

Time running out for COLL conversions

The next 6 months will see frenetic activity in the Product Development, Compliance, Risk Management and Operations areas of many asset managers as they race to beat the 13 February 2007 deadline for conversion of their UK authorised funds to the new COLL rulebook issued by the FSA.

COLL was introduced some 2 years ago with the aim of introducing new types of investment vehicle and a less prescriptive approach to regulations (as had been lobbied for by many UK asset managers for a very long time) and it must be perplexing to the FSA that there has not been more of a rush to take advantage of the new opportunities available under the COLL rules (as at the end of June, only 50% of managers had moved their funds to the new rules).

The reasons for the slow take up are, in our view, that many managers are concerned about possible tax issues and compliance/risk ramifications which could put undue pressure on their operations and monitoring departments. If we take as a case in point, the adoption of the new UCITS 3 powers, which is obligatory under COLL, this could have led to problems with tax and create a heavy risk management burden if significant use were to be made of the new derivative powers available.



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FMConsult's view is that the above concerns actually miss the main point of the new rules as although in COLL's gestation period there were tax issues, these have now been largely resolved and, in the case of derivatives, it is extremely unlikely that managers will wish to use the powers to any great degree with their existing products.

What COLL is really about, in our view, is that it gives UK asset managers the opportunity to undertake in depth reviews of their entire businesses, to set them up for the new opportunities arising and to make major improvements to their profitability, at very little cost. We have already successfully completed a number of COLL conversion and advisory projects, using our technical and project management resources and would be very happy to talk to any managers who have concerns and have not as yet converted their funds, as well as those managers who have already converted, but feel that there may still be opportunities open to them in the new rules.