



QATAR FINANCIAL CENTRE  
**REGULATORY  
AUTHORITY**

# **Asset Management (Repeal and Amendment) Rules 2010**

**QFCRA Rules 2010-7**

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The Board of the Qatar Financial Centre Regulatory Authority makes the following rules, and gives the following guidance, under the *Financial Services Regulations*.

Dated 5 December 2010.

PHILLIP THORPE  
Chairman

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# Asset Management (Repeal and Amendment) Rules 2010

**QFCRA Rules 2010-7**

made under the

*Financial Services Regulations*

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**1 Name of rules**

These rules are the *Asset Management (Repeal and Amendment) Rules 2010*.

**2 Commencement**

These rules commence on 1 January 2011.

**3 Repeal**

The *Collective Investment Funds Rulebook* is repealed.

**4 Rules amended**

These rules amend the *Rules* mentioned in schedule 1.

**5 Explanatory notes**

An explanatory note in these rules is not part of these rules.

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## Schedule 1      Amendments

(see r 4 )

### Part 1.1              Assets Rulebook (ASET)

#### [1.1]      New rule 1.1.2

*in section 1.1, insert*

#### 1.1.2      Application of ASET to QFC schemes

- (1) These rules (other than the excepted provisions) apply to the independent entity of a QFC scheme that is not a private placement scheme, and to the operator of a private placement scheme, as if—
  - (a) a reference to a *client* were a reference to a QFC scheme; and
  - (b) a reference to *client money* included money held or received from or on behalf of the QFC scheme; and
  - (c) all other necessary changes were made.
- (2) In this rule:

*excepted provisions* means the following provisions:

- section 2.4 (Creation of trust over client money)
- section 2.7 (Segregation of client money from the authorised firm's own money)
- chapter 3 (Client money distribution rules).

*independent entity* has the meaning given by *COLL*, rule 1.2.9.

*operator*, of a private placement scheme, has the meaning given by *PRIV*, rule 1.2.6.

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*private placement scheme* has the meaning given by *PRIV*, rule 1.1.4.

*QFC scheme* means a scheme registered under *COLL* or *PRIV*.

**Explanatory note**

This amendment updates the application of ASET to collective investment schemes registered in the QFC.

**[1.2] Section 1.3**

*omit*

**Explanatory note**

This amendment is consequential on the insertion of a new rule 1.1.2 by another amendment.

## **Part 1.2 Conduct of Business Rulebook (COND)**

**[1.3] Rule 1.1.1, note 4**

*omit*

*units in a collective investment fund,*

*substitute*

*units in a collective investment scheme,*

**Explanatory note**

This amendment amends the note consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.4] Rule 1.1.1, note 4**

*omit*

- 12 *operating a collective investment fund.*

*substitute*

- 12 *operating collective investment schemes.*

---

**Explanatory note**

This amendment amends the note consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.5] Rule 1.1.1, table 1.1.2**

*omit*

12 *operating a collective investment fund*

*substitute*

12 *operating collective investment schemes*

**Explanatory note**

This amendment amends the table consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.6] Rule 1.2.1**

*omit*

*collective investment fund*

*substitute*

*collective investment scheme*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.7] Rule 1.2.5 (1) (a)**

*substitute*

(a) *a collective investment scheme; or*

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**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.8] Rule 4.1.1 (2) (including note 1)**

*omit*

*fund*

*substitute*

*scheme*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.9] New rules 4.3.21 to 4.3.30**

*insert*

**4.3.21 Units in collective investment schemes—additional content**

An *authorised firm* must ensure that a *product disclosure document* prepared by it for a *unit* in a *collective investment scheme* for a *retail customer* includes the following:

- (a) the statement required by rule 4.3.22 (Units in collective investment schemes—opening statement);
- (b) the information required by rule 4.3.23 (Units in collective investment schemes—name and description of scheme etc);
- (c) the information required by rule 4.3.24 (Units in collective investment schemes—objectives and investment policies);

- 
- (d) the scale of risks and rewards and other information required by rule 4.3.25 (Units in collective investment schemes— risk and reward profile);
  - (e) the projections required by rule 4.3.26 (Units in collective investment schemes— projections);
  - (f) the table, notes and statements required by rule 4.3.27 (Units in collective investment schemes—charges and expenses table);
  - (g) if applicable, the chart required by rule 4.3.28 (Units in collective investment schemes—past performance chart);
  - (h) the statement required by rule 4.3.29 (Units in collective investment schemes—closing statement).

#### **4.3.22 Units in collective investment schemes—opening statement**

For rule 4.3.21 (a), the *product disclosure document* for a *unit* in a *collective investment scheme* must include the following statement at the beginning of the document:

‘This document provides you with important information about the scheme. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this scheme.

You are advised to read it so you can make an informed decision about whether to invest.’.

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**4.3.23 Units in collective investment schemes—name and description of scheme etc**

For rule 4.3.21 (b), the *product disclosure document* for a *unit* in a *collective investment scheme* must include the following information:

- (a) the name of the scheme;
- (b) the date the scheme was registered and the jurisdiction in which it was registered;
- (c) if the scheme is an umbrella scheme—a statement to that effect and the name of each subscheme;
- (d) the name and contact details of the *operator* of the scheme;
- (e) the name and contact details of any independent entity (or custodian or trustee) for the scheme;
- (f) if applicable, the name of the *group* of which the *operator* or independent entity (or custodian or trustee) is a member;
- (g) the name and contact details of the auditor of the scheme;
- (h) the date the scheme started to operate or, if the scheme has not started to operate, when the scheme is expected to operate;
- (i) if the duration of the scheme is limited—
  - (i) a statement to that effect; and
  - (ii) an indication of the duration of the scheme; and
  - (iii) if appropriate, a statement of any conditions for extending the duration of the scheme;
- (j) if applicable, the risks associated with the use of hedging, arbitrage or leverage techniques and how their use may affect the scheme's performance;

- 
- (k) whether income arising from the scheme will be distributed or reinvested;
  - (l) a statement that an investor may redeem *units* on demand or of the conditions that must be satisfied before an investor can redeem *units*;
  - (m) how frequently *units* will be dealt in;
  - (n) if applicable, the likely impact of portfolio transactions costs;
  - (o) if applicable, the minimum recommended holding term for a *unit* or class of *units*;
  - (p) where and how an investor may obtain information about the scheme (including its prospectus, reports and accounts) and *units* in the scheme (including classes of *units* and latest *unit* prices).

#### **4.3.24 Units in collective investment schemes—objectives and investment policies**

For rule 4.3.21 (c), the *product disclosure document* for a *unit* in a *collective investment scheme* must include the following information:

- (a) a description of the aims of the scheme;
- (b) a description of the commitment involved in investing in the scheme, including, if applicable, any minimum investment amount or minimum investment period;
- (c) the types of investments (including financial instruments and debt instruments) in which the scheme may invest;

- 
- (d) if applicable, a statement of the particular investment targets the scheme has in—
    - (i) industrial, geographic or other market sectors; or
    - (ii) specific classes of assets;

**Example**

investments in financial instruments of emerging economies

- (e) if applicable, the discretionary choices that the *operator* may make about investments;
- (f) if applicable, the factors that will guide the *operator* in the choice of investments;

**Examples of factors that may guide choice**

growth, value or high returns

- (g) whether—
  - (i) the scheme refers to a benchmark; or
  - (ii) the scheme is intended to track an index;
- (h) if applicable, sufficient information to enable an investor to identify any benchmark or index mentioned in paragraph (g) and understand the extent of benchmarking or tracking.

*Note* See r 4.3.28 (4) for the requirement of the past performance chart to compare past performance against the benchmark or index if the scheme refers to a benchmark or tracks an index.

**4.3.25 Units in collective investment schemes—risk and reward profile**

- (1) For rule 4.3.21 (d), the *product disclosure document* for a *unit* in a *collective investment scheme* must—
  - (a) include the scale of risks and rewards in diagram 4.3.25; and



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*document* must include a list of all those factors and give an explanation of how each factor is materially relevant to the scheme.

- (4) The risk factors that may or may not be adequately captured in the scheme's risk category and that may or may not be relevant to the scheme include—
- (a) market risk, including—
    - (i) the risk that the entire market for an asset or a class of assets will decline and affect the value of the asset or assets; and
    - (ii) whether the value of the capital and any income from it might fluctuate; and
    - (iii) particular risks (if any) associated with the underlying assets in which the scheme may invest; and
    - (iv) particular risks (if any) associated with the markets in which investments may be made; and
    - (v) volatility, and the fact that the loss on realisation of the investment could be very high, even equalling the amount originally invested; and
  - (b) credit risk, if a significant level of investment is made in *debt instruments*; and

**Example**

the risk that an issuer or counterparty will default

- (c) liquidity risk, including—
  - (i) if a significant level of investment is made in financial instruments that are likely to have a low level of liquidity in certain circumstances—the risk that a position cannot be liquidated quickly at a reasonable price; and

- 
- (ii) potential liquidity problems with property investments, that redemption might be delayed during a period when the property is not readily saleable, and that property valuation is a matter of judgment by a valuer; and
  - (d) counterparty risk, if the scheme is backed by a guarantee from, or has material investment exposure through contracts with, a third party; and
  - (e) settlement risk, if a settlement in a transfer system used by the scheme does not take place as expected because a counterparty does not pay or deliver on time or as expected; and
  - (f) operational risk, including risk associated with safeguarding of assets; and
  - (g) the risk from the use of investment techniques such as the use of derivative contracts.
- (5) Any information required to be given under this rule must be presented in the *product disclosure document*—
- (a) so that the order in which information is given takes into account the scale and relevance of the risks to which the information relates; and
  - (b) in a way that best highlights the risk and reward profile of the scheme.

#### **4.3.26 Units in collective investment schemes—projections**

- (1) For rule 4.3.21 (e), the *product disclosure document* for a *unit* in a *collective investment scheme* must include projections of the future values of the actual amount that the *retail customer* is proposing to invest.

- 
- (2) The projections must—
- (a) show 3 scenarios of market conditions in the following order:
    - (i) unfavourable;
    - (ii) medium;
    - (iii) favourable; and
  - (b) state the returns under each scenario (including, if applicable, negative returns); and
  - (c) be based on reasonable, conservative assumptions about future market conditions and price movements; and
  - (d) be presented in a way that is fair, clear and not misleading, and likely to be understood by the average *retail customer*; and
  - (e) be accompanied in the *product disclosure document* by a statement that the projections are for illustration purposes only and do not represent a forecast of what might happen.

**4.3.27 Units in collective investment schemes—charges and expenses table**

- (1) For rule 4.3.21 (f), the *product disclosure document* for a *unit* in a *collective investment scheme* must include a table illustrating the effect of charges and expenses on the investment.
- (2) The table must be substantially in the form of table 4.3.27 and must include the notes and statements following the table.

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**Table 4.3.27 Charges and expenses for the scheme**

One-off charges taken before or after you invest	
<b>Entry charge</b>	[insert percentage]% <sup>1</sup>
<b>Exit charge</b>	[insert percentage]% <sup>1</sup>
This is the maximum that might be taken out of your money [insert as applicable before it is invested or before the proceeds of your investment are paid out].	
Charges taken from the fund over a year	
<b>Ongoing charges</b>	[insert percentage]% <sup>2</sup>
Charges taken from the fund under certain specific conditions	
<b>Performance fees</b>	[insert percentage]% a year of any returns the fund achieves above the [insert name of benchmark].

*Note 1* The percentages shown in the entry and exit charges are the maximum figures. In some cases you might pay less.

*Note 2* The percentage for the ongoing charges is based on expenses for the year ending [insert year]. This figure may vary from year to year. Ongoing charges excludes—

- performance fees
- portfolio transaction costs, other than entry and exit charges incurred when buying or selling units in another collective investment scheme.

#### **Statements about charges and expenses**

The charges you pay are used to pay the costs of running the scheme, including the costs of marketing and distributing it. These charges reduce the potential growth, and rate of return, of your investment.

For more information about charges, please see pages [x] to [y] of the scheme's prospectus, which is available [explain how the prospectus can be obtained].

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**4.3.28 Units in collective investment schemes—past performance chart**

- (1) For rule 4.3.21 (g), the *product disclosure document* for a *unit* in a *collective investment scheme* that has been operating for at least 3 years must include a chart illustrating the past performance of the scheme.
- (2) The chart must be substantially in the form of chart 4.3.28 and must comply with subrule (3) and, if applicable, subrules (4) and (5).

**Chart 4.3.28 Past performance chart**



- (3) The chart must—
  - (a) be based on complete 12-month periods; and
  - (b) cover the annual returns of the scheme for the last 10 years or, if it has been operating for less than 10 years, the entire period

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for which the scheme has been operating (but never less than 3 consecutive years); and

- (c) be accompanied in the *product disclosure document* by—
- (i) a statement of the year the scheme started operating; and
  - (ii) a statement about the currency used to calculate annual returns and the charges included in, or excluded from, the calculation of annual returns; and
  - (iii) a statement about the basis and source of the performance information; and
  - (iv) a warning about the limited value of the chart as a guide to future performance.
- (4) If a *collective investment scheme* refers to a benchmark or tracks an index, or any performance fee in relation to the scheme is dependent on a benchmark, chart 4.3.28 must include a comparison of the past performance of the scheme against the past performance of the benchmark or index.
- (5) Any comparison under subrule (4) must be made, and shown on the chart, on a like-for-like basis and in a way that is fair, clear and not misleading.

#### **4.3.29 Units in collective investment schemes—closing statement**

For rule 4.3.21 (h), the *product disclosure document* for a *unit* in a *collective investment scheme* must include the following statement at the end of the document:

‘This scheme is registered in [*insert jurisdiction*] and regulated by the [*insert name of regulator*].

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This product disclosure document is accurate as at [*insert date of publication*].’.

#### **4.3.30 Units in collective investment schemes—recordkeeping**

- (1) An *authorised firm* must ensure that a copy of a *product disclosure document*, or any other disclosure documentation, given by it to a *retail customer* in relation to a proposed investment in *units* in a *collective investment scheme* is made and kept for at least 6 years, unless the customer does not proceed with the investment.
- (2) An *authorised firm* must ensure that a copy of any other disclosure documentation given by it to a *retail customer* in relation to a *unit* in a *collective investment scheme* is made and kept for at least 6 years, unless the customer does not take out the policy.

#### **[1.10] Rule 4.4.5 (1) (b)**

*omit*

*fund;*

*substitute*

*scheme;*

#### **Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

#### **[1.11] Schedule 2, rule S2.3 heading**

*omit*

**funds**

*substitute*

**schemes**

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**Explanatory note**

This amendment amends the heading consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.12] Schedule 2, rule S2.3**

*omit*

*fund*

*substitute*

*scheme*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.13] Schedule 2, rule S2.3 (b)**

*omit*

fund

*substitute*

scheme

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘scheme’ instead of ‘fund’.

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## Part 1.3 Controls Rulebook (CTRL)

### [1.14] Section 1.1

*substitute*

#### 1.1.1 Application of CTRL

- (1) This rulebook applies to every *authorised firm* in relation to the conduct of *regulated activities* in or from the *QFC*.
- (2) Without limiting subrule (1), this rulebook applies to—
  - (a) management structures, systems and procedures outside the *QFC* to the extent that they relate to *regulated activities* conducted in or from the *QFC*; and
  - (b) *functions exercised* by or on behalf of an *authorised firm* outside the *QFC* (including any *outsourced function*) to the extent that they relate to *regulated activities* conducted in or from the *QFC*.
- (3) However, section 4.10 (Professional indemnity insurance for insurance mediation business) applies only to an *authorised firm* conducting *insurance mediation business*.
- (4) Also, chapter 5 (Outsourcing) does not apply to an *outsourcing of functions* by an *authorised firm* if the *functions* are *outsourced* by the firm under *COLL* or *PRIV*.

#### Explanatory note

This amendment excludes from CTRL an outsourcing of functions under COLL or PRIV. This means that the more extensive outsourcing provisions of COLL or PRIV, and not the outsourcing provisions of CTRL, will apply to the outsourcing. The amendment also converts existing guidance into substantive provision.

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**[1.15] Rule 5.1.1**

*substitute*

**5.1.1 Authorised firm remains responsible for outsourced functions**

- (1) This rule applies if an *authorised firm outsources a function*.
- (2) The *outsourcing* of the *function* does not relieve the *authorised firm* from any regulatory obligations in relation to the *outsourced function*.
- (3) The *authorised firm* remains responsible for ensuring—
  - (a) that all *QFC* regulatory requirements are complied with in relation to the *outsourced function*; and
  - (b) that the *outsourced function* is otherwise properly *exercised*.

**Explanatory note**

This amendment revises the rule to bring it more closely into line with equivalent provisions in COLL.

**Part 1.4 General Rulebook (GENE)**

**[1.16] Schedule 2, item 1**

*substitute*

**1 COLL**

**1.1 Operators**

- r 5.6.3 (Reports and accounts generally—QFC qualified investor schemes)
- r 5.6.18 (Publication and availability of annual and half-yearly long reports—QFC retail schemes)

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## 1.2 Independent entities

- r 4.2.10 (Non-QFC independent entities—annual compliance certificate)

## 1.3 Reports during winding-up

- r 9.2.7 (Accounting and reports during winding-up—all QFC schemes)

## 1.4 Non-QFC scheme promotions

- r 10.2.6 (Quarterly returns for financial promotions etc—all non-QFC schemes)

### Explanatory note

This amendment updates references to provisions in new COLL relating to reporting requirements.

## **[1.17] Schedule 2, item 5 (and subitems 5.1, 5.2 and 5.3)**

*renumber as item 6 (and subitems 6.1, 6.2 and 6.3)*

### Explanatory note

This amendment is consequential on the next amendment.

## **[1.18] Schedule 2, new item 5**

*insert*

**5** *PRIV*

### **5.1 Reports and accounts**

- r 5.5.3 (Reports and accounts generally)
- r 7.2.6 (Accounting and reports during winding-up)

### Explanatory note

This amendment updates schedule 2 (which provides an overview of reporting requirements) to include relevant provisions of PRIV.

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**[1.19] Schedule 3, item 3**

*substitute*

**3 COLL****3.1 Operators**

- r 4.1.6 (Register of unitholders—all QFC schemes)
- r 4.1.7 (Records of operator—all QFC schemes)
- r 5.5.1 (Unitholder meetings—QFC qualified investor schemes)
- r 5.5.11 (Chair, adjournment and minutes of unitholder meetings—QFC retail schemes)
- r 6.2.8 (Investments in non-Qatari immovables through intermediate holding vehicles—QFC qualified investor schemes)
- r 8.1.3 (How units are issued and redeemed etc—QFC qualified investor schemes)
- r 8.1.10 (How units are issued and redeemed etc—QFC retail schemes)
- r 8.2.11 (Controls over issue and redemption of units—QFC retail schemes)
- r 8.2.13 (Recording and reporting incorrect pricing—QFC retail schemes)
- r 8.3.1 (Unitholder register requirements—all QFC schemes)
- r 8.3.2 (Transfer of units by act of parties—all QFC schemes)

**3.2 Independent entities**

- r 4.2.7 (Records of independent entity—QFC schemes)

**3.3 Outsourcing**

- r 8.5.5 (Provisions applying to outsourcing by operator and independent entity—all QFC schemes)

**3.4 Non-QFC schemes**

- r 10.2.7 (Recordkeeping by authorised firms—all non-QFC schemes)

**Explanatory note**

This amendment updates references to provisions in new COLL relating to recordkeeping requirements.

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**[1.20] Schedule 3, item 10 (and subitems 10.1 to 10.4)**

*renumber as item 11 (and subitems 11.1 to 11.4)*

**Explanatory note**

This amendment is consequential on the next amendment.

**[1.21] Schedule 3, new item 10**

*insert*

**10 PRIV**

- r 4.1.7 (Register of unitholders)
- r 4.1.8 (Records of operator)
- r 6.1.3 (Issue and redemption of units generally)
- r 6.3.1 (Unitholder register requirements)
- r 6.3.2 (Transfer of units by act of parties)
- r 6.5.4 (Provisions applying to outsourcing by operator)

**Explanatory note**

This amendment updates schedule 3 (which provides an overview of recordkeeping requirements) to include relevant provisions of PRIV.

**[1.22] Appendix 4, rule A4.1.1**

*omit*

Operating a Collective Investment Fund

*substitute*

*operating collective investment schemes*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

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**Part 1.5**                      **Interim Prudential—Investment,  
Insurance Mediation and Banking  
Rulebook (PIIB)**

**[1.23] Background, item 4 c**

*omit*

*Operating a Collective Investment Fund,*

*substitute*

*operating collective investment schemes,*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.24] Rule 1.3.3 (A) (iii)**

*substitute*

(iii) *operating collective investment schemes (including providing scheme administration);*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘scheme’ instead of ‘fund’.

**[1.25] Rule 1.3.3 (A), guidance**

*omit*

*Operating a Collective Investment Fund*

*substitute*

*operating collective investment schemes*

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**Explanatory note**

This amendment amends the guidance consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.26] Rule 1.3.4 (A) (v)**

*substitute*

- (v) *operating collective investment schemes, but only if the authorisation is restricted to providing scheme administration; and*

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘scheme’ instead of ‘fund’.

**[1.27] Rule 1.3.6, table, PIIB Category 1 and PIIB Category 2**

*omit*

*Operating a Collective Investment Fund*

*substitute*

*operating collective investment schemes*

**Explanatory note**

This amendment amends the table consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.28] Rule 1.3.6, table, PIIB Category 3**

*omit*

*Operating a Collective Investment Fund*

*substitute*

*operating collective investment schemes*

**Explanatory note**

This amendment amends the table consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

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**[1.29] Rule 1.3.6, table, PIIB Category 4**

*omit*

*Operating a Collective Investment Fund if restricted to Providing Fund Administration*

*substitute*

*operating collective investment schemes (if restricted to providing scheme administration)*

**Explanatory note**

This amendment amends the table consequentially on the use of the term ‘scheme’ instead of ‘fund’.

**[1.30] Rule 2.4.1, table**

*omit*

*collective investment funds (other than private placement funds).*

*substitute*

*collective investment schemes (other than schemes registered under PRIV)*

**Explanatory note**

This amendment amends the provision consequentially on the use of the ‘scheme’ instead of ‘fund’ and the making of PRIV.

**[1.31] Appendix 4, rule A4.3.5, guidance 1 f**

*substitute*

(f) *collective investment schemes;*

**Explanatory note**

This amendment amends the guidance consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

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**[1.32] Appendix 5, rule A5.3.3 (1) (D)**

*substitute*

(d) investments in unleveraged *collective investment schemes*.

**Explanatory note**

This amendment amends the provision consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.33] Appendix 5, rule A5.3.3, guidance 1**

*omit*

*Collective Investment Fund,*

*substitute*

*collective investment scheme,*

**Explanatory note**

This amendment amends the guidance consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

## **Part 1.6 Interpretation and Application Rulebook (INAP)**

**[1.34] Glossary**

*omit the following definitions:*

- *accounting reference date*
- *affected person*
- *annual accounting period*
- *annual income allocation date*
- *articles of association*
- *associated person*
- *base currency*
- *bearer certificate*

- 
- *buy*
  - *cancellation*
  - *capital property*
  - *CIC*
  - *CIP*
  - *CIT*
  - *class*
  - *class meeting*
  - *close out*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL or PRIV (or both).

**[1.35] Glossary, definition of *COLL***

*substitute*

*COLL* means the *Collective Investment Schemes Rules 2010*.

**Explanatory note**

This amendment updates the definition of *COLL*.

**[1.36] Glossary, definition of *collective investment company (or CIC)***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to COLL and PRIV.

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**[1.37] Glossary, definition of *collective investment fund***

*omit*

**Explanatory note**

This amendment omits a definition of a term that is no longer used.

**[1.38] Glossary, definition of *collective investment partnership (or CIP)***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to COLL and PRIV.

**[1.39] Glossary, new definition of *collective investment scheme***

*insert*

*collective investment scheme* has the meaning given by COLL, rule 1.2.1.

**Explanatory note**

This amendment inserts a new definition of *collective investment scheme*. The term ‘collective investment scheme’ is being used instead of the term ‘collective investment fund’.

**[1.40] Glossary**

*omit the following definitions:*

- *collective investment trust (or CIT)*
- *commodity*
- *constitutional document*
- *dealing*
- *dealing day*
- *dealing period*
- *dedicated*
- *dilution*
- *dilution adjustment*

- 
- *dilution levy*
  - *distribution account*
  - *document evidencing title*
  - *dual-priced fund*
  - *feeder fund*
  - *foreign fund*
  - *fund depository*
  - *fund manager*
  - *fund of funds*
  - *fund property*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL or PRIV or are no longer needed.

**[1.41] Glossary, new definition of *government or public security***

*insert*

*government or public security* means a *debt instrument* issued by or on behalf of—

- (a) a *jurisdiction*; or
- (b) a public, regional or local authority of a *jurisdiction*.

**Explanatory note**

This amendment inserts a definition of a term that is used in the existing definition in INAP of *readily realisable investment* and in the revised definition of *issuer* being inserted by another amendment. The definition is the same as the definition of the term in COLL.

**[1.42] Glossary**

*omit the following definitions:*

- *half-yearly accounting period*

- 
- *hedge fund*
  - *historic price*
  - *income equalisation*
  - *income property*
  - *independent entity*
  - *initial offer*
  - *initial outlay*
  - *interim accounting period*
  - *interim income allocation date*
  - *investment*
  - *investment adviser*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL or PRIV or are no longer needed.

**[1.43] Glossary, definition of *investment business*, paragraph (1) (h)**

*substitute*

(h) *operating collective investment schemes.*

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.44] Glossary**

*omit the following definitions:*

- *Islamic fund*
- *Islamic subfund*
- *issue*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV.

---

**[1.45] Glossary, definition of *Issuer***

*substitute*

*issuer* means—

- (a) for a *security* other than a *unit* in a *collective investment scheme*—the *person* that issued, or is to issue, the security; and
- (b) for a *unit* in a *collective investment scheme*—the *operator* of the scheme; and
- (c) for an interest in a limited *partnership*—the *partnership*; and
- (d) for a certificate or another instrument that gives contractual or property rights (other than rights consisting of *options*) in relation to any *share*, *debt instrument*, *government or public security*, or *warrant*—the *person* that issued, or is to issue, the *security* to which the instrument relates.

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’ and clarifies the application of definition to certificates and other instruments (see par (d) of the definition as revised).

**[1.46] Glossary, definitions of *latest filed prospectus* and *latest filed translation***

*omit*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV.

---

**[1.47] Glossary, definition of *Material Outsourcing***

*substitute*

***material outsourcing***, for an *authorised firm*, means the *outsourcing* of a *function* of such importance that weakness or failure in the *exercise* of the *function* would cast serious doubt on—

- (a) the firm's ability to comply with—
  - (i) any *Regulations, Rules* or *Principles*; or
  - (ii) any condition, restriction or requirement of its *authorisation*; or
- (b) its financial performance or position; or
- (c) its ability to continue its operations.

**Explanatory note**

This amendment revises the definition to bring it more closely into line with the revised definition of *outsourcing* inserted by another amendment. The amendment also clarifies the application of the definition.

**[1.48] Glossary, definition of *money***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to COLL and PRIV.

**[1.49] Glossary, definition of *Operating a Collective Investment Fund***

*substitute*

***operating collective investment schemes*** means the *regulated activity* described in the *Financial Services Regulations*, schedule 3, part 2, paragraph 12 as *Operating a Collective Investment Fund*.

---

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.50] Glossary, definition of *operator***

*substitute*

*operator*, of a *collective investment scheme*, has the meaning given by *COLL*, rule 1.2.8.

**Explanatory note**

This amendment amends the definition consequentially on the relocation of the details of the definition to *COLL*.

**[1.51] Glossary, definition of *ordinary resolution***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to *COLL* and *PRIV*.

**[1.52] Glossary, definition of *outsourcing***

*substitute*

*outsourcing*, for an *authorised firm*, means any form of arrangement that involves the firm relying on a third party service provider (including a member of the firm’s *group*) for the *exercise* of a *function* relating to *regulated activities* of the firm that would otherwise be *exercised* by the firm, but does not include the following arrangements:

- (a) discrete advisory services (including, for example, the provision of legal advice), audit services, procurement of specialised training, billing, and physical security;

- 
- (b) supply arrangements and *functions* (including, for example, the supply of electricity or water and the provision of catering and cleaning services);
  - (c) the purchase of standardised services (including, for example, market information services and the provision of prices);
  - (d) the appointment of a *group employee* to exercise a *controlled function* for the firm.

**Explanatory note**

This amendment amends the definition consequentially on the relocation to COLL and PRIV of part of the definition relating to those rules.

**[1.53] Glossary, definition of *over the counter***

*substitute*

*over the counter*, for a transaction, means—

- (a) not effected by means of the facilities and services of an exchange; and
- (b) not governed by the rules of an exchange.

**Explanatory note**

This amendment amends the definition consequentially on the relocation from INAP to COLL of a definition of a term used in the definition. The amendment makes the definition self-contained.

**[1.54] Glossary, definition of *packaged product***

*substitute*

*packaged product* means—

- (a) a *life policy*; or
- (b) a *unit* in a *collective investment scheme*.

---

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.55] Glossary**

*omit the following definitions:*

- *participant*
- *partnership agreement*
- *price*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV.

**[1.56] Glossary, definition of *PRIV***

*insert*

*PRIV* means the *Private Placement Schemes Rules 2010*.

**Explanatory note**

This amendment inserts a new definition for the *Private Placement schemes Rules 2010*.

**[1.57] Glossary**

*omit the following definitions:*

- *private equity fund*
- *private placement fund*

**Explanatory note**

This amendment omits definitions that are no longer needed.

---

**[1.58] Glossary, definition of *product provider***

*substitute*

***product provider*** means an *authorised firm* that is—

- (a) an *insurer* conducting *long term insurance business*; or
- (b) the *operator* of a *collective investment scheme*.

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.59] Glossary**

*omit the following definitions:*

- *property-related assets*
- *prospectus*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV.

**[1.60] Glossary, definition of *providing fund administration***

*substitute*

***providing scheme administration*** has the meaning given by *COLL*, glossary.

**Explanatory note**

This amendment amends the definition on the relocation of the details of the definition to COLL.

**[1.61] Glossary, definition of *qualified investor***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to COLL and PRIV.

---

**[1.62] Glossary**

*omit the following definitions:*

- *redemption*
- *registered CIC*
- *registered CIP*
- *registered CIT*
- *registered fund*
- *registered qualified investor fund*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL or PRIV or are no longer needed.

**[1.63] Glossary, definition of *relevant investment*, paragraphs (1) (e) and (2) (e)**

*substitute*

- (e) a *unit in a collective investment scheme*;

**Explanatory note**

This amendment amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.64] Glossary**

*omit the following definitions:*

- *repo agreement*
- *sale*
- *scheme of arrangement*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV or are no longer needed.

---

**[1.65] Glossary, definition of *security***

*substitute*

***security*** means any of the following:

- (a) a *share*;
- (b) a *debt instrument*;
- (c) a *warrant*;
- (d) a *securities receipt*;
- (e) a *unit in a collective investment scheme*.

**Explanatory note**

This amendment removes an unnecessary and inappropriate reference to ‘specified products’ and amends the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.66] Glossary, definition of *sell***

*omit*

**Explanatory note**

This amendment omits a definition that is being relocated to COLL and PRIV.

**[1.67] Glossary, definition of *Shari’a Supervisory Board***

*substitute*

***Shari’a Supervisory Board***, of an *authorised firm*, means the board appointed for the firm under *ISFI*, rule 6.1.1.

**Explanatory note**

This amendment is consequential on the inclusion in COLL and PRIV of an equivalent definition for Islamic funds.

---

**[1.68] Glossary**

*omit the following definitions:*

- *single-priced fund*
- *single property fund*
- *special resolution*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV or are no longer needed.

**[1.69] Glossary, definition of Specified Product**

*substitute*

*specified product* means any of the following products:

- (a) *share*;
- (b) *debt instrument*;
- (c) *credit facility*;
- (d) *warrant*;
- (e) *securities receipt*;
- (f) *unit in a collective investment scheme*;
- (g) *option*;
- (h) *future*;
- (i) *contract for differences*;
- (j) *contract of insurance*;
- (k) *deposit*;
- (l) *rights in investments*.

---

**Explanatory note**

This amendment removes redundant words at the beginning and end of the definition. It also amends paragraph (f) of the definition consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

**[1.70] Glossary**

*omit the following definitions:*

- *standing independent valuer*
- *subfund*
- *trust instrument*
- *umbrella fund*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL or PRIV (or both).

**[1.71] Glossary, definition of *unit***

*substitute*

*unit* in a *collective investment scheme* has the meaning given by *COLL*, rule 1.2.4.

*Note* This is the *specified product* described in the *Financial Services Regulations*, sch 3, pt 3, para 6 as a Unit in a Collective Investment Fund.

**Explanatory note**

This amendment amends the definition consequentially on the relocation of the details of the definition to COLL.

**[1.72] Glossary**

*omit the following definitions:*

- *unitholder*
- *unitholder register*

**Explanatory note**

This amendment omits definitions that are being relocated to COLL and PRIV.

---

**[1.73] Glossary, definition of *Unit in a Collective Investment Fund***

*omit*

**Explanatory note**

This amendment omits a definition that is no longer needed.

**[1.74] Glossary**

*omit the following definitions:*

- *units in existence*
- *valuation point*

**Explanatory note**

This amendment omits a definition that is no longer used and a definition that is being relocated to COLL and PRIV.

## **Part 1.7 Prudential—Insurance Rulebook (PINS)**

**[1.75] Rule 1.5.4, guidance 1 a**

*omit*

*funds,*

*substitute*

*schemes,*

**Explanatory note**

This amendment amends the guidance consequentially on the use of the term ‘collective investment scheme’ instead of ‘collective investment fund’.

---

**[1.76] Appendix 3, rules A3.3.1 and A3.3.2**

*substitute*

**A3.3.1 Calculation of volatility risk component**

- (1) An *insurer's* volatility risk component is the total of the allowable amounts for all of the *insurer's invested assets* (other than an *invested asset* that is linked to liabilities of *investment linked insurance*).
- (2) For subrule (1), the ***allowable amount*** for an *invested asset* of the *insurer* is the relevant percentage of the value of the *invested asset*.
- (3) In this rule:

***equity investment*** includes an equity share, participation in a *collective investment scheme* (whether or not the underlying investments are themselves equity investments), participation in a joint venture, and a certificate of Mudaraba or Musharaka.

***relevant percentage***, in relation to an *invested asset*, means the percentage applying to the invested asset under table A3.3.1.

**Table A3.3.1 Relevant percentages for invested assets**

column 1 item	column 2 invested asset	column 2 relevant percentage (%)
1	bond up to 1 year to maturity	0.25
2	bond more than 1 year, but less than 2 years, to maturity	0.75
3	bond more than 2 years, but less than 5 years, to	1.5

---

	maturity	
4	bond more than 5 years, but less than 10 years, to maturity	2.5
5	any other bond	3.75
6	equity investment	12.0
7	preference shares	6.0
8	land and buildings	18.0

**Explanatory note**

This amendment italicises a term defined in INAP, converts a note into a substantive provision and generally clarifies the operation of the provisions.