



BNY MELLON

Structuring and Managing a Collective Investment Vehicle (CIV)

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Agenda

- Authorised Contractual Schemes
- CIV Governance & Structure
- Overview of the UK Tax Transparent Fund Structures (TTF)
- BNY Mellon Credentials

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 is 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, and the 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 AUT

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

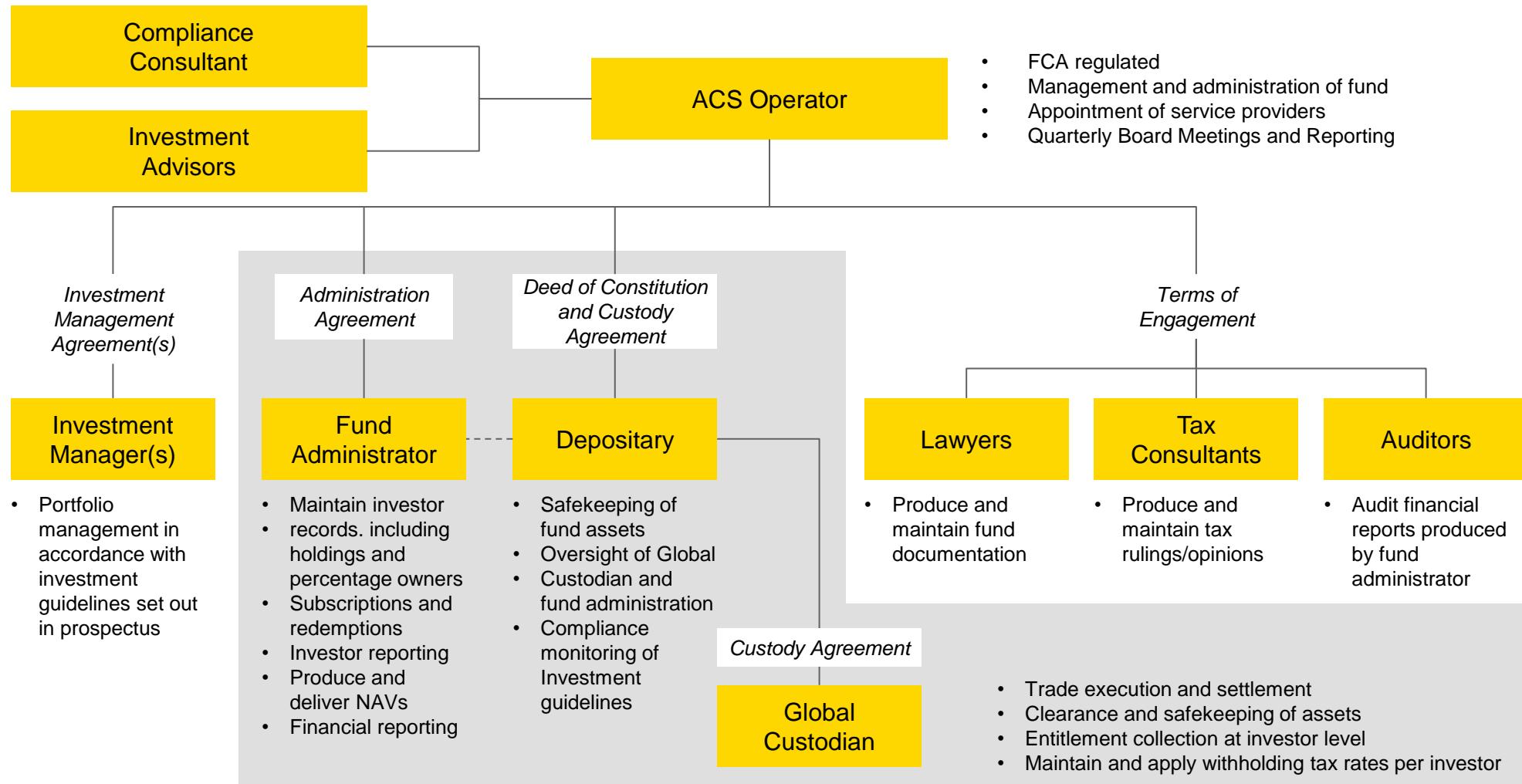
BOX MANAGEMENT

- 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 depositary. 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

CIV Governance and Structure

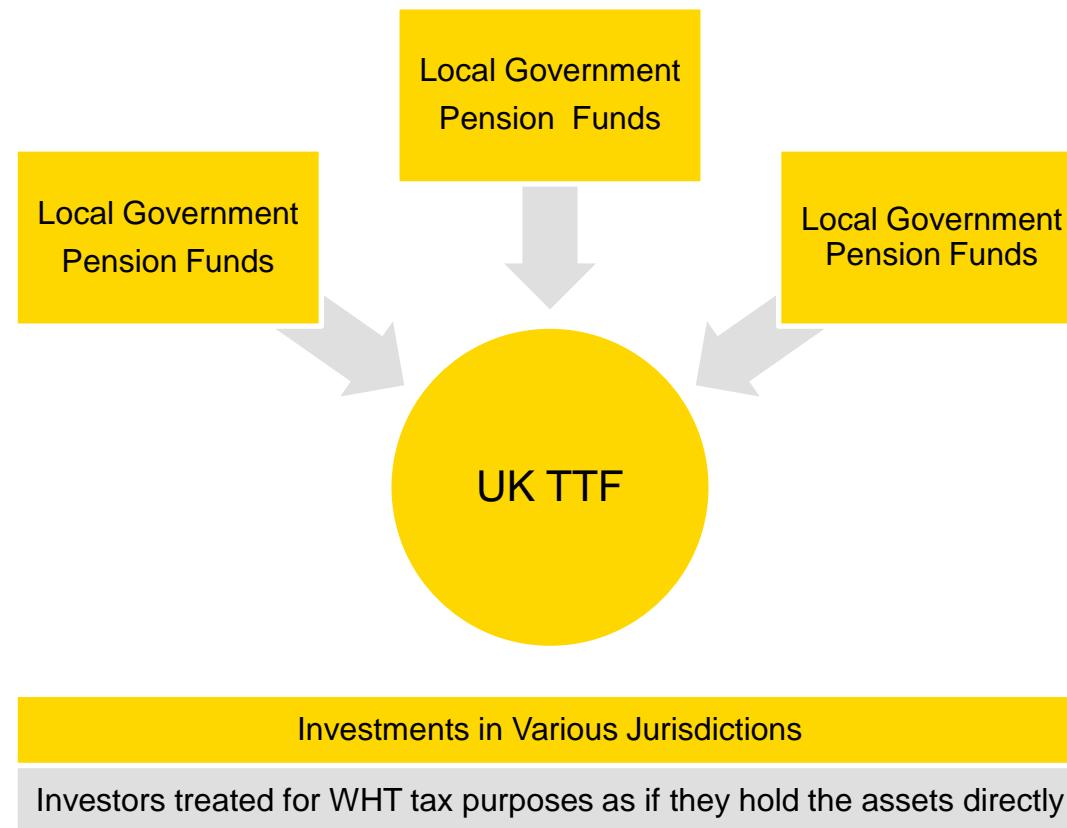


UK Tax Transparent Fund Structures

Overview of UK TTF

- The UK Government issued a document in March 2013 setting out the “UK investment management strategy” to rebuild the UK share of global business, take advantage of growth opportunities in Asia and respond to changes in European regulation
- Part of strategy, was the introduction in July 2013 of 2 new authorised contractual tax transparent scheme vehicles (co-ownership and limited partnership) to be available for fund managers to establish in the UK to help to ensure that the UK can be the location of choice for fund domicile
- To compete with 3 main tax transparent vehicles in Europe: the Luxembourg FCP, the Irish CCF and the Netherlands FVGR
- These UK contractual schemes will be fiscally transparent which means that for tax purposes the investors are treated as if they had invested directly in the underlying assets
- The aim of the UK TTF is also to facilitate the use of pooled master funds under the UCITs IV Directive, where the UK TTF is the master fund
- Likely to appeal to Pension funds, Life companies and Asset Managers both single and multiple jurisdictions

UK TTF Structure



Proven Provider of Fund Services

Type of
Funds today

- BNY Mellon is supporting launch of 1st UK TTF on 27th June 2014
- BNY Mellon supports 140 FGRs (175billion EUR AuM)
- BNY Mellon supports 3 CCFs (1billion EUR AuM) including multi-jurisdictional CCF
- BNY Mellon supports 22 FCPs (14billion EUR AuM)

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