Title: THE COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (CONTRACTUAL SCHEME) REGULATIONS 2013	Post Implementation Review
PIR No: N/A	**Date: 20/03/2019**
Original IA: here	**Type of regulation: Domestic**
Lead department or agency: HM Treasury	**Type of review: Statutory**
Other departments or agencies: **Financial Conduct Authority (FCA)**	**Date measure came into force:** **06/06/2013**
	Recommendation: Keep
Contact for enquiries: **Ryan.Bennett@hmtreasury.gov.uk**	**RPC Opinion: N/A**

1. **What were the policy objectives of the measure?** (Maximum 5 lines)

The Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (the Regulations) introduced a new type of fund structure called 'contractual schemes'. The overriding aim was to enhance the competitiveness of the UK's asset management industry by ensuring that the UK can authorise schemes of this sort in line with leading European competitors. The fund created a tax transparent structure, with the aim to encourage funds to domicile in the UK, predominately to ensure an increase in additional fund management activity in the UK.

2. **What evidence has informed the PIR?** (Maximum 5 lines)

HMT has engaged with the FCA, who hold information regarding the implementation of the Regulations, such as the amount of funds set up. Statistical evidence provided by the European Fund and Asset Management Association (EFAMA) and the Investment Association, the predominant trade bodies for asset management in the EU and UK respectively, has also been used. HMT has also reviewed industry engagement with stakeholders since the Regulations were implemented, and the original consultation documents to determine if any concerns raised have materialised.

3. **To what extent have the policy objectives been achieved?** (Maximum 5 lines)

The Regulations provided an option for industry to launch competitive tax transparent 'master funds' if they wished to benefit from such structures, without obliging them to make changes to their businesses. There are currently 21 authorised contractual schemes (ACS) in the UK, with 144 funds in total (including sub-funds). ACS are promoted by financial services companies as a beneficial and flexible type of fund vehicle, as they allow an ability to pool investments, and gain economies of scale and reduced costs. Therefore, the Regulations have met their aim to enable the operation of this particular type of fund vehicle in the UK.

The objectives of the policy also estimated monetary values for the increase of UK domiciled assets following the introduction of the Regulations. However, as firms are not required to report or publish information on the fund asset value, it is difficult to identify whether these have been met. Nevertheless, as per the policy objectives, the UK has increased its share of the wider European UCITS market, and in 2018 (Q4) was the 3rd largest EEA domiciled centre for funds (4th in Q1 2012), and in that same period added £397bn in asset domiciled in the UK.

SCS of Personal Finances & Funds

Signed: ***John Owen*** Date: ***03/04/2019***

SCS of Better Regulation Unit

Signed: ***Gemma Peck*** Date: ***18/03/2019***

Sign-off for Post Implementation Review: Minister

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Signed: ***John Glen MP, Economic Secretary to the Treasury*** Date: ***23/04/2019***

Further information sheet

Please provide additional evidence in subsequent sheets, as required.

4. **What were the original assumptions?** (Maximum 5 lines)

The underlying assumption to these Regulations was that if they were not introduced, the UK would not be a competitive fund domicile for UCITS funds and the amount of assets domiciled in the UK would decrease (for example that 30% of UK UCITS would move their domicile to be outside the UK over 10 years).

5. **Were there any unintended consequences?** (Maximum 5 lines)

A review of stakeholder engagement as part of this post-implementation review has not revealed any unintended consequences from the Regulations.

6. **Has the evidence identified any opportunities for reducing the burden on business?** (Maximum 5 lines)

ACS introduced an alternative fund vehicle into the UK market. This meant there was no obligation for operators to change the structure of their funds, and that fund managers did not have to comply with this regulation or the associated burden on businesses, unless they wished to set up an ACS and benefit from its structure.

7. **For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business?** (Maximum 5 lines)

The UCITS Directive created the ability for there to be a tax transparent fund vehicle in member states; this was implemented in the UK by the creation of ACS. However, some member states, such as Luxemburg and Ireland, already had a tax transparent fund.

Recommended Next Steps (Keep, Amend, Repeal or Replace)

This review proposes the renewal of the legislation.

The Regulations add to and enhance the UK funds regime, introducing a tax transparent fund vehicle. It has been welcomed by industry and is promoted as a flexible type of fund for investment operators. There have been no or limited industry representations to indicate discontent or to signify weakness in the legislation.