THE
INVESTMENT
ASSOCIATION

Mhairi Jackson
Asset Management and Funds
Policy Team
Wholesale Buy-Side Directorate
Financial Conduct Authority
12 Endeavour Square London
E20 1JN

12 February 2024
By email to: cp23-26@fca.org.uk

Dear Mhairi

RE: FCA CP 23/26 Implementing the Overseas Funds Regime

The IA welcomes the FCA's consultation on implementing the Overseas Funds Regime (OFR), and its commitment to preparing to be operationally ready for the OFR to commence as soon as possible, once the equivalence determination concerning EEA UCITS is implemented. Our response to the consultation is attached to this letter.

Operational issues

One area we highlight is the proposal for an online portal for submitting applications and information relating to funds seeking recognition under the OFR. We welcome this initiative and the commitment from the FCA for the system to be as efficient for users as possible. However, as with any system, it is unclear how useable this may be in practice. The industry is keen for the FCA to be globally leading in developing and testing of the new online portal and sees an opportunity for the FCA to cooperate with the industry in this process to identify any issues that might need to be addressed before full implementation. The IA is willing to facilitate a testing program with its members and would welcome early engagement with the FCA to ensure it is fit for purpose.

We also welcome the extension of the Temporary Marketing Permissions Regime (TMPR) to the end of 2026. Nonetheless, we are concerned about the need for more visibility on the process and timing for allocating landing slots. Specifically, we query whether firms will be allowed to express a preference for a landing slot or whether any flexibility will be offered if a landing slot proves unfeasible. Firms will need sufficient time to develop the necessary disclosures. They may also need approval from their home state regulator if changes to funds are required to conform with the FCA's stated conditions for recognition. We ask the FCA to engage early with the industry on the allocation of landing slots to ensure this process is feasible and realistic for firms.

HM Treasury has already announced that the TMPR will be extended for MMFs until the end of 2027, although it is unclear to us what extent, if at all, this further extension applies to EEA UCITS MMFs. There are MMFs that are sub-funds of UCITS umbrellas, which have other sub-funds that are not MMFs. It would not be desirable for the UCITS umbrella and other sub-funds to fall out of the TMPR while awaiting recognition of the EU MMF regulation. Our understanding is that this scenario should not arise – the proposed Handbook guidance in COLL 9.5.4G gives the FCA view that it has the powers to recognise one or more sub-funds in an umbrella without necessarily recognising them all. This should allow the non-MMF sub-funds in a UCITS umbrella to be recognised under the OFR, and the MMF sub-funds to remain in the TMPR until the MMF Regulation is recognised. We would be grateful if the FCA could confirm this understanding or clarify how it intends to address the recognition of UCITS MMFs.

The FCA has recognised under section 272 of the Financial Services and Markets Act 2000 (FSMA) some EEA UCITS that were not able to access the TMPR, and others may have applications for recognition under section 272 of FSMA given previous uncertainties of when the OFR may be opened. The IA notes that recognition under section 272 of FSMA will no longer be available once recognition under the OFR is open to EEA UCITS. We would welcome clarity on how EEA UCITS that have been recognised under section 272 of FSMA are to be treated, and those EEA UCITS that have "in flight" applications for recognition under section 272. Given the considerable costs and time these firms have incurred in preparing their applications and receiving recognition under section 272 of FSMA, we do not believe it is reasonable for these funds to have to apply again for recognition under section 272, or restart any "in flight" applications. We would welcome discussion with the FCA on how to transition these funds to the OFR in a way that minimises any further cost and inconvenience to the managers of those funds.

Wider considerations

It is essential that, given fund frameworks in the OFR will have been recognised as equivalent, unnecessary barriers to entry are not created through the supervision process. Some of the FCA's proposed information requirements go beyond those requested for UK-authorised funds. Of particular concern is the proposed requirement to provide details on the proportion of management fees that the management company retains, which has commercial sensitivities and has the potential to cut across distribution arrangements in other markets.

The announcement from HMT that it will be consulting on whether to extend the Sustainability Disclosure Requirements (SDR) to overseas funds also raises concerns. We fully understand the intention to ensure UK investors have fair and consistent disclosures on products with sustainability-related objectives. However, as noted in various sections of our response, there is a risk that SDR requirements could conflict with sustainability-related requirements in the home state of the fund, such as on fund names and labels. Compliance with two regimes will bring additional complexity and costs for managers without helping with consumer understanding, and prove a deterrent for bringing funds with sustainability-related objectives to the UK market. Careful dialogue will be needed between HMT, the FCA and the industry to ensure that unnecessary barriers to entry are not imposed on overseas funds with sustainability-related objectives.

Competitiveness and the OFR

We recognise that this consultation needs to specifically address the access of EEA UCITS framework under the OFR.

Nonetheless, the level playing field issues raised above and in our main response highlight the increasing importance to the UK investment industry of efficient access for EEA UCITS to the UK market.. The UK's total investment in funds domiciled overseas stood at £228 billion as of the end of 2022, comprising the highest proportion of total UK investor FUM seen in the past decade, with a share of 17%[1]. UK investment managers use these for global distribution, including specialist products, such as MMFs and ETFs, which rely heavily on cross-border access. The OFR is, therefore, important to the competitiveness of the UK's investment management industry. UK market access to EEA UCITS should not be viewed purely as a market access benefit to the EU, but one that benefits global, European, and UK-based firms and their customers.

At the same time, for UK fund management companies, there is also a level playing field issue which the IA has consistently highlighted with respect to ensuring that the UK does not become a disproportionately onerous jurisdiction from which to operate a fund management business. This has a relevance for the FSCS, SDR and particularly for the Assessment of Value process.

We look forward to discussing these wider issues further with both FCA and HMT, as well as the technical points raised in the consultation.

Yours sincerely

Peter Capper
Senior Adviser, International Fund Regulation

[1] [Investment Management in the UK 2022-2023.pdf (theia.org)]

Response to consultation

FCA CP23/26: Implementing the Overseas Funds Regime

About the Investment Association

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.8 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 48% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Executive summary

- The IA welcomes the FCA's proactive approach to implementing the Overseas Funds Regime. Although ideally this consultation would have accompanied an announcement of a positive equivalence determination of EEA UCITS, we recognise that the decision to go ahead with this consultation reflects a desire on the part of the FCA to be operationally ready to implement the OFR once the determination is implemented.
- Equally welcome is the FCA's investment in developing systems that will allow applications for recognition under the OFR to be submitted online, and to make the process as efficient as possible. The industry is keen to support the FCA in developing and testing its systems, and we propose early engagement with the industry to ensure the FCA's systems work as efficiently as possible and that any issues are addressed at the earliest opportunity.
- The IA's key position on the OFR is there should be a level playing field for all funds marketed in the UK – UK authorised funds should not be at a regulatory disadvantage to funds recognised under the OFR (hereafter "Recognised Overseas Funds" or "ROFs"), but neither should unnecessary barriers be placed on the recognition and ongoing compliance of ROFs. The IA is concerned that some proposed requirements for ROFs go beyond requirements for UK funds, particularly the information required on annual management charges.
- Some aspects of the proposals in the consultation paper need further clarification, eg the FCA notification requirements ad-hoc changes to ROFs, and the investor notification requirements for such changes.
- The 30-day advanced notification of suspension and termination requirement is not in line with UK or internationally recognised practice. It is unlikely to be practical and would prevent managers from acting in investors' interests.
- The IA supports a requirement to ensure UK investors are clear on complaints and compensation rights, but these should be given in supplementary information. The prospectus should not require these, which may conflict with the ROF's home state rules. Similarly, the proposed requirement to include all the contents in COLL 4.2.5R in the prospectus of a ROF may conflict with home state requirements.

Response to Questions

Responses to specific questions raised in the consultation are provided below.

Chapter 2: Summary

Q1: What, if anything, do you consider to be unintended consequences of our proposed intervention?

The IA is concerned that the FCA requirements on ROFs go beyond those required for UK Authorised Funds, and may increase barriers to entry for funds being distributed in the UK. The IA has supported the principle of maintaining a level playing field for UCITS. UK-authorised funds should not find themselves at a competitive disadvantage to ROFs being distributed in the same market. But the same principle should also apply to ROFs that are recognised for distribution in the UK market. This is also consistent with a broader concern to ensure that a full diversity of product types is available to UK investors, where some (notably Exchange-Traded Funds) are overwhelmingly domiciled outside the UK.

Although we recognise that this consultation does not explicitly refer to the recognition of EEA UCITS, the investment industry has widely used these funds to service their UK and international clients. The ability to continue to bring EEA UCITS to the UK market without undue barriers is as important to UK investment managers as it is to EEA investment managers, and for the UK to continue to be a global hub – for example, ETFs that are listed on the London Stock Exchange are all domiciled in EEA member states. In addition, there are sensitivities around policies towards delegating portfolio management from the EU to third countries, especially the UK.

Overall, we are concerned that should these points not be addressed, this could negatively impact UK competitiveness by making it more costly and less attractive to bring overseas funds to the UK market. UK investors could also be negatively affected by being unable to access new products or investment opportunities, or delayed access to these compared to investors in other markets.

In our responses to further questions below, we outline the areas where the proposed requirements seem to go further than those for UK-authorised funds. In particular, specific information that the FCA proposes will be required for applications for recognition of ROFs goes beyond that required of UK Authorised Funds, such as the granular information requirements on annual management charges.

Q2: Do you consider that proposals made in this consultation raise any particular environmental, social and governance considerations? Please provide further details below if so, including details of any suggested actions that we could take to address them.

There is a risk that the approach outlined by the FCA in the last sentence of paragraph 3.17 on fund names could create barriers to overseas funds with sustainability objectives being distributed to the UK. These funds will use naming/labelling conventions and more broadly conform to sustainability requirements in their home jurisdictions. Gaining recognition under the OFR may be more difficult or even impossible for these funds if the labels or other sustainability requirements from their home state are deemed to diverge from the SDR. This may, therefore, present a barrier to UK investors being able to invest in funds offering sustainability strategies that are consistent with reducing emissions in line with the government's net zero emissions targets.

Q3: Do you consider that proposals made in this consultation raise any particular diversity and equality issues? Please provide further details if so, including details of any suggested actions that we could take to address them.

We do not consider that the proposals raise any particular diversity and equality issues.

Chapter 3: Applying for recognition

Q4: Do you agree with the proposed set of data to be required from overseas schemes at the OFR recognition stage? If not, please explain why not and indicate what alternative approach you would suggest.

The IA broadly agrees with the approach and categories of information that the FCA would require, with some exceptions. The FCA's review process should consider that the fund applying for recognition has been subject to scrutiny and authorised by its home state regulator based on a regulatory framework that is equivalent on an outcomes basis. As such, we would not expect the FCA to impose material changes on funds applying for registration under the OFR, even if some practices and conventions do not fully align with UK requirements. Such changes would significantly increase the cost of the application process and might conflict with practices of home state regulators.

We have the following observations on the proposals set out by the FCA:

<u>Application process and systems development</u>

The IA strongly welcomes the FCA's commitment to developing a system that will allow it to digitally accept applications into the OFR and the accompanying information and make the experience as efficient as possible. We would encourage the FCA to continue with this system development, which we also hope will also benefit applications for UK-authorised funds in due course. As noted in our cover letter, the industry is keen to support the FCA in developing and testing these systems to ensure that they give the best user experience possible and that any system problems are promptly identified and addressed.

We encourage the FCA to include facilities that will allow managers of ROFs to upload information on their funds using system interfaces, such as XML files containing the relevant information. Having to enter this information manually will be burdensome for managers of ROFs and increase the likelihood of manual entry errors.

<u>Information on Annual Management Fees</u>

The information on the annual management fee that the FCA has indicated that it will require in paragraph 3.22 on the proportion of management fees that the management company retains is not required of UK Authorised Funds. This pre-empts value assessments that may be undertaken by the manager of the ROF, for example to meet distributor requests under Consumer Duty. This information may also be commercially sensitive and has the potential to cut across distribution arrangements in other jurisdictions in which a ROF is marketed. Management fees are subject to quite different considerations if a fund is managed, distributed and administered within a group versus using an external third-party management company. The IA would welcome more insight from the FCA on this proposed requirement.

<u>Fund Names</u>

The IA members also have concerns regarding the FCA's proposed approach to fund names outlined in paragraph 3.17. In our response to Q2, we identify the potential for funds using sustainable fund labels based on the frameworks in their home state to be refused recognition on the basis of it being "inappropriate or misleading" as it diverges from the SDR labels. More broadly, fund naming and labelling conventions may vary in the home states of ROFs. For example, the FCA has required funds that include "UK Equities" in the name to be restricted to companies that are headquartered, or conduct the majority of their business, in the UK, not just have a UK listing. Still, this naming convention has not been applied in other jurisdictions. It may not be possible to change fund names to align with FCA expectations without this conflicting with home state regulations or conventions in different markets in which the fund is distributed.

We do not agree with the FCA's proposed approach to refuse recognition for funds with the same name as a UK-authorised fund. A review of the register confirms several funds currently recognised under the TMPR with the same names as UK-authorised funds. We have not received reports from managers or distributors that these have ever resulted in confusion or investors accidentally investing in the recognised fund rather than the UK-authorised fund or vice versa. Our understanding is that this is because it is unusual for a recognised and UK-authorised fund with the same names and investment strategies to be distributed through the same channel. Different investor groups tend to favour recognised funds over UK-authorised funds. In any case, on the rare occasions that both funds might be made available, no investor will ever be presented with the fund names alone – the funds can readily be differentiated through other information provided pre-investment, such as its unique identifier and country of domicile.

<u>Information on AuM</u>

The FCA indicates in paragraph 3.19 that the 'value of assets under management (AUM) in £ Sterling, including the proportion of AUM attributable to UK investors' should be provided. We encourage the FCA to remove the requirement to specify the proportion attributable to UK investors as this data could be challenging to provide, especially where intermediaries are involved in the distribution chain.

<u>Fund Objectives</u>

While the IA is comfortable with a requirement to disclose information to the FCA, including relating to the investment policy and objective of the fund, we would caution against any desire by the FCA to require changes to it as part of the recognition process. If the FCA were to suggest amendments to the investment policy and objective, it would put firms in a challenging position of having to agree on wording between the home state regulator and the FCA, where the regulatory expectations can differ. The recognition of EEA countries as equivalent to the UK should ensure that UK policymakers are broadly comfortable with the regulatory frameworks in those countries, and the approaches taken by those regulators, minimising the need for any changes to the framework.

<u>Persons of Influence</u>

More clarity is needed on the proposed requirement for information on any person 'influencing the design and management of the scheme'. This requirement is vague and may not be applied consistently. If the FCA is seeking information on an entity with a recognised function under another regime (eg Promoter in Ireland, Initiator in Luxembourg'), it would be helpful to specify this in the information field.

Q5: Is there any data that you do not think would be appropriate for ETFs to submit as part of the OFR recognition process? If so, please provide examples and explain your answer.

We do not consider the following information to be necessary in applications of recognition from ETFs:

- Dealing Frequency – this is not applicable as investors trade ETF shares in secondary trading on exchanges.
- Minimum Investment amount – investors can trade ETF shares in secondary trading on exchanges, so no minimum investments apply apart from dealing in whole shares. (This does not apply where a platform offers investment in fractional ETF shares).
- Target Investors – the same share class targets any investor, being retail or institutional (same cost structure).
- UK representatives – shares are traded on exchanges, not through the manager.
- Other fees and charges - ETFs have simple cost structures (management and transaction costs) – these do not have performance fees or distribution costs.

Q6: Do you have any comments on our approach to setting fee rates?

IA members are comfortable with the proposed approach to setting FCA fee rates. If equivalence recognition is granted to EU UCITS, firms may have limited discretion on when their landing slots for applications to transition to the OFR are granted. We therefore welcome FCA's intention to exempt schemes in the TMPR from any increase (i.e. an increase is expected to take effect on 1 July 2024) so all TMPR schemes pay the same application fee.

Chapter 4: Proposed notification of changes

Q7: Do you agree with our proposal to be notified of ad-hoc changes to OFR recognised schemes, including ETFs? If not, please explain your reason.

Overall, we agree that it is reasonable for the FCA to be notified of specific ad-hoc changes to ROFs, including ETFs, especially where they may affect investor outcomes and whether the scheme would remain recognised. That said, some notification requirements go over and above those required for UK Authorised Funds, eg the requirement to notify the FCA of a change of LEI, and a change to the fund's target investors in the UK. As noted in our response to Q1, this places ROFs in an unequal position to UK Authorised Funds.

Notification requirements are traditionally focused on information that impacts investors. Adding additional non-investor relevant notification requirements, such as a change in the LEI, may ultimately increase costs to investors with limited additional benefit to those investors.

Q8: Do you agree with our proposal for the timing of notifications? If not, please explain your reason.

The requirement to provide 30 days advance notification of suspension does not reflect requirements for UK Authorised Funds (which require the FCA to be notified immediately but not ahead of the manager suspending the fund), and is not likely to be possible in most cases. When a management company needs to suspend dealing in units of the fund, unless part of a planned transition or reorganisation, this will likely need to be done immediately to protect the interests of investors in the fund or avoid a market contagion event. The priority will also be for the management company to notify its home state regulator of a suspension of the fund as the primary competent authority of the fund.

Similar considerations may arise for terminations – in some circumstances, a decision to terminate a fund may need to be taken at short notice, eg. if the manager receives large redemption requests that leave the funds unviable. It will be detrimental to investors if the management company cannot immediately act on suspensions or terminations. We suggest that management companies should notify the FCA as soon as reasonably practicable in respect of these requirements.

In addition, providing 30 days' advance notification of changes in sub-investment managers would curtail the flexibility currently in place for intragroup delegations for some UCITS ranges registered in multiple jurisdictions, where the sub-investment manager in question is already an approved investment manager for the range. We would propose that notice of changes to intragroup delegations be provided as soon as reasonably practicable after the change has taken effect.

Furthermore, there are points of clarification needed regarding the FCA's expectations, and how the change notification process will operate. For example, we note that COLL 9.5.9G proposed that management companies of ROFs be required to notify the FCA immediately upon becoming aware that a fund is to be terminated, although the FCA has indicated that 30 days advanced notice will be required.

It is also unclear from the consultation paper what level of scrutiny will apply to fund changes where the 30-day advanced notification is required – will this effectively be an approval process, similar to the Form 21/251/261Q notifications required for UK authorised funds? The consultation is also silent on investor approval and notification requirements. We assume that the FCA will not impose additional investor approval or notification requirements over and above those of the ROF's home state. Any additional requirements for UK investors could be highly problematic for the management companies of Overseas Funds, as these would cut across the requirements for investors in other jurisdictions. For example, were approval of an extraordinary resolution of UK investors be required for a change for which there is no similar requirement in the fund's home state, this would create a conflict in the treatment of investors in different jurisdictions in addition to cutting across local requirements.

Finally, we consider that the requirement to notify the FCA of certain changes "as soon as is reasonably possible" as noted in Table 8, eg for a change of scheme operator, should be reworded to "as soon as is reasonably practicable" to align with the expectation noted in paragraph 4.15 and the proposed COLL 9.5.7(3). Beyond ensuring consistency, this recognises there may be obligations to the home state regulator that will generally take precedence, being the primary regulator authorising and with supervisory authority over the fund.

Chapter 5: Enhanced disclosures regarding lack of access to FSCS and FOS

Q9: Do you agree that our rules for financial promotions for OFR recognised schemes should require a statement about the scope of the FOS and FSCS in relation to the scheme? If so, does the proposed disclosure contain the right information for investors? Please explain any alternative disclosure proposal.

We agree that retail investors in ROFs should be adequately informed of the scope of FOS and FSCS rights in relation to the fund, through appropriate disclosure mechanisms. We believe these statements should be required in supplementary disclosures presented to UK retail investors, such as marketing literature, consumer-facing webpages, supplementary information documents, etc. It will be helpful for investors for the supplementary disclosures to explain whether there are compensation and redress schemes in the home state that may be available to the investor, but this cannot extend to whether the investor would be able to claim compensation or seek redress under these schemes, as that would depend on the specific circumstance of the investor, the nature of the claim or complaint. As noted in our response to Q10, we believe a requirement to include these disclosures in the prospectus will be problematic and offer little value to UK retail investors, who are unlikely to read this document.

The consultation paper does draw out an anomaly with the FOS look-through requirements for collective investment schemes. These capture UK portfolio managers of ROFs, but not non-FCA authorised management companies of these funds, nor do these apply to overseas portfolio managers of funds distributed in the UK (whether UK Authorised or Recognised Funds). In line with our response to FCA Discussion Paper DP21/5, the look-through requirement needs to be clarified and revisited to address the competitive disadvantage to UK entities who are authorised fund managers, depositaries, and portfolio managers providing delegated portfolio management services to collective investment schemes.

While the draft rule COBS 14.2.1-B R proposes the obligation to provide supplementary information will only apply to retail clients, it will require the UCITS KIID to be provided to all clients, including professional clients. The UCITS KIID is not widely used by professional investors, who have other information available to them. We note the equivalent requirement for KII-compliant NURS in COBS 14.2.5A R to provide the NURS-KII only applies to retail clients, not professional clients. We propose that COBS 14.2.1-B R be amended to require the UCITS KIID and supplementary information to be provided to retail clients only. We also propose the FCA take this opportunity to mirror this change in COBS 14.2.7R for the UK and other recognised UCITS, so these funds are also only obligated to provide the UCITS KIID to retail clients.

Q10: Do you agree that the prospectus of an OFR recognised scheme should include statements about the scope of the FOS and FSCS in relation to the scheme, and the possible availability of alternative redress options? If so, does the proposed disclosure contain the right information for investors? Please explain any alternative disclosure proposal.

We disagree with the proposal to include these disclosures in the prospectus of a ROF. These are retail-centric disclosures, which can be covered in disclosures specifically required for retail consumers, such as the Supplementary Information Document (SID), which are more likely to be read by investors.

We also note that COLL 9.5.5R(2)(a), as proposed, requires the management company to ensure the prospectus contains information required in COL 4.2.5R. This may include information that is not required in prospectuses in some jurisdictions, eg eligible markets, benchmarks, “total return”. We consider this regulatory overreach. The regulator of one jurisdiction should not determine the contents required for a prospectus regulated in another jurisdiction. The home state regulator may object to including certain contents in a prospectus. Some of the requirements in COLL 4.2.5R may not fit into a prospectus drafted according to a different regulatory framework. In the case of the OFR, an equivalence determination will be made of the framework – if deemed equivalent to the UK framework on an outcomes basis, then it should not be necessary to impose detailed requirements on the prospectuses of funds within that framework.

Q11: Do you agree that the supplementary UCITS information provided to retail investors at point of sale should provide the same information as the prospectus, concerning complaints and compensation rights? Please explain any alternative disclosure proposal.

We agree it is appropriate to include the statements on complaints and compensation rights in the supplementary information provided to investors. As noted in our response to Q10, we think this is a more appropriate medium to include these disclosures than the prospectus, the contents of which are governed by the requirements of the ROF's home state regulator. We note that in due course the current disclosure regimes that apply to UK and EU UCITS that are distributed in the UK will be supplanted by the future disclosure regime.

Q12: Do you agree that we should carry out further work to develop proposals for enhanced digital disclosure of redress arrangements for OFR recognised schemes? If so, do you have any views on the content and format of information to be communicated to investors and how the disclosure could be effectively integrated into digital interactions with consumers?

The IA recognises and supports the need for the modernisation of the disclosure regime to ensure that it is fit for purpose in the digital age. However, it is essential that there is a consistent regime for UK-authorised funds and ROFs. We, therefore, recommend that further work on enhanced digital disclosures for ROFs should be included as part of the future disclosure regime workstream.

Q13: For firms that sell overseas schemes to retail investors, what would be the likely costs of developing these digital disclosures, and how long would you need to put them in place?

We do not have any information on the estimated costs of developing digital disclosures.

Chapter 6: Refusal of recognition, suspension or revocation of recognition and public censure

Q14: Do you have any comments on our proposed changes to the Glossary, DEPP and EG?

We agree with these proposed changes,

Chapter 7: Other Matters

Q15: Do you have any comments on the rules and guidance explaining the operation of the OFR? Are there any similar matters we should address within the Handbook?

We do not have any further comments on the rules and guidance in addition to those specified in answers to other questions in the consultation.

Q16: Do you have any comments on our proposals for maintaining UK facilities for investors in OFR recognised schemes under the OFR? Do you agree that we should review the rules on providing UK facilities for schemes recognised under s.272?

We note that the FCA proposals provide some flexibility for management companies of ROFs to use an online medium, and these proposals are consistent with the Cross-border Distribution of Funds requirements onshored from the EU. It will be challenging for established funds to receive the required consent from existing investors to remove UK facilities and propose the FCA make it easier for these funds to remove what is increasingly an obsolete requirement.

Q17: Do you agree that it should continue to be possible for a UK UCITS scheme to be merged with an EEA UCITS recognised under the OFR (if this is permitted) and under section 272?

We agree that it is important that UK UCITS can continue to be merged with EEA UCITS, recognised under the OFR and under section 272. This increases the likelihood of being able to merge a fund that is no longer viable or is subscale with another fund rather than having to terminate and return assets to investors. In such circumstances, a merger is more likely to be in the interests of investors than a return of assets where a fund is being closed.

Q18: Do you agree that a proposal for a scheme of arrangement with an OFR recognised scheme should set out the consequences for UK investors in relation to their rights to make complaints and receive redress?

We agree with these proposed requirements.