Mhairi Jackson
Funds and Asset Management Policy
The Financial Conduct Authority

By email: cp25-35@fca.org.uk

22 December 2025

Dear Mhairi

RE: FCA CP25/35 – Quarterly Consultation No 50: IA response to Chapter 6: Extending the transitional period for COLL 5

The Investment Association (IA) welcomes the opportunity to respond to the FCA Quarterly Consultation No. 50 (QCP). The attached response concentrates on the proposed extension to the transitional period for implementation of the changes to COLL 5.2.29R(3), contained in Chapter 6.

We agree with the proposal in this chapter. We appreciate the FCA's cooperation in recent months in the analysis of the impact of the changes to COLL 5.2.29 and 5.2.30R detailed in Handbook Notice No 126, and the comments from our members on the negative effect the new rules would have on certain types of arrangement.

The IA consents to its name being published as a respondent to the consultation.

We would be happy to engage further with you and your team on this response.

Yours sincerely

Rachel Ellison
Senior Adviser, Funds Compliance

IA Response to CP25/35: Quarterly Consultation No 50

CHAPTER 6: EXTENDING THE TRANSITIONAL PERIOD FOR COLL 5

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 £10 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 51% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

Q6.1Do you agree with our proposal to extend the transitional period for COLL 5.2.29R(3) to 31 January 2027. If not, explain why.

In its response to CP24/11[1] the IA supported the change in application of the 25% limit in the UCITS concentration rules in COLL 5.2.29R (3) and COLL 5.2.30R (1)(c) to each individual sub-fund in an umbrella scheme. This meant that the rules apply at a sub-fund level to both the investing and target sub-fund, in line with the concentration rules for EEA UCITS.

We had also asked for clarification over whether the 25% applied to units in issue or the value of the scheme property. In Handbook Notice 126[2], the FCA clarified that application should be to the value of the scheme property.

Following the publication of Handbook Notice 126 a number of member firms contacted the IA, highlighting issues with the approach to application for certain fund structures and business models, where the application to the number of units in issue would be more appropriate. In particular, this created an issue where units differ in value, e.g. an institutional unit may be worth £1,000 and a retail unit £100 with both units having one vote (which is quite common market practice). In this instance, a UK UCITS' holding of institutional units in another fund can be within the 25% on a *number of units* basis but exceeds it on a *value of units* basis. However, in each case, the investing fund does not hold more than 25% of the voting rights, so does not exercise undue influence. This also causes an issue where a new fund is being seeded by institutional investors.

Members identified that the change in approach would lead to significant detrimental implications including significant redemptions from target funds, which in turn could lead to that fund's closure where it was then found to be too small to be viable post-redemptions. This in turn could have a detrimental impact on client outcomes, as it could restrict choice, increase trading, with associated costs and disrupt investors where funds are closed.

The IA discussed these concerns with the FCA and we are delighted that the FCA have agreed to consult on further amendments to the concentration rules in COLL 5.2.29 in CP25/37[3]. As such, we support the FCA's proposals to extend the transitional period for the original changes to 31 January 2027 to allow for the further proposals to be consulted on and avoid negative outcomes for unitholders in funds that may have to otherwise close in the interim.

---

[1] CP24/11: Quarterly Consultation Paper No. 44
[2] https://www.fca.org.uk/publication/handbook/handbook-notice-126.pdf
[3] CP25/37: Targeted clarifications of Handbook materials