

Policy Statement

PS26/7

Progressing Fund Tokenisation

April 2026

This relates to

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Chapter 1

Background and summary

- 1.1** The UK asset management sector is a global leader with £16.5trn assets under management. Asset managers play an important role in the economy and support the financial wellbeing of millions of people. Tokenisation and distributed ledger technology (DLT) have the potential to make fund management more efficient, help firms meet changing consumer needs, open new routes to distribute funds and broaden access to private markets and infrastructure investment.
- 1.2** Tokenisation could improve consumer choice and enhance competition in the market for product and service offerings. Our proposals are intended to create a positive change environment and encourage growth through improved productivity and increased global competitiveness of UK firms.
- 1.3** We committed to progressing a roadmap for digital assets starting in asset management in our [January 2025 letter to the Prime Minister](#), and our [Strategy 2025-2030](#). We want to support innovation in the UK asset management sector, including the uptake of tokenisation. The development of the asset management sector can in turn support the growth of the UK economy. Our roadmap includes a vision for how UK wholesale capital markets might adopt DLT, and our thinking on regulatory principles. We will seek views on this later in 2026.
- 1.4** We want to see change led by commercial propositions. We do not want regulation to stand in the way of change if there is demand and opportunity. This Policy Statement (PS) therefore builds on work by The Investment Association and pilot work by UK firms. We will continue this collaboration with industry through our participation in HM Treasury's Investment Management Taskforce, the UK [Wholesale Financial Markets Digital Strategy](#), and The Investment Association's Investment Fund 3.0 (IF3) [Lab](#).
- 1.5** In Consultation Paper 25/28 ([CP25/28](#)) we proposed new guidance to support firms seeking to launch tokenised authorised funds in the UK using the industry-led 'Blueprint' model. The guidance is intended to support firms who want to use the model by providing certainty on how they could think about their regulatory obligations in a DLT context.
- 1.6** In the CP, we also proposed rules to introduce a new direct dealing model for all authorised funds to promote fund efficiency and aid tokenisation models. This PS summarises the feedback we received on our tokenisation guidance and direct dealing proposals, our response to this feedback, and our final guidance and rules.
- 1.7** We also asked a series of discussion questions on near- and long-term roadmaps for fund tokenisation in the UK to help inform our future work. Here we share feedback on these discussion questions and set out how we will be taking forward the main themes raised.

- 1.8** The CP also set out our positions on the development of a broader tokenisation eco-system and alignment with our broader cryptoasset regime. It confirmed:
- A consistent approach on the use of natively permissionless public DLT networks (e.g. Ethereum Layer One) with cryptoasset firms as set out in [CP25/25](#).
 - The range of Money Market Funds (MMFs), including tokenised MMFs, that are eligible collateral for uncleared trades under UK European Market Infrastructure Regulation (UK EMIR).
 - Our rules do not prevent UK authorised funds from investing in tokenised forms of eligible assets, including the Treasury's Digital Gilt Pilot (DIGIT), a UK Government debt instrument issued on DLT.
 - That we are open to applications to modify or waive existing rules to allow the use of stablecoins to settle unit deals as an interim regime for funds before final stablecoin standards are introduced in October 2027.

Summary of feedback and our response

- 1.9** We received 64 responses, with good representation from traditional financial services firms, digital/crypto firms, fintechs and service providers, trade associations, standard-setting bodies, consumer groups, and law firms.
- 1.10** Respondents almost universally supported our approach and ambition to accelerate fund tokenisation in the UK. They agreed with our proposed Handbook guidance on the operation of tokenised authorised funds, and how this would help firms meet the outcomes in our rules. Many firms gave constructive and detailed feedback on additional areas we may need to address to support use-cases.
- 1.11** In response, we've updated our proposed guidance to confirm that an on-chain record of transactions may be considered the primary books and records for unit deals, and that a firm doesn't need to maintain a full 'mirror' off-chain record of this information if it has appropriate resiliency plans in place. We've also set out additional guidance on our rules on share classes, where units within a class are recorded on multiple blockchains.
- 1.12** Respondents supported introduction of the new direct dealing model, direct to fund, noting the operational efficiency gains and the effect of enhancing the UK's competitiveness. They agreed that the new single-stage process would facilitate tokenisation, by removing the requirement for units to be issued to the fund manager before being transferred to unitholders, enabling atomic settlement on-chain for newly-issued units.
- 1.13** We received significant feedback on two elements of our proposals, intended to ensure that umbrella-level cash accounts for processing of unit deals are operated within the UK's protected cell legislation on ringfencing of assets and liabilities of sub-funds in umbrella schemes, as set out in the Financial Services and Markets Act 2000 (FSMA) and the Open-Ended Investment Companies (OEIC) Regulations.

- 1.14** We proposed that all cash movements should be attributed to a given sub-fund, with unattributable payments either returned or moved to a client money account. Responses to the consultation argued that the costs of maintaining a standby client money account would be excessive. We have therefore decided not to proceed with the client money account proposal. Instead, we will apply enhanced rules on the reconciliation of umbrella cash accounts.
- 1.15** We also proposed not allowing overdrafts on omnibus accounts, or for sums received ahead of settlement date on one sub-fund to cover unpaid sums on another. We considered this necessary to ensure compliance with the protected cell legislation. We had a range of industry stakeholder feedback. Some respondents argued that overdrafts and fungible use of cash in omnibus accounts could comply with the protected cell regime, provided there are controls to ensure all cash flows creating a settled cash balance are attributed to a particular sub-fund. We have considered this further with the industry and are working with HMT to clarify the application of the protected cell legislation in respect of omnibus accounts. Firms wishing to utilise omnibus accounts to support direct dealing schemes will need to individually assess any proposed operating model to ensure compliance.
- 1.16** We do not consider that the changes made to the final instrument from the draft instrument has an impact on the compatibility statement we provided in that consultation paper.
- 1.17** In our discussion chapters, we asked how we can support use-cases for fund tokenisation, as well as where our rules may require further development. Here we set out how we will support firms and the industry to generate interest in the wider use of DLT in fund management and financial markets. Chapter 5 then sets out how we intend to progress the composable finance framework as set out in our CP as part of our wider tokenisation roadmap.

Who this affects

- 1.18** This policy statement applies to:
- UCITS management companies.
 - UK Alternative Investment Fund Managers (AIFM) managing authorised funds.
 - Depositaries of authorised funds.
- 1.19** This paper might also be of interest to:
- AIFMs and depositaries of unauthorised funds.
 - Portfolio managers providing services to both professional and retail investors.
 - Investment platform providers.
 - Financial advisers and investment consultants.
 - Custodians and cryptoasset custodians.
 - Fintech firms, stablecoin issuers and stablecoin backing asset pool providers.

- 1.20** We received feedback from consumer advocacy groups and the FCA's Financial Services Consumer Panel. This engagement reflects the potential impact on the consumer experience that tokenised funds may introduce. We have considered the interests of consumers throughout our work, and our guidance and rules reflect our commitment to ensuring tokenised authorised funds are held to the same standards as conventional authorised funds.

Measuring success

- 1.21** We want our Handbook to offer greater flexibility to firms so that they can design products in a way that better meets their own and their clients' needs.
- 1.22** We do not intend to conduct a formal review of this intervention, nor do we propose to collect data systematically or introduce new reporting requirements. However, we will continue to liaise closely with firms to monitor whether our rules have the desired impact. We hope to see more activity using these optional regimes, including:
- launching of new tokenised authorised funds.
 - adoption of the direct dealing model for authorised funds.
 - greater pilot activity in future tokenisation models.

Equality and diversity considerations

- 1.23** Overall, we do not consider that our final rules and guidance will materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies).
- 1.24** As evidenced in Chapter 1 of [CP25/25](#), we've seen that certain demographics are over-represented in cryptoasset ownership. Our tokenisation related proposals are targeted at authorised funds, which are regulated investment products and do not present the same risks as unbacked cryptoassets such as Bitcoin. At the same time, similar technology and infrastructure is used for recording ownership and trading. This may result in similar demographic trends, particularly among early adopters of the technology.
- 1.25** Access to tokenised funds may require use of a digital wallet or the ability to understand how encryption operates using public and private keys. This may be unsuitable for consumers who face challenges adopting new technology, which may include some with age characteristics under the Equality Act. Our final guidance on operating a tokenised fund register explains how fund managers ought to retain authority for the register, so that firms can meet our existing requirements for conventional funds. This might include alternative options to contact the manager, where some target investors are uncomfortable initiating on-chain transactions.

Environmental, social & governance considerations

- 1.26** In developing the rules and guidance in this policy statement, we considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(c) of the FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s. 5 of the Environment Act 2021.
- 1.27** On balance, we do not think that there is any contribution rules and guidance can make to these targets.

What you need to do next

- 1.28** Our rules on the new direct dealing model for authorised funds are optional. Firms should determine whether and when they might adopt the new dealing model in respect of new or existing schemes.
- 1.29** We have also made Handbook guidance for fund managers seeking to maintain the unitholder register on DLT. Firms should consider this where they look to launch a tokenised authorised fund.
- 1.30** The new rules and guidance will enter force with immediate effect.

Chapter 2

Accelerating tokenisation of authorised funds

- 2.1** In CP25/28 we reported on our tokenisation initiatives with industry. This included the industry-led Technology Working Group of the previous government's Asset Management Taskforce (AMT). The working group set out how firms could operate a tokenised unitholder register within our existing legal and regulatory frameworks, known as the Blueprint model. We authorised the first tokenised UK UCITS scheme under the Blueprint in January 2025.
- 2.2** We consulted on guidance to clarify how managers could meet existing regulatory obligations when operating funds, using both the Blueprint and more advanced models, to provide confidence to firms, ensure consumer protection and maintain market integrity. This chapter summarises stakeholder feedback.
- 2.3** In response to industry questions, we also confirmed in the CP that firms could use public networks, so long as they have appropriate controls in place to meet the outcomes in our rules and comply with relevant regulations, such as data privacy.

Authority of Manager

- 2.4** Under our existing framework the person responsible for the register must retain authority over it, including to process decisions of a court or to resolve consumer issues. We believe this is an important consumer and market integrity expectation, including in a tokenised setting.
- 2.5** We asked:
- Question 1:** Does the proposed guidance provide adequate clarity on how firms can use DLT to support the operation of fund registers?
- Question 2:** Are there any challenges in meeting the current requirements where DLT platforms are used, or in respect of emerging use-cases?
- 2.6** Responses supported our 'outcomes-based' approach. Most respondents agreed the Authorised Fund Manager (AFM) must retain authority over the register to correct errors, assist investors and process court decisions. Firms gave examples of how this outcome could be achieved, even where public DLT networks are used.
- 2.7** A number of respondents asked for confirmation that the guidance was illustrative. Some respondents asked us to confirm that recording units in the same class on separate blockchains did not create a new class of unit, even if gas fees were different.

- 2.8** Some respondents pointed out that firms may wish to use freeze/unfreeze functionality to pause transactions or restrict movements of digital assets, or the ability to force transfers, in addition to burn and mint procedures.
- 2.9** Depositaries asked for additional guidance for their oversight of on-chain activity.

Our response

The guidance is illustrative. Alternative ledger-based mechanisms or verifiable governance options can be used where consistent with our register rules and the OEIC Regulations.

We have included guidance on adding token freeze/unfreeze and forced transfer functionality as a way in which a firm may be able to effectively manage unitholder processes, effect decisions of a court, or resolve register management problems. We intend our guidance to be interpreted on an outcomes basis, and firms may comply with our rules and the OEIC Regulations using other technological means. This additional guidance should give firms with more flexibility to select appropriate solutions for their target market, product, network choice or circumstance.

Existing depositary oversight rules are independent of fund legal structures and technology. This has allowed depositaries to assess and enhance oversight models to reflect contemporary conventional products and frameworks. We therefore do not propose to provide formal FCA guidance right now and instead will work with industry and trade associations where questions arise.

Our existing rules allow for unitholders to use different methods for submitting instructions to sell or redeem units, for example online or telephone orders, but do not allow the AFM to differentiate between unitholders or potential unitholders. The AFM may apply different cut-off times for instructions to sell or redeem units based on the method used. The cost of processing unit deals and other register operations may vary depending on the method used, for example online vs faxed or telephone instructions.

Consistent with this, we have amended our guidance to clarify that units in a given class may be issued on multiple blockchains provided that the underlying rights of holders, and the nature of charges and expenses that may be taken from scheme property, remain the same. Our general rules on payments out of scheme property still apply. These rules do not permit payments to third parties for the safekeeping or administration of units on behalf of unitholders rather than on behalf of the authorised fund.

Smart contracts and eligibility verification

2.10 We proposed guidance on how firms can use technology solutions, including smart contracts, to perform unitholder processes and support Know Your Customer (KYC) controls. We also consulted on how firms should think about data confidentiality and privacy legislation, and using technology controls to meet those obligations.

2.11 We asked:

Question 3: Do our existing rules and proposed guidance provide sufficient flexibility to allow for firms operating the register to use smart contracts for the purposes above?

Question 4: What role can regulators play in supporting the development of token standards that promote effective governance and positive consumer outcomes?

2.12 Respondents agreed on the importance of strong and robust KYC controls, and welcomed the outcomes-based approach.

2.13 Firms also welcomed our guidance on using technological controls, such as smart contracts or token standards, to meet our expectations for unitholder processes.

Our response

We will finalise the guidance as consulted on.

Managing network risks

2.14 We consulted on guidance relating to risks which may arise from maintaining the fund register on DLT. We focused our proposals on operational resilience concerns, financial crime controls, and transparency questions.

2.15 We asked:

Question 5: Do our COLL rules and proposed guidance provide sufficient flexibility to support fund tokenisation use-cases that use public networks?

2.16 Respondents welcomed our statement that firms could use public DLT networks to maintain the fund register where the controls are compliant with our standards, and our intention to apply a consistent approach to our wider cryptoasset proposals in CP25/25. This included that we do not view the use of public DLT networks within fund management as outsourcing.

- 2.17** Several respondents asked us to confirm if they needed to maintain 'mirror' records of on-chain information off-chain, where they could meet our operational resiliency requirements using on-chain data as the primary day-to-day record of this information.

Our response

We have taken on board feedback and altered our guidance to confirm that firms need not maintain a duplicate 'mirror' of on-chain information where our requirements are met. The on-chain record of transactions may be considered the primary books and records for this activity.

We proposed guidance to highlight the risk that an interruption to the DLT network could prevent the firm responsible for operating the register from establishing the position of unitholders. Our rules require that an investor or any other entity wishing to inspect the register can do so. We have altered our finalised guidance to refer also to investors and any entities inspecting the register or effecting/instructing transactions in units.

We have decided not to proceed with some proposed guidance in the 'Money Laundering Regulations' section of the proposed legal instrument: COLL 6 Annex 4.29 – 4.32. We want to make sure the guidance is helpful and proportionate and does not add to Handbook text unnecessarily. The guidance repeats firms' existing obligations which are well-understood. We will retain the reference to firms needing to consider whether they require Money Laundering Regulations (MLR) registration.

Additional areas of feedback

- 2.18** Tokenisation affects many sectors. Respondents shared feedback about additional areas which will influence the uptake of fund tokenisation in the UK. Many of these issues are outside of the scope of our proposed guidance for fund registers maintained on DLT and are therefore not in scope of the final guidance.
- 2.19** **Token and network standards:** Several respondents noted the importance of consistent, high-quality and international standards to support regulation, enable interoperability (between firms and networks) and projects to scale. They referred to several areas where industry-agreed standards may be useful, such as:
- i.** token standards to support compliance, data-sharing, and auditability
 - ii.** digital legal identifiers
 - iii.** consistent data and messaging standards, particularly for cross-chain interoperability
 - iv.** digital token identifiers for traceability, auditability and data consistency.
- 2.20** Firms also explained that consistent token and on-chain data standards across networks would support the composable finance vision in Chapter 5.

- 2.21** Respondents were divided on our role in developing standards. Some called on us to set particular standards in regulation or guidance. Others called on industry forums to develop common standards for regulators to endorse, or highlighted the role of standard setting bodies.
- 2.22 Secondary trading:** Several respondents observed that tokenisation has immediate potential to increase secondary market transactions in fund units, enabling existing holders to sell their units to another person, via a payment method agreeable to both parties. Peer-to-peer trades (P2P) can allow the parties to update the identity of the registered holder directly on a DLT register.
- 2.23 On-chain ID:** Respondents outlined that it would be desirable to use digital solutions to support KYC processes and create operational efficiencies.
- 2.24 Tax:** Firms requested further clarity on the tax implications of some blockchain transactions, for example whether tax events would be crystallised if a fund unit was transferred between blockchains. We understand that industry participants are working with HM Revenue and Customs on these points.

Our response

We acknowledge that standards have an important role in facilitating the development of tokenisation markets, including in the funds industry. Common standards can support automation, compliance with financial and data regulations, and facilitate inter operability. We are guided by the principle of outcomes-based regulation, therefore we do not – at this stage – see a need for the FCA to set specific standard that firms must follow. Depending on different business and client needs, different standards may be used. At the same time, we encourage firms and industry forums to consider standards and we encourage consistency.

The availability of P2P trading raises a number of issues including the need for clear and proportionate disclosures on the implications of different tokenisation models. If trading is permitted on a continuous or near-continuous basis, it should be clear when settlement is finalised. For example, if P2P transfers over a weekend were reflected on Monday, or if the DLT record at the time of the transfer during that weekend can be considered evidential, subject to any whitelisting or other arrangements.

Firms should also ensure that where P2P trading is permitted, investors are informed of adequate information on the price of units, such as through the release of indicative prices using an Oracle or conventional equivalent. Fund disclosures should also specify whether costs associated with such transfers, including gas fees, are borne by unitholders and whether these vary based on the volume of transactions on a particular blockchain. We are interested in hearing further from firms on what regulatory standards or industry good practices should be in place where this functionality is used by authorised funds.

We acknowledge the importance of on-chain solutions to identify investors in facilitating digital markets and supporting the distribution of tokenised funds. We agree that the appropriate way to progress this priority is through industry forums or standard setting bodies, given its impact on the digital retail investment journey.

The current MLR registration requirement, while outside the scope of the CP, was highlighted by many respondents who called on the UK authorities to deliver a streamlined path for authorised firms or for HMT to remove the obligation.

These responses were submitted before the Treasury laid the final statutory provisions in Parliament to create a new financial services regulatory regime for cryptoassets, including issuance of stablecoins and the safeguarding (custody) of qualifying cryptoassets and specified investment cryptoassets, which will come into force in October 2027.

Part 6 included consequential amendments to the MLRs to account for the relevant new regulated cryptoasset activities. Firms authorised for the new regulated cryptoasset activities or specified investment cryptoasset firms will not be required to register additionally as "cryptoasset exchange providers" or "custodian wallet providers" under the MLRs. They will need to notify us if they intend, or have begun, to act as a cryptoasset exchange provider or a custodian wallet provider either before or within 28 days of doing so. They will also need to notify the FCA if they cease to act as a cryptoasset exchange provider or a custodian wallet provider within 28 days of ceasing to act as such. Other than the requirement to register, the existing requirements of the MLRs will continue to apply to these authorised firms in full, as they would have done previously when the firms were required to register.

Under the amended regulations, a specified investment cryptoasset firm is a person who has permission to carry on a regulated activity other than one specified by Chapter 2B of Part 2 of the Regulated Activities Order and carries on activity under that permission in relation to specified investment cryptoassets. A firm carrying on regulated activities specified by Chapter 10 (Collective Investment Schemes) of the Regulated Activities Order (RAO), in respect of units in a collective investment scheme that is a cryptoasset, would not need to register additionally with effect from the commencement day of the amended regulations in respect of that activity.

Firms also requested an Article 72AA-like exemption so that UCITS/AIF managers do not need to apply for multiple overlapping permissions under the new regime, for example when operating the register of a fund. Under the existing article 72AA of the RAO, activities carried on by a person with or for the purposes of managing a UK UCITS or AIF, are excluded from any other activity specified by Part 2 of the RAO. This includes the new cryptoasset activities.

These provisions address the feedback firms raised at the time of consultation. In [CP26/13](#), we're consulting on draft guidance, setting out how the new legislation applies to cryptoassets and activities when the regime goes live in October 2027. This will help firms understand what permissions they might need. We're seeking feedback on our interpretation of the new regulated cryptoasset activities, including issuing qualifying stablecoins, trading, dealing, safeguarding and staking. We are seeking responses by 3 June 2026.

Chapter 3

A new direct dealing model

- 3.1** This chapter sets out feedback on our proposals to introduce a new direct dealing model, referred to as 'direct to fund' (D2F), for processing unitholder deals in units of authorised funds, and our response. We also include feedback and our response on some of the related fund efficiency or technical changes proposed in Chapter 3.
- 3.2** D2F is applicable to both existing conventional funds and tokenised funds. We noted that introducing the model at this time might allow firms to consider changes to platforms and other operational changes in respect of tokenisation, D2F and T+1 settlement collectively. We asked:

Question 6: Do the proposals in this chapter provide adequate flexibility for firms considering tokenisation and the migration to T+1 securities settlement?

- 3.3** Respondents welcomed the introduction of D2F as an optional alternative model. They noted that it is an attractive proposition to firms operating in multiple domiciles by allowing a broadly consistent process across their fund ranges. Many noted this consistency would aid firms responding to market changes such as shortened settlement and tokenisation.
- 3.4** Many responses observed that D2F may be particularly helpful in simplifying atomic settlement on-chain for primary deals in authorised fund units, with a number of responses suggesting that D2F is required for atomic settlement of new units. Firms and consumer representatives observed that tokenisation and shortened settlement of underlying assets could help align fund and asset settlement cycles and reduce operational risk. We also received feedback that D2F would simplify reconciliation processes and aid real-time reconciliation.
- 3.5** A number of respondents reflected on our proposal to prohibit AFMs from dealing as principal in the units of a fund using D2F. They noted that the prohibition as drafted could prevent the AFM from providing liquidity in fund units where a tokenised fund allows 24/7 settlement of units in a secondary market.

Our response

We will continue to monitor the progress of firms implementing T+1 project plans. In May 2025, key asset management trade associations recommended that firms alter their fund settlement timings to T+2 from 11 October 2027. We support the trade bodies' recommendation and have communicated our position that where UK authorised funds and recognised schemes invest predominantly in markets that will operate on T+1 settlement, moving unit transactions to T+2 settlement would be in investors' interests.

Following feedback, we have amended our rules as consulted on to allow firms to deal as principal in units of a fund using D2F, and the use of different dealing models within a fund or sub-fund.

Direct dealing in authorised funds

- 3.6** Under current UK market practice, the AFM acts as principal in unit deals with unitholders of authorised funds, buying units from redeeming investors (redemptions) and selling units to subscribing investors (sales). The AFM maintains a float of units commonly known as the manager's 'box' in each fund to do so, and initiates separate, but often back-to-back, transactions to issue or cancel units with the fund or depository to manage the level of units of each fund held in the box. We set out details of the controls in our existing rules on box operations in Chapter 3 of CP25/28.
- 3.7** In the D2F model the fund or its depository, rather than the AFM, acts as principal in unit deals with unitholders. Investor deals are effected through a single-stage issue and cancellation of units in the fund, in exchange for settlement of cash between investors and the fund. This is technically permitted under our current rules. However, many of our rules are drafted on the basis of current market practice whereby the AFM deals as principal.
- 3.8** We proposed to introduce D2F as an optional, alternative process. We indicated we would continue to support use of both direct dealing, including in the form of D2F, and the existing box/principal model, both of which are effective means of delivering good consumer outcomes. We intend to allow all AFMs flexibility to adopt the most efficient unit dealing model for their funds.
- 3.9** We asked:
- Question 7: Do you support the introduction of an optional regime to allow for direct dealing in authorised funds?**
- 3.10** Respondents overwhelmingly supported introducing D2F, because of its increased efficiency and consistency with fund operations in other jurisdictions. It enables firms to streamline and simplify fund operations, which could enhance the competitiveness of UK funds and firms in the sector.
- 3.11** Feedback focused on three points which respondents indicated were key to the uptake of the new model:
- our proposal that unattributable payments should be transferred to a client money account of the AFM;
 - controls on use of umbrella-level cash accounts; and
 - the role of the depository in relation to anti-money laundering (AML) controls.

- 3.12** A number of firms and trade bodies also suggested clarificatory changes on the draft legal instrument.
- 3.13** Responses from depositaries and fund service providers highlighted that they would also bear implementation costs if they chose to support such funds. Depositaries also requested further clarity on the allocation of AML responsibilities for end investors in authorised unit trusts (AUTs) and authorised contractual schemes (ACSs) under the D2F model. They noted that some responsibilities could pass to the depositary, and that in the CP we had said we did not have a definitive view pending further work with industry participants. A number of these responses reported on work between AFMs, depositaries and the Joint Money Laundering Steering Group, and called on us to support this.

Our response

We welcome the broad support for D2F, and are finalising our rules largely as consulted on in the CP. Recognising the efficiency of the new model, the potential benefits for UK competitiveness, and the optional status of the model, our rules will be effective immediately.

In the CP we said that where it was proposed to operate an AUT or ACS using D2F, identifying the relevant person or persons responsible for AML controls on end investors may require specific analysis, based on the instrument constituting the scheme and the effect of broader UK legislation. In many cases it may not be economically viable or practical for the depositary to take on responsibility for such obligations. We indicated our intention to explore this further with industry participants, given the specific challenges where a scheme does not have legal personality and is itself unable to act as a responsible person.

We remain supportive of the industry work to provide clarity on this point. Firms proposing to launch new funds using direct dealing, or convert existing funds to direct dealing, will need to ensure scheme documents specify who is responsible for AML and will carry out this activity.

Issues and cancellations account

- 3.14** The D2F model uses a specific bank account, an 'Issues and Cancellations Account' (or IAC), to receive payments from, and make payments to, investors. This is consistent with practice in other fund centres. We proposed to recognise the purpose of the IAC in COLL and the respective responsibilities of the AFM and depositary, given the IAC would constitute scheme property of the relevant fund.
- 3.15** We proposed to allow firms to operate omnibus IAC accounts at umbrella level, subject to certain safeguards including rules to ensure compliance with the UK's protected cell legislation in the OEIC Regulations and FSMA. In broad terms, this requires that the assets of a sub-fund of an investment company with variable capital (ICVC) or ACS must

belong exclusively to that sub-fund and cannot be used to discharge liabilities of any other person, including the umbrella itself or another sub-fund. Any legal agreements an ACS or ICVC enters into must reflect this segregated liability, and any provisions or activity that is inconsistent with this are void. Umbrella AUTs are managed in accordance with trust law.

3.16 We proposed not allowing overdrafts on omnibus accounts, or for sums received ahead of settlement date on a sub-fund to cover unpaid sums on another (use of cash).

3.17 We also proposed a set of general requirements to ensure that use of an umbrella IAC would not pose undue risk to unitholders. We proposed guidance in COLL, consistent with practice in other jurisdictions, on steps an AFM should take when making this assessment. This included considering the use of leverage within the sub-funds of the umbrella and whether the intended investors in the target market of the fund could give reason for the AFM to anticipate higher than normal volumes of late payments. We asked:

Question 8: Do our proposed requirements for operation of the IAC provide a proportionate control environment while ensuring funds are operated, and overseen, in line with principles of segregated liability?

Question 9: Do you agree with our proposals in respect of overdrafts and limits on fund exposure to a given bank or group? If not, why?

3.18 Respondents agreed that the operation of any umbrella level IAC must ensure compliance with the protected cell legislation (PCL). But views varied on our interpretation of this legislation. Some responses argued that the PCL could accommodate an accounting or attribution-based approach to determining the assets and liabilities of a sub-fund where cash is held in an omnibus account, rather than requiring tracing of the settled cash balance. They observed that given the volume and timing of payments from the account, if an attribution basis is not permitted, many firms would be unable to operate an omnibus account within the PCL. This would significantly limit uptake of the new model. Responses referred to similar legislation and guidance in other jurisdictions which allow an attribution approach.

Our response

We have engaged extensively with industry participants, trade bodies, and the Treasury on interpretation of the PCL. This includes the implications of the voiding of agreements, contracts and legal documents that are inconsistent with the applicable legislation. There remains significant doubt as to whether operational processes that could result in overdrafts on, or fungible use of cash in, the IAC can be utilised in respect of funds subject to the PCL, without this resulting in either breaches of the PCL, or the potential for breaches and voiding of terms. We understand that in practice, this would require firms using D2F to operate individual sub-fund IACs. There may be limited circumstances where all expected payments

could be sequenced, for example in a non-daily dealing fund with a small group of investors, and firms may wish to explore, including with legal advisors, whether such schemes could use an omnibus IAC and comply with the PCL.

We want to ensure that D2F can be efficiently utilised by all forms of authorised fund in a way consistent with international practice. We are exploring options with the Treasury on how to accommodate broader use of D2F. We and fund management industry stakeholders consider that it may be necessary to amend the OEIC Regulations and FSMA to provide a clearer legal basis for D2F that is consistent with the PCL. In the interim, we have amended our rules to reflect the PCL more closely to minimise conflicts and overlapping terms with the PCL.

We acknowledge that most firms managing an umbrella will need to use individual sub-fund IACs in order to ensure compliance with the existing PCL. Where a firm proposes to use an omnibus IAC, for example where all cash movements in that omnibus IAC can be sequenced, this should be supported by legal advice on whether the proposed model can be operated at all times in compliance with the relevant PCL. We have amended our draft rules to incorporate this and provided additional guidance on the factors firms should consider when assessing any proposed model against the PCL.

This provides a first stage for firms to adopt the model, and setting out our overall rules now will allow other firms and service providers to commence development of operational procedures while further work continues.

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- 3.19** We also proposed withdrawing our existing guidance in COLL 5.2.11AG (3) and COLL 5.6.7AG (3), so that all cash held by the depositary of a UCITS or a non-UCITS retail scheme (NURS) is included when calculating exposure to the depositary for the purpose of limiting the spread of risk. We indicated we would provide a 12-month period for firms to adjust operational processes if this guidance were withdrawn. We asked:

Question 10: Do you agree we should include all cash held at a given bank within our spread of risk rules for UCITS and NURS?
If not, why?

- 3.20** Firms generally supported or did not comment on our proposal to withdraw our existing guidance. Respondents agreed with our commentary in CP25/28 on remediation of inadvertent breaches arising from processing of large issue and cancellation orders, through processing of relevant payments on the relevant settlement date.

Our response

We will proceed with our proposals as consulted upon.

Implications of the IAC forming part of scheme property

- 3.21** We proposed to retain or extend the application of existing rules and principles to cash held in an umbrella. We set out draft rules governing the conditions for use, reconciliation and operation of IAC accounts. We proposed that sums in the IAC that have been attributed to a sub-fund following reconciliation should appear in the accounts for that sub-fund, and unattributed sums should be promptly removed from the IAC by the AFM and returned to sender or placed into a client money account of the AFM.
- 3.22** We also proposed that, notwithstanding the controls above, or pending performance of reconciliations, any cash held as scheme property that could not be attributed to a specific sub-fund would be subject to existing rules requiring it to be allocated between sub-funds in a manner which is fair to unitholders in the umbrella.
- 3.23** We proposed that these sums, whether attributed or allocated, should appear in exposure calculations to the bank operating the relevant account, as the fund would still bear credit risk to that bank. However, to avoid pricing errors, we proposed that sums the AFM reasonably believes could not be attributed to a sub-fund should not be included in the price of any sub-fund. We noted that firms may choose to use alternative pricing processes where this achieved the same outcome. We asked:

Question 11: Do you agree with our proposed accounting controls in respect of use of the IAC? If not, why?

- 3.24** Most responses supported our pricing and spread of risk calculation proposals. A number of responses considered how these operations might work in a tokenised environment, for example fractional share issuance, or use of smart contracts to refund excess payments to investors or apply equalisation if payments occur prior to Net Asset Value (NAV) calculation. Some argued that the IAC should not be considered scheme property, but an account operated by the manager.
- 3.25** We received significant feedback from firms and trade associations on our proposal to require unattributable payments to be returned or paid into a client money account. They indicated that use of a client money account in this way would detract from the overall objective of the model and severely limit its adoption. Many argued that using an AFM client money account would offer no greater protection than the IAC and could complicate returning payments to the remitter. Firms and trade bodies noted that the money would not have been paid to the AFM, so using this route could add compliance costs, including bringing the IAC within the AFM's CASS audit.
- 3.26** Depositories and custodians asked whether cash held in the IAC counts as scheme property in registered form under our registration-of-title rules (e.g. COLL 6.6.12R). They also sought clarity on whether a transfer agent would act as a depository's delegate rather than the fund manager's, and on how register or transfer agent functions should be performed or overseen.

Our response

We can confirm our position that all cash held in the IAC should be considered scheme property. We are proceeding with our proposed rules on how unattributable sums are to be treated for fund pricing and spread of risk purposes. Cash in the IAC is not scheme property in 'registered form' for the purposes of our registration of title rules.

Some other jurisdictions do permit optional use of a client money account to hold unattributable sums. However, following feedback, we have determined that requiring use of a client money account is not the right default approach for unattributable sums. The proposal aimed to address payments outside normal unit-dealing processes, including large unreconcilable payments into the IAC that could expose the fund and its investors to excess credit risk. Our final rules include updated requirements in COLL for cash held as scheme property in the IAC.

We have also incorporated stronger controls on reconciliations. The manager must reconcile any IAC daily, or as often as the fund deals. Any money received into an omnibus account must be allocated promptly – and no later than 5 business days after receipt. Until it is allocated to a sub-fund or investor, it should be recorded as unattributed money and handled as described in paragraph 3.22 above.

If the money is still unattributed after 5 business days, the AFM must instruct it to be returned to the sender. The AFM may also move such payments to a designated bank account within scheme property at any time, and must do so if instructed by the depositary. These changes strengthen reconciliation requirements and provide an appropriate degree of protection to investors.

Our existing rules require scheme documents to specify responsibility for unit dealing and register operations, including any delegation. We have made consequential amendments to certain definitions in the instrument to ensure this position is retained.

3.27 We proposed to introduce direct dealing for LTAFs and QISs in the same way as for UCITS schemes and NURS. We also suggested updating our valuation rules so that, when Long-Term Asset Funds' (LTAF) use omnibus or individual IACs, the AFM can value cash or liquid assets like gilts in the usual way. We asked:

Question 12: Do you agree with our proposal to provide additional clarity on cash held by LTAF and the requirement to appoint an external valuer? If not, why?

- 3.28** Most firms agreed with the proposal, saying it would improve clarity and make practices more consistent across the industry. Some respondents suggested expanding it to include near-cash assets, like short-term deposits and money market instruments. Others noted that, although they support the change, LTAF managers already usually carry out valuations themselves under existing rules (COLL 15.2.6(2)), with help from an independent valuer if required.
- 3.29** Several responses noted that, in future, valuations could come from on-chain data – such as oracle feeds – and from tools provided by non-financial tech companies.

Our response

We will proceed with our proposed amendment on cash held by LTAFs. We note the comments on the scope for and accountability of on-chain data providers and will consider this in future phases of our tokenisation work.

Investor disclosures and changes to existing schemes

- 3.30** We found no need for major changes to our rules on scheme instruments or fund prospectuses. We proposed some consequential amendments, including requiring direct dealing fund prospectuses to explain briefly what happens if an investor or the fund becomes insolvent or cannot make payments. We also proposed that any unattributed sums in an IAC must be resolved before any scheme of arrangement involving scheme property of a direct dealing fund can take effect.
- 3.31** We suggested that introducing direct dealing could be treated as a 'notifiable' change, provided that the AFM has properly assessed the potential risk of contagion where an omnibus IAC is used, and the specific requirements of the PCL. For example, the AFM should ensure no sub-funds in the umbrella with a substantially different risk use the same IAC. We asked:

Question 13: Do you agree with our proposals in respect of investor disclosures and communications? If not, why?

- 3.32** Firms mostly agreed with our proposals on investor disclosures and how scheme changes for D2F should be classified. They also agreed that disclosures should be clear and transparent to help investors make informed decisions.

Our response

We have made final rules generally as consulted on. We have amended our existing rule on the contents of the instrument constituting a scheme to reflect changes in how units in a AUT or ACS can be issued by the AFM.

Treatment of cancelled deals

3.33 The AFM can cancel deals in fund units if an investor fails to complete them. When the manager acts as principal and chooses not to recover costs from that investor, it must absorb those costs itself. We proposed that, for direct-dealing funds, the manager should also bear any interest costs – above a *de minimis* level agreed with the depository – when the AFM decides not to cancel the deals. We asked:

Question 14: Do you agree that fund AFMs should bear the cost of exercising discretion for late payments? If not, why?

Question 15: Are there scenarios where this may not be appropriate or such costs should be allocated differently?

3.34 Respondents generally supported the proposal, noting that AFMs are best placed to decide for how long an investor should be given a grace period before a trade must be cancelled.

3.35 Respondents said firms may agree terms allowing them to recover interest or losses from the investor but should not pass any fees to the fund that would unfairly disadvantage compliant investors.

3.36 Most respondents did not give examples of when it would be inappropriate for the AFM to bear these costs or when costs should be allocated differently. Those who did so generally agreed with the principle but said the AFM should not pay when delays are caused by factors outside its control, such as banking issues, investor settlement failures, or cross-border transfer problems.

Our response

We will finalise the rules as consulted on.

Chapter 4

Near-term steps for fund tokenisation

- 4.1** In Chapter 4 of CP25/28 we summarised feedback to Chapter 7 of [CP23/28](#), 'Updating the regime for Money Market Funds' and set out our early thinking on barriers to the uptake of tokenised funds. We asked discussion questions on:
- how funds could operate fully on-chain using money or money-like instruments that operate with programmable ledgers for settlement.
 - authorised funds' ability to hold tokenised investments.
 - the use of public DLT networks.

Tokenised money market funds and response to CP23/28

- 4.2** In our response to feedback on CP23/28, we confirmed we are supporting firms exploring use of tokenised assets to aid collateral mobility and are working with the Bank of England to take this forward. We also confirmed the categories of MMF which are eligible for collateral for uncleared transactions under UK EMIR. Respondents welcomed our statement of support for collateral initiatives and our work with the industry and standard-setting bodies.
- 4.3** Respondents welcomed the clarification on which kinds of MMF can currently be used as collateral for uncleared UK EMIR trades. However, they noted that the existing rules would exclude most widely-used MMFs. In particular, the look-through haircut requirement makes the use of certain MMFs impractical. They also pointed out that many MMFs hold commercial paper and bank deposits, while public debt MMFs rely on reverse repos. Firms and trade bodies asked UK authorities to consider technical fixes and encouraged a more holistic approach for cleared transactions, referencing recent work by the Bank of England and the US Treasury on gilt and Treasury clearing.
- 4.4** In our response to CP23/28 feedback, we noted that any extension of eligible MMF categories must be within an acceptable risk tolerance and must ensure that collateral remains safe, liquid and accessible during market events. We intend to take this discussion forward in collaboration with the Bank of England, the Treasury and firms via the [Wholesale Financial Markets Digital Strategy](#).

Supporting use of stablecoins to settle unit deals

- 4.5** In Chapter 4 of CP25/28, we looked at how authorised funds could use digital assets for non-investment purposes, such as settling unit transactions, paying distributions, and covering gas fees on DLT networks. We explained how our rules might be adapted to allow these uses. We also suggested that an interim approach could be introduced through rule modifications or waivers – where the legal conditions are met – before making formal rule changes later. The CP included a template showing how this could work.

4.6 We asked:

- Question 17:** Are there any other purposes for which funds, fund managers, or investors may need to hold cryptoassets to support fund operations on-chain?
- Question 18:** Would our potential amendments to COLL provide sufficient flexibility for firms to use digital cash and money like instruments for operational purposes, including unit dealing?
- Question 19:** Would a limited sandbox or standard waivers/modifications be appropriate routes to allow us to develop a final regime in collaboration with industry? What features may be desirable in such a regime?
- Question 20:** Do any other areas of our rules conflict with or prevent use of digital cash instruments or money-like instruments for unit dealing, distribution payments, or for payment of charges and fees?

4.7 There was strong support for allowing authorised funds to use digital cash and money-like instruments for operational purposes. Respondents suggested other uses such as governance tokens, staking to speed up transaction validation, supporting cross-chain activity with wrapped tokens, making payments to service providers, and settling trades in the fund's underlying assets.

4.8 Firms noted that some stablecoins can be used to pay gas fees on Ethereum and that certain layer 2 chains accept Ether as non-native payment for gas. Some firms noted that the definition of ancillary liquid asset in the draft template should have included 'or' rather than 'and' when distinguishing between settlement utility and payment of gas fees.

4.9 Some depositaries supported the flexibility but asked for additional clarity on the interaction with other FCA requirements, such as our Client Asset Sourcebook (CASS) rules on custody, segregation of client assets and reconciliation of records. They also asked us to clarify our expectations on depositary oversight of the fund manager.

4.10 Respondents had mixed views on using a sandbox or waiver/modification process. Many supported these as a flexible way to adapt to changing market practice, while others urged quick implementation of final rules to give certainty. Firms also warned that limiting stablecoin use to UK-issued products could reduce accessibility.

Our response:

We want to support the development of on-chain cash instruments and fully on-chain funds in the UK. We agree that some funds might require use of stablecoins for a broader range of operational purposes, including settlement of trades in assets held by the fund.

Firms are exploring this while wider stablecoin and cryptoasset regulatory changes are underway. We are open to further discussion with stakeholders on specific product requirements or what an interim regime might involve. We do not plan to restrict stablecoins to UK-issued products at this time, but will monitor market developments. This includes assessing other instruments and the use of stablecoins for settling securities. This will recognise the differing systemic relevance of fund settlement vs securities, and the instruments eligible for settlement in the Digital Securities Sandbox (DSS).

Firms may use the template as a baseline to support applications to waive or modify our rules. This will allow funds to hold digital cash and money-like instruments to support the use-cases set out in CP25/28, including settling unit deals, maintenance of the fund register, processing of eligible payments from scheme property, and the settlement of eligible underlying investments. We are also open to consideration of applications to modify our rules on unit dealing to allow for settlement other than via cash.

The draft modification was intended to address the holding of assets that, without the modification, would not be eligible investments for an authorised fund. Where assets constitute an existing eligible form of scheme property our existing COLL rules would apply, rather than the ancillary digital assets modification. For example, a tokenised instrument that constitutes a deposit would be subject to our applicable rules on the proportion of scheme property that can consist of deposits with a single body and the status of that body.

The template was drafted to allow firms to hold such assets only to the extent reasonably necessary to undertake the set activities. This includes holding a *de minimis* float of such assets in order to avoid frequent acquisition and disposal.

Under article 72AA of the RAO, firms managing a UK UCITS or AIF are exempt from other RAO activities where such other activities are carried on in connection with or for the purposes of managing the relevant fund. The Cryptoasset Regulations keep this exemption for the new cryptoasset activities. This means that these firms can safeguard qualifying cryptoassets and relevant specified investment cryptoassets (SICs) without needing the new 9N authorisation (safeguarding of qualifying cryptoassets and specified investment cryptoassets) if carrying on the cryptoasset activity falls within the scope of the exemption. In [CP26/4](#), we consulted on safeguarding rules for client

cryptoassets and SICs, including how this extended exemption applies to the new CASS 17 rules for both full-scope and small AIFMs.

Under existing provisions in Article 42A of the RAO, a firm with permission to act as a depositary of an AIF or UCITS is excluded from the activity of carrying out safeguarding and administration of investments, or arranging safeguarding and administration of investments, in respect of that AIF or UCITS. The Cryptoasset Regulations extend this to safeguarding qualifying cryptoassets and related SICs. These firms will therefore not need the new 9N authorisation when acting as a depositary. Subject to future consultation, we expect CASS 17 to apply to depositaries when safeguarding qualifying cryptoassets and SICs, in line with how CASS 6 applies to UCITS and AIF depositaries.

Our rules require assets of a UCITS or an AIF managed by a full-scope AIFM to be entrusted to a depositary for safekeeping, in accordance with our custody rules, or through verification and record-keeping processes. For authorised funds, additional obligations apply on registration of title to scheme property. Where a cryptoasset does not constitute a UCITS or AIF custodial asset, or a specified investment held by the depositary of a UCITS or authorised AIF managed by a full-scope AIFM, our rules on verification and record-keeping would apply. Firms acting for authorised funds will need to assess if a cryptoasset constitutes registrable property for the purposes of our registration of title rules.

Question 21: **Would our existing rules, including the Consumer Duty, provide enough protection for investors if we allow a fund to hold cryptoassets for settlement and fund operational purposes only?**

4.11 Respondents broadly agreed that the Consumer Duty and our existing rules provide effective investor protection in an environment enabling innovation. Many responses also observed that equivalent risks exist in conventional markets, for example interim settlement exposures to banks. Consumer groups and many firms suggested disclosures should be proportionate and focus on material risks from using cryptoassets in fund operations or settlement, consistent with expectations for conventional products.

Our response

We intend to allow firms to use cryptoassets for non-investment purposes as set out above, while remaining open to discussion with individual firms and trade bodies on alternative approaches. We agree that disclosures should be proportionate and targeted, and focused on outcomes. For example, firms should use plain language to explain the impacts of using stablecoins for settlement, including the loss or compromise of private keys.

Tokenised financial assets

4.12 In the consultation, we confirmed that we did not see any regulatory barriers preventing UK authorised funds from investing in tokenised forms of eligible assets. This was intended to give firms confidence to explore more fully on-chain funds investing in tokenised assets. We asked:

Question 22: Are there other associated regulatory, operational or commercial barriers to investing in tokenised assets? What could we do to address these issues?

4.13 Respondents generally agreed that our rules do not discriminate against tokenised and non-tokenised assets in terms of investment and borrowing powers for UK authorised funds. Some firms raised concern that transactions in tokenised financial assets could require them to apply for registration as a cryptoasset exchange or custodian wallet provider under the MLRs.

4.14 Respondents raised commercial and operational concerns around the limited uptake of investments in tokenised assets, ranging from simple liquidity concerns on the secondary market to valuation and pricing challenges where tokenised assets trade on a continuous basis.

4.15 Custodians and depositaries asked us to clarify our expectation of their safekeeping duties in the context of tokenised assets, such as multi-party authentication and key management and recovery procedures. Depositaries requested clarity on how to evidence control and ownership of tokenised assets.

Our response

We note that responses to the CP closed before the Treasury published the Cryptoasset Regulations, which provides a new framework and certain exemptions from registration under the MLRs. Part 6 of the Treasury's final instrument includes consequential amendments to the MLRs to account for the relevant new regulated activities. In effect, firms authorised for the new cryptoasset activities or specified investment cryptoasset firms will not be required to additionally register as "cryptoasset exchange providers" or "custodian wallet providers" under the MLRs – they only need to notify the FCA.

The legislation also extends the 72AA exemption for managers of UCITS and AIFs to include new cryptoasset activities. Firms will be able to operate a register maintained on DLT without the additional MLR registration, or new cryptoasset activity permissions.

We have consulted on our frameworks to authorise and supervise the new cryptoasset regulated activities, including safeguarding of specified investment cryptoassets. This will include new perimeter guidance, for example, for the custody of specified investment cryptoassets. We'll consider feedback from this consultation as part of that work.

We acknowledge commercial and operational concerns may limit fully on-chain funds. We are engaged in the Treasury's UK Investment Management Taskforce, which is focusing on supporting retail investment in a digital marketplace. Solutions and conventions may develop as we see more activity in the UK. We will follow these developments closely, including working with the relevant accounting bodies.

Public DLT networks

- 4.16** We made a statement that firms could use public DLT networks for fund management, where they have adequate controls, including of operational resilience. As mentioned in Chapter 2, respondents welcomed this confirmation. Many firms responded positively to the alignment between our expectations and the proposals in CP25/25. We will include feedback from this paper is also reflected in the forthcoming non-Handbook Guidance for firms using public DLT networks, as flagged in CP25/25.

Chapter 5

Future tokenisation models

- 5.1** We included the discussion chapter on future tokenisation models to elicit cross-industry views on some longer-term ambitions for the future of retail investment offerings where DLT would be deeply integrated into firms' products and services. This included commentary on a three-stage process in which 'composability' – breaking down products/services and technological processes into modular components – may enable firms to offer services akin to individual portfolio management at retail scale.
- 5.2** We wanted to gauge:
- how widespread industry interest is in such initiatives.
 - what the opportunities and risks are of doing further work in this area for industry and for us.
 - how we could begin to support responsible innovation in this area.
 - what this might mean for the future of financial markets and regulation.

Changing consumer demands

- 5.3** We wanted to understand how future tokenisation models could align with our consumer objectives and ongoing consumer investment initiatives. We asked:

Question 23: How are changing investor habits and expectations influencing the design of tokenised products?

- 5.4** Respondents confirmed that digitisation is reshaping consumer expectations of financial services, with demand growing for low-cost, accessible, 'on-demand' investing via smartphones. Some believe well-designed tokenised products and composable finance can support this, while others warn that composable models may over-complicate investing, require higher levels of management than investing in a collective vehicle.
- 5.5** Respondents mentioned some additional investor priorities which products and services may need to accommodate in future. These include a 'bring-your-own-wallet' capability, rather than requiring clients to hold tokens through a firm's portal connected to a wallet, or through a particular wallet provider with which a product or service is only compatible. Some also suggested investors want performance and fees calculated only for the exact period an investor is in the fund, rather than between valuation points.
- 5.6** Some firms noted that 'on demand' investing is not the only desired end-state. Other priorities may drive composable finance frameworks. Pension funds, for example, may prefer customised portfolios to exactly match liabilities, while long-term retail clients might prioritise lower costs over immediate access.

Three stages to progress tokenisation

5.7 We sought to gauge how popular and achievable the composable finance vision was, following interest in the UK IF3 Lab and Project Guardian forums. To help us explore this, we also wanted to understand firms' existing priorities. We asked:

Question 24: Do you agree with the three phases described? Are these developments industry is looking to pursue?

Question 25: What processes within the fund and investment management lifecycle do firms want to begin to make 'composable'?

Question 26: How does 'composability' impact the liquidity profile of assets we currently think of as less liquid or illiquid?

Question 27: How might the tokenised portfolio management vision enhance consumer outcomes?

5.8 Respondents were divided in support for the three-stage composable finance vision. Some championed the potential for greater personalisation of investments via portfolio management arrangements to better meet client needs; others championed the cost savings that smart-contract and protocol-driven investment processes could achieve compared to collective vehicles today.

5.9 Several firms mentioned that the three proposed phases could progress in a linear fashion, with many firms noting that they could simultaneously progress proofs-of-concept for tokenised fund and tokenised portfolio management projects. Respondents expect these projects to take off once financial instruments are issued on-chain, such as the UK government's DIGIT.

5.10 Respondents also defended the fundamental benefit of investing in a collective vehicle – a single investment, providing managed exposure to a portfolio based on an investment objective within a tax-efficient wrapper. This is attractive for retail investors who are not deeply engaged in their portfolio. Relatedly, several firms raised concern that smart-contract and protocol-enabled investing may require investors to understand technological risk as much as investment risk. This could potentially overload investors with risk information and discourage them from investing.

5.11 Respondents generally supported the direction set out in the three stages. Many called on industry groups to focus on areas offering the most operational efficiency gains, including:

- **Dealing:** Standardised modules for subscriptions, redemptions and transfers across multiple blockchains and distribution channels.
- **Fund events:** Standardised modules to process corporate actions or income accruals while layering specifics (eg pro-rata allocations) on top.

- **Eligibility and onboarding:** investor and fund eligibility, and AML/KYC verification, could benefit from standardised information.

5.12 Respondents agreed that composability would not change the liquidity or suitability of the underlying asset for retail investors. Tokenisation may, however, allow assets to be more quickly transferred, which may assist in helping the liquidity of an investor or a portfolio.

5.13 Respondents who supported the three stages said tokenised cash-flow portfolio management in stage 3 could help firms provide hyper-personalised investment offerings, meeting investors' exact needs (financial, cultural, religious, or social, etc.). Embedded compliance – automated/encoded controls which the technology enforces – may help firms be certain that investors are being treated in accordance with the regulatory standards, including investor eligibility, position limits, or notice periods.

Changing roles of asset managers

5.14 We sought to understand how asset managers' roles may change throughout the three stages. For example, what roles might not exist in future, and what consumer and market implications may need to be considered. We asked:

Question 28: Do you foresee any other major changes to the role of asset managers or other market participants in a tokenised flows 'end-state'? What are the opportunities and risks?

5.15 Many respondents expected an increase in client-facing roles, such as advisers. This is because they would set out a personalised plan of financial objectives, needs and liabilities and will be required to turn plans into on-chain instructions, in co-ordination with the portfolio manager.

5.16 A handful of respondents reflected that the increased retailisation of portfolio management may have negative market impacts, such as where asset managers today provide crucial functions in the wider economy, such as corporate engagement and stewardship, which individual investors or cash-flow token holders may not want to perform.

5.17 Respondents raised new roles that an asset manager may need to take on or outsource to new entities as part of their service, akin to third-party fund administration services today. In future, there may be a need for smart contract administrators, token-data utilities and inter-operability facilitators. Respondents generally suggested that protocol-based workflows, such as smart contracts, should not exist without some kind of responsibility and oversight.

Changing regulations

- 5.18** We sought feedback on how regulations may need to evolve in response to these changes in consumer demands, market structures and roles of asset managers. We asked:
- Question 29:** How might market integrity and financial stability risks evolve in the future tokenised portfolio management model?
- Question 30:** What areas of the current funds framework will need to be recreated in the future vision? What areas could be simplified across different parts of the Handbook?
- Question 31:** What areas of the Handbook, or wider rules and legislation, do we need to reconsider to support the growth of the proposed tokenisation models?
- Question 32:** What should the FCA's role look like in this future vision?
- 5.19** Respondents noted opportunities to reduce – or even eliminate – some existing financial stability risks. In their view, tokenised portfolio management does not have the same risk of structural liquidity mismatch as open-ended collective vehicles. Other respondents noted that direct holdings of tokens representing legal entitlement may make instances of insolvency clearer where ownership is not mediated through a chain of complex structures.
- 5.20** At the same time, respondents mentioned financial stability risks which may increase in future visions. Atomic settlement automation may increase volatility and downward pressures in stressed markets. This may require firms, market infrastructure providers and regulators to develop new capabilities, such as circuit-breakers and supervisory overrides.
- 5.21** Respondents also mentioned that some existing operational and cyber risks associated with DLT will increase in importance as the technology becomes more deeply embedded in financial markets – for example, private key management, coding errors and smart contract malfunctioning.
- 5.22** Respondents also raised a number of market cleanliness issues. DLT networks which have a public 'mempool' – where pending transactions are queued for validators to order – can be at risk of arbitrage strategies. For example, Maximal Extractable Value (MEV) bots are automated programs which can detect large orders then submit their own transactions with higher gas fees to execute before others ('front-running'). Respondents noted that such arbitrage strategies were less common on some networks than others.

- 5.23** Respondents were divided on the future approach we could take to regulation in a composable finance end-state. Many conventional financial services firms confirmed they wanted to continue to see our outcomes-based rules which are technology-agnostic. On the other hand, many cryptoasset firms called on us to set more prescriptive technology standards. FCA-set token and smart contract standards would drive consistency and composability, but also set technology-based standards for compliance. Some firms set out a middle ground, where we articulate target outcomes, but recognise some specific standards as valid ways of meeting such outcomes.
- 5.24** Several respondents suggested we explore embedded compliance standards, such as investor eligibility, and consider how automating standards could change our rulebook. Some also noted that in future, we and other regulators may want to operate a node which receives regulatory information and reporting automatically, or operate an observer node to monitor key activities.
- 5.25** In the meantime, respondents agreed that our existing rulebook for portfolio management was sufficient to allow firms to begin experimenting with these concepts.

Next steps

- 5.26** We encourage firms exploring tokenised portfolio management and composable finance to take advantage of our open-door policy. We want to hear what initiatives firms currently have, and how composable finance may fit into firms' existing roadmaps. We also offer our [Innovation Services](#), if required, to support firms looking to explore use-cases.
- 5.27** Our digital assets roadmap also includes work on a vision for how UK wholesale capital markets might adopt DLT, including our thinking on regulatory principles and red lines. Composability is a potential component of this work. We intend to seek views from firms on this later in 2026.
- 5.28** The UK Investment Management Taskforce's Technology Working Group will take forward work to progress fund tokenisation and retail digital markets.

Chapter 6

Cost benefit analysis

- 6.1** This chapter sets out the feedback we received on the cost benefit analysis (CBA) in CP25/28 and our response.

Approach to the CBA

- 6.2** In CP25/28, we provided a CBA of our proposals to implement Direct to Fund (D2F), an optional, simpler, single-stage unit dealing process for authorised funds, which will help facilitate fund tokenisation. Our baseline assumed that we do not intervene and firms do not benefit from this additional flexibility. The cost estimates only reflect familiarisation costs and use our Standardised Cost Model (SCM). We estimated benefits based on our assessment of current fees, and the likely efficiencies D2F could provide to market participants. We approximated these benefits through a 2.5% reduction in costs associated with operating the fund register.
- 6.3** The cost estimates in our CBA reflected the expenses of introducing D2F. We have assumed that firms will adopt D2F if it proves to be cost-effective for them. Accordingly, we defined costs as those associated with familiarisation, specifically referring to the time and resources that firms and service providers dedicate to reviewing and understanding the new regulatory documents. We treated this as a one-time expense occurring when the materials are published.
- 6.4** If a firm were to implement D2F, it would likely incur additional higher costs beyond familiarisation. Our proposals will not require firms to adopt D2F and we assume they will only do so if it is cost efficient for (i.e. the potential savings exceed the upfront costs). As a result, we have not included these non-familiarisation costs in our CBA, as firms will not incur them if they choose not to implement D2F.
- 6.5** However, we have decided to increase the familiarisation costs to reflect that some firms may require additional legal advice when considering whether to adopt D2F. We assume that these firms will incur additional costs associated with obtaining legal advice, whether provided externally or internally. For the purposes of our analysis, we assume that legal advisers will require approximately 10 hours to review the relevant materials we publish, prepare a written summary, and explain the implications to fund managers. On this basis, we estimate an additional cost of £76,000.
- 6.6** Our SCM suggests a total one-off cost of £176k, and an average cost per firm of £1.3k. Our SCM identifies 132 firms eligible for D2F benefits.

Table 1. Estimated total and average per firm costs

Regulatory requirement	Transition costs (per firm)	Transition costs (population)	Ongoing Costs (per firm)	Ongoing Costs (population)	Total Population cost
Familiarisation costs	£1.3k (average*)	£176k	£0	£0	£176K
Total costs	£1.3k (average*)	£176k	£0	£0	£176K

* Firm average is based on the number of firms impacted, accounting for their size.

6.7 We concluded that the increased efficiency from allowing D2F would outweigh the costs mentioned earlier.

Our response to feedback on the CBA

6.8 We asked:

Question 33: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons.

6.9 We received two responses to this question. One respondent raised concerns that costs may have been underestimated, noting that the expenses required for depositaries to implement the model may not have been fully considered. Conversely, the other respondent acknowledged that certain benefits depend on the introduction of specific regulatory changes. This respondent sought clarification regarding the application of Consumer Duty and CASS.

Our response

Our cost estimates are based on use of our standardised cost model, as described in our statement of policy. We have assumed all relevant firms will read the proposed new rules, and as a result, incur costs (related to compliance and legal staff time).

One respondent stated that the CBA under-estimates costs by overlooking major implementation and ongoing expenses for depositaries adopting the model. However, under the existing model, depositaries already oversee transactions made by fund managers using varied dealing models. There will be no additional mandatory costs to them as a result of our proposed changes. The same respondent also states that adopting the model will introduce new AML monitoring requirements, increasing depositary costs. We note that industry participants are working to clarify this.

Another respondent suggested that for benefits to accrue, some legal clarifications are needed with respect to the application of Consumer Duty and CASS when adopting the D2F. We are working with the industry on this and to make sure benefits accrue.

We remain confident that our assessment of the costs and benefits of our proposals is valid, particularly as we did not receive any new information that would warrant changes to our methodology or estimates.

Annex 1

List of respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

Alternative Investment Management Association (AIMA)

Apex Group

Binance

BlackRock

Bank of New York (BNY)

Brian Kennedy

British Standards Institution (BSI)

Capital Group

CertiK

CFA Society of the United Kingdom and CFA Institute

Chainlink Labs

Circle Internet Financial LLC

Coinbase Global, Inc and CB Payments Ltd.

CryptoUK

Dimensional Fund Advisors Ltd.

DTI Foundation

Eversheds Sutherland LLP

Fabric and Ledger

Federates Hermes Ltd.

Financial Services Consumer Panel

Franklin Templeton

Future Law Firm S.t.a.r.l S.B.

Global Digital Finance

Hargreaves Lansdown
Innovate Finance
Institutional Money Market Fund Association (IMMFA)
International Securities Lending Association (ISLA)
International Swaps and Derivatives Association (ISDA)
Investment Company Institute
Janus Henderson
Lloyds Banking Group
Loan Market Association
London Stock Exchange Group
Mobius Life Limited
NatWest Trustee and Depositary Services
Nomos Research
RAMDVG Ltd.
Ripple
Robinson and Bitstamp
Schroders
Settley
SLIX Finance Ltd.
SS&C
State Street
The Association of British Insurers (The ABI)
The Investment Association
Thiago Oliveira
UK Cryptoasset Business Council
UK Depositary Association
UK Finance

UK Private Capital

UK Shareholder Association

World Gold Council

ZILO Technology Ltd.

Annex 2

Abbreviations used in this paper

Abbreviation	Description
ACS	Authorised Contractual Scheme
AFM	Authorised Fund Manager
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AML	Anti-Money Laundering
AUT	Authorised Unit Trust
CASS	Client Assets Sourcebook
CBA	Cost-Benefit Analysis
COLL	Collective Investment Schemes Sourcebook
CP	Consultation Paper
D2F	Direct to Fund
DIGIT	The Treasury's Digital Gilt Pilot
DLT	Distributed Ledger Technology
DSS	Digital Securities Sandbox
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act
HMT	His Majesty's Treasury
IAC	Issues and Cancellations Account
ICVC	Investment Company with Variable Capital

Abbreviation	Description
IF3	Investment Association's Investment Fund 3.0 Lab
KYC	Know Your Customer
LTAf	Long-Term Asset Fund
MEV	Maximal Extractable Value
MLR	Money Laundering Regulations
MMF	Money Market Fund
NAV	Net Asset Value
NURS	Non-UCITS Retail Scheme
OEIC	Open-Ended Investment Company
P2P	Peer-to-Peer
PCL	Protected Cell Legislation
PS	Policy Statement
RAO	Regulated Activities Order
SCM	Standardised Cost Model
SIC	Specified Investment Cryptoasset
UCITS	Undertakings for Collective Investment in Transferable Securities Directive
UK	United Kingdom

Appendix 1

Made rules (legal instrument)

COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (USE OF DISTRIBUTED LEDGER TECHNOLOGY IN AUTHORISED FUNDS) INSTRUMENT 2026

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”);
 - (a) section 137T (General supplementary powers);
 - (b) section 139A (Power of the FCA to give guidance);
 - (c) section 247 (Trust scheme rules); and
 - (d) section 261I (Contractual scheme rules); and
 - (2) regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

Commencement

- B. This instrument comes into force on 30 April 2026.

Amendments to the Handbook

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

Citation

- D. This instrument may be cited as the Collective Investment Schemes Sourcebook (Use of Distributed Ledger Technology in Authorised Funds) Instrument 2026.

By order of the Board
23 April 2026

Annex

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

6 Operating duties and responsibilities

...

6.4 Title and registers

Application

6.4.1 R ...

(2) ~~COLL 6.4.9~~ COLL 6.4.9R (Plan registers) also applies to the *ACD*, any other *director* and the *depository* of an *ICVC*.

6.4.1A G COLL 6.4.10G (Using distributed ledger technology to operate the unitholder register) and COLL 6 Annex 4 (Use of distributed ledger technology for the operation and maintenance of registers for authorised funds) apply to the *ACD* of an *ICVC*, the *authorised fund manager* of an *AUT* or *ACS*, and the *depository* of an *authorised fund*.

...

Plan registers

6.4.9 R ...

Using distributed ledger technology to operate the unitholder register

6.4.10 G COLL 6 Annex 4 provides *guidance* on the use of distributed ledger technology for the operation and maintenance of the *register* of an *authorised fund*.

Insert the following new Annex, COLL 6 Annex 4, after COLL 6 Annex 3 (Guidance notes on UK UCITS management company of UCITS schemes: Derivative Use Report (FSA042: UCITS)). The text is not underlined.

6 Annex 4 Use of distributed ledger technology for the operation and maintenance of registers for authorised funds

Application and interpretation

6 Annex 4.1 G (1) This Annex applies to the *authorised fund manager* and the *depository* of an *AUT*, *ACS* or *ICVC* which is a *UCITS scheme* or a *non-UCITS retail scheme*.

- (2) In this Annex, the *person* who is responsible for maintaining the *register* for an *authorised fund* is referred to as the ‘responsible *firm*’.

Purpose

- 6
Annex
4.2 G The *guidance* sets out the *FCA*’s views on how distributed ledger technology (DLT) may be used in the operation and maintenance of the *register* of an *authorised fund*. It also identifies a number of other matters which *firms* should consider.
- 6
Annex
4.3 G The *guidance* is designed for *authorised fund managers* and *depositories* of *authorised funds* that are using or considering using DLT in this way.
- 6
Annex
4.4 G In *COLL* 6 Annex 4.32G to *COLL* 6 Annex 4.34G (Personal data and other information recorded on a register using DLT), a reference to a ‘data controller’ has the same meaning as in *data protection legislation*.

Using a DLT network as the primary record of transactions

- 6
Annex
4.5 G Where the responsible *firm* utilises DLT to establish and maintain a *register* of *unitholders* in compliance with the *rules* and *guidance* in *COLL* (including in this Annex) and, where applicable, the requirements of the *OEIC Regulations*, the on-chain DLT record of transactions may be considered the primary books and records for this activity.

Powers of the responsible firm to make changes to the register

- 6
Annex
4.6 G The *rules* in *COLL* and provisions of the *OEIC Regulations* require the *authorised fund manager* or the *depository* of the *authorised fund* to establish and maintain a *register* of *unitholders* and ensure it is complete and up to date.
- 6
Annex
4.7 G The requirements on the responsible *firm* to establish and maintain a *register* in relation to a *UCITS scheme* or a *non-UCITS retail scheme* and keep it up to date are set out in the following places:
- (1) in relation to *schemes* that are *AUTs* or *ACSSs*, *COLL* 6.4.4R (Register: general requirements and contents); and
 - (2) in relation to an *ICVC*, paragraphs 1 and 3 of Schedule 3 to the *OEIC Regulations*.
- 6
Annex
4.8 G To ensure that a *register* recorded on DLT is accurate and kept up to date, the responsible *firm* will need to have the power and the ability to make amendments to the *register*. Where the *register* is recorded on DLT, or utilises records on DLT, the responsible *firm* will need to ensure that it can amend that *register* as necessary without requiring the consent or agreement of any third party. This does not extend to consents or agreements that support the normal operation of the DLT network, such as standard consensus mechanisms that validate the authority of those providing instructions to the network.

- 6
Annex
4.9
- G The ability of the responsible *firm* to make unilateral changes to such a *register* may not exist by default. Such functionality could be delivered through ‘smart contracts’ (see *COLL 6 Annex 4.14G* to *COLL 6 Annex 4.18G* (Smart contracts and eligibility verification)), or through off-chain functionality embedded into contractual terms with *unitholders*. The responsible *firm* may also be able to effect updates to the *register* through direct control of private keys, or a ‘master-node’ function.
- 6
Annex
10
- G The responsible *firm* may utilise multiple DLT networks to establish and maintain a *register* of *unitholders*, even within the same *class* of *units*, provided the arrangements are consistent with our *rules* and the broader regulatory regime. For example, some *units* in a given *class* may utilise blockchain A, while other *units* in the same *class* may utilise blockchain B. The underlying rights of *unitholders*, and the charges per *unit* taken from *scheme property*, should remain the same within a *class*.
- 6
Annex
4.11
- G *COLL 6.7.4R(4)* does not permit payments to third parties for the safekeeping or administration of *units* on behalf of *unitholders*, rather than on behalf of the *authorised fund* itself.

Remedying changes to a register made by a third party

- 6
Annex
4.12
- G In addition to being used to operate a *register*, DLT may provide other opportunities. For example, DLT may allow distributors or *unitholders* to instruct or request amendments to the *register*. Records on DLT are formed by reference to a series of transactions, including ‘burning’ and ‘minting’ tokens representing *units*, or functionality to ‘freeze’ or ‘unfreeze’ or effect a forced transfer of tokens. DLT may allow distributors or *unitholders* to instruct or request amendments to the *register* by submitting new records to the DLT.
- 6
Annex
4.13
- G In the *FCA*’s view, the use of DLT to allow parties other than the responsible *firm* to alter the *register* of an *authorised fund* may still be compatible with the *rules* and the *OEIC Regulations*, provided the responsible *firm* is able to make unilateral changes to the *register* – for example, to reverse incorrect entries or create new ones. The responsible *firm* will also need to have processes and procedures in place to identify incorrect entries and take remedial action.

Smart contracts and eligibility verification

- 6
Annex
4.14
- G The use of DLT may enable *unitholders* to transfer *units* between themselves or to third parties. This gives rise to risks that the *register* is incomplete and not up to date and also that a *unit* may be transferred to a *person* who is not an eligible *unitholder* under the *rules*, the *Act*, the *instrument constituting the fund* or the *prospectus*.
- 6
Annex
4.15
- G To address these risks, the responsible *firm* should consider whether additional technology controls are required to ensure that the *units* are transferred only to, from, or between eligible *unitholders*.

- 6
Annex
4.16
- G One way in which such transfers of *units* could be controlled is through arrangements whereby tokens are transferred only to known account numbers that the *authorised fund manager* has verified as belonging to a *person* who is an eligible *unitholder*. This is often referred to as ‘whitelisting’, or having an ‘allow list’ that references a set of addresses on the DLT enabled through ‘smart contracts’.
- 6
Annex
4.17
- G Such functionality could also be used to keep track of a *unitholder’s* tax status or their right to access certain *classes* of *unit* with a particular fee rate or minimum investment limit. A *firm* may utilise accepted token standards that allow for the verification of a *unitholder’s* identity and ensure that they have the necessary capacity and credentials to hold *units*.
- 6
Annex
4.18
- G Where the responsible *firm* relies on smart contracts for the verification of *unitholder* addresses or the operation or management of the *fund*, these smart contracts should be regularly audited to meet evolving industry standards – for example, in relation to security. This will help the responsible *firm* demonstrate compliance with its obligations under *Principle 2*, which requires a *firm* to conduct its business with due skill, care and diligence, and *Principle 3*, which requires a *firm* to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

Aggregation of units

- 6
Annex
4.19
- G In broad terms the *COLL rules* and the *OEIC Regulations* also require that a *register* specifies the number of *units* in each *class* held by a *unitholder* (see *COLL* 6.4.4R(3)(b)) and paragraph 6(1)(c) of Schedule 3 to the *OEIC Regulations*).
- 6
Annex
4.20
- G This may be challenging where an *authorised fund* uses DLT. For example, transactions may be recorded across blocks on a blockchain and a *unitholder* may hold positions through different wallets represented by different addresses.
- 6
Annex
4.21
- G To comply with the requirements referred to in *COLL* 6 Annex 4.19G, the responsible *firm* should ensure there are systems in place (whether on or off DLT) that can aggregate the information held on the DLT.

Management of network risks and outsourcing

- 6
Annex
4.22
- G An interruption to a DLT network could prevent the *authorised fund manager*, *unitholders* or the responsible *firm* from inspecting the *register*, or prevent *unitholders* from effecting or instructing transactions in *units*.
- 6
Annex
4.23
- G As already noted, *Principle 3* requires a *firm* to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. *Firms* are also required to assess and manage risks including *operational risks* under the requirements in one or more of *SYSC* 7 (Risk control), *COLL* 6.11 (Risk control and internal reporting), *COLL* 6.12 (Risk management policy and risk measurement), *FUND* 3.7 (Risk management) and articles 38 to 45 of the *AIFMD level 2 regulation*.

- 6
Annex
4.24
- G To comply with these requirements, the *FCA* expects the responsible *firm* to include within its risk management policies and procedures the risks of DLT network outages. An *authorised fund manager* should ensure that it has appropriate operational and business resilience plans that enable it to manage such risks.
- 6
Annex
4.25
- G The *authorised fund manager* should have alternative processes and contingencies in place to allow for *unitholders* to *buy, sell* or transfer their *units* in the event of a network outage, including where use of fiat *money* or off-chain processes may be necessary.
- 6
Annex
4.26
- G In exceptional circumstances where the DLT network becomes unavailable for an extended period of time, the *authorised fund manager* and the *depository* should have processes and procedures in place to allow the *authorised fund* to be wound up in accordance with the *rules* in *COLL 7*, by realising the assets and distributing the proceeds to *unitholders* proportionately to their respective interests.

Inspection of the register

- 6
Annex
4.27
- G *COLL 6.4.4R(6)(c)* requires the responsible *firm* to make the *register* available for inspection free of charge in the *United Kingdom*. Paragraph 9 of Schedule 3 to the *OEIC Regulations* requires the *register* to be kept available for inspection at the company's head office or at another place in that part of the *United Kingdom* where the company is registered and which has been notified to the *FCA* under regulation 36(3)(b).
- 6
Annex
4.28
- G To comply with these requirements, a *firm* should use systems that combine both on-chain and off-chain records where this cannot be achieved fully on DLT.

Public or consortium-based DLT networks

- 6
Annex
4.29
- G Where public or consortium-based DLT networks are utilised to establish and maintain a *register* of *units*, this activity may take place *overseas* or the location of this activity may be uncertain. The responsible *firm* should consider whether any use of such DLT networks affects the *scheme's* domicile.

Compliance with the Money Laundering Regulations

- 6
Annex
4.30
- G The responsible *firm* will need to ensure it complies with the requirements of the *Money Laundering Regulations* and applicable sanctions regimes.
- 6
Annex
4.31
- G A *firm* may need to be registered as a cryptoasset exchange provider or custodian wallet provider under the *Money Laundering Regulations* where it is carrying on an activity which requires registration under the *Money Laundering Regulations*.

Personal data and other information recorded on a register using DLT

- 6
Annex
4.32
- G Where an *authorised fund* uses DLT to operate the *register*, the responsible *firm* and/or any other *person* who is the data controller of the personal data in the *register* (if different) will need to ensure they comply with *data protection legislation*. This is particularly the case where public networks are used, and recorded information is not secured through encryption by default.
- 6
Annex
4.33
- G When considering how to comply with the *data protection legislation*, the responsible *firm* and any other *person* who is a data controller should consider inherent risks, such as the permanence of records on the DLT network, and that emerging technology, such as quantum computing, could compromise information about *unitholders*.
- 6
Annex
4.34
- G Information on DLT may also allow trading strategies to be identified or deduced. For example, where transactions in *units* are recorded or instructed on DLT before execution at a future *valuation point*, it may be possible for third parties to anticipate large deals in underlying *securities*. Where relevant, a *firm* should consider the implications of this in product design and ongoing liquidity monitoring controls and ensure that *unitholders* are not adversely affected.

Amend the following text as shown.

8 Qualified investor schemes

...

8.5 Powers and responsibilities

...

8.5.8 R ...

Using distributed ledger technology to operate the unitholder register

- 8.5.8A G (1) COLL 6 Annex 4 provides guidance on the use of distributed ledger technology for the operation and maintenance of the register of an authorised fund.
- (2) The guidance referred to in (1) applies to the authorised fund manager and the depositary of an authorised fund subject to the rules in this chapter as if:
- (a) references to a ‘UCITS scheme’ or ‘non-UCITS retail scheme’ were references to a qualified investor scheme;
- (b) in COLL 6 Annex 4.7G(1), the reference to ‘COLL 6.4.4R (Register: general requirements and contents)’ was a reference to ‘COLL 8.5.8R (The register of unitholders: AUTs or ACSs)’; and

(c) COLL 6 Annex 4.11G was omitted.

...

15 Long-term asset funds

...

15.7 Powers and responsibilities of the authorised fund manager and the depositary

...

15.7.12 R ...

Using distributed ledger technology to operate the unitholder register

15.7.12 G (1) COLL 6 Annex 4 provides guidance on the use of distributed ledger technology for the operation and maintenance of the register of an authorised fund.

A

(2) The guidance referred to in (1) applies to the authorised fund manager and the depositary of an authorised fund subject to the rules in this chapter as if:

(a) references to a ‘UCITS scheme’ or ‘non-UCITS retail scheme’ were references to a long-term asset fund;

(b) in COLL 6 Annex 4.7G(1), the reference to ‘COLL 6.4.4R (Register: general requirements and contents)’ was a reference to:

(i) ‘COLL 15.7.11CR (The register of unitholders: AUTs or ACSs (schemes made available to retail clients who are not limited protection LTAF investors))’; or

(ii) (if COLL 15.7.11CR does not apply to the scheme) ‘COLL 15.7.12R (The register of unitholders: AUTs or ACSs (schemes intended only for limited protection LTAF investors))’; and

(c) either:

(i) in COLL 6 Annex 4.11G, the reference to ‘COLL 6.7.4R(4)’ was a reference to ‘COLL 15.8.15CR(4) (Payments out of scheme property)’; or

(ii) (if COLL 15.8.15CR(4) does not apply in relation to the scheme) COLL 6 Annex 4.11G was omitted.

...

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (DIRECT DEALING)
INSTRUMENT 2026**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (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) (FCA rules) 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 30 April 2026.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with Annex B to this instrument.

Notes

- F. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Collective Investment Schemes Sourcebook (Direct Dealing) Instrument 2026.

By order of the Board
23 April 2026

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>direct dealing</i>	(in <i>COLL</i>) the direct <i>issue</i> and <i>cancellation</i> of <i>units</i> in accordance with: <ul style="list-style-type: none"> (a) <i>COLL</i> 6.2.7AR (Issue and cancellation of units by a direct dealing scheme); or (b) <i>COLL</i> 6.2.7AR as applied by <i>COLL</i> 8.5.10R (Issue and cancellation of units) or <i>COLL</i> 15.8.5R (Issue and cancellation of units).
<i>direct dealing scheme</i>	an <i>authorised fund</i> or a <i>sub-fund</i> which operates, or intends to operate: <ul style="list-style-type: none"> (a) <i>direct dealing</i> arrangements; and (b) an <i>issue and cancellation account</i>.
<i>issue and cancellation account</i>	a bank account held by, or for or on behalf of, an <i>authorised fund</i> or a <i>sub-fund</i> , the purpose of which is to receive <i>money</i> for the <i>issue</i> of <i>units</i> and to pay out <i>money</i> for the <i>cancellation</i> of <i>units</i> .
<i>omnibus issue and cancellation account</i>	an <i>issue and cancellation account</i> held by an <i>authorised fund</i> that is an <i>umbrella</i> , for or on behalf of more than one <i>sub-fund</i> .
<i>unattributed scheme money</i>	has the meaning given in <i>COLL</i> 6.2.7BR(2)(d) (Operation of an issue and cancellation account).

Amend the following definitions as shown.

<i>cancellation</i>	(in <i>COLL</i>) (in relation to <i>units</i>) a cancellation of a <i>unit</i> by: <ul style="list-style-type: none"> (a) an <i>ICVC</i>; or (b) <u>the trustee, or the authorised unit trust manager where permitted by the trust deed,</u> of an <i>AUT</i>; or (c) <u>the depositary, or the authorised contractual scheme manager where permitted by the contractual scheme deed,</u> of an <i>ACS</i>.
---------------------	--

- cancellation price* (in *COLL*) (in relation to the *cancellation of units in a dual-priced authorised fund*) the *price for each unit payable by the depositary or the ICVC to the authorised fund manager on that cancellation.*
- issue* (in relation to *units*) the issue of new *units* by:
- (a) the trustee, or the authorised unit trust manager where permitted by the trust deed, of an AUT; or
 - (b) the depositary, or the authorised contractual scheme manager where permitted by the contractual scheme deed, of an ACS; or
by
 - (c) an *ICVC*.
- issue price* (in relation to the *issue of units of a dual-priced authorised fund*) the *price for each unit payable by the authorised fund manager to the depositary or the ICVC on that issue.*
- limited redemption arrangements*
- (1) (in relation to an authorised fund that is not a direct dealing scheme) the arrangements operated by an *authorised fund manager* for the *redemption of units in an authorised fund* where the *authorised fund manager* holds ~~himself~~ itself out to *redeem units* in that *scheme* less frequently than twice in a ~~calendar~~ month in accordance with *COLL* 6.2.19R (Limited redemption).
 - (2) (in relation to an authorised fund that is a direct dealing scheme) the arrangements operated for the *cancellation of units* less frequently than twice in a *month* in accordance with *COLL* 6.2.19R (Limited redemption).
- redemption*
- (1) (in relation to *units in an authorised fund that is not a direct dealing scheme*) the purchase of ~~them~~ units from their holder by the *authorised fund manager* acting as a *principal*.
 - (2) (in relation to units in an authorised fund that is a direct dealing scheme) the *cancellation of units* by:
 - (a) the ICVC; or
 - (b) in relation to an AUT or ACS, the depositary or, where permitted by the instrument constituting the fund, the authorised fund manager.
- sale*
- (1) (in *COLL*) (in relation to *units in an authorised fund that is not a direct dealing scheme*) the sale of *units* by the *authorised fund manager* acting as a *principal*.
 - (2) (in *COLL*) (in relation to units in an authorised fund that is a direct dealing scheme) the *issue of units* by:

- (a) the ICVC; or
- (b) in relation to an AUT or ACS, the depositary or, where permitted by the instrument constituting the fund, the authorised fund manager.

Annex B

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

3 Constitution

...

3.2 The instrument constituting the fund

...

Table: contents of the instrument constituting the fund

3.2.6 R This table belongs to *COLL* 3.2.4R (Matters which must be included in the instrument constituting the fund).

...	
	Issue or cancellation directly through the ICVC or depositary of an AUT or ACS <u>Direct issue and cancellation of units</u>
11	Where relevant, a statement authorising the <i>issue</i> or <i>cancellation</i> of <i>units</i> to take place <u>directly</u> through the <i>ICVC</i> , <u>or the depositary,</u> or <u>the authorised fund manager</u> of an <i>AUT</i> or <i>ACS</i> .
...	
	<u>Restrictions on sale, issue, cancellation and redemption</u>
13	Where relevant, the restrictions which will apply in relation to the <i>sale, issue, cancellation</i> and <i>redemption</i> of <i>units</i> under <i>COLL</i> 6.2.16R (Sale and redemption).
...	
	ACSS: UCITS and NURS eligible investors
...	
27F	A statement that the <i>authorised contractual scheme manager</i> must <i>redeem</i> , or in respect of a <i>direct dealing scheme</i> effect the <u><i>cancellation of</i></u> <i>units</i> as soon as practicable after becoming aware that those <i>units</i> are vested in anyone (whether as a result of

	subscription or transfer of <i>units</i>) other than a <i>person</i> meeting the criteria in paragraph 27E.
...	

...

4 Investor Relations

...

4.2 Pre-sale notifications

...

Table: contents of the prospectus

4.2.5 R This table belongs to *COLL* 4.2.2R (Publishing the prospectus).

...	
Characteristics of the units	
...	
5A	ACs: UCITS and NURS eligible investors
	...
	(b) A statement that the <i>authorised contractual scheme manager</i> must <i>redeem</i> , or in respect of a <i>direct dealing scheme</i> effect <u>the cancellation of</u> , <i>units</i> as soon as practicable after becoming aware that those <i>units</i> are vested in anyone (whether as a result of subscription or transfer of <i>units</i>) other than a <i>person</i> meeting the criteria in paragraph 5A(a).
...	
Dealing	
17	The following particulars:
	(a) the procedures, the dealing periods and the circumstances in which the <i>authorised fund manager</i> will effect:
	...
	(ii) any direct <i>issue</i> or <i>cancellation of units</i> ;

			(A)	by an <i>ICVC</i> or <u>in the case of an <i>AUT</i> or <i>ACS</i> by the <i>depository of an <i>AUT</i> or <i>ACS</i> (as appropriate)</i></u> through the <i>authorised fund manager</i> or, where permitted by the <i>instrument constituting the fund</i> , the <i>authorised fund manager</i> in accordance with <i>COLL 6.2.7R(2)</i> (Issue <u>Direct issue</u> and cancellation of units through an authorised fund manager); <u>or</u>
			(B)	<u>in relation to a <i>direct dealing scheme</i></u> , by an <i>ICVC</i> or, for an <i>AUT</i> or <i>ACS</i> , by the <i>depository</i> or, where permitted by the <i>instrument constituting the fund</i> , the <i>authorised fund manager</i> in accordance with <i>COLL 6.2.7AR</i> (<u>Issue and cancellation of units by a direct dealing scheme</u>);
	(b)	the circumstances in which the <i>redemption</i> or <i>cancellation of units</i> may be suspended;		
	...			
	(g)	the circumstances and procedures for the limitation or deferral of <i>redemptions</i> or <i>cancellations</i> in accordance with <i>COLL 6.2.19R</i> (Limited redemption) or <i>COLL 6.2.21R</i> (Deferred redemption);		
	...			
	(i)	whether a <i>unitholder</i> may effect transfer of title to <i>units</i> on the authority of an <i>electronic communication</i> and if so the conditions that must be satisfied in order to effect a transfer; and		
	(j)	if the <i>authorised fund manager</i> deals as principal in <i>units</i> of the <i>scheme</i> and holds them for that purpose, a statement of its policy for doing so and, where applicable:		
	...			
		(ii)	a statement of non-accountability as referred to in <i>COLL 6.7.16G</i> ; <u>and</u>	
	(k)	<u>if an <i>issue and cancellation account</i> is used, an explanation of the potential consequences if a <i>person</i> with whom <i>money</i> in the <i>issue and cancellation account</i> has been placed on <i>deposit</i> becomes insolvent or is otherwise unable to make payments.</u>		

...		
-----	--	--

...

5 Investment and borrowing powers

...

5.2 General investment powers and limits for UCITS schemes

...

5.2.5 R ...

Valuation guidance

5.2.5A G One of the effects of COLL 5.2.5R(1) is that, for the purposes of this chapter, sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the valuation of *scheme property* of any *sub-fund* or *scheme* (as applicable) (see COLL 6.3.3R(3) (Valuation)).

...

Spread: general

5.2.11 R ...

(3)

(3A) *Money in an issue and cancellation account* attributed to a *sub-fund* in accordance with COLL 6.2.7BR(2)(c) or which should be allocated to a *sub-fund* in accordance with COLL 6.7.17R (Allocation of scheme property) must be included in the value of *scheme property* for the purposes of (3) for that *sub-fund*.

...

...

~~Guidance on spread: general~~

5.2.11A G ...

(3) ~~In applying the spread limit of 20% in value of *scheme property* which may consist of *deposits* with a single body, all uninvested cash comprising *capital property* that the *depository* holds should be included in calculating the total sum of the *deposits* held by it and other companies in its group on behalf of the *scheme*. [deleted]~~

...

Investment in collective investment schemes

- 5.2.13 R A *UCITS scheme* must not invest in *units* in a *collective investment scheme* (“second *scheme*”) unless the second *scheme* satisfies all of the following conditions, and provided that no more than 30% of the value of the *UCITS scheme scheme property* is invested in second *schemes* within (1)(b) to (e):

...

...

5.5 Cash, borrowing, lending and other provisions

...

Cash and near cash

- 5.5.3 R (1) Cash and *near cash* must not be retained in the *scheme property* except to the extent that this may reasonably be regarded as necessary in order to enable:

...

- (b) ~~redemption of~~ dealing in units; or

...

...

...

Borrowing limits

...

- 5.5.5A G An *authorised fund manager* should ensure when calculating the *authorised fund's* borrowing for *COLL 5.5.5R(1)* that:
- (1) the figure calculated is the total of all borrowing in all currencies by the *authorised fund*; ~~and~~
 - (2) long and short positions in different currencies are not netted off against each other; ~~and~~
 - (3) any borrowing in an *issue and cancellation account* is attributed to a *scheme* or *sub-fund*, but any sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the value of the *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

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

...

Spread: general

5.6.7 R ...

(2) ...

(2A) Money in an issue and cancellation account attributed to a sub-fund in accordance with COLL 6.2.7BR(2)(c) or which should be allocated to a sub-fund in accordance with COLL 6.7.17R (Allocation of scheme property) must be included in the value of scheme property for the purposes of (2) for that sub-fund.

...

Guidance on spread: general

5.6.7A G ...

(3) ~~In applying the spread limit of 20% in value of *scheme property* which may consist of *deposits* with a single body, all uninvested cash comprising *capital property* that the *depository* holds should be included in calculating the total sum of the *deposits* held by it on behalf of the *scheme*. [deleted]~~

...

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

...

Guidance on spread: general

5.7.6 G ...

(3) ~~In applying the spread limit of 20% in value of *scheme property* which may consist of *deposits* with a single body, all uninvested cash comprising *capital property* that the *depository* holds should be included in calculating the total sum of the *deposits* held by it on behalf of the *scheme*. [deleted]~~

...

6 Operating duties and responsibilities

...

6.2 Dealing

...

Purpose

6.2.2 G ...

- (2) An *authorised fund manager* of an *AUT*, *ACS* or *ICVC* is responsible for arranging for the *issue* and the *cancellation* of *units* for the *authorised fund*. An *authorised fund manager* of an *AUT*, *ICVC* or *co-ownership scheme* is permitted to *sell* and *redeem units* for its own account. An *authorised fund manager* of a *limited partnership scheme* is only permitted to *sell* and *redeem units* as agent for the *scheme*. The *rules* in this section are intended to ensure that the *authorised fund manager* treats the *authorised fund* ~~fairly~~ when arranging for the issue or cancellation of units, and treats *clients* fairly when dealing or arranging for their purchase or sell dealing in units.
- (3) This section also sets out common standards for how the amounts in relation to *unit* transactions are to be paid. These arrangements, which may vary according to whether or not the authorised fund manager deals as principal, include the *initial offer* of *units*, and the exchange of units for scheme property and issues and cancellations of units by an ICVC, or by the depositary of an AUT or ACS, carried out directly with the unitholder.

...

...

Issue and cancellation of units in an AUT or ACS

6.2.6 R (1) ~~The~~ Either:

- (a) the depositary when instructed by the authorised fund manager; or
- (b) where permitted by the instrument constituting the fund, the authorised fund manager,

must *issue* or *cancel units* in an *AUT* or *ACS* ~~when instructed by the authorised fund manager~~ by making a record of the issue or cancellation and of the number of the units of each class concerned.

- (2) Any instructions given by the *authorised fund manager* under (1)(a) must state, for each class of *unit* to be *issued* or *cancelled*, the number to be *issued* or *cancelled*, expressed either as a number of *units* or as an amount in value (or as a combination of the two).

- (2A) The authorised fund manager must notify the depositary upon any issue or cancellation of units by the authorised fund manager under (1)(b).
- (3) If the *depositary* is the person responsible for issuing or cancelling units and is of the opinion that it is not in the interests of *unitholders* that any *units* should be *issued* or *cancelled* or that to do so would not be in accordance with the *trust deed*, *contractual scheme deed* or *prospectus*, it must notify the *authorised fund manager* of that fact and it is then relieved of the obligation to *issue* or *cancel* those *units*.

...

Issue Direct issue and cancellation of units through an authorised fund manager

- 6.2.7 R (1) The *authorised fund manager* of an authorised fund that is not a direct dealing scheme may require, on agreement with the *depositary*, or may permit, on the request of the investor, direct *issues* and *cancellations* of *units* by:
- (a) ~~an~~ the ICVC; or by
- (b) (where the scheme is an AUT or ACS) the depositary of an AUT or ACS or, where permitted by the instrument constituting the fund, the authorised fund manager.
- (2) ...

Issue and cancellation of units by a direct dealing scheme

- 6.2.7A R The authorised fund manager and depositary of a direct dealing scheme, and an ICVC and any other director of an ICVC that is a direct dealing scheme, must ensure that:
- (1) the issue and cancellation of units is made only by:
- (a) the ICVC; or
- (b) (where the scheme is an AUT or ACS) the depositary or, where permitted by the instrument constituting the fund, the authorised fund manager;
- (2) the direct dealing scheme operates an issue and cancellation account in accordance with COLL 6.2.7BR (Operation of an issue and cancellation account);
- (3) the instrument constituting the fund provides for the arrangements described in (1) and (2);

- (4) the *prospectus* provides details of the procedures to be followed, which must be consistent with the *rules* in this section; and
- (5) all *classes of units* in a *sub-fund*, or in a *scheme* which is not an *umbrella*, use the same *issue and cancellation account*.

Operation of an issue and cancellation account

- 6.2.7B R (1) An authorised fund manager, a depositary, an ICVC and any other director of an ICVC that is a direct dealing scheme which uses an issue and cancellation account, must ensure that the authorised fund manager has effective controls over the operation of the issue and cancellation account.
- (2) The controls referred to in (1) must ensure that:
- (a) subject to (b), a reconciliation is performed each *business day* on which *money* is received in or paid out of the *issue and cancellation account*;
 - (b) where the *scheme* has fewer than 2 regular *valuation points* for the purposes of *dealing in units* in any month, reconciliations are performed at a frequency consistent with the frequency of such *valuation points*;
 - (c) *money* received in the *issue and cancellation account* is attributed promptly to a specific *sub-fund*, or to the *scheme* if it is not an *umbrella*;
 - (d) *money* which cannot be attributed under (c) is recorded in the *scheme*'s books and records as '*unattributed scheme money*' and instructed to be returned to the sender by close of the fifth *business day* following receipt; and
 - (e) where, following the instruction in (d), *unattributed scheme money* cannot be returned to the sender, it may be paid, or is paid if instructed by the *depositary*, into a separate bank account of the *scheme* operated for the specific purpose of holding *unattributed scheme money*.

Operation of an omnibus issue and cancellation account

- 6.2.7C R (1) Use of an *omnibus issue and cancellation account* is permitted in so far as it is operated in compliance with (where applicable) regulation 11A of the *OEIC Regulations* (Segregated liability of sub-funds) and section 261P of the *Act* (Segregated liability in relation to umbrella co-ownership schemes) and trust law relevant to an *AUT* ('relevant laws on segregated liability').
- (2) Where an *omnibus issue and cancellation account* is used, the authorised fund manager must ensure it has received legal advice

that the intended operation of the account is in accordance with relevant laws on segregated liability.

- 6.2.7D G (1) In broad terms, the relevant laws on segregated liability referred to in COLL 6.2.7CR(1) provide that assets of one *sub-fund* belong exclusively to that *sub-fund* and must not be used to meet liabilities of another *sub-fund*. The legislation also says that any provision whether in a contract, agreement, document or otherwise which is inconsistent with the protected cell legislation is void.
- (2) An *authorised fund manager* proposing to operate an *omnibus issue and cancellation account* should give careful consideration as to whether the account can be operated at all times in compliance with relevant laws on segregated liability. In this assessment, an *authorised fund manager* should, among other things, consider its ability to:
- (a) monitor payments into and out of an *omnibus issue and cancellation account*;
- (b) comply with COLL 6.2.7BR(2) in a range of circumstances including under times of stress;
- (c) impose minimum balances or sequence payments in an *omnibus issue and cancellation account* to the extent necessary to ensure money allocated to a *sub-fund* is not paid or otherwise used in a way that is inconsistent with the relevant laws on segregated liability; and
- (d) identify payment issues such as late or failed payments.
- 6.2.7E R In determining whether any *sub-funds* of an *umbrella* should share an *omnibus issue and cancellation account*, the *authorised fund manager* must be satisfied such use presents minimal risk of adverse consequences for *unitholders*.
- 6.2.7F G The matters an *authorised fund manager* should consider in COLL 6.2.7ER include:
- (1) contagion risk;
- (2) the strategy, risk profile and target market of each *sub-fund* and its use of leverage; and
- (3) whether individual *unitholders* within the target market of the *sub-funds* are likely to make prompt payment in respect of *issued units*.
- 6.2.7G G An *authorised fund manager* should ensure that all errors which result in a breach of COLL 6.2.7AR to COLL 6.2.7ER are recorded. As soon as an error is discovered, the *authorised fund manager* should report the fact to

the *depository*, together with details of the action taken, or to be taken, to avoid repetition of the error.

...

Box management errors guidance

6.2.12 G Explanatory table: This table belongs to *COLL* 6.2.2G(4) (Purpose).

Correction of box management errors		
...		
3	Recording and reporting of box management errors	
	...	
	(3)	<i>A depository should also make a return returns to the FCA (in the manner prescribed by SUP 16.6.8R SUP 16.6.6R) on a quarterly basis.</i>

Payment for units issued

6.2.13 R (1) The *authorised fund manager of a scheme that is not a direct dealing scheme* must, by the close of business on the fourth *business day* following the *issue* of any *units*, arrange for payment to the *depository* of an *AUT* or *ACS* or the *ICVC* of:

...

...

(3) ...

(4) The *authorised fund manager of a direct dealing scheme* must ensure adequate arrangements are in place for *unitholders* or their agents to make timely payments to the *ICVC* or the *depository* of the *AUT* or *ACS*.

(5) Where an investor in a *direct dealing scheme* has not made payment to the *ICVC* or the *depository* of the *AUT* or *ACS* within the period specified in the *prospectus*, the *authorised fund manager* must reimburse the *authorised fund* for any lost interest unless the amount involved is not, in the *depository's* opinion, material to the *authorised fund*.

Payment for cancelled units

6.2.14 R (1) On cancelling *units* the *authorised fund manager* must, before the expiry of the fourth *business day* following the *cancellation* of the

units or, if later, as soon as practicable after delivery to the *depository* of the *AUT* or *ACS* or the *ICVC* of such evidence of title to the *units* as it may reasonably require, require the *depository* to pay, or arrange for payment of:

...

(1A) The *depository* or *authorised fund manager* must ~~pay~~ arrange for payment of the amount in (1), as relevant:

...

(b) ~~where relevant,~~ to the *unitholder*;

...

...

...

Sale and redemption

6.2.16 R (1) ...

(1A) Paragraphs (2), (3), (4), (6) and (7) of this rule do not apply to a direct dealing scheme.

(2) ...

(2A) The authorised fund manager of a direct dealing scheme must ensure that, at all times during the dealing day, the issue of units in the authorised fund is effected at the request of an investor, in accordance with the conditions in the instrument constituting the fund and the prospectus, unless:

(a) it has reasonable grounds to refuse such issue; or

(b) the issue of units is prevented under COLL 6.2.18R (Limited issue).

(3) ...

(3A) Subject to COLL 6.2.19R (Limited redemption) and COLL 6.2.21R (Deferred redemption), the authorised fund manager of a direct dealing scheme must ensure that, at all times during the dealing day, the cancellation of units in the authorised fund is effected at the request of a qualifying unitholder, in accordance with the conditions in the instrument constituting the fund and the prospectus, unless it has reasonable grounds to refuse such cancellation.

(4) ...

- (4A) On agreeing to a cancellation of units in (3A), the authorised fund manager of a direct dealing scheme must ensure that the unitholder is paid the appropriate proceeds of the cancellation within the period specified in (5), unless it has reasonable grounds for requiring all or any part of the proceeds to be withheld.
- (5) Except where (5A) applies, the period in (4) or, as applicable, (4A) expires at the close of business on the fourth *business day* following the later of:
- (a) the *valuation point* at which the *price* for the *redemption or cancellation* was determined; or
 - (b) the time when the ~~authorised fund manager~~ *person responsible for redeeming or cancelling units* has all the duly executed instruments and authorisations to effect (or enable the *authorised fund manager* to effect) the transfer of title to ~~the~~ *those units or their cancellation*.
- ...
- (6) ...
- (6A) Except where (7A) applies, and subject to COLL 6.2.21R (Deferred redemption), the person responsible for the issue and cancellation of units for a direct dealing scheme must issue or cancel them at a price determined no later than the end of the business day immediately following the receipt and acceptance of an instruction to do so, or at the next valuation point for the purposes of dealing in units if later.
- (7) ...
- (7A) Where the authorised fund operates limited redemption arrangements, the person responsible for the issue and cancellation of units in a direct dealing scheme must issue or cancel them at a price determined no later than the expiry of a period of 185 days from the date of the receipt and acceptance of the instruction to issue or cancel.
- ...
- (11) ~~Paragraph Paragraphs (4) and (4A) does~~ do not apply where COLL 6.2.17AR (Transfers under the Dormant Assets Act 2022) applies.

Sale and redemption: guidance

- 6.2.17 G (1) The *prospectus* of an *authorised fund* may allow the *authorised fund manager* to identify a point in time in advance of a *valuation point* (a cut-off point) after which ~~it will not accept~~ instructions to *sell, issue, cancel* or *redeem units* ~~at~~ will not be accepted for that *valuation point*. In order to protect *customers'* interests, the cut-off point should be no earlier than the close of business on the *business day* before the

valuation point it relates to. If there is more than one *valuation point* in a *day* the cut-off should not be before any previous *valuation point*.

...

- (3) Where (1) applies, different cut-off points may be used to differentiate between the methods of submitting dealing instructions ~~to sell or redeem to the authorised fund manager~~ but not to differentiate between *unitholders* or potential *unitholders*.

...

...

Limited redemption

6.2.19 R ...

- (2) Where (1) applies, the *scheme* must provide for *sales* and *redemptions* or (in the case of a *direct dealing scheme*) *issues* and *cancellations* at least once in every six *months*.
- (3) Within a *scheme*, *unit classes* may operate different arrangements for *sales*, *issues*, *cancellations* and *redemptions* of *units* provided there is no prejudice to the interests of any *unitholder*, subject to COLL 6.2.7AR(5) (Issue and cancellation of units by a direct dealing scheme).
- (4) The *scheme* may provide for *issues* or *sales* of *units* of any *class* to be executed at a greater frequency than *redemptions* or *cancellations* of *units* of the same *class*.

...

Deferred redemption

6.2.21 R (1)

- (1) Subject to (1A), (3), and (4), the *instrument constituting the fund* and the *prospectus* of an *authorised fund* which has at least one *valuation point* on each *business day* may permit deferral of *redemptions* or (in the case of a *direct dealing scheme*) *cancellations* at a *valuation point* to the next *valuation point* where the requested *redemptions* or *cancellations* exceed 10%, or some other reasonable proportion disclosed in the *prospectus*, of the *authorised fund's* value.
- (1A) Subject to (3) the *instrument constituting the fund* and the *prospectus* of a *non-UCITS retail scheme* operating as a *FAIF* may permit deferral of *redemptions* or (in the case of a *direct dealing scheme*) *cancellations* at a *valuation point* to a following *valuation point* where the requested *redemptions* or *cancellations* exceed 10%, or some other reasonable proportion disclosed in the *prospectus*, of the *authorised fund's* value.

(2) Any deferral of *redemptions* or (in the case of a *direct dealing scheme*) *cancellations* under (1) or (1A) must be undertaken in accordance with the procedures explained in the *prospectus* which must ensure:

(a) the consistent treatment of all *unitholders* who have sought to *redeem* or *cancel* units at any *valuation point* at which *redemptions* or *cancellations* are deferred; and

...

...

...

6.3 Valuation and pricing

...

Valuation

6.3.3 R (1) To determine the *price* of units the *authorised fund manager* must carry out a fair and accurate valuation of all the *scheme property* in accordance with the *instrument constituting the fund* and the *prospectus*.

(2) ...

(3) For the purposes of (1), sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the valuation of *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

Dilution

6.3.8 R (1) Subject to (1A), when arranging to *sell*, *redeem*, *issue* or *cancel* units, or when units are *issued* or *cancelled* under *COLL 6.2.7R(1)* (Issues *Direct issue and cancellation of units through an authorised fund manager* or *COLL 6.2.7AR* (Issue and cancellation of units by a direct dealing scheme), an *authorised fund manager* is permitted to:

...

...

(3) A *dilution levy* becomes due and payable at the same time as payment or transfer of property becomes due for the *issue*, *sale*, *redemption* or *cancellation* and any such payment in respect of a *dilution levy* must be

paid to the *depository* to become part of *scheme property* as soon as practicable after receipt.

...

...

Publication of prices

- 6.3.11 R Where the *authorised fund manager* is prepared to *deal* in *units*, or is willing to *issue* or *cancel units*; under ~~COLL 6.2.7~~ COLL 6.2.7R or where the *authorised fund* is a *direct dealing scheme* (see COLL 6.2.7AR), ~~it~~ the *authorised fund manager* must make the *dealing prices* public in an appropriate manner.

...

7 Suspension of dealings, termination of authorised funds and side pockets

...

7.2 Suspension and restart of dealings

Requirement

- 7.2.-3 R (1) ...

(1A) Sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the value of the *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

...

7.3 Winding up a solvent ICVC and terminating or winding up a sub-fund of an ICVC

...

Manner of winding up or termination

...

- 7.3.7A G For the purposes of this section an *ICVC* may be treated as having been wound up or a *sub-fund* terminated upon completion, where relevant, of all of the steps in (1) to (3):

...

- (2) the *scheme property* being realised or distributed in accordance with COLL 7.3.7R(8), which should include appropriate resolution of unattributed scheme money; and

...

...

7.4 Winding up an AUT and terminating a sub-fund of an AUT

...

When an AUT is to be wound up or a sub-fund terminated

- 7.4.3 R (1) Upon the happening of any of the events or dates referred to in (2) and not otherwise:

...

- (d) the *manager* must cease to *issue* or *cancel*, or to arrange the *issue* or *cancellation* of *units* under COLL 6.2.7R (Issue and cancellation of units through an authorised fund manager) or COLL 6.2.7AR (Issue and cancellation of units by a direct dealing scheme), except in respect of the final *cancellation* under COLL 7.4.4R(1) or (2);

...

...

Manner of winding up or termination

- 7.4.4 R (1) Where COLL 7.4.3R(2)(f) applies, the *trustee* or, where permitted by the trust deed, the *manager* must *cancel* all *units* in issue and the trustee must wind up the *AUT* or terminate the *sub-fund* in accordance with the approved *scheme of arrangement*.

...

- 7.4.4A G For the purposes of this section, an *AUT* may be treated as having been wound up or a *sub-fund* terminated upon completion, where relevant, of all of the steps in (1) to (3):

...

- (2) the *scheme property* being realised or distributed in accordance with COLL 7.4.4R(5), which should include appropriate resolution of unattributed scheme money; and

...

...

7.4A Winding up a solvent ACS and terminating a sub-fund of a co-ownership scheme

...

When an ACS is to be wound up or a sub-fund of a co-ownership scheme terminated

- 7.4A.4 R (1) Upon the happening of any of the matters or dates referred to in (3), and subject to the requirement of (4) being satisfied, and not otherwise:

...

- (d) the *authorised contractual scheme manager* must cease to *issue or cancel*, or to arrange the *issue or cancellation of units* under *COLL 6.2.7R (Issue Direct issue and cancellation of units through an authorised fund manager)* or *COLL 6.2.7AR (Issue and cancellation of units by a direct dealing scheme)*, except in respect of the final *cancellation* under *COLL 7.4A.6R(1) or (2)*;

...

...

...

Manner of winding up or termination

- 7.4A.6 R (1) Where *COLL 7.4A.4R (3)(f)* applies, the *depository, or where permitted by the contractual scheme deed, the authorised contractual scheme manager* must *cancel* all units in issue and wind up the *ACS* or terminate the *sub-fund* of the *co-ownership scheme* in accordance with the approved *scheme of arrangement*.

...

- 7.4A.7 G For the purposes of this section, an *ACS* may be treated as having been wound up or a *sub-fund* of a *co-ownership scheme* terminated upon completion, where relevant, of all of the steps in (1) to (3):

...

- (2) the *scheme property* being realised or distributed in accordance with *COLL 7.4A.6R(5)*, which should include appropriate resolution of *unattributed scheme money*; and

...

...

7.6 Schemes of arrangement

...

Schemes of arrangement: requirements

7.6.2 R ...

(7) ...

(8) Unattributed scheme money should not form part of any scheme of arrangement under this rule.

...

8 Qualified investor schemes

8.1 Introduction

Application

8.1.1 R ...

(2) ...

(3) In this chapter, references to the 'value of the *scheme property*' or the 'value of the fund' mean the net value determined in accordance with COLL 8.5.9R (Valuation, pricing and dealing).

...

8.5 Powers and responsibilities

...

Valuation, pricing and dealing

8.5.9 R (1) The value of the *scheme property* is the net value of the *scheme property* after deducting any outstanding borrowings (including any capital outstanding on a mortgage of an immovable).

...

(11) ...

(12) For the purposes of (1), sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the valuation of the *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

~~Issues~~ Issue and cancellations ~~cancellations~~ cancellation of units

8.5.10 R ...

(3) The *authorised fund manager* must ~~arrange~~ ensure adequate arrangements are in place for the *issue* and *cancellation of units* and ~~pay~~ payment of money or assets to or from the *scheme, depositary, or where relevant, unitholders* for the account of the *scheme* as required by the *prospectus*, and, where applicable, in accordance with the *Money Market Funds Regulation*.

...

(6) ...

(7) *COLL 6.2.7AR to COLL 6.2.7GG* apply in relation to a *qualified investor scheme* that is a *direct dealing scheme* as they apply in relation to a *UCITS scheme* and a *non-UCITS retail scheme*.

...

Transfer of units in an ACS

...

8.5.10C G The *FCA* recognises that some transfers of *units* arise by operation of law (such as upon death or bankruptcy of the *unitholder*, or otherwise) and are accordingly outside the control of the *authorised contractual scheme manager*. The *authorised contractual scheme manager* is expected to comply with its responsibilities under *COLL 8.5.10ER* (Redemption of ACS units in a QIS by an authorised contractual scheme manager) in those cases by ~~redeeming~~ redeeming, or arranging for the cancellation of, those *units*.

...

Redemption of ACS units in a QIS by an authorised contractual scheme manager

8.5.10E R The *authorised contractual scheme manager* of a *qualified investor scheme* which is an *ACS* must ~~redeem,~~ or arrange for the cancellation of, *units* in the *scheme* as soon as practicable after becoming aware that those *units* are vested in anyone (whether as a result of subscription or transfer of *units*) other than a *person* meeting the criteria in *COLL 8 Annex 2(1)* and *(2)* (ACS Qualified Investor Schemes: eligible investors).

Sale and redemption

8.5.11 R (-1) Paragraphs (1), (2) and (3) of this rule do not apply in relation to a *direct dealing scheme*.

(1) ...

(1A) The authorised fund manager of a direct dealing scheme must ensure that, at all times during the dealing day, the issue of units in the authorised fund is effected at the request of an eligible investor (within any conditions in the instrument constituting the fund and the prospectus which must be fair and reasonable as between all unitholders and potential unitholders) for whom the authorised fund manager does not have reasonable grounds to refuse such sale.

(2) ...

(2A) The authorised fund manager of a direct dealing scheme must ensure that, at all times during the dealing day, the cancellation of units owned by any eligible unitholder in the authorised fund is effected at the request of that unitholder (within any conditions in the instrument constituting the fund and the prospectus), unless the authorised fund manager has reasonable grounds to refuse such cancellation.

(3) ...

(3A) On agreeing to a cancellation of units within (2A), the authorised fund manager must ensure that the unitholder is paid the appropriate proceeds of the cancellation within any reasonable period specified in the instrument constituting the fund or the prospectus, unless it has reasonable grounds for requiring all or any part of the proceeds to be withheld.

(4) Payment of proceeds on redemption must be made by the authorised fund manager in any manner provided for in the prospectus which must be fair and reasonable as between redeeming unitholders and continuing unitholders.

...

15 Long-term asset funds

...

15.2 Eligibility to act as the authorised fund manager

...

Appointment of external valuer or authorised fund manager with knowledge, skills and experience of valuing long-term assets

15.2.6 R ...

(5) The authorised fund manager need not appoint an external valuer under (1) if:

(a) the scheme property of the long-term asset fund is constituted solely of units or shares in other collective investment schemes

or *AIFs*, excluding cash and other liquid assets used for non-investment purposes such as *unit dealing*; and

- (b) an *external valuer* performs the valuation function of each such *collective investment scheme* or *AIF*.

...

...

15.3 Constitution

...

Table: contents of the instrument constituting the fund

15.3.6 R This table belongs to *COLL* 15.3.5R.

...			
3	Constitution		
	The following statements:		
	...		
	(9)	for an <i>ACS</i> :	
		(a)	the <i>contractual scheme deed</i> :
			...
		(v)	states that the <i>authorised contractual scheme manager</i> of an <i>ACS</i> must <u>redeem or arrange for the cancellation of units</u> as soon as practicable after becoming aware that those <i>units</i> are vested in anyone (whether as a result of subscription or transfer of <i>units</i>) other than a <i>person</i> meeting the criteria in (iv)(A) and (B);
			...
		...	
...			

...

15.4 Prospectus and other pre-sale notifications

...

Table: contents of a long-term asset fund prospectus

15.4.5 R This table belongs to *COLL* 15.4.2R.

...		
13	Valuation of scheme property and due diligence	
	...	
	(2)	A description of the valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing hard-to-value assets, in line with <i>FUND</i> 3.9 (Valuation), and details as to:
	(a)	how frequently and at what times of the <i>day</i> the <i>scheme property</i> will be regularly valued to determine the <i>price</i> at which <i>units</i> in the <i>scheme</i> may be purchased from or redeemed by the authorised fund manager <u>dealt</u> and a description of any circumstance where the <i>scheme property</i> may be specially valued;
		...
	...	
...		
16	Dealing	
	The procedure and conditions for the <i>issue, sale, redemption</i> and <i>cancellation</i> of <i>units</i> or <i>shares</i> including details of the following, in fair, clear and plain language, using worked examples to explain how these procedures might apply to <i>unitholders</i> in practice:	
	(1)	the <i>dealing days</i> and times in the <i>dealing day</i> on which the <i>authorised fund manager</i> will receive and determine requests for the <u><i>issue, sale, and redemption and cancellation</i></u> of <i>units</i> , including any cut-off point for receiving <u><i>redemption or cancellation</i></u> requests before the <i>authorised fund manager</i> makes the next <i>redemption determination</i> (see <i>COLL</i> 15.8.12R(2)(a) (Dealing: redemption of units));
	(2)	the procedures for effecting the <i>issue</i> and <i>cancellation</i> of <i>units</i> <u>and settlement of transactions involving unitholders</u> ;
	...	

	(4)	the steps required to be taken by a <i>unitholder</i> in redeeming for <i>units</i> in the <i>long-term asset fund</i> <u>to be redeemed or cancelled</u> (see <i>COLL</i> 15.8.12R (Dealing: redemption of units)), using worked examples to explain how these arrangements may affect <i>unitholders</i> in the <i>scheme</i> , including:
		...
	...	
17	Issue of units in ACSs: eligible investors	
	...	
	(2)	A statement that the <i>authorised contractual scheme manager</i> of an <i>ACS</i> must <u>redeem or arrange for the cancellation of units</u> as soon as practicable after becoming aware that those <i>units</i> are vested in anyone (whether as a result of subscription or transfer of <i>units</i>) other than a <i>person</i> meeting the criteria in (1).
	...	
...		

...

15.6 Investment and borrowing powers

Application

...

15.6.2 R ...

(2) ...

(3) Where this section refers to value of *scheme property*, that *scheme property* is to be valued in accordance with *COLL* 15.8.2R (Valuation, pricing and dealing).

15.6.2A G One of the effects of *COLL* 15.8.2R(11) (Valuation, pricing and dealing) is that, for the purposes of this chapter, sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the valuation of *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

Investment limits for immovables

15.6.21 R The following limits apply in respect of immovables held as part of the *scheme property*:

...

- (3) the total of all premiums paid for options to purchase immovables must not exceed 10% of the ~~*scheme*~~ value of the *scheme property* in any 12-month period, calculated at the date of the granting of the option.

...

15.8 Valuation, pricing, dealing and income

...

Valuation, pricing and dealing

15.8.2 R ...

(10) ...

- (11) For the purposes of (1), sums in an *issue and cancellation account* which the *authorised fund manager* reasonably believes are not attributable to a particular *sub-fund* or *scheme* are excluded from the valuation of *scheme property* of any *sub-fund* or *scheme* (as applicable).

...

Issue and cancellation of units

15.8.5 R ...

- (3) The *authorised fund manager* must ~~arrange~~ ensure adequate arrangements are in place for the *issue* and *cancellation* of *units* and ~~pay for the payment of~~ money or assets to or from the *scheme*, *depository* or where relevant, *unitholders*, for the account of the *scheme* as required by the *prospectus*.

...

- (5) ~~The~~ Except in respect of a *direct dealing scheme*, the *authorised fund manager* may arrange for the *ICVC*, or instruct the *depository* of the *AUT* or *ACS*, to *issue* or *cancel units* where the *authorised fund manager* would otherwise be obliged to *sell* or *redeem* the *units* in the manner set out in the *prospectus*.

(6) ...

- (7) COLL 6.2.7AR to COLL 6.2.7GG apply in relation to a long-term asset fund that is a direct dealing scheme as they apply in relation to a UCITS scheme and a non-UCITS retail scheme.

...

Transfer of units in an ACS

...

- 15.8.8 G The *FCA* recognises that some transfers of *units* arise by operation of law (such as upon death or bankruptcy of the *unitholder*, or otherwise) and are accordingly outside the control of the *authorised contractual scheme manager*. The *authorised contractual scheme manager* is expected to comply with its responsibilities under *COLL 15.8.10R* (Redemption of ACS units in an LTAF by an authorised contractual scheme manager) in those cases by redeeming or arranging for the cancellation of those units.

...

Redemption of ACS units in an LTAF by an authorised contractual scheme manager

- 15.8.10 R The *authorised contractual scheme manager* of a *long-term asset fund* which is an *ACS* must redeem or arrange for the cancellation of units in the *scheme* as soon as practicable after becoming aware that those *units* are vested in anyone (whether as a result of subscription or transfer of *units*) other than a *person* meeting the criteria in *COLL 15 Annex 1R(1)* and (2) (*ACS Long-Term Asset Funds: eligible investors*).

...

Dealing: redemption of units

- 15.8.12 R ...
- (2) The *redemption* arrangements for a *long-term asset fund* must ensure the following:
- ...
- (h) The *authorised fund manager* must *redeem* the *units* at the price determined in accordance with (f) and pay the *unitholder*, or arrange for payment to the unitholder of, the appropriate proceeds of *redemption* in accordance with paragraphs (4) and (5).
- (3) Subject to *COBS 2.1.4R* (AIFMs' best interests rule), COLL 6.2.7AR(5) (Issue and cancellation of units by a direct dealing scheme) (as applied by COLL 15.8.5R) and *COLL 15.3.2R* (Classes of unit), where the *long-term asset fund* has more than one *class* of *unit*, the

arrangements for the *redemption of units* may differ between *classes* provided the arrangements for all *classes of unit* ensure the matters specified in (2).

- (4) After having effected a *redemption* request, the *authorised fund manager* must pay or arrange payment of the full proceeds of the *redemption* to the *unitholder* within any reasonable period specified in the *prospectus*, unless it has reasonable grounds for withholding payment or requiring payment to be withheld.
- (5) Payment of proceeds on *redemption* must be made, or arranged, by the *authorised fund manager* in any manner provided for in the *prospectus* which must be fair and reasonable as between *redeeming unitholders* and continuing *unitholders*.

...

...

TP 1 Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
67
<u>Amendments made by the Collective Investment Schemes (Direct to Fund) Instrument 2025</u>					
68	<u>The deletion of COLL 5.2.11AG(3), COLL 5.6.7AG(3) and COLL 5.7.6G(3)</u>	<u>G</u>	<u>The deletion of the guidance specified in column (2) may be disregarded.</u>	<u>From 30 April 2026 to 29 April 2027</u>	<u>30 April 2026</u>

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