

ApEx9

Overseeing on a day-to-day basis
operating, or acting as a trustee or
depository of, a collective investment
scheme

Summary of Learning Outcomes

ApEx9 OVERSEEING ON A DAY-TO-DAY BASIS OPERATING, OR ACTING AS A TRUSTEE OR DEPOSITARY OF, A COLLECTIVE INVESTMENT SCHEME

	Level
Candidates will be expected to:	
K Demonstrate a knowledge of:	
K1 the construction and establishment of a collective investment scheme fund structure	Knowledge
K2 the role and responsibilities of the auditor	Knowledge
K3 registration, dealing and settlement, contract notes/ dematerialisation and transfers	Knowledge
K4 roles, responsibilities and regulatory requirements relating to custody of assets	Knowledge
K5 corporate actions	Knowledge
K6 requirements for reports , accounts and performance measurements	Knowledge
K7 key requirements for meetings	Knowledge
K8 the regulatory framework applicable to collective investment schemes	Knowledge
K9 key types and features of reconciliation	Knowledge
K10 key requirements relating to promotions and product disclosure	Knowledge
U Demonstrate an understanding of:	
U1. function of collective investment schemes	Comprehension
U2. the role and responsibilities of the authorised fund manager	Comprehension
U3. the role and responsibilities of the depositary, trustee and custodian	Comprehension
U4. features and operation of investing and borrowing powers	Comprehension
U5. risk and reward	Comprehension
U6. valuation and pricing	Comprehension
U7. tax considerations (fund)	Comprehension
U8. tax and equalisation (investors)	Comprehension
U9. income distribution	Comprehension
U10. fund promotion distribution – remuneration/costs	Comprehension
U11. investor rights and protections	Comprehension

Indicative Content
for each Learning Outcome

ApEx9 OVERSEEING ON A DAY-TO-DAY BASIS OPERATING, OR ACTING AS A TRUSTEE OR DEPOSITARY OF, A COLLECTIVE INVESTMENT SCHEME

Attainment Level	Outcome	Indicative Content
K Demonstrate knowledge of:	K1 The construction and establishment of a collective investment scheme fund structure	K1.1 Launching a new fund K1.2 Regulatory and legal requirements K1.3 Establishment of a scheme – constitutional structures; authorisation procedures and requirements; documentation; settlement K1.4 Scheme structure – unit trusts/OEICs -single fund vs umbrella schemes; permissible share and unit classes; constitutional characteristics; initial offer period K1.5 Termination and conversions – process and regulatory requirements
	K2 The role and responsibilities of the auditor	K2.1 Nature and timescales of the audit process K2.2 Reporting requirements K2.3 Appointment and change of auditors K2.4 Difference between the audit and monitoring processes within the firm
	K3 Registration, dealing and settlement, contract notes/ dematerialisation and transfers	K3.1 Registration requirements K3.2 Requirements for dematerialisation and transfers K3.3 Sub-registers for savings plans, PEPs and ISAs – rights and requirements K3.4 Transfer of title – procedures and legal requirements K3.5 Settlement – common methods, regulatory requirements K3.6 Buying, selling, exchange and conversion of shares/units – share classes, types of investor, execution methods, charges, commissions, discounts and dilution levy K3.7 Purchase consideration and redemption proceeds using the different methods permitted by the Financial Services Authority
	K4 Roles, responsibilities and regulatory requirements relating to custody of assets	K4.1 Responsibility of custodian K4.2 Authority of custodian K4.3 Know the role of the custodian and in relation to registration, dealing and settlement K4.4 Regulatory oversight
	K5 Corporate actions	K5.1 Types of corporate action – including sub-division and consolidation, mergers, unitisation of investment trusts K5.2 Process to execute K5.3 Risks K5.4 Regulatory requirements

K Demonstrate knowledge of:	K6 Requirements for reports , accounts and performance measurements	K6.1 Annual and Half Yearly Reports and Accounts: content; regulatory requirements; SORP requirements K6.2 What investors should look for in the reports and accounts K6.3 Periodic statements: content, reason for issue
	K7 Key requirements for meetings	K7.1 When to hold a unit/share holders' meeting, including required notice periods, form of notice and quorum
	K8 The regulatory framework applicable to collective investment schemes	K8.1 Requirements of the FSA Conduct of Business Rules on the authorisation of collective investment scheme operators K8.2 Collective Investment Scheme rules K8.3 Key features of the OEIC Regulations 2001 K8.4 Other regulations impacting on collective investment schemes
	K9 Key types and features of reconciliation	K9.1 Monthly cash reconciliation between authorised fund manager (AFM) and depositary/custodian (and third party administrator where applicable) K9.2 Unit/shares reconciliations
	K10 Key requirements relating to promotions and product disclosure	K10.1 What the AFM must make available and/or supply to investors, in what form and within what timeframe
U Demonstrate understanding of:	U1 Function of collective investment schemes	U1.1 Why they were introduced; how they are used to meet investment objectives U1.2 Key influences on the development of schemes U1.3 Principal types of fund available U1.4 Comparative features, advantages and disadvantages in contrast to other forms of investment (direct and indirect) U1.5 Authorisation and FSA classification
	U2 The role and responsibilities of the authorised fund manager	U2.1 Legal position of the authorised fund manager (AFM) U2.2 Process for appointment and removal U2.3 Scope and reasons for delegation of aspects of role U2.4 Operation of a manager's box and issues of cancellation

U Demonstrate understanding of:	U3 The role and responsibilities of the depositary, trustee and custodian	<ul style="list-style-type: none"> U3.1 Protecting investors U3.2 Oversight of the AFM in relation to scheme management U3.3 Custody of the fund's assets U3.4 Registers and sub registers of unit trusts U3.5 Delegated functions U3.6 Issuing and cancelling units U3.7 Verifying valuation U3.8 Requirements for appointment and change of the depositary/trustee U3.9 Breaches – difference between error and breach; redress eligibility and procedures
	U4 Features and operation of investing and borrowing powers	<ul style="list-style-type: none"> U4.1 Risk spreading principles/diversification U4.2 Investment or borrowing limits U4.3 Definitions of: transferable securities; approved securities; unapproved securities e.g. investment grades and non investment grades for bonds; derivatives; approved derivatives; off-exchange derivatives U4.4 Eligibility of markets U4.5 Fund specific investment limits U4.6 Risk management requirements U4.7 Underwriting U4.8 Stock lending U4.9 Role of depositary/trustee
	U5 Risk and reward	<ul style="list-style-type: none"> U5.1 Investment strategies U5.2 Returns on investments
	U6 Valuation and pricing	<ul style="list-style-type: none"> U6.1 How and when valuations are made U6.2 Methods, including fair value pricing and market timing U6.3 Publication and notification requirements U6.4 Pricing errors – consequences and required action U6.5 Regulatory rules in relation to valuation and pricing

U Demonstrate understanding of:	U7 Tax considerations (fund)	<p>U7.1 Basis on which collective investment schemes are taxed</p> <p>U7.2 Provisions and treatment of umbrella-type schemes</p> <p>U7.3 Corporation Tax and Income Tax on the fund</p> <p>U7.4 Criteria for making different types of income distribution</p> <p>U7.5 Treatment of AFM periodic charges to capital, their associated benefits and risks, and taxation implications</p> <p>U7.6 Overseas taxes on income received in the UK from an overseas company and the treatment of such taxes</p> <p>U7.7 UK Stamp Duty Reserve Tax</p>
	U8 Tax and equalisation (investors)	U8.1 Main types of investor and the tax implications for each - income tax, corporation tax, capital gains tax, inheritance tax, equalisation
	U9 Income distribution	<p>U9.1 Income and distributions – sources, treatment, timetable, regulations, customary payment processes, unclaimed distributions</p> <p>U9.2 Equalisation and tax vouchers – process, requirements, equalisation rate calculation</p> <p>U9.3 Gross payment of interest distributions – eligibility criteria</p>
	U10 Fund promotion distribution – remuneration/costs	<p>U10.1 Fund supermarkets - definition, role and function</p> <p>U10.2 Methods of selling fund units</p> <p>U10.3 Distribution e.g. banks, internet</p> <p>U10.4 Commissions, charges, discounts and rebates</p>
	U11 Investor rights and protections	<p>U11.1 Circumstances in which cancellation rights are available to investors</p> <p>U11.2 Investor protection – what is provided by stakeholder products and meetings of unit/shareholders</p>