

**COLLECTIVE INVESTMENT SCHEMES (SINGLE PRICING AND DILUTION)  
INSTRUMENT 2002**

**Powers exercised**

- A. The Financial Services Authority amends the Collective Investment Schemes sourcebook and related parts of the Handbook in the exercise of the powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Acts 2000 (the "Act"):
    - (a) 138 (General rule-making powers);
    - (b) 156 (General supplementary powers);
    - (c) 157 (Guidance);
    - (d) 247 (Trust scheme rules); and
    - (e) 248 (Scheme particular rules); and
  - (2) regulation 6 of the Open-Ended Investment Companies Regulations 2001 (FSA rules).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

**Commencement**

- C. This instrument comes into force on 1 August 2002.

**Amendment of CIS, COB and the Glossary**

- D. (1) The Collective Investment Schemes sourcebook is amended in accordance with Annex A to this instrument.
- (2) The Conduct of Business sourcebook is amended in accordance with Annex B to this instrument.
- (3) The Glossary is amended in accordance with Annex C to this instrument.

**Citation**

- E. This instrument may be cited as the Collective Investment Schemes (Single Pricing and Dilution) Instrument 2002.

By order of the Board  
18 July 2002

**Annex A**  
**Amendments to the Collective Investment Schemes sourcebook**

In this Annex, underlining indicates new text and strike through indicates deleted text.

CIS Table TP1

<u>12</u>	<u>CIS 3.5.2R18</u>	<u>R</u>	<p>Except where the <i>authorised fund manager</i> <u>takes steps to allow it to adopt a policy enabling it to make a <i>dilution adjustment</i>, the <i>prospectus</i> of an <i>authorised fund</i> in existence on 1 August 2002 need not be revised solely to take account of the amendments to <u>CIS 3.5.2R 18 taking effect on that date until the earlier of:</u></u></p> <p><u>(1) the first day after 1 August 2002 on which the <i>prospectus</i> is revised; and</u></p> <p><u>(2) 1 February 2003</u></p>	<u>From 1 August 2002 for 6 months</u>	<u>1 August 2002</u>
<u>13</u>	<u>CIS 7.3.3R(2)</u> <u>CIS 7.3.3R(3)</u> <u>CIS 7.8.3(4)</u>	<u>R</u>	<p>The retention period of 6 years does not apply to records that, as at 1 August 2002, had not been retained.</p>	<u>From 1 August 2002 until 31 July 2008</u>	<u>1 August 2002</u>

CIS 3.4.2R(2)(e)

- (e) CIS 3.5.2R18 (Dilution ~~levy~~); and

CIS 3.4.2R(4)(c)

- (c) solely to reflect an amendment to the *instrument constituting the scheme*:
- (i) made either in accordance with *CIS 11.4.4R* (Amendments to the instrument constituting the scheme: without meeting) or by a resolution passed at a meeting or, where appropriate, *class meeting*, of *holders* and which is not a change to any of the provisions of the *prospectus* included to comply with *CIS 3.5.2R(3)* (Investment objectives and policy) or *CIS 3.5.2R(12)(1)* (Payments to the authorised fund managers); or
- (ii) of one of the types described in *CIS 11.4.2R(1)(a)* or (b) (Amendment to the instrument constituting the scheme: with meeting); ~~or~~

CIS 3.4.2R(4)(d)

- (d) to comply with *CIS 3.5.2R(12)(4)* (Payments to the authorised fund manager) or *CIS 3.5.2R(13)(6)* (Other payments out of the scheme property) if:
- (i) the *authorised fund* already has clear investment objectives indicating:
- (1) a greater preference for the generation of income than for capital growth; or

- (2) equal emphasis on the generation of income and capital growth; and

90 days have elapsed since the *holders* were notified in writing by the *authorised fund manager* of the change to the *prospectus* and of the date when it is to come into effect; or

- (ii) in accordance with *CIS 8.3.5R(4)* (Allocation of payments to capital or income for (for ICVCs)) or *CIS 8.5.7R(4)* (Allocation of payments to capital or income (for AUTs)) all of the *remuneration* of the *authorised fund manager* was immediately prior to the change in the *prospectus*, treated as a capital charge and the *authorised fund manager* and *depository* have agreed that the change to the *prospectus* is of minimal significance; or
- (iii) the change is only to reflect a reduction in the types or amounts of the payments which may be treated as a capital expense; or

(e) to comply with *CIS 3.5.2R18* (Dilution), if the *authorised fund manager* has not less than 90 days before the intended change:

- (i) given written notice of the intended change to the *depository* and to the *holders*; and
- (ii) revised the *prospectus* to reflect the intended change and the date of its commencement.

CIS 3.5.2R18

18 Dilution levy Dilution

In the case of an *ICVC* or a *single-priced AUT*:

- (1) what is meant by *dilution levy* and for the purposes of (2), by *large deal*; and what is meant by: (a) *dilution*, (b) *dilution levy* or *dilution adjustment* (as the case may be) and (c) for the purposes of (4)(a), *large deals*;
- (2) the *authorised fund manager*'s policy on imposing a *dilution levy*, including its policy on *large deals*; a statement that it is not possible to predict accurately whether *dilution* would occur at any point in time;
- (3) a statement of which one of the following policies the *authorised fund manager* is adopting:
- (a) it may require a *dilution levy*; or
- (b) it may make a *dilution adjustment*; or
- (c) it will not require a *dilution levy* or make a *dilution adjustment*;
- together with an explanation of how this policy may affect the future growth of the *authorised scheme*; and
- (4) if the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment*:
- (a) a statement of the *authorised fund manager*'s policy in deciding when to require *dilution levy*, including the *authorised fund manager*'s policy on *large deals*, or to make a *dilution adjustment*;
- (b) a statement, based either on historical data or future projections, of the estimated rate or amount of any *dilution levy* or *dilution adjustment*; and
- (c) a statement as to the likelihood that the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment* and the basis (that is, historical or projected) on which the statement is made.

CIS 3.5.2R19

19 SDRT provision

Details as to:

- (1) what is meant by *stamp duty reserve tax*, *SDRT provision* and, for the purposes of (2), by *large deal*; and
- (2) the *authorised fund manager's* policy on imposing an *SDRT provision* including its policy on *large deals*, and the occasions, and the likely frequency of the occasions, in which an *SDRT provision* may be imposed and the maximum rate of it; a usual rate may also be stated.

CIS 4.1.3G

- (1) This chapter helps in achieving the *regulatory objective* of protecting consumers (consumer's interests) as envisaged by sections 2 and 5 of the *Act*. In accordance with *Principle 6*, this chapter is intended to ensure the *authorised fund manager* pays due regard to its *customers'* interests and treats them fairly.

CIS 4.1.4G(7)

- (7) ~~*CIS 4.6* provides the *authorised fund manager* with the power to require, for the benefit of the *authorised fund*, the payment or deduction of a *dilution levy* or a provision for stamp duty reserve tax (*SDRT provision*) or both as an addition to (but not part of) the single price.~~ *CIS 4.6 (Dilution and SDRT provision)* enables the *authorised fund manager* to choose whether or not:
  - (a) to require for the benefit of the *authorised fund*, as an addition to, or deduction from, the single price (but not part of it), a provision (*SDRT provision*) against certain stamp duty reserve tax that is payable out of the *scheme property*; and
  - (b) for the purpose of reducing *dilution* (see *CIS 4.6.2G(1) (Purpose)*) either:
    - (i) to require, for the benefit of the *authorised fund*, a *dilution levy* as an addition to, or deduction from, the single price (but not part of it); or
    - (ii) to make a *dilution adjustment* in the calculation of the single price.

CIS 4.2.5R(3)

- (3) The current *price* of a *unit* for the purpose of (1):
  - (a) must be calculated on the basis that the number of *units* of each relevant *class* in existence immediately before the valuation is the number for which the *initial price* has been paid, or for which assets have been transferred to the *depository* in exchange (or treated for the purpose of the valuation as having been paid or exchanged), before the valuation; and
  - (b) must not include any *dilution adjustment*.

CIS 4.3.11R(2)

- (c) divide the total at (a) by the number of *units* at (b); ~~and~~
- (d) if the *authorised fund manager* makes a determination under CIS 4.6.4R (Dilution adjustment), increase or decrease the resulting amount by an adjustment (the "*dilution adjustment*") made for the purpose of reducing *dilution*; and
- (e) except for *smaller denomination shares*, express the *price* in a form that is accurate to at least four significant figures.

CIS 4.4.7R(1)

- (1) Immediately after completing a valuation under CIS 4.8 (Valuation) (whether regular or otherwise) the *authorised fund manager* must notify the *depository* ~~of: the *price* of a *unit* of each *class in issue* as determined for the relevant *valuation point* and of the amount or rate of any *dilution levy* which applies to any *issue* or *cancellation* of *units*. The *prices* to be notified must be in the *base currency* or, in the case of a *currency class share*, the *currency of designation*.~~
  - (a) the *price*, in the *base currency* (or, in the case of a *currency class share*, the *currency of designation*) of a *unit* of each *class in issue* as determined for the relevant *valuation point*; and
  - (b) (i) the amount or rate of any *dilution levy* which applies to any *issue* or *cancellation* of *units* made by reference to that valuation; or  
  
(ii) the amount or rate of any *dilution adjustment* taken into account in calculating that *price* and whether it was an addition or deduction.

4.6 Dilution ~~levy~~ and SDRT provision

CIS 4.6.2G

- (1) (a) An *ICVC* or an *AUT* may suffer *dilution* (reduction) in the value of the *scheme property* as a result of the costs incurred in *dealing* in the underlying *investments* and of any spread between the *buying* and *selling prices* of ~~these~~ those *investments*. ~~However, an *authorised fund manager* is permitted to require the payment of a *dilution levy*, as an addition to (but not part of) the *price* of *units* when they are issued by the *ICVC* or the *trustee* or sold by the *authorised fund manager*, and as a deduction when they are cancelled by the *ICVC* or the *trustee* or redeemed by the *authorised fund manager*. In order to enable the *authorised fund manager* to decide what, if any, response to make to issues about *dilution*, an *authorised fund manager* is permitted to:~~
  - (i) require the payment of a *dilution levy*, as an addition to (but not part of) the *price* of *units* when they are issued by the *ICVC* or the *trustee* or sold by the *authorised fund manager*, and as a deduction when they are cancelled by the *ICVC* or the *trustee* or redeemed by the *authorised fund manager*; or
  - (ii) make a *dilution adjustment* in accordance with CIS 4.3.11R(2)(d) (Price of a unit) so that the *price* of a *unit* is

above or below that which would have resulted from a mid-market valuation; or

(iii) decide not to require the payment of a *dilution levy* or make a *dilution adjustment*.

(b) An authorised fund manager is not obliged by CIS to make any *dilution levies* or *dilution adjustments*.

(c) The choice between (1)(a)(i), (ii) or (iii) will be governed by a statement in the *prospectus*, but only one can apply at any time.

(2) Certain transactions in *units* can result in stamp duty reserve tax being paid out of the *scheme property* of an *authorised fund*. However, with a view to protecting investors from a resulting diminution in the value of their *units*, an authorised fund manager is permitted to require the payment of an *SDRT provision* as an addition to (but not as part of) the price of *units* when they are *issued* or *sold*, and as a deduction when they are *cancelled* (other than certain in specie *cancellations*) or *redeemed*.

(3) Any *dilution levy* or *SDRT provision* paid or received by deduction, is for the account of the *authorised fund*. However, there are provisions to prevent a *dilution levy* or *SDRT provision* being imposed twice on both the *issue* and subsequent *sale* of a *unit*, or on the *redemption* and subsequent *cancellation* of a *unit*.

(4) For the purposes of (1) to (3); it does not matter whether the *issue* or *cancellation* is under *CIS* 4.3 (Issue and cancellations) or under *CIS* 4.5R (Issues and cancellations through the authorised fund manager and in specie cancellations). However, there are provisions to prevent the levy being imposed twice on both the *issue* and subsequent *sale* of a *unit*, or on the *redemption* and subsequent *cancellation* of a *unit*.

(5) *CIS* 4.6.3R(3)(b) makes it clear that *transactions* that are specifically excluded from a charge of stamp duty reserve tax (such as *transactions* in *units* within an individual pension account) can be excluded from the imposition of an *SDRT provision* without affecting the fairness required by that rule. *CIS* 4.6.3R (3) (Dilution levy and *SDRT provision*) requires a *dilution levy* or *SDRT provision* to be imposed only in a manner that, so far as practicable, is fair to all *holders* and potential *holders*. However there are exceptions to this in respect of *large deals*. In addition, certain *transactions* (such as *transactions* in *units* within an *individual pension account*) are specifically excluded from a charge to stamp duty reserve tax.

(6) Where there is more than one class of *unit* of an *authorised fund*, or in the case of an *umbrella scheme*, a *sub-fund*, the price of a *unit* of each *class* must be calculated separately under *CIS* 4.3.11R (Price of a unit). Notwithstanding this, the *FSA* envisages that any *dilution adjustment* should in percentage terms affect the price of a *unit* of each *class* identically even if there were net *issues* of *units* of one *class* and net *cancellations* of the other.

(7) It should be noted that, in determining the rate of any *dilution levy* or *dilution adjustment*, an *authorised fund manager* may, in order to reduce volatility in the rate, take account of:

(a) the trend of the *authorised fund* or *sub fund* in question to expand or contract; and

(b) the *transactions* in *units* at a particular *valuation point*.

CIS 4.6.3R(1)

- (1) The *authorised fund manager* may, in accordance with the *prospectus*, have ~~has~~ the power to require any one or more of:

CIS 4.6.3R(3)

- (3) A *dilution levy* or *SDRT provision* may be imposed only in a manner that is, so far as practicable, fair to all *holders* and potential *holders*. However: ~~or~~
- (a) The imposition of a *dilution levy* (or a higher *dilution levy*) or *SDRT provision* (or a higher *SDRT provision*) in respect of *large deals* in a manner described in the *prospectus* current at the time of the *deal*; or
- (b) The exclusion from an *SDRT provision* of any *transaction in units* where the *units* are so held that their redemption or cancellation is specifically excluded from a charge to stamp duty reserve tax; ~~or~~
- Is not unfair.

CIS 4.6.3R(5)

- (5) If the *authorised fund manager* deducts a *dilution levy* or *SDRT provision* from the proceeds of a *unit* it redeemed, it must immediately pay it to the *depository* to become part of the *scheme property*, except to the extent that it has already been, or will be, deducted from the *depository's* payment to the *authorised fund manager* ~~when the *unit* is cancelled~~ on cancellation of that *unit*.

CIS 4.6.4R

Dilution adjustment

4.6.4

- R (1) The *authorised fund manager* may, in accordance with the *prospectus*, have the power to make a *dilution adjustment* but may only exercise this power:
- (a) for the purpose of reducing *dilution* in the fund; or
- (b) to recover any amount which it has already paid or reasonably expects to pay in the future in relation to the *issue* or *cancellation* of *units* (see *CIS 4.6.2G(7)* (Purpose)).
- (2) Where the *authorised fund manager* decides not to make an adjustment, this decision must not be made for the purpose of creating a profit or avoiding a loss for the account of the *authorised fund manager*.
- (3) When by reference to any *valuation point*:
- (a) the aggregate value of the *units* of all *classes* of the *authorised fund* or *sub-fund issued* exceeds the aggregate value of *units* of all *classes cancelled*:
- (i) any adjustment must be upwards; and
- (ii) the *dilution adjustment* must not exceed the *authorised fund manager's* reasonable estimate of the difference between what the *price* would have been had the *dilution adjustment* not been taken into account and what the *price* would have been if the

scheme property had been valued on the best available market offer basis plus dealing costs; or

(b) the aggregate value of the units of all classes of the authorised fund or sub-fund cancelled exceeds the aggregate value of units of all classes issued;

(i) any adjustment must be downwards; and

(ii) the dilution adjustment must not exceed the authorised fund manager's reasonable estimate of the difference between what the price would have been had the dilution adjustment not been taken into account and what the price would have been if the scheme property had been valued on the best available market bid basis less dealing costs.

CIS 4.6.5G

Dilution adjustment guidance

4.6.5 G The effect of CIS 4.6.4R(1) (Dilution adjustment) is to prohibit authorised fund managers from making a dilution adjustment for reasons or purposes other than set out in CIS 4.6.4R(1)(a) or (b), for example, in order to create a profit or to avoid a loss for the account of the authorised fund manager.

CIS 4.8.3R(3)

(3) For the purposes of (1) and (2), any ~~fiscal charges or~~ fiscal charges, commissions, professional fees or other charges that were paid, or would be payable, on acquiring or disposing of the investment or other part of the scheme property, must be excluded from the value of an investment or other part of the scheme property.

CIS 6.5.4R(12)(a)

(a) ~~CIS 3.4.2R(4)(b) and CIS 3.4.2R(4)(d) (notice of certain changes to a prospectus);~~ CIS 3.4.2R(4)(b), (d) and (e) (Notice of certain changes to a prospectus);

CIS 7.3.3R (2)

(2) The ACD must make and retain for a period of six years from the date each record is made a daily record of the shares in the ICVC held, acquired or disposed of by the ACD, including the classes of such shares, and of the balance of any acquisitions and disposals.

CIS 7.3.3R (3)

(3) Unless the policy of the ACD stated in the prospectus is neither to require a dilution levy nor to make a dilution adjustment, it must make and retain for a period of six years from the date each record is made a daily record of:

(a) how it calculates and estimates dilution; and

(b) its policy and method for determining the amount of any dilution levy or dilution adjustment.

CIS 7.4.1R(1)(b)(ii)

(ii) the dilution levy, dilution adjustment or SDRT provision;

CIS 7.4.1R(2)

(2) The depositary must, in so far as not required under (1)(a)(i), take reasonable care to ensure on a continuing basis that:

CIS 7.4.1R(4)

(4) The depositary:

(a) must take reasonable care to ensure that:

(i) the ACD considers whether or not to exercise the power provided by CIS 4.6.3R(1)(c) and (d) (Dilution levy and SDRT provision) and the amount or rate of any SDRT provision that is imposed; and

(ii) in that consideration the ACD has, so far as the depositary is aware, taken account of all factors that are material and relevant to the ACD's decision; and

(b) subject to (a), has no duty in respect of the ACD's exercise of discretion referred to in (a).

(5) The depositary:

(a) must also take reasonable care to ensure that:

(i) the ACD considers whether or not to exercise the power provided by CIS 4.6.3R(1)(a) or (b) (Dilution levy and SDRT provision) or CIS 4.6.4R (Dilution adjustment) (as the case may be) and, if applicable, the rate or amount of any dilution levy or dilution adjustment that is imposed;

(ii) in that consideration the ACD has, so far as the depositary is aware, taken account of all factors that are material and relevant to the ACD's decision; and

(iii) when the ACD considers whether or not to exercise the power under CIS 4.6.4R (Dilution adjustment), the ACD has, so far as the depositary is aware, acted in accordance with the restrictions imposed by that rule;

(b) subject to (a), has no duty in respect of the ACD's exercise of discretion referred to in (a).

CIS 7.8.3R(4)

(4) Except when the policy of the manager stated in the prospectus is neither to require a dilution levy nor to make a dilution adjustment, it must make and retain for a period of six years from the date each record is made a daily record of:

(a) how it calculates and estimates *dilution*;

(b) its policy and method for determining the amount of any *dilution levy* or *dilution adjustment*.

CIS 7.9.1R(4)(b)

- (4) (b) subject to (a), has no duty in respect of the *manager's* exercise ~~or omission to exercise the power~~ of discretion referred to in (a).

CIS 7.9.1R(5)

- (5) The trustee of a *single-priced AUT*:
- (a) must take reasonable care to ensure that:
- (i) the *manager* considers whether or not to exercise the power provided by CIS 4.6.3R(1)(a) or (b) (Dilution levy and SDRT provision) or CIS 4.6.4R (Dilution adjustment) (as the case may be) and, if applicable, the amount or rate of any *dilution levy* or *dilution adjustment* that is imposed;
  - (ii) in that consideration the *manager* has, so far as the trustee is aware, taken account of all factors that are material and relevant to the *manager's* decision; and
  - (iii) when the *manager* considers whether or not to exercise the power under CIS 4.6.4R (Dilution adjustment), the *manager* has, so far as the *trustee* is aware, acted in accordance with the restrictions imposed by that rule; and
- (b) subject to (a), has no duty in respect of the *manager's* exercise ~~or omission to exercise the power~~ of discretion referred to in (a).

CIS 11.4.5G(3)(e)

- (e) ~~*Dilution levy*~~  
The notice should also cover *dilution*:  
~~what is it, how it will affect investors and the *manager's* policy on imposing a *dilution levy*~~
- (i) what it is;
  - (ii) how it will affect investors; and
  - (iii) the *manager's* policy on either imposing a *dilution levy* or making a *dilution adjustment* or doing neither.

CIS 15.1.3G(1)

- (1) This chapter helps in achieving the *regulatory objective* of protecting consumers as envisaged by sections 2 and 5 of the *Act*. In accordance with *Principle 6* (customers' interests), this chapter is intended to ensure the *manager* pays due regard to its *customers'* interests and treats them fairly.

CIS 15.6.2G(2)

- (2) Any *SDRT provision* paid or received by deduction is for the account of the *AUT*. However, there are provisions to prevent an *SDRT provision* being imposed twice, both on the *issue* and subsequent *sale* of a *unit*, or on both the *redemption* and subsequent *cancellation* of a *unit*.

CIS 15.6.2G(4)

- (4) ~~*CIS 15.6.3R(3)(b)* makes it clear that transactions that are specifically excluded from a charge to stamp duty reserve tax (such as transactions in *units* within an individual pension account) can be excluded from the imposition of an *SDRT provision* without affecting the fairness required by that *rule*.~~
- CIS 15.6.3R(3)* (*SDRT provision*) requires an *SDRT provision* to be imposed only in a manner that, so far as practicable, is fair to all *holders* and potential *holders*. However there are exceptions to this in respect of *large deals*. In addition, certain transactions (such as transactions in units within an *individual pension account*) are specifically excluded from a charge to stamp duty reserve tax.

Schedule 1 Table

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>CIS</i> 6.3.1R	Instruments of Transfer	Full Details	From registration	6 years
<i>CIS</i> 7.3.3R(1) and (2)	General record-keeping obligations ( <i>ACD</i> )	Such as to demonstrate compliance with the <i>rules</i> in <i>CIS</i>	As implicit from the <i>rules</i> in <i>CIS</i>	As implicit from the <i>rules</i> in <i>CIS</i>
<i>CIS</i> 7.3.3R(3)	<u>Dilution record-keeping obligations (<i>ACD</i>)</u>	<u>How the <i>ACD</i> calculates and estimates <i>dilution</i> and its policy and method for determining the amount of any <i>dilution levy</i> or <i>dilution adjustment</i>.</u>	<u>As implicit from the <i>rules</i> in <i>CIS</i></u>	<u>6 years</u>
<i>CIS</i> 7.8.3R(1), (2) and (3)	General record-keeping obligations ( <i>manager</i> )	Such as to demonstrate compliance with the <i>rules</i> in <i>CIS</i>	As implicit from the <i>rules</i> in <i>CIS</i>	As implicit from the <i>rules</i> in <i>CIS</i> .  6 years for <i>units</i> .
<i>CIS</i> 7.8.3R(4)	<u>Dilution record-keeping obligations (<i>manager</i>)</u>	<u>How the <i>manager</i> calculates and estimates <i>dilution</i> and its policy and method for determining the amount of any <i>dilution levy</i> or <i>dilution adjustment</i>.</u>	<u>As implicit from the <i>rules</i> in <i>CIS</i></u>	<u>6 years</u>

## Annex B

### Amendments to the Conduct of Business sourcebook

In this Annex, underlining indicates new text and strike through indicates deleted text

#### COB Transitional Rules

COB TR 1 Transitional Rules for pre-N2 and ex-Section 43 firms

2 Table

(1)	(2) Material to which the transitional provision applies: The COB provisions in Table COB TR2 with the labels indicated	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.0	<b>Extra time provisions</b>				
1.1	<i>ETP1</i>	R	<p><b>Transitional Relief</b></p> <p>(1) A pre-N2 <i>firm</i> will not contravene any of the provisions labelled <i>ETP1</i> in Table <i>COB TR 2</i> to the extent that, on or after <i>commencement</i>, it is able to demonstrate that it has complied with the <i>corresponding rule</i> of its <i>previous regulator</i> or, where applicable, the relevant former statutory requirement, subject to any modification, wherever appropriate, to take account of the passing of the <i>Act</i>.</p> <p>(2) Paragraph (1) does not apply to the following:</p> <p>(a) (from 1 September 2002) <i>COB 6.1.1R(5) to COB 6.1.1R(6)</i> (Application);</p> <p>(b) (from 1 September 2002) <i>COB 6.5.50R to COB 6.5.52R</i> (Life policies: requests for quotations for surrender values);</p> <p>(c) (from 1 September 2002) <i>COB 6.5.53R to COB 6.5.56R</i> (Open market option);</p> <p>(d) <u>(from 1 August 2002) <i>COB 6.5.40R(3)(k) and (l)</i> (Further information for life policies, schemes, insurance or equity ISAs, PEPs and stakeholder pensions);</u></p> <p>[Further exceptions to be added later, as described in row 1.1A.]</p>	<p>(1) <i>commencement</i> to 30 June 2002, except as specified in (2) and (3) below;</p> <p>(2) for <i>COB 9.3.105R</i>, from <i>commencement</i> to 31 December 2002;</p> <p>(3) for <i>COB 3.9.10R, COB 4.2.15E(7), COB 5.3, COB 5.7, COB 6.1 to 6.8</i>, until a date yet to be specified.</p>	<i>commencement</i>

1.1 A	ETP1 (for COB 6.1 – 6.8)	G	<p>(1) The FSA is extending transitional relief for COB 6.1 – 6.8 and various other rules in COB, pending the outcome of the review of product disclosure and polarisation. As each of those reviews are completed, the transitional provisions will be revoked or modified to provide an appropriate transition into the new regime. Firms will be given notice of any revocation or modification as part of consultation on the new regime.</p> <p>(2) Firms should be aware, however, that the FSA proposes to make rules, before the disclosure review is completed, to deal with the following matters:</p> <p>(a) Stakeholder pensions: maintaining decision trees (see CP 122);</p> <p>(b) Projections for pension schemes or stakeholder pension schemes (see CP134); and</p> <p>(c) <del>Single pricing for collective investment schemes (see CP 131).</del></p> <p>(3) The FSA envisages that, when the relevant rules are made, they will not benefit from the transitional relief set out in the COB Transitional Rules. For further information on the FSA's approach, firms should refer to the consultation papers mentioned above. If other interim changes to these rules are proposed, a similar approach is likely to be adopted.</p>	Commencement until a date yet to be specified.	
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COB TP 3 Miscellaneous Transitional Rules

1 Table

<b>(1)</b>	<b>(2)</b> <b><u>Material to which the transitional provision applies</u></b>	<b>(3)</b>	<b>(4)</b> <b><u>Transitional</u></b>	<b>(5)</b> <b><u>Transitional provision: dates in force</u></b>	<b>(6)</b> <b><u>Handbook provision: coming into force</u></b>
1	<u>COB 6.5.40R(3)(k) and (l)</u>	R	<b><u>Single pricing and dilution</u></b>  <u>COB 6.5.40R(3)(k) and (l) do not take effect until 1 February 2003 for an</u>	From <u>1 August 2002</u> until <u>1 February</u>	<u>1 August 2002</u>

		<u>authorised fund</u> in existence on 1 August 2002 unless the <u>authorised fund manager</u> decides to adopt a policy enabling it to make a <u>dilution adjustment</u> .	2003	
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**COB 6.5 (Content of key features and important information: life policies, schemes, ISA cash deposit components and stakeholder pension schemes)**

6.5.40 R A *firm* must include the following information in the *key features* separately or as part of the information required by COB 6.5.2R:

(3) for *regulated collective investment schemes* and for such *investments* held within a *PEP* or an *ISA*:

(k) for single-priced schemes:

(i) how the *scheme* may suffer dealing costs as a result of transactions in *units*; and

(ii) whether it is the *authorised fund manager's* policy that investors who carry out such transactions may be liable to contribute towards those dealing costs by means of a *dilution levy* or *dilution adjustment*, and, if not, an explanation of how this may affect the future growth of the *scheme*;

(l) in relation to *SDRT provision*:

(i) how the *scheme* may suffer stamp duty reserve tax as a result of transactions in *units*; and

(ii) whether the *authorised fund manager's* policy is such that an *SDRT provision* may be imposed.

**Annex C**  
**Amendment to the Glossary**

Insert the following new definition in the appropriate alphabetical position (underlining indicates new text):

*dilution adjustment*

an adjustment to the price of a *unit* determined by the *ACD*, or the *manager of a single-priced AUT*, under *CIS 4.6.4R (Dilution adjustment)* for the purpose of reducing *dilution*.