



HM Treasury



FINANCIAL
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A roadmap to implementing the Overseas Funds Regime

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Contents

1.	Introduction	3
2.	Context	4
3.	Timeline for implementation of the Overseas Funds Regime	5
4.	The application process	6
5.	Other requirements for OFR funds	8



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Chapter 1

Introduction

- 1.1** This document is issued jointly by HM Treasury and the Financial Conduct Authority (FCA) to explain how the Overseas Funds Regime (OFR) is intended to be opened to European Economic Area (EEA) funds authorised under the UCITS (Undertakings for Collective Investment in Transferable Securities) Directive, following the Government's decision to grant equivalence in relation to those funds (excluding money-market funds).
- 1.2** The OFR roadmap gives the key stages of the process, so that operators of EEA UCITS that wish to use the OFR as a gateway to the UK market can prepare. The timelines are subject to change. Any updates to this information will be published on the Government and FCA websites.

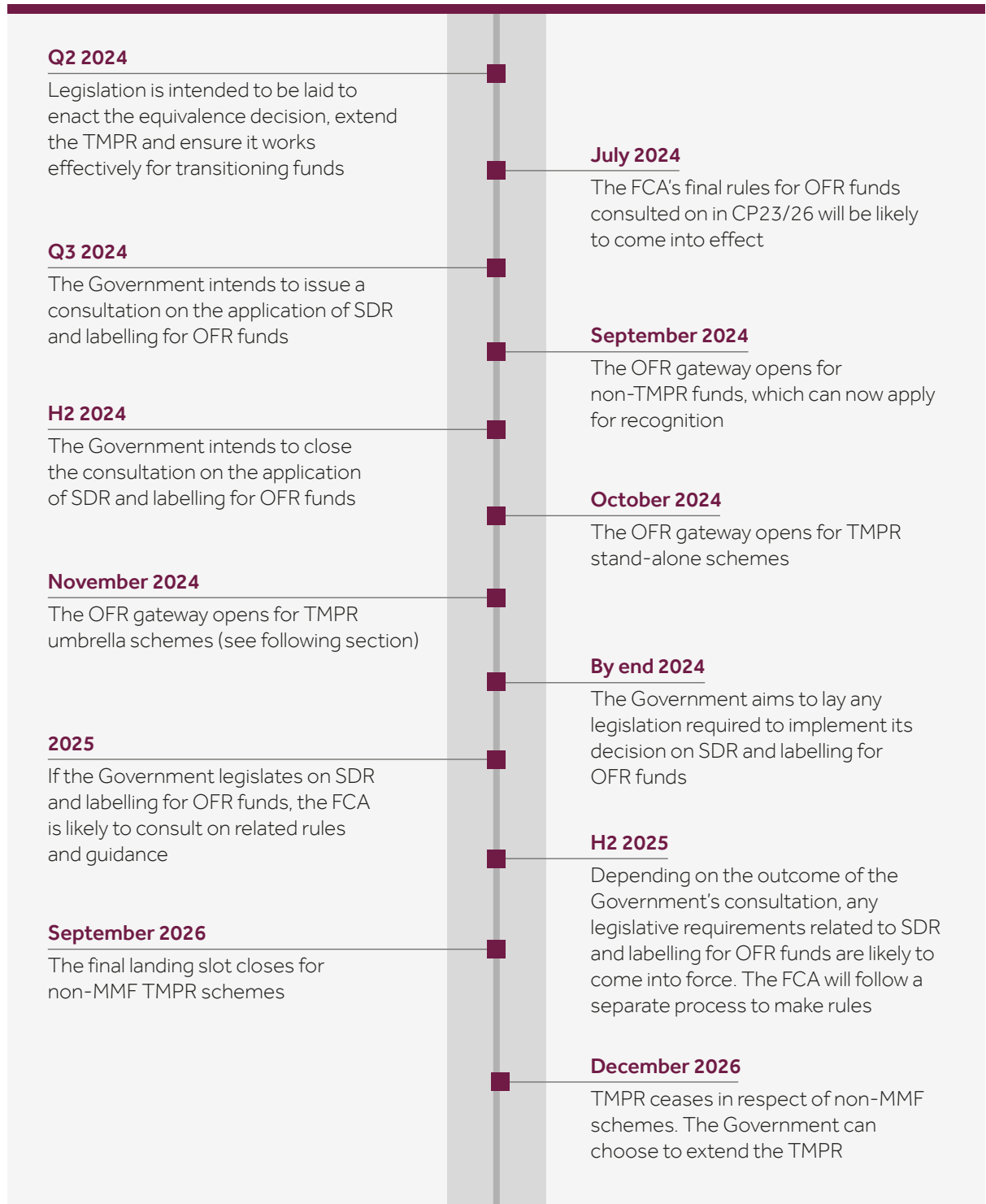
Chapter 2

Context

- 2.1** In the Financial Services Act 2021, the Government legislated for a new Overseas Funds Regime to create a more streamlined process for overseas investment funds to be sold to UK retail investors.
- 2.2** In October 2022, the Government confirmed that it had begun an assessment of the states in the EEA, including the European Union (EU) member states, under the OFR. This was the first assessment conducted under the OFR, in recognition of the importance of funds domiciled in these countries to UK markets and UK investor choice. The assessment focused on the regulation of collective investment undertakings authorised under the UCITS Directive, but did not assess UCITS authorised as money-market funds.
- 2.3** In January 2024, the Government announced that it had found the EEA states, including the EU member states, equivalent under the OFR in relation to UCITS funds. Since UCITS authorised as money-market funds were not in scope of the Government's assessment, they are not in scope of the Government's equivalence determination either.
- 2.4** The Government has also announced the intention to extend the existing Temporary Marketing Permissions Regime (TMPR), meaning that funds recognised under the TMPR can continue to be marketed to UK retail customers until the end of 2026 (subject to the laying and commencement of the necessary legislation).
- 2.5** This document sets out the timeline and next steps for legislating for this decision and for EEA UCITS to apply to the FCA for recognition under the OFR. The FCA will publish additional information alongside this document, including the 'landing slots' for funds that will be transitioning from the TMPR.
- 2.6** The Government announced in January 2024 that it did not intend to impose any additional requirements on EEA UCITS as part of this equivalence decision. However, the Government recognised the need to consult further on whether the UK Sustainability Disclosure Requirements (SDR) and labelling regime should be extended to include funds recognised under the OFR. This document sets out the intended timelines for this consultation and for the implementation of any requirements which may be applied following it.
- 2.7** Funds recognised under the OFR will need to comply with certain other legislative and regulatory requirements, such as the UK's retail point-of-sale disclosure requirements. The FCA is working to finalise the rules for OFR funds proposed in CP23/26 on Implementing the Overseas Funds Regime.

Chapter 3

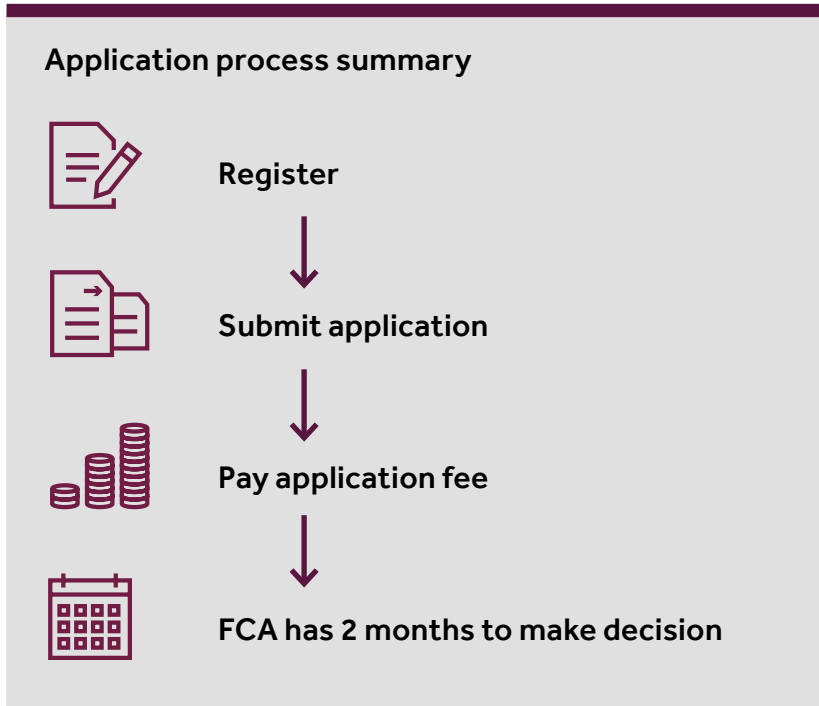
Timeline for implementation of the Overseas Funds Regime



Chapter 4

The application process

- 4.1** The diagram below gives an overview of the process for applying for recognition under the OFR. More detailed information and changes to the timeline will be given on the FCA website.
- 4.2** The FCA's Connect system is the online system used to submit OFR applications. There will be some preliminary steps for the fund operator to carry out before an application can be made. Each fund operator will need to register a user on the system to complete an enrolment form on behalf of the operator. This will give access to the functionality needed to submit forms for OFR funds and pay an application fee.
- 4.3** Stand-alone and umbrella funds that are new to the UK market will be able to apply as soon as the gateway is open, and at any time afterwards. For funds already in the TMPR, there will be a series of 'landing slots' to smooth the transition process. Each fund operator will be allocated a three-month landing slot, usually by alphabetical order of name, in which it will be invited to apply for OFR recognition for all its TMPR funds (except any money-market funds). The process will be staggered, with a new landing slot opening each month in an overlapping sequence.
- 4.4** The application can be made at any point during the landing slot, but no later. Following the commencement of planned forthcoming Government legislation, funds which miss their allocated landing slots will be removed from the TMPR. The fund will cease to be a recognised scheme and cannot be promoted to retail investors until it has made a successful application under the OFR and becomes recognised again. In the meantime, the operator and UK distributors would need to take steps to ensure they comply with the financial promotion restrictions.
- 4.5** The FCA will only accept complete applications. The FCA will decide within two months whether to recognise the scheme or notify the applicant that the FCA proposes to refuse recognition. The FCA will publish the details of recognised schemes on its Register. Recognition will allow the fund operator to access the market immediately under the OFR.



Money-market funds

- 4.6** As set out above, money-market funds (MMFs) are not in scope of the Government's equivalence determination. As long as the TMR remains in place, MMFs that are recognised under it can continue to be promoted. The TMR for all EEA UCITS funds, including UCITS MMFs, is due to close at the end of 2026. The Government is designing a more permanent access route for overseas MMFs, and consulted on this in December 2023. The Government will consider further extensions to the TMR as necessary to avoid any potential 'cliff edge' risks for these products. Further information on the future regulatory treatment of MMFs will be provided in due course.
- 4.7** Where an umbrella in the TMR contains a mix of MMF and non-MMF sub-funds, the operator of the umbrella will be allocated a landing slot and invited to apply for recognition of all sub-funds that are not MMFs, without that process affecting the status of the sub-funds that are MMFs.
- 4.8** New MMF sub-funds will be able to be added to the TMR in some circumstances. However, no new sub-funds will be permitted to be added to umbrellas where all other sub-funds have left the TMR or where a landing slot has commenced for them. Furthermore, following the commencement of planned forthcoming Government legislation, no non-MMF sub-funds will be permitted to be added to umbrellas which only hold MMF sub-funds.

Chapter 5

Other requirements for OFR funds

- 5.1** Information on each of the subjects covered below can also be found on the FCA's OFR web page.

Operational rules for the OFR

- 5.2** The FCA consulted on operational rules for the OFR, including:
- information that fund operators will need to submit as part of the application process
 - information that fund operators will need to provide from time to time as changes to funds occur
 - application and ongoing fees payable to the FCA
 - information to be disclosed to investors about whether or not they will have access to the Financial Ombudsman Service and the Financial Services Compensation Scheme, or to any consumer redress mechanism available in another state
 - UK facilities to be provided to unitholders
- 5.3** The FCA will publish a policy statement setting out the feedback received to the consultation and the finalised rules and guidance. These will come into effect in good time for when the OFR opens to receive applications for recognition.

Retail disclosure

- 5.4** The Government and the FCA are reforming the UK's point-of-sale disclosure requirements for retail-facing financial services products. The Government will lay legislation to create a new framework for Consumer Composite Investments (CCI), including overseas recognised funds, in due course. Under this framework, the FCA will prepare and consult on a new retail disclosure regime replacing all existing requirements.
- 5.5** It is expected that overseas recognised funds will be required to follow FCA rules under the new UK retail disclosure framework for CCIs from 1 January 2027 at the latest.

Sustainability Disclosure Requirements and Labelling

- 5.6** The Government intends to consult on whether the UK's Sustainability Disclosure Requirements (SDR) and labelling regime should be extended to apply to OFR funds. This consultation is likely to run from Q3 2024. If, following consultation, the Government chooses to extend the regime to OFR funds, the FCA expects that it would need to make rules (subject to consultation processes) reflecting that decision. The FCA's process would run separately, with a consultation published after the Government's decision.

- 5.7** If this happens, the Government would expect any legislation to come into force in the second half of 2025 and the FCA would follow a separate process to make final rules. The Government and the FCA would determine how any new rules should apply to funds that have already been recognised under the OFR before that point in time.

Ongoing data collection

- 5.8** The FCA will need to ensure that it can oversee the functioning of OFR funds. Accordingly, the FCA will need to collect information from funds within the OFR to support its oversight. These rules will not apply immediately as the FCA intends to undertake a wider review of ongoing data reporting for funds in due course, and it will consider the ongoing reporting requirements for OFR funds as part of that review. The Government will consider any corresponding legislative empowerments that may be appropriate and necessary to support this work.

