

Quarterly Consultation CP24/18

No. 45

September 2024

How to respond

The Financial Conduct Authority invites comments on this consultation paper. Comments should reach us by 11 October 2024.

Comments may be sent by electronic submission using the form on the [FCA's website](#).

Alternatively, please send comments in writing to:

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Telephone: 020 7066 8196

If you are responding in writing to both chapters please send your comments to Mary McGowan in the Handbook Team, who will pass your responses on as appropriate.

All responses should be sent to:
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London E20 1JN

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- a list of the names of respondents who made representations where those respondents consented to the publication of their names,
- an account of the representations we receive, and
- an account of how we have responded to the representations.

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Irrespective of whether you indicate that your response should be treated as confidential, we are obliged to publish an account of all the representations we receive when we make the rules.

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Chapter 1

Overview

Chapter No	Proposed changes to Handbook	Consultation closing period
2	To change the definition of 'firm' to clarify that designated coordination bodies fall within the remit of EG and DEPP.	5 weeks
3	To allow a non-UCITS retail scheme to be exposed to long-term asset funds (LTAFs) without the constraints of the second scheme rules.	5 weeks

Chapter 2

Access to cash – consequential amendment to definition of ‘firm’

Introduction

- 2.1** The Financial Services and Markets Act 2023 gave us new powers to help ensure the reasonable provision of cash deposit and withdrawal services across the UK (‘access to cash’). We consulted on this new regime under Part 8B (Cash access services) of the Financial Services and Markets Act (FSMA) (CP23/29). We published our final rules, which introduced a new Access to Cash sourcebook, on 24 July 2024 (PS24/8).
- 2.2** We have considered whether any consequential amendments are necessary to ensure a consistent approach to enforcement of Part 8B FSMA. We are now consulting on a consequential amendment to the Handbook definition of ‘firm’. This would ensure that a coordination body designated by the Treasury under section 131R (Designation) FSMA would be subject to the disciplinary measures under Part 8B FSMA.

Summary of proposals

- 2.3** Under Part 8B FSMA, section 131R, the Treasury can designate certain firms and certain coordination bodies that meet certain criteria, as set out in section 131S FSMA (Designation criteria). Notices to that effect were published on 24 May 2024.
- 2.4** For enforcement purposes, designated firms are within the remit of the Enforcement Guide (EG) and the Decision Procedure and Penalties manual (DEPP) as they satisfy the Handbook definition of ‘firm’. However, it is less clear whether designated coordination bodies satisfy the Handbook definition of ‘firm’ and, therefore, whether they fall within the remit of EG and DEPP accordingly. Designated firms can choose to comply with the relevant rules either themselves or through a designated coordination body.
- 2.5** For clarity, we propose to amend the Handbook definition of ‘firm’ to ensure that:
- EG and DEPP apply equally to a designated firm and designated coordination body; and
 - the guidance on our approach to the exercise of powers against a designated coordination body is consistent with the guidance on our powers elsewhere.

Question 2.1: Do you have any comments on the proposed amendment to the Handbook definition of ‘firm’?

Rule Review Framework

- 2.6** The FCA's Rule Review Framework states that while we will generally monitor key metrics of new rules, this is not a requirement where it would be disproportionate or where the new rule relates to a minor policy or rule change with minimal impact. We are not proposing to make any new rules. Therefore, the Rule Review Framework does not apply.

Cost benefit analysis

- 2.7** Under section 138I of FSMA, if the FCA wishes to make new rules, it must, subject to certain exceptions, publish a relevant cost benefit analysis along with the proposed rules, when publicly consulting on the latter. We are not proposing to make any new rules. We have not therefore undertaken a relevant cost benefit analysis.

Impact on mutual societies

- 2.8** Section 138K of FSMA requires that where we consult on new rules, we must prepare a statement setting out whether and how the new rules would impact mutual societies. We are not making any new rules. Therefore, we are not required to assess any impact on mutual societies.

Compatibility statement

- 2.9** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. The amendments advance our operational objectives of securing an appropriate degree of consumer protection and promoting effective competition in the interests of consumers. The amendment ensures that both DEPP and EG apply to a designated coordination body, as envisaged by Part 8B FSMA. We are satisfied that any burdens or restrictions are proportionate to the expected benefits. By clarifying the requirements, this helps us operate more efficiently. We are satisfied that the proposed amendments are compatible with the FCA's secondary international competitiveness and growth objective.

Equality and diversity

- 2.10** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.

- 2.11** We will continue to consider the equality and diversity implications of the proposals during the consultation period. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 3

Widening LTAF access – amending NURS second scheme rules to facilitate LTAF investment

Introduction

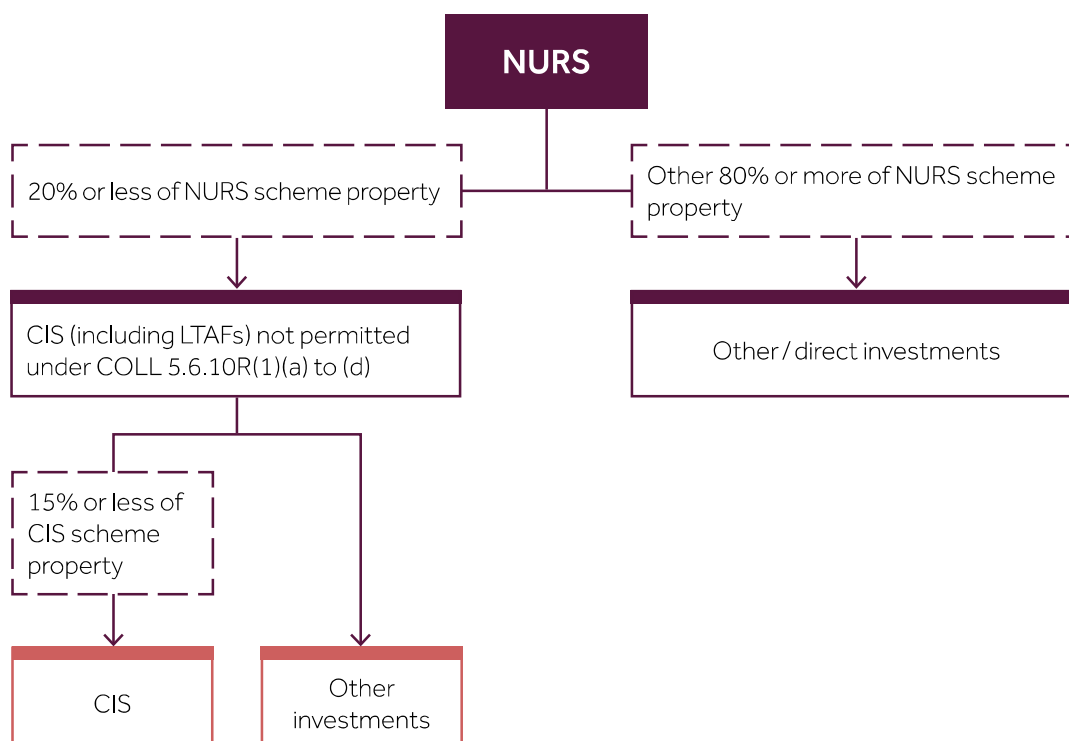
- 3.1** In 2021, we made rules for a new authorised fund vehicle, the long-term asset fund (LTAF) (PS21/14). An LTAF is an authorised open-ended fund that allows UK investors to access long-term illiquid assets. In 2023, we made rules to enable a broader range of retail investors and pension schemes to invest in an LTAF, providing them with access to less illiquid assets, while ensuring that they have sufficient information to understand the risks involved (PS23/7).
- 3.2** An LTAF is permitted to invest in a wide range of assets, including venture capital, private equity, private debt, real estate and infrastructure. The liquidity profile of these assets is not suitable for open-ended funds that offer daily dealing, so our rules place high regulatory standards, as well as restrictions, on an LTAF's dealing structure. This ensures that retail investors and defined contribution (DC) pension schemes can invest in them with confidence.
- 3.3** Since the regime came into force, 9 LTAFs have been launched. We have received feedback that our current rules may not be supporting the market for LTAFs to develop. Many DC pension schemes, particularly smaller schemes, use non-UCITS retail schemes (NURSs) to achieve a diversified portfolio through a single investment vehicle. We understand that some DC pension schemes would like to use these existing vehicles to make a small allocation to LTAFs.
- 3.4** Our rules permit a NURS to invest up to 20% of its portfolio into units of 1 or more LTAFs, as long as each LTAF does not in turn invest more than 15% of its portfolio into any kind of collective investment scheme (CIS). We refer to these underlying CISs as 'second schemes'. We have received feedback that, as LTAFs typically make a significant proportion of their investments via vehicles including special purpose vehicles (SPVs) that meet the definition of a CIS, our rules are preventing NURSs from investing in most LTAFs. Consequently, DC pension schemes and some retail investors may not be able to invest efficiently in LTAFs.
- 3.5** We recognise that some stakeholders would like us to make more substantive changes to enable wider investment in LTAFs, including, for example, adjusting the permitted link rules. Such wider changes would need careful consideration. This includes taking account of changes to global standards on liquidity management, which we are considering alongside the transfer of assimilated law into FCA rules. This chapter proposes targeted amendments and we will continue to consider whether other changes might be appropriate.

Summary of proposals

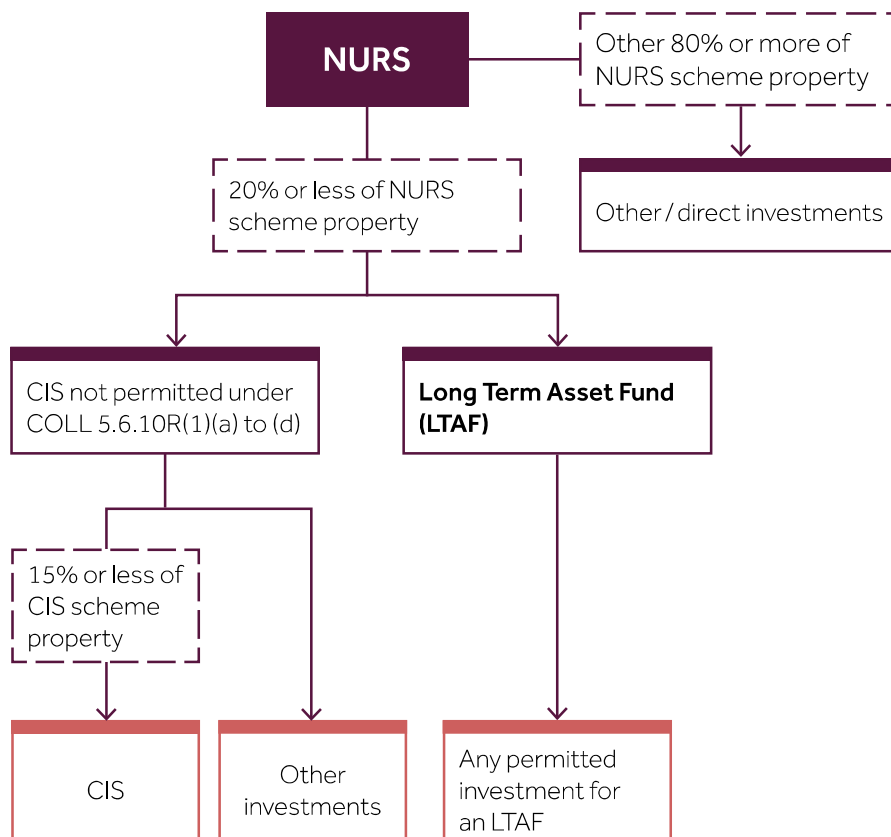
Simplifying second scheme rules in respect of LTAFs

- 3.6** Under COLL 5.6.10R(3), NURSs are prevented from investing in a second scheme (including an LTAF) if that second scheme invests more than 15% of its scheme property in CISs. The exposure of the second scheme to other CISs is limited to 15% to prevent circularity of investment.
- 3.7** When making the LTAF rules, we recognised that LTAFs would need to make frequent use of investments in CISs. The underlying CIS in an LTAF is typically set up to enable efficient investment in underlying assets such as venture capital, private equity, private debt, real estate and infrastructure. We therefore addressed the risk of circularity of investment through a principle-based rule (COLL 15.6.9R (1)(b)(iii)) rather than through a quantitative restriction.
- 3.8** Though the investments that LTAFs make are often structured as CISs, the underlying assets are likely to be private equity and debt vehicles. Due to their nature, it would be inefficient to use these vehicles to invest back into any NURS that invests in an LTAF. We consider that this is highly unlikely to happen and there should be limited risk of circularity of investment. As such, COLL 5.6.10R(3), which is designed to protect against circular investment, is not a proportionate way of achieving the policy objective where the second scheme is an LTAF. Instead, this rule makes it harder for UK investors to access regulated LTAFs.
- 3.9** Therefore, we propose to amend COLL 5.6.10R(3) so that it does not apply when the second scheme of a NURS is an LTAF. This should remove the barrier that currently prevents NURSs from investing in LTAFs. This is in line with the policy intent set out in our previous consultation ([CP22/14](#)) of facilitating greater access to and investment in long-term illiquid assets.
- 3.10** The following diagrams demonstrate (1) the current permitted NURS structure that limits investment in a second scheme LTAF under COLL 5.6.10R(3), and (2) the proposed amendments to COLL 5.6 to exempt LTAFs from the restrictions in COLL 5.6.10R(3).

(1) Current structure permitted under COLL 5.6.10R(3)



(2) Proposed structure to facilitate NURS investment in an LTAF



LTAf guardrails and investor protection

- 3.11** NURSs are permitted to make restricted investments in unregulated schemes that may have exposure to any class of assets. Therefore, given the overall level of regulatory protection applied to LTAFs, the proposal to permit a NURS to invest to the same restricted extent in an LTAF that has unlimited exposure to an SPV should not materially increase the risk profile of the NURS.
- 3.12** We do not propose to increase the 20% limit on exposure to LTAFs within the portfolio of a NURS. When the then Financial Services Authority (now the FCA) first established the investment and borrowing powers for NURSs in 2004, we said that part of the policy intention of COLL 5.6.10R was to allow a NURS to make limited investment in unregulated collective investment schemes, so that the combined value of unapproved securities and unregulated schemes does not exceed 20% of scheme value (see [PS04/7](#), [CP07/06](#), [CP08/4](#) and [PS10/3](#)). The rule allows investment in units of LTAFs and qualified investor schemes on the same terms as unregulated schemes.
- 3.13** However, the drafting of COLL 5.6.10R does not clearly express the long-standing policy intention of the rule. We propose to amend the rule to clarify that the 20% exposure limit applies globally to any combination of holdings in LTAFs, qualified investor schemes, unregulated schemes and unapproved securities. This is in line with the existing policy intent.
- 3.14** Investment in LTAFs can create liquidity risk for a NURS, because LTAFs offer infrequent dealing opportunities and the NURS manager may not be able to dispose of such holdings readily. We therefore propose to add provisions to COLL 5.6, in line with existing provisions in COLL 5.7.7R(3) and COLL 5.7.7AG(2) for NURS FAIF managers, to set requirements for NURS managers, when they invest in LTAFs, to ensure that they can meet their obligations to investors in the NURS to enable redemptions. This is intended to ensure that NURS managers have sufficient control and oversight over the illiquid LTAF investments in their portfolio.
- 3.15** We are also proposing to make minor amendments to these existing provisions at COLL 5.7.7R(3) and COLL 5.7.7AG(2) to clarify the expectations placed on NURS FAIF managers, in line with our proposed provisions for NURS managers at COLL 5.6.10DR and 5.6.10EG. This is not a policy change but to clarify the wording.
- 3.16** Furthermore, all UK full-scope AIFMs, including NURS managers, are subject to FUND 3.6.2R and the related provisions of the UK version of Commission Delegated Regulation (EU) No 231/2013 and must oversee their redemption policy and liquidity profiles. These requirements effectively limit the exposure a NURS would have to an LTAF and would be consistent with the exposure that a NURS can have to an unregulated investment scheme if it meets the criteria in COLL 5.6.10R.

Question 3.1: Do you agree with our proposals to exempt LTAFs from COLL 5.6.10R(3) to allow investment access for NURS? If not, why not?

Question 3.2: Are there any other changes we should make to facilitate investment by NURs in LTAFs without unduly increasing risks for investors?

Question 3.3: Do you agree with our proposed provisions at COLL 5.6.10DR and 5.6.10EG setting expectations for NURS managers, when they invest in LTAFs, to ensure that they can meet their obligations to investors in the NURS to enable redemptions? If not, why not?

Question 3.4: Do you agree with our proposed minor amendments to COLL 5.7.7R(3) and COLL 5.7.7AG(2) for NURS FAIF managers in line with our proposed provisions for NURS managers at COLL 5.6.10DR and 5.6.10EG?

Rule Review Framework

- 3.17** The FCA's Rule Review Framework states that while we will generally monitor key metrics of new rules, this is not a requirement where it would be disproportionate or where the new rule relates to a minor policy or rule change with minimal impact. Due to the nature of the changes proposed here, we are satisfied that the proposed amendments are exempt from the requirement to be monitored under the Framework.

Cost benefit analysis

- 3.18** Section 138IA FSMA requires the FCA to consult the cost benefit analysis (CBA) panel about the preparation of a CBA. However, section 138L of FSMA states that we do not need to provide a CBA where we consider that there will be no increase in costs, or the increases will be of minimal significance.
- 3.19** The proposals in this chapter seek to unlock appropriately managed retail investment in LTAFs in line with the policy intent to broaden retail access to LTAFs. We have previously consulted on and finalised the rules and guidance for retail investors who understand the risks to access LTAFs as part of a wider diversified portfolio.
- 3.20** As outlined in the CBA for [CP22/14](#), there is a risk that retail investors make unsuitable investments and fail to fully understand the illiquid nature associated with the underlying assets. However, the wider regime is designed to offer protection and ensure that retail investors are informed of the associated risks. The LTAF regime was evaluated to produce no direct costs to retail investors (see [CP22/14](#), Annex 2, paragraphs 5, 43 and 45) and by extension these proposals should not produce any further direct costs to retail investors.
- 3.21** The proposed rule change is permissive and NURs are not obliged to invest in LTAFs based on the changes. NURS fund managers will only choose to invest in LTAFs if they

judge that the benefits will outweigh the costs. As such, we do not believe that there will be a material increase in costs to firms.

- 3.22** The benefits to firms and consumers are likely to arise through the fact that the changes will permit NURSs to invest in the full range of LTAFs. It may subsequently allow pension scheme holders and fund-of-funds investors (both of which invest primarily through NURSs) to gain exposure to LTAFs as part of a diversified portfolio. According to the [Investment Association's 2022-23 report](#) (Figure 10), the UK's DC pension scheme market had £1.3 trillion of accumulation assets. Enabling a small part of these funds to invest in LTAFs should lead to significantly increased investment in LTAFs.
- 3.23** A NURS that is structured as a NURS fund of alternative investment funds (FAIF) does not have to comply with COLL 5.6.10R(3) and, as such, we understand that some NURSs are considering converting to become a NURS FAIF to invest in LTAFs. By amending the rules in line with this proposal, operators of NURS will be able to access LTAFs, subject to ensuring that they are not overly concentrated, without changing the structure of their scheme. Such firms will therefore avoid incurring additional legal and compliance costs.
- 3.24** Furthermore, the amended rules will not materially increase the risk profile of a NURS. All AIFMs, including NURS managers, are subject to regulatory requirements and must have oversight over their redemption policy and liquidity profiles. These requirements would limit the exposure a NURS would have to an LTAF and would be consistent with the exposure that a NURS can have to an unregulated investment scheme.
- 3.25** The proposed rule will not directly impact the costs or revenue faced by NURS operators, but the change will enable investment in LTAFs if the fund manager believes it is appropriate to do so. Managers will incur immaterial familiarisation costs but, otherwise, firms will only incur costs if they consider that there is sufficient benefit from taking up the option to invest in LTAFs. We consider that the costs associated with the proposal would be of minimal significance. We will monitor the investment allocation by NURSs into LTAFs as a measure of the success of the proposed rule.

Impact on mutual societies

- 3.26** Our proposed amendments are intended to facilitate the investment by UK investors and DC pension schemes in LTAFs. We do not envisage any direct impact on mutual societies to differ from the impact on authorised entities or persons.

Compatibility statement

- 3.27** When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also

required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.

- 3.28** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. The amendments will widen access for UK retail investors to alternative asset classes through investment vehicles that are authorised and regulated. Though LTAFs present risk due to the illiquid nature of the underlying assets, they are subject to high regulatory standards. We have consulted on the rules governing LTAFs extensively and designed them to ensure that the LTAF is an appropriate structure to invest in long-term illiquid assets, subject to appropriate rules on governance, risk management, valuations and dealing structures.
- 3.29** Our amendment to the rules would advance our operational objectives of securing an appropriate degree of consumer protection and promoting effective competition in the interests of consumers by widening access to a product intended for retail investment and increasing the number of funds available to retail investors.
- 3.30** Furthermore, the current rules restrict the choice of products for retail investors, limiting their opportunities to invest. More sophisticated investors can already invest in LTAFs, and the current rules impede the policy intent of LTAF access for retail investors. By removing the unintended barriers to accessing long-term illiquid assets in their portfolios, retail investors could potentially earn higher returns at an acceptable degree of risk.
- 3.31** We are satisfied that any burdens or restrictions are proportionate to the expected benefits. We are also satisfied that the proposed amendments are compatible with the FCA's secondary international competitiveness and growth objective. Indeed, these amendments support the secondary objective in facilitating economic growth and competitiveness, through investing in productive assets, such as venture capital and private equity, by allocating investment into productive parts of the economy.

Equality and diversity

- 3.32** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.
- 3.33** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Annex 1

List of questions

Question 2.1: Do you have any comments on the proposed amendment to the Handbook definition of 'firm'?

Question 3.1 : Do you agree with our proposals to exempt LTAFs from COLL 5.6.10R(3) to allow investment access for NURS? If not, why not?

Question 3.2 : Are there any other changes we should make to facilitate investment by NURSs in LTAFs without unduly increasing risks for investors?

Question 3.3 : Do you agree with our proposed provisions at COLL 5.6.10DR and 5.6.10EG setting expectations for NURS managers, when they invest in LTAFs, to ensure that they can meet their obligations to investors in the NURS to enable redemptions? If not, why not?

Question 3.4 : Do you agree with our proposed minor amendments to COLL 5.7.7R(3) and COLL 5.7.7AG(2) for NURS FAIF managers in line with our proposed provisions for NURS managers at COLL 5.6.10DR and 5.6.10EG?

Annex 2

Abbreviations used in this paper

Acronym	Description
CBA	Cost benefit analysis
CIS	Collective investment scheme
COLL	Collective Investment Schemes sourcebook
CP	Consultation paper
DC	Defined contribution
DEPP	Decision Procedure and Penalties manual
EG	Enforcement Guide
FAIF	Fund of alternative investment funds
FSMA	Financial Services and Markets Act 2000
LTAF	Long-term asset fund
NURS	Non-UCITS retail scheme
PS	Policy statement
SPV	Special purpose vehicle

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Appendix 1

Access to cash – consequential amendment to definition of 'firm'

**ACCESS TO CASH SOURCEBOOK (CONSEQUENTIAL AMENDMENT)
INSTRUMENT 2024**

Powers exercised

A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

- (1) section 131Z (Disciplinary measures);
- (2) section 137T (General supplementary powers); and
- (3) section 139A (Power of the FCA to give guidance).

Commencement

B. This instrument comes into force on *[date]*.

Amendments to the Handbook

C. The Glossary of definitions is amended in accordance with the Annex to this instrument.

Citation

D. This instrument may be cited as the Access to Cash Sourcebook (Consequential Amendment) Instrument 2024.

By order of the Board
[date]

Annex**Amendment to the Glossary of definitions**

In this Annex, underlining indicates new text.

Amend the following definition as shown.

- firm* ...
- (11) ...
- (12) (in *EG* and *DEPP*) includes a *designated coordination body* with responsibility for operating or managing *cash access coordination arrangements* designated by the Treasury pursuant to section 131R of the *Act* for the purposes of Part 8B of the *Act*.

Appendix 2

Widening LTAF access – amending NURS second scheme rules to facilitate LTAF investment

NON-UCITS RETAIL SCHEMES (AMENDMENT) INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (d) section 247 (Trust scheme rules);
 - (e) section 248 (Scheme particulars rules);
 - (f) section 261I (Contractual scheme rules); and
 - (g) section 261J (Contractual scheme particulars rules);
 - (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

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

Citation

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

By order of the Board
[date]

Annex

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

5 Investment and borrowing powers

...

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

...

Investment in collective investment schemes

5.6.10 R *A non-UCITS retail scheme, except for a feeder NURS (which must instead comply with COLL 5.6.26R), must not invest in units in a collective investment scheme (second scheme) unless the second scheme meets each of the requirements at (1) to (5):*

(1) the second *scheme*:

...

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

...

(3) the second *scheme* is prohibited from having more than 15% in value of the property of that *scheme* consisting of *units in collective investment schemes* (unless COLL 5.6.10AR or COLL 5.6.10DR applies);

...

(5) ...

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

(1) *units in collective investment schemes falling within COLL 5.6.10R(1)(e); and*

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

Investment in feeder schemes

...

5.6.10C ...

Investments in second schemes which are LTAFs

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

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

Investment in long-term asset funds: guidance

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

...

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

...

Investment in collective investment schemes

5.7.7 R ...

- (3) A non-UCITS retail scheme operating as a FAIF may invest in units in a second scheme which is a long-term asset fund provided In relation to COLL 5.7.7R(1)(c), the conditions are that:
 - (a) the authorised fund manager of the non-UCITS retail scheme operating as a FAIF is satisfied that the long-term asset fund's liquidity, redemption policy and dealing arrangements are sufficient for the non-UCITS

retail scheme to be able to meet its obligations in respect of *redemptions*;

...

Investment in long-term asset funds: guidance

5.7.7A G ...

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

...

...

