchmark must be reasonable given the investment objectives of the *authorised fund* and must be consistently applied;
 - (b) the performance fee may be based on performance above a defined positive rate of return (the 'hurdle rate'), which may be fixed or variable;
 - (c) where (a) or (b) applies, the benchmark or hurdle rate may be carried forward to future accrual periods;
 - (d) the period over which it accrues and the frequency with which it crystallises should be reasonable; and
 - (e) except where allowed by COLL 15.8.15CR(1), there are to be no arrangements to adjust the *price* or value of *sale* or repurchase transactions in respect of performance fees accrued or paid if the transactions occur within the accrual period of the charge.

- (3) In accordance with COLL 15.4.5R(14) (Table: contents of a long-term asset fund prospectus), the *prospectus* should contain the maximum amount or percentage of *scheme property* that the performance fee might represent in an *annual accounting period*. This disclosure should be given in plain language together with examples of the operation of the performance fee.

15.8.15F R Any performance fee specified in the *prospectus* must be calculated on the basis of the *scheme's* performance after deduction of all other payments out of *scheme property*.

Charges on buying and selling units

15.8.15G R (1) No *person* other than the *authorised fund manager* may impose charges on *unitholders* or *potential unitholders* when they buy or sell *units*.

- (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:

(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) the *redemption* or *cancellation* of *units*, except a *redemption charge* made in accordance with the *prospectus* current at the time the relevant *units* were purchased by the *unitholder*.

Charges on buying and selling units: guidance

15.8.15H G (1) To introduce a new charge for the *sale* or *redemption* of *units*, or any new category of remuneration for its services or increase the rate stated in the *prospectus*, the *authorised fund manager* will need to comply with:

(a) COLL 15.4.5R (Table: contents of a long-term asset fund prospectus);

(b) COLL 15.5.10R (Alterations to the scheme and notices to unitholders) (see also the *guidance* in COLL 15.5.11G); and

- (c) COLL 15.5.11AR (Change events relating to feeder LTAFs) (see also the *guidance* in COLL 15.5.11BG).
- (2) A redemption charge may be expressed in terms of amount or percentage. It may also be expressed as diminishing over the time during which the *unitholder* has held the *units* or be calculated on the basis of the *unit price* performance of the *units*. However, any redemption charge should not be such that it could be reasonably regarded as restricting any right of redemption.
- (3) The *prospectus* should contain a statement as to the determination of the order in which *units* that have been acquired at different times by a *unitholder* are to be taken to be redeemed or cancelled for the purpose of imposing the redemption charge.
- (4) 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*).

Charges for the exchange of units in an umbrella

- 15.8.15I R For a *scheme* which is an *umbrella*, an *authorised fund manager* must not make a charge on an exchange of *units* in one *sub-fund* for *units* in another *sub-fund* unless the amount of the charge is not more than the amount stated in the current *prospectus*.

Allocation of payments to income or capital

- 15.8.15J R (1) The *authorised fund manager* must determine whether a payment is to be made from the *income property* or *capital property* of an *authorised fund*, and in doing so the *authorised fund manager* must:
- (a) pay due regard to whether the nature of the cost is income related or capital related and the objective of the *scheme*; and
- (b) agree the treatment of any payment with the *depository*.
- (2) Where, for any *class* of *units* for any *annual accounting period* (see COLL 15.8.18R(2) (Income)), the amount of the *income property* is less than the income distributed, the shortfall must, as from the end of that period, be charged to the *capital account* and must not subsequently be transferred to the *income account*.

Allocation of payments to income or capital: guidance

- 15.8.15K G (1) Any payment as a result of effecting transactions for the authorised fund should be made from the capital property of the scheme.
- (2) Other than the payments in (1), all other payments should be made from income property in the first instance but may be transferred to the capital account in accordance with COLL 15.8.15JR(1) (Allocation of payments to income or capital).
- (3) For payments transferred to the capital property of the scheme in accordance with (2), the prospectus should disclose the matters in COLL 15.4.5R(14) (Table: contents of a long-term asset fund prospectus).
- (4) If the authorised fund manager wishes to make a change in relation to the allocation of payments, the procedures in COLL 15.5.10R (Alterations to the scheme and notices to unitholders) will be relevant.

Prohibition on promotional payments

- 15.8.15L R (1) No payment may be made from scheme property to any person, other than a payment to the authorised fund manager permitted by the rules in COLL, for the acquisition or promotion of the sale of units in an authorised fund.
- (2) Paragraph (1) does not apply to the costs an authorised fund incurs preparing and printing the key information document, provided the prospectus states, in accordance with COLL 15.4.5R(14) (Table: contents of a long-term asset fund prospectus), that these costs are properly payable to the authorised fund manager from scheme property.

Prohibition on promotional payments: guidance

- 15.8.15M G Examples of payments which are not permitted by COLL 15.8.15LR include:
- (1) commission payable to intermediaries (such payments should normally be borne by the authorised fund manager);
- (2) payments or costs in relation to the preparation or dissemination of financial promotions (other than costs allowed under COLL 15.8.15LR(2)).

Payments of liabilities on transfer of assets

- 15.8.15N R (1) Where the *scheme property* of an *LTAF* is transferred to a second *authorised fund* (or to the *depository* for the account of the *authorised fund*) in consideration of the *issue of units* in the second *authorised fund* to *unitholders* in the first *scheme*, (2) applies.
- (2) The *ICVC* or the *depository* of the *ICVC*, *ACS* or *AUT* as the successor in title to the property transferred may pay out of the *scheme property* any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of the property transferred, but only if:
- (a) there is nothing in the *instrument constituting the fund* of the *LTAF* expressly forbidding the payment; and
- (b) the *authorised fund manager* is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer.

Exemptions from liability to account for profits

- 15.8.15O G Except as provided in *COLL 15.8.3R* (Profits from dealing as principal), an *affected person* is not liable to account to another *affected person* or to the *unitholders* of any *scheme* for any profits or benefits it makes or receives that are made or derived from or in connection with:
- (1) *dealings in the units* of a *scheme*; or
- (2) any transaction in *scheme property*; or
- (3) the supply of services to the *scheme*,
- where disclosure of the non-accountability has been made in the *prospectus* of the *scheme*.

Allocation of scheme property

- 15.8.15P R For a *scheme* that is an *umbrella*, any assets to be received into, or any payments out of, the *scheme property* which are not attributable to one *sub-fund* only must be allocated by the *authorised fund manager* between the *sub-funds* in a manner that is fair to the *unitholders* of the *umbrella* generally.

Payments: limited protection LTAF classes

- 15.8.15Q R (1) This *rule* applies in relation to a *limited protection LTAF class* unless the provisions in *COLL 15.8.15EG* to *COLL 15.8.15PR* have been applied.

- (2) Payments out of the *scheme property* may be made from *capital property* rather than from income, provided the basis for this is set out in the *prospectus*.

~~Payments~~ Movable or immovable property: ICVCs

- 15.8.16 R (4) An *ICVC* must not incur any expense in respect of the use of any movable or immovable property unless the *scheme* is *dedicated* to such investment or such property is necessary for the direct pursuit of its business.
- (2) ~~Payments out of the *scheme property* may be made from *capital property* rather than from income, provided the basis for this is set out in the *prospectus*. [deleted.]~~

...

15.10 Termination, suspension, and schemes of arrangement

...

Suspension

- 15.10.3 R ...
- (4) The *authorised fund manager* must ensure that a notification of the suspension is made to *unitholders* of the *authorised fund* as soon as practicable after suspension commences-, which:
- (a) is clear, fair and not misleading;
- (b) draws *unitholders*' particular attention to the exceptional circumstance which resulted in the suspension; and
- (c) informs *unitholders* how to obtain the information detailed in (4A).
- (4A) The *authorised fund manager* must ensure that it publishes (on its website or by other general means) sufficient details to keep *unitholders* appropriately informed about the suspension including, if known, its likely duration.

...

...

15 Annex R ACS Long-term asset funds: Eligible investors
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...	
For the purposes of the <i>rule</i> on <u>qualified eligible</u> investors in a <i>long-term asset fund</i> which is an ACS (see <i>COLL</i> 15.1.3R(2)), the <i>authorised contractual scheme manager</i> must take reasonable care to ensure that ownership of <i>units</i> in the <i>scheme</i> is only recorded in the <i>register</i> for a <i>person</i> :	
...	
(2)	to whom <i>units</i> in a <i>long-term asset fund</i> may be promoted to that <i>person</i> under <i>COBS</i> 4.12B.7R without contravening the <i>rules</i> in <i>COBS</i> 4.12A (Promotion of restricted mass market investments).

...

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
...					
<u>Amendments made by the Long-Term Asset Fund (Amendment) Instrument 2023</u>					
<u>57</u>	<u>COLL</u> <u>15.3.6R(6)(3)</u>	<u>R</u>	<u>The authorised fund manager of a long-term asset fund, in respect of which an authorisation order is in force on 3 July 2023, is not required to comply with the rule specified in column (2) until:</u> <u>(a) the instrument constituting the fund is next updated; or</u> <u>(b) 3 July 2024, whichever is earlier.</u>	<u>From 3 July 2023 to 3 July 2024</u>	<u>3 July 2023</u>

<u>57</u>	<u>COLL</u> <u>15.4.5R(16)(</u> <u>10A)</u>	<u>R</u>	<u>The authorised fund</u> <u>manager of a long-</u> <u>term asset fund, in</u> <u>respect of which an</u> <u>authorisation order</u> <u>is in force on 3 July</u> <u>2023, is not required</u> <u>to comply with the</u> <u>rule specified in</u> <u>column (2) until:</u> <u>(a) the prospectus is</u> <u>next updated; or</u> <u>(b) 3 July 2024,</u> <u>whichever is earlier.</u>	<u>From 3 July</u> <u>2023 to 3</u> <u>July 2024</u>	<u>3 July 2023</u>
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...

Schedule Record keeping requirements
1

Sch 1.1 G 1 Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<i>COLL</i> 15.2.6R(3)	...			
<u>COLL 15.5.-</u> <u>12BR(1)</u>	<u>Minutes of</u> <u>meetings</u> <u>(AGM)</u>	<u>Full details</u>	<u>As implicit</u> <u>from the rules</u> <u>in COLL</u>	<u>6 years</u>
<u>COLL 15.5.-</u> <u>12BR(2)</u>	<u>Minutes of</u> <u>meetings of all</u> <u>proceedings to</u> <u>which COLL</u> <u>15.5.-10BR and</u> <u>COLL</u> <u>15.5.12AR are</u> <u>relevant</u>	<u>Full details</u>	<u>As implicit</u> <u>from the rules</u> <u>in COLL</u>	<u>6 years</u>
<i>COLL</i> 15.5.12R(2)	...			
...				

<i>COLL</i> 15.7.6R(2)(g)	...			
<u><i>COLL</i> 15.7.- 12BR(3)(e)</u>	<u>Instruments of Transfer</u> <i>(person responsible for the register)</i>	<u>Full details</u>	<u>From registration</u>	<u>6 years</u>
...				