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Matteo Basso  
Strategy & Competition Division  
Financial Conduct Authority  
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By email: [cp15-27@fca.org.uk](mailto:cp15-27@fca.org.uk)

Dear Matteo

### **FCA CP15/27 Part III Other miscellaneous changes to fund regulation**

We, the Association of Real Estate Funds (AREF), welcome the opportunity to give our support for the proposals made in CP15/27 for investing in PAIFs. AREF is the voice of the UK real estate funds industry and has about 65 member funds with a collective net asset value of approximately £55 billion under management. Currently, ten of our members are PAIFs and if the proposed introduction of SDLT seeding relief for PAIFs and CoACSs goes ahead we expect more of our members to convert to PAIFs.

#### **Q39 Do you agree with our proposal to allow all NURS some ability to invest in feeder funds.**

We support the proposed new rule, COLL 5.6.10AR, to allow NURS to invest through certain types of feeder funds including feeder funds for PAIFs.

#### **Q41 Do you agree with the proposed flexible dealing arrangements for a feeder fund investing in a PAIF.**

We agree to the addition of COLL 6.2.25R and 6.3.9 (1A) to allow all dealing instructions received for a feeder by the dealing cut-off point to be reflected in the aggregated order passed through to the master for the same valuation point. As you mentioned, this would enable the feeder for a PAIF to closely track the price of the master fund without requesting a rule modification.

However, we do question your statement that “the feeder fund will normally be the only investor in the PAIF and investors do not wish to access the master fund directly”. Where possible, investors would invest directly in a PAIF. In the main there are two reasons why an investor invests indirectly via a feeder fund. Due to HMRC corporate ownership conditions, corporate shareholders are not permitted to be entitled to more than 10% of the NAV of the PAIF and



therefore they may wish to invest through an authorised unit trust acting as a feeder fund. Also, most platforms, who are unable to support income streaming, only offer feeder funds to investors as these are not subject to the income streaming requirements. If these platforms are able to support income streaming in the future they will be able to offer direct investment into PAIFs. This would be beneficial to investors especially if they are investing through a tax-exempt wrapper.

We look forward to hearing the outcome of this consultation. In the meantime, if you require any further information, please feel free to contact me.

Yours sincerely

A handwritten signature in black ink that reads "Jacqueline Bungay". The signature is written in a cursive style and is enclosed within a thin black rectangular border.

**Jacqui Bungay**  
Policy Secretariat  
The Association of Real Estate Funds