



BNY MELLON

Structuring and Managing a Collective Investment Vehicle (CIV)

Dean Handley

Asset Servicing, EMEA

June 2014



Agenda

1 Authorised Contractual Schemes

2 CIV Governance and Structure

Authorised Contractual Schemes (1)

BACKGROUND

- ACS designed as a new regulated tax transparent fund vehicle primarily to facilitate the setting up of pooled “master funds” under UCITS IV as in order for “master-feeder” structures to be attractive to investors on a cross border basis the master fund needs to be a tax transparent fund (other jurisdictions already had TTFs). It was expected that investors such as pension funds and life companies will also find contractual schemes attractive. The vehicle itself is not a taxable entity and suffers no tax directly
- The two types of TTF are the co-ownership scheme, where participants in the scheme own the assets beneficially as tenants in common. The scheme is not legally separate from the participants, so that assets are acquired, managed and disposed of directly on their behalf by the manager, while the depositary holds legal title as custodian. The other form is a partnership scheme which is a limited partnership under the Limited Partnership Act 1907
- Regulations aim to ensure that an ACS will be regulated in much the same way as an Authorised Unit Trust or Open Ended Investment Company.

UMBRELLA STRUCTURES

- The treasury has confirmed that the FCA will not be able to authorise limited partnership schemes using an ‘umbrella’ structure so the proposed rules in the consultation paper will reflect this provision. Only co-ownership schemes will be able to be part of an umbrella structure

INVESTOR ELIGIBILITY CRITERIA

- Treasury’s legislation requires units in an ACS to only be issued to either a professional or a large investor or an existing ACS investor due to the small risk that foreign courts might not recognise UK legislation that limits liability of participants in a TTF. The FCA propose that the criteria for an eligible investor is (i) a large investor being a person who invests a minimum of £1m, (ii) a professional ACS investor being a person that falls within one of the categories for professional investors under MiFID

Authorised Contractual Schemes (2)

TRANSFERABILITY OF UNITS

- The potential blanket restriction on transfer of units in the Treasury's first consultation paper has been dropped and the contractual scheme deed must either prohibit the transfer of units, or allow a transfer only if specified conditions are met. The transfer of units of an ACS from one person to another will be subject to the same investor eligibility criteria. Where a transfer of units has taken place to an ineligible investor, the AFM will be required to redeem the units as soon as practicable after becoming aware of the situation

BOX MANAGEMENT

- The FCA decided not to proceed with the restrictions that would have stopped the AFM of an ACS from operating a box and their proposal will now enable an AFM of an ACS to hold unregistered units for its own account and trade them, buying from one investor and selling to another

AUTHORISATION

- The FCA will require an application for authorisation of an ACS to be made jointly by the AFM and depository. Under FSMA the FCA will have 2 months to approve or refuse an application in the case of a proposed UCITS and up to 6 months in the case of any other proposed scheme. In practice the FCA aims to process 75% of completed applications relating to a UCITS scheme within 6 weeks

Pooled Fund Solution for Local Government Pension Schemes (LGPS) – Governance and Structure

Current Model

- 89 individual schemes
- Approximately £178 billion of assets (2012-13)
- Approximately 800 individual managers
- Schemes collectively pay in excess of £790 million in investment related costs

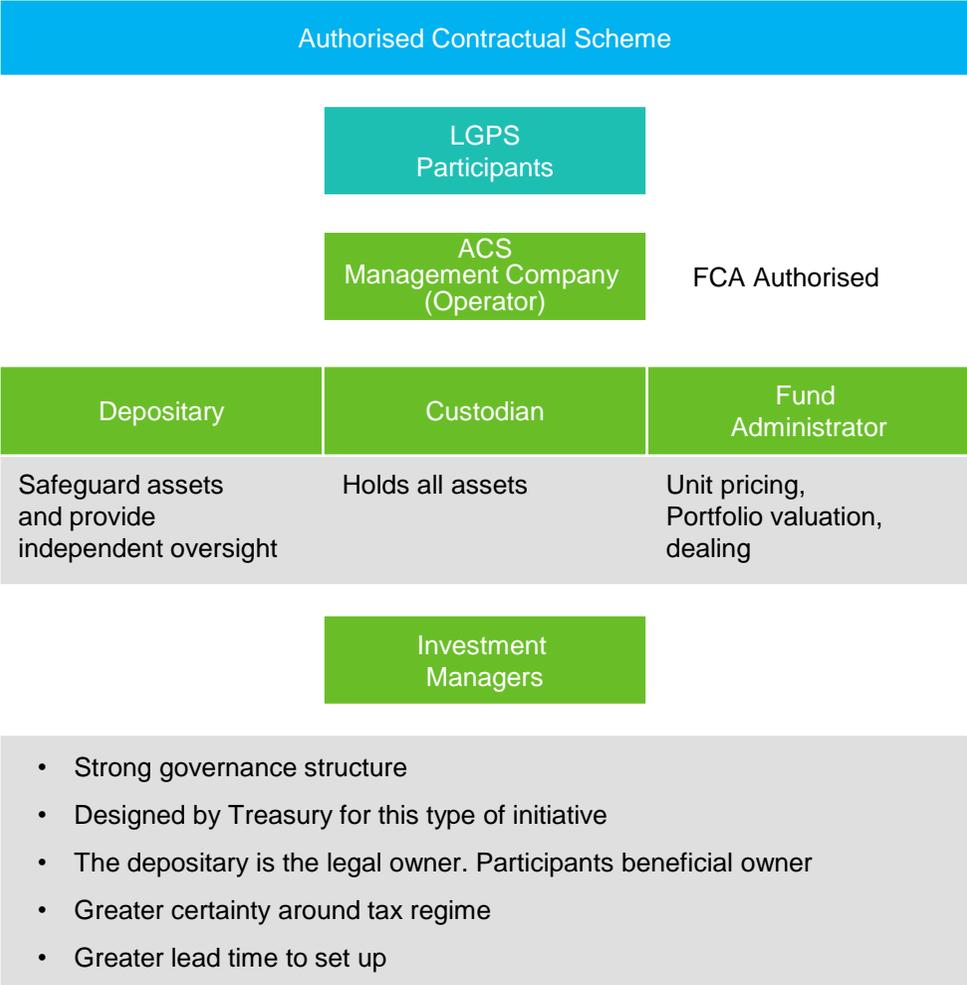


Proposed Model – Stage 1

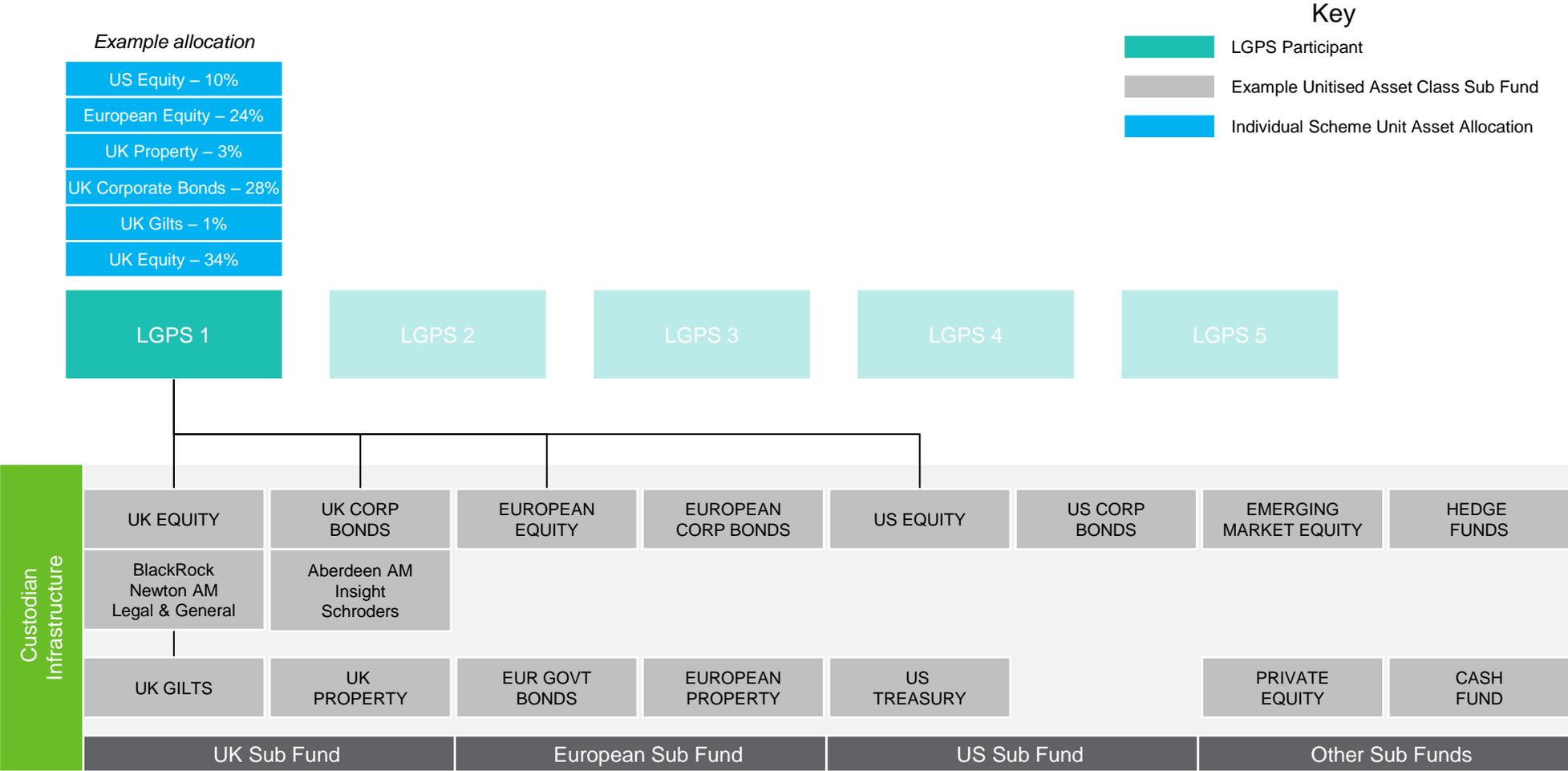
- Underlying LGPS funds remain intact
- Assets of all LGPS schemes pooled in centrally managed pooled funds. Investment manager mandates determined at sub-fund level
- Individual LGPS' invest in relevant sub fund(s)
- Individual LGPS continue to make independent asset allocation
- Investment exposure gained via purchase of sub fund units, rather than through direct appointment of investment managers

Projected Savings In Investment Related Costs of £420 million (excluding Alternatives)

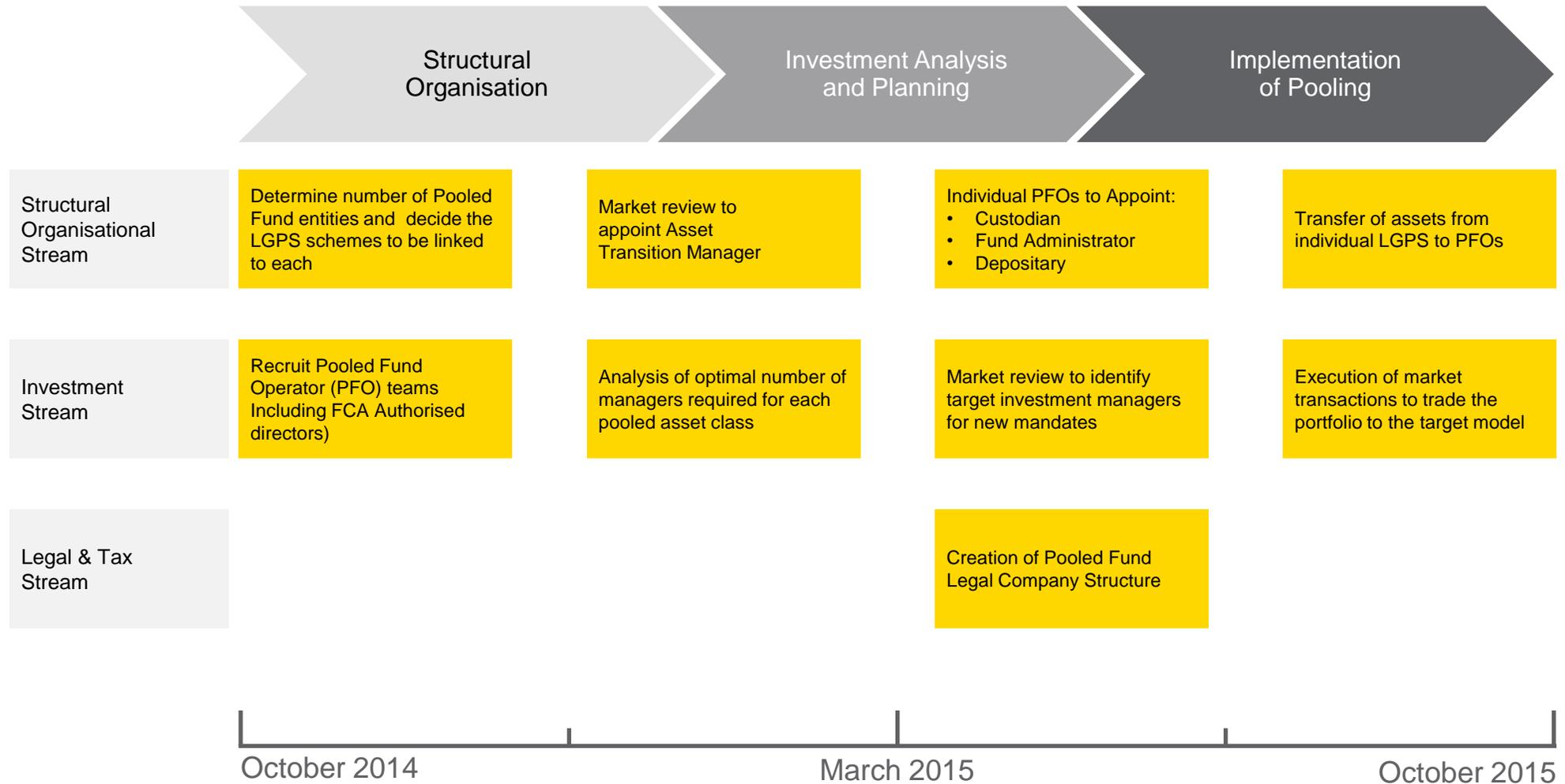
Structure of Pooled Fund



Example of Proposed LGPS Pooled Investment Allocation



Overview of Steps to Target Pooling Structure – Indicative Timeline



Disclosures

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates, and joint ventures of The Bank of New York Mellon Corporation where authorised and regulated as required within each jurisdiction, and may include The Bank of New York Mellon, One Wall Street, New York, New York 10286, a banking corporation organised and existing pursuant to the laws of the State of New York (member FDIC) supervised and regulated by the New York State Department of Financial Services and the Federal Reserve, and operating notably also in England through its branch at One Canada Square, London E14 5AL, England, registered in England and Wales with FC005522 and BR000818. The Bank of New York Mellon is authorised by the Prudential Regulation Authority. The Bank of New York Mellon London branch is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. The Bank of New York Mellon also operates in Europe through its subsidiary The Bank of New York Mellon SA/NV, Rue Montoyerstraat, 46, B-1000 Brussels, Belgium, a Belgian public limited liability company, authorised and regulated as a credit institution by the National Bank of Belgium (NBB). Not all products and services are offered at all locations. All references to assets under management and assets under custody and/or administration are as of 31st December 2013 unless otherwise noted.

The material contained in this brochure, which may be considered advertising, is for general information and reference purposes only and not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter, and is not to be used as such. This brochure is a financial promotion in the UK and EMEA. This brochure, and the statements contained herein, are not an offer or solicitation to buy or sell any products (including financial products) or services or to participate in any particular strategy mentioned and should not be construed as such. This brochure is not intended for distribution to, or use by, any person or entity in any jurisdiction or country in which such distribution or use would be contrary to local law or regulation. Similarly, this brochure may not be distributed or used for the purpose of offers or solicitations in any jurisdiction or in any circumstances in which such offers or solicitations are unlawful or not authorised, or where there would be, by virtue of such distribution, new or additional registration requirements. Persons into whose possession this brochure comes are required to inform themselves about and to observe any restrictions that apply to the distribution of this document in their jurisdiction. The information contained in this brochure is for use by wholesale clients only and is not to be relied upon by retail clients. Additional information about our company is available in our annual report on Form 10-K, proxy statement, quarterly reports on Form 10-Q and our current reports on Form 8-K filed with the SEC available at www.sec.gov.

This presentation is the property of BNY Mellon and the information contained herein is confidential. This presentation, either in whole or in part, must not be reproduced or disclosed to others or used for purposes other than that for which it has been supplied without the express written permission of BNY Mellon.

Trademarks, service marks and logos belong to their respective owners.

© 2014 The Bank of New York Mellon Corporation. All rights reserved.



BNY MELLON