



	Summary	Timing	COLL Rules
	<ul style="list-style-type: none"> <li>▪ independent directors make up at least 25% of the board; and</li> <li>▪ in circumstances where the board has fewer than eight members, it must appoint at least two independent directors to the board.</li> </ul> <p>The COLL rules detail a number of practical criteria:</p> <ul style="list-style-type: none"> <li>▪ each authorised fund manager may decide whether the role of Chair is held by an independent or executive director;</li> <li>▪ independent directors must have “sufficient expertise and experience”;</li> <li>▪ independent directors can serve for a maximum term of ten years*;</li> <li>▪ specific criteria has been introduced for determining a director’s independence (including previous employment, material business relationships and close relatives); and</li> <li>▪ independent directors can sit on more than one authorised fund manager board within a group.</li> </ul> <p>The FCA has not taken steps to prohibit independent directors from sitting on the boards of competitors however they have commented that: <i>“We have considered respondents’ concerns about independent directors attending multiple boards, across different commercial groups, and we recognise that legitimate concerns will exist about confidentiality and other conflicts of interest. These considerations may mean that it does not become common practice for independent directors to serve on the AFM boards of different groups”</i>.</p> <p>*In respect of AIFMs, who already have independent directors on the board, the time period for service does not start until 1 October 2019.</p>		<p>COLL 8.5.20R</p> <p>COLL 6.6.26(G)</p>
SM&CR	<p>The FCA will adopt Prescribed Responsibility 7, in respect of authorised fund managers, as part of the extension of the Senior Managers &amp; Certification Regime. This requires that <i>“a Senior Manager, usually the chair of the board of an AFM, must take reasonable steps to ensure that the firm complies with its obligation to carry out the assessment of value, the duty to recruit independent directors, and the duty to act in the best interests of fund investors”</i></p>	<p>Summer 2018 (SM&amp;CR extension rules expected)</p> <p>Mid to late 2019 (SM&amp;CR extension expected to come into force)</p>	N/A

	Summary	Timing	COLL Rules
<b>Box Profits</b>	<p>An authorised fund manager must:</p> <ul style="list-style-type: none"> <li>▪ pass all risk-free box profits back to the fund or to the investors; and</li> <li>▪ disclose its approach to box management in the fund prospectus.</li> </ul> <p>The COLL rules detail a number of circumstances where certain deductions can be made from box profits (for example offsetting certain losses).</p> <p>In addition, COLL 6.3.5EG provides additional guidance for authorised fund managers on how to demonstrate compliance with these new rules.</p>	1 April 2019	<p>COLL 6.3.5DR</p> <p>COLL 8.5.9-BR</p>
<b>Switching Share Classes</b>	<p>The FCA has published updated non-Handbook guidance in respect of switching investors into less expensive share classes (FG18/3). The guidance provides that authorised fund managers need to:</p> <ul style="list-style-type: none"> <li>▪ consider whether mandatory conversions are in investors’ best interests and should be satisfied that, on reasonable grounds, any conversion will not result in a detriment to the investor;</li> <li>▪ provide a one-off notification to investors (although no response is required from the investor); and</li> <li>▪ allow a minimum of 60 days to elapse prior to any mandatory conversion taking place.</li> </ul>	5 April 2018 (guidance has immediate effect)	Paragraphs 1.20 to 1.24 (FG18/3).

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## Key sources of additional information:

### FCA documentation:

- FCA Asset Management Market Study website
- FCA Policy Statement (PS18/8) (April 2018)
- FCA Consultation Paper (CP17/18) (June 2017)
- FCA Final Report (MS15/2.3) (June 2017)
- FCA Interim Report (MS15/2.2) (November 2016)
- FCA Terms of Reference (MS15/2.1) (November 2015)

### Simmons & Simmons commentary:

- (Still) Wanted! 480 Independent NEDs for Authorised Fund Managers (13 April 2018)
- FCA publish Policy Statement and further consultation paper: Asset Management market study (05 April 2018)
- Autumn Legal Business Update 2017: The Asset Management Market Study (11 October 2017)
- The FCA's Asset Management Market Study Final Report (12 September 2017)
- Wanted! 480 independent NEDs for Authorised Fund Managers (07 August 2017)
- FCA publishes final report for its asset management market study (13 July 2017)
- Interim findings of the FCA's asset management market study (06 December 2016)
- The FCA's market study into asset management (18 November 2015)