

Charity Authorised Investment Funds

A basic guide

The background

A Charity Authorised Investment Fund (CAIF) is a fund authorised by the FCA, complying with the requirements applicable to FCA authorised funds and also a UK charity registered with the Charity Commission for England and Wales. As part of the registration of the CAIF by the Charity Commission the Commission will issue an order pursuant to section 96 of the Charities Act 2011. As a result the CAIF is brought within the definition of "common investment fund" for the purposes of sections 96 to 99 of the Charities Act 2011.

This is a new structure and custom and practise will develop over time, so processes may adapt and change. We will endeavour to keep this guide up to date.

The CAIF will need to comply with the existing requirements of the FCA, as set out in the Collective Investment Schemes Sourcebook (COLL) including those provisions in COLL specifically relevant to the CAIF and (as applicable) the Investment Funds Sourcebook (FUND) of the FCA's Handbook. Managers and trustees/depositaries of CAIFs will need to hold the relevant Part 4A FSMA permissions¹.

The CAIF will need to have a charitable object stated in its constitutional document, which will typically be "*to further the charitable purposes of the Charities that directly or indirectly hold units in the Scheme*". The approval and ongoing regulation of the charitable status of the CAIF will be the responsibility of the Charity Commission. The charitable status of the CAIF brings with it relevant charity tax exemptions.

The CAIF structure aims to replicate as far as possible the main benefits of the existing traditional Common Investment Fund (CIF) structure, presently administered by the Charity Commission, including the tax benefits of being a registered charity and the ability to have an independent advisory committee to represent unitholders. Additional benefits of the CAIF structure include improved regulatory oversight from the FCA, and an exemption from VAT on fund management fees.

The CAIF will also be a common investment fund, and as a result subject to the provisions of sections 96 -99 of the Charities Act 2011, which brings with it certain limitations which will need to be incorporated into the constitutional documents of the CAIF (see further below). However, the structure of a CAIF will be different to the traditional CIF, not least it will be established by a trust deed which will be its principal governing document and will be subject to the FCA rules and supervision as an authorised fund unlike a traditional CIF.

Managers wishing to convert from an existing CIF are likely to need to set up a new CAIF and arrange for investors in the CIF to transfer their investment to the new CAIF. If an existing CIF's Scheme document is based on the Charity Commission model Scheme it is likely to need amendment, which might be achieved by resolution of the charity trustees, to enable the Trustee to make the transfer of assets to the new CAIF subject to the passing of a unitholder resolution. We recommend that you discuss this and other options for achieving the transition with your legal adviser.

¹ <http://www.legislation.gov.uk/ukpga/2000/8/part/IV>

The set up process

1. Identify the most appropriate regulatory and legal structure

A CAIF can be established as a UCITS scheme, a non-UCITS retail scheme (NURS) or a qualified investor scheme (QIS). It is worth noting that the UCITS structure will be acceptable if the proposed CAIF will be marketable to all charity investors. If the proposed CAIF will not be marketable to all charities, but only to a specific charity sub-sector, it is recommended that any specific circumstances are discussed with the FCA in advance of submitting an authorisation application to determine if the UCITS structure would be appropriate.

The manager can establish the scheme as an authorised unit trust and the Investment Association and the Charity Law Association have developed a CAIF model unit trust deed (based on the existing Investment Association model unit trust deed). For a CAIF established as an authorised unit trust, the trustees of the charity are usually the manager and the corporate trustee.

It may also be possible to establish a CAIF using other structures available for authorised funds, provided that the structure chosen is legally capable of being a charity and that the particular fund documentation does indeed establish a charity. Authorised unit trusts are expected to be the most popular structure as this is the model which most closely reflects existing charity structures. Managers wishing to use one of the other structures such as an OEIC² would need to satisfy the Charity Commission that this vehicle can be a charity.

The manager will need to decide which of the optional features of the CAIF are appropriate, bearing in mind the intended investment objective and policy of the fund, and the target investors.

In particular the manager will need to decide whether the fund is to have an Advisory Committee to represent the interests of all unit holders in the fund. There is no requirement for a CAIF to have an Advisory Committee, but this feature is intended to provide for a degree of independent oversight reflecting that provided by the Board of Trustees or Advisory Board within the CIF structure (although it should be noted the Advisory Committee's powers will be more limited). Members of the Advisory Committee will not be charity trustees under the Charities Act 2011 and will not be required to be FCA approved persons for the purposes of serving on the Advisory Committee.

More details on the role of the Advisory Committee are included in the CAIF model unit trust deed and will also need to be set out in the CAIF prospectus. The Charity Commission views the Advisory Committee as playing an important role in the oversight of remuneration paid by the CAIF to its service providers, in particular the manager and trustee. CAIFs set up without an Advisory Committee will be required to obtain the Charity Commission's prior written approval for any increase in fees of the manager or trustee/depositary³ (see the "Ongoing regulation" section below for more details on the general process applying to ongoing changes to the CAIF arrangements).

Do seek specialist legal advice if required.

² Note for OEICs pursuant to paragraph 3, Schedule 3 of the OEIC Regulations 2001 (as amended) no notice of any trust is to be entered on the register. This may be an issue in maintaining an accurate register of investors for a CAIF since for unincorporated charities the names of the individual trustees must be listed as legal owners or a nominee used rather than the name of the charitable trust.

³ Requests to be addressed to caif@charitycommission.gov.uk with subject matter Charity Authorised Investment Fund – fee increase approval.

2. Draft the constitutional documents

The Investment Association with input from members of the Charity Law Association has prepared a model trust deed for a CAIF which is an authorised unit trust⁴. The model deed includes wording suggested by the Charity Commission to ensure that the terms of the trust deed are consistent with the CIF framework, including ensuring that the powers of the manager and trustee are no wider than they lawfully can be. The model deed can be used and adapted to suit your CAIF. Model versions of other constitutional forms may be prepared in the future if sufficient demand is expressed.

There is no pre-determined naming convention, although the Charity Commission has confirmed that CAIF names can contain the name of the manager. The FCA requirements on names which apply to authorised funds will also apply to CAIFs⁵.

3. Pre-application to the Charity Commission

A pre-application should be submitted to the Charity Commission. This can be done using the Commission's online application portal for charity registration applications, via the Commission's website. The Commission's guidance on how to apply to register a charity, and a link to the application portal, can be found here: <https://www.gov.uk/guidance/how-to-register-your-charity-cc21b#how-to-apply-to-register-a-charity>. The form is not designed specifically with CAIFs in mind, and some of the circumstances of a CAIF application will need to be explained clearly in the form. We have prepared guidance notes on the charity registration application form for a CAIF as an attachment to this guide for reference. Please note that each CAIF is likely to be different and as such the guidance notes will not necessarily be relevant for all CAIFs, although hopefully helpful.

Before submitting the pre-application we recommend that you read the Charity Commission's guidance on applying to register a charity⁶, which includes information about the application process and gives links to guidance including the Charity Commission's public material about the role and responsibilities of charity trustees. You should expect a period of correspondence between the Commission and any applicant in relation to an application, where further information may be requested in order to ensure that each individual application satisfies the legal requirements for registration. Amongst other requirements the Charity Commission will expect confirmation that the manager and the trustee have agreed a shared approach to the management of conflicts of interest in their role as CAIF trustees, and that they will comply with their legal duties regarding conflicts of interest in these roles. This may be requested at the pre-application stage, and so we recommend that this is ready in draft for the pre-application.

Applicants should await confirmation that the Charity Commission would be minded to approve such an application before proceeding with the application to the FCA. The Charity Commission aims to be able to issue a decision on a pre-application within three months of the initial submission date, provided a complete application was submitted at outset, although this timing will depend on the particular details and circumstances of the application. Please note that the Charity Commission online registration service will delete applications after three months of no changes.

Submissions to the Charity Commission for pre-application approval will need to state that there is support for the application from at least two existing charities, which can be existing CIFs which are proposing to transfer their assets to the new CAIF, or charities which intend to invest in the CAIF once it is established. Formal letters of application from two supporting charities will be needed at the final registration stage.

⁴ Model trust deed available here <http://www.theinvestmentassociation.org/investment-industry-information/policy-and-consultations/industry-guidance.html>

⁵ See COLL 6.9.6G: <https://www.handbook.fca.org.uk/handbook/COLL/6/9.html>

⁶ <https://www.gov.uk/guidance/how-to-register-your-charity-cc21b#how-to-apply-to-register-a-charity>.

4. Application to FCA through the normal application process⁷

Once confirmation from the Charity Commission has been received, the manager and the trustee may apply to the FCA to obtain authorisation for the fund. The manager should include with the application the relevant documentation or correspondence received from the Charity Commission confirming that it is minded to approve the fund's charity registration application.

Before submitting a fund authorisation application, you are strongly advised to read the information on the FCA fund authorisation and supervision website pages⁸ and the relevant authorised fund applications section in the COLL Sourcebook of the FCA Handbook⁹.

The FCA and the Commission expect that applicants will correspond regularly with both regulators during this period, in order to ensure that any changes made to the application in connection with FCA requirements will also be consistent with the Commission's eventual registration of the proposed CAIF.

5. Registration as a charity

Once the FCA is content that it can authorise the fund, arrangements will need to be made with the FCA and the Commission for the trust deed to be executed, and for the FCA and Commission to issue their orders. Once the Commission has issued its order, it will then proceed to register the CAIF as a charity. That element of the process is likely to be finalised shortly after the order issued. Registration with the Scottish and Northern Irish charity regulators should also be considered if the charity is operating in these parts of the United Kingdom

Once the charity registration application has been approved, the final prospectus together with all other scheme documentation including the Form FN¹⁰ should be filed with the FCA on launch, including the registered charity number. The CAIF will at that point be able to begin operating.

6. Don't forget to get recognition from HMRC for your charity¹¹

Ongoing regulation

The manager of a CAIF will be required to comply with all applicable rules in COLL and FUND, including reporting to the FCA regularly¹² by filing annual and half yearly reports and ensuring all scheme documents are kept up to date.

Like any charity, the manager will be required to submit an annual return to the Charity Commission¹³.

⁷ <https://www.fca.org.uk/firms/authorised-recognised-funds/apply-fund-authorisation>

⁸ <https://www.fca.org.uk/firms/authorised-recognised-funds/apply-fund-authorisation>

⁹ <http://fshandbook.info/FS/html/FCA/COLL/2/1>

¹⁰ <https://www.handbook.fca.org.uk/form>

¹¹ <https://www.gov.uk/charity-recognition-hmrc>

¹² <https://www.fca.org.uk/firms/authorised-recognised-funds/scheme-documents>

¹³ <https://www.gov.uk/send-charity-annual-return>

With regard to proposed changes to the CAIF's arrangements post-authorisation, the manager of a CAIF will have to consider whether such changes would require prior approval from the Charity Commission. When notifying the FCA, or applying to the FCA for approval of the proposed changes, the manager must provide confirmation to the FCA that either:

- i) it has taken the necessary steps to ensure that the Charity Commission has no objection to the proposed course of action; or
- ii) it is satisfied that none of the proposed changes would require prior approval from the Charity Commission.

Further questions

This basic guide was produced by:

The Charity Investors Group
The Investment Association
The Charity Law Association

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If you have any questions about the guide or Charity Authorised Investment Funds, please do contact any of the above organisations.

The content of this guide has been reviewed by the Charity Commission and Financial Conduct Authority.

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Apply to register a charity

[CAIF Application Guidance Notes](#)

Please note these are not necessarily applicable to every CAIF in all cases.

Organisation names

Main name

This is the name of the Charity Authorised Investment Fund

Other name or acronym

Application number

Submission date

Special circumstances

You should state that this is a pre-authorisation application for a Charity Authorised Investment Fund.

If you are intending on moving assets from an existing CIF into the new CAIF structure you should highlight that here; including the existing CIF's registration number.

Attaching documentation

1. Pre-application

- A draft trust deed
- If the model has been used, a mark-up against the model trust deed with an explanation of any changes
- A draft prospectus (or final if available)

2. Final application

- Executed trust deed
- Final prospectus
- Trustee declaration
- Proof of funds
- Confirmation of any changes made since the pre-application was submitted, including mark-ups against the trust deed and prospectus submitted with the pre-application, if applicable.

If we decide to register the organisation some of the information you have given in this form will be made publicly available in accordance with section 38(1) of the Charities Act 2011.

This form shows the information you have entered through the Charity Commission Online Application for Registration.

Your contact for this application

Your current contact is an

Organisation

Role

Name

Telephone number

Email address

Governing document

A governing document sets out a charity's rules; it's the key legal document that says what it is and how it will be run. Different charities have different governing documents.

Select the organisation's governing document type:

Trust Deed or Declaration of Trust

Has the governing document been issued by an organisation or umbrella body (often referred to as an approved governing document)?

No

Please attach the governing document:

Charity name

The organisation's name:

This is the name of the Charity Authorised Investment Fund

Is the organisation known by any other names?

Do any of the organisation's names contain acronyms, made-up or non-English language words?

Do any names contain words that require consent from another body?

Structure and purposes

Organisation's governing document:

Trust Deed or Declaration of Trust

Enter the date the organisation's governing document came into effect (dd/mm/yyyy).

Enter the organisation's purposes (also known as 'objects') exactly as they are written in its governing document.

The organisation's purposes should be included. For example the model trust deed includes the following:

'The Scheme is established exclusively to further the charitable purposes of the Charities that directly or indirectly hold units in the Scheme from time to time.

If at any time there are no holders of units in the Scheme, the Scheme shall have such charitable purposes as the Manager and Trustee shall determine from time to time.'

Income

Enter the organisation's gross annual income:

£0

This organisation can't be registered as a charity until its income is over £5,000. If you have a formal offer of funding payable once the organisation is registered, attach this as proof of income.

Attach proof of income: [Proof of income is not required at pre-application stage](#)

Classification: What

What does the organisation do? (select all that apply)

- General charitable purposes

Classification: How

How does the organisation operate? (select all that apply)

- Other

Please specify

You will need to specify how the CAIF will operate, how it will be marketed and receive investments and how it will be invested in order to provide the benefit, specifying the investment objective.

Classification: Who

Who does the organisation help? (select all that apply)

- Other charities or voluntary bodies

Where

Where does the organisation operate? (select all that apply)

- Throughout England & Wales

Carrying out the purpose

The organisation's purposes are:

The organisation's purposes should be included. For example the model trust deed includes the following:

'The Scheme is established exclusively to further the charitable purposes of the Charities that directly or indirectly hold units in the Scheme from time to time.

If at any time there are no holders of units in the Scheme, the Scheme shall have such charitable purposes as the Manager and Trustee shall determine from time to time.'

Explain how the organisation carries out its purposes:

You will need to outline how the CAIF operates by receiving and investing funds from eligible investors, stating the investment policy, and how it will deliver benefits to these charity investors. You will need to list the anticipated benefits, including expected direct benefits to the investors, and any wider indirect public benefit as a consequence of investors' improved financial management.

It might be useful to cross-reference to the relevant part of the prospectus which will be submitted with the pre-application.

Attach any document (such as a business plan) which sets out how the organisation carries out its purposes:

Benefits

What are the benefits of the organisation's purposes?

The direct benefits to the investing charities should be listed here; which might include benefits of pooling assets, access to investment professionals and or asset classes, diversification, improved performance, reduced cost.

Any indirect benefits to the beneficiaries of the investing charities should also be included.

Attach any document which shows how the organisation provides benefit:

Who can benefit from the organisation's purposes?

A section of the public

Select one or more group that can benefit from the organisation's purposes:

Members of the organisation

Explain who can benefit and why the organisation's purposes aim to benefit them:

The investors are analogous to members of the organisation. You will need to highlight which charities are eligible to invest and that only those eligible investors that actually invest will directly benefit.

Carrying out the purpose for the public benefit

What criteria do the trustees use to decide who the organisation benefits or what work it does or supports?

You will need to explain how the trustees decide who is an eligible investor as well as how this is monitored.

You will need to consider how the trustees set, monitor and adjust the investment policy in order to ensure that the benefits specified above are being achieved.

Attach any document which explains how these decisions are made:

Grant making

Is the organisation a grant maker?

No

Membership

Do people or organisations have to be members of the organisation to benefit from its purpose?

Yes

What benefits do members get?

You will need to restate that investors are analogous to members of the organisation. You should include the benefits that you expect investors to receive through investing in the fund (see earlier question).

Why are those benefits limited to the members?

You will need to explain who are eligible investors for the CAIF, and that only those charities that actually invest in the CAIF (i.e. become members) are able to gain the direct benefits.

Who can be a member?

You will need to specify who is an eligible investor and any criteria (such as minimum investment size).

Is there a limit on membership numbers?

No

Providing services or facilities

Does the organisation provide public facilities or services as a way of carrying out its purpose?

No

Fees and charges

Does the organisation charge people to be a member or to access its services or facilities?

Yes

What services or facilities does the organisation charge for and how much does it charge?

You will need to specify the fees that are charged to investors in the CAIF.

Do the trustees consider the charges to be more than the poor can afford?

Yes

How have you reached this view?

You will need to highlight that individuals (i.e. 'the poor') are not eligible investors and that in order to be a 'member' an eligible investor must have assets in order to invest.

What provision will or do the trustees make for the poor to benefit?

You will need to highlight any indirect benefit to the poor anticipated through the direct benefit to investors. For example improved financial performance could enhance support for the beneficiaries of investing charities.

What factors have the trustees considered in making their decision?

You will need to demonstrate why the trustees believe that any charges are reasonable and no more than incidental to the furtherance of the charitable purpose.

Property

Does the organisation use premises owned by a trustee or someone related to a trustee?

Who owns the property and what is their relationship with the organisation?

You will need to specify where the Charity Authorised Investment Fund will operate from. For example, if it operates from a premises owned by the Manager.

Please explain the basis upon which the organisation uses the premises.

You will need to specify if there are any charges to the CAIF for the use of the premises.

Is there a lease or other formal agreement in place?

Please provide a copy of the minutes of the meeting where it was decided it is in the organisation's best interests to use these premises.

Are the premises used for any other purposes?

Explain how joint costs are shared between all of the users of the premises, according to usage:

You will need to specify how the premises is used, and how/if joint costs are shared.

How are the trustees satisfied that any benefit arising to the owner of the premises is incidental?

You will need to justify any private benefit (financial or other) that the owner gets from allowing the organisation to use its premises.

Contact for this application

Who is the main contact for this application?

In what capacity are you submitting the application? (select one)

Please state in what capacity you are submitting the application

Is the contact for this application an individual or an organisation?

Name

Organisation Contact

Please enter details of the contact for the organisation as a whole

Position in the organisation

Is the contact for this organisation an individual or an organisation?

Title

First name(s)

Surname

Suffix (e.g. M.A.)

Display name

Date of birth (dd/mm/yyyy)

Postcode

Telephone number

Email address

Organisation details

Please provide the organisation's public address

Postcode

Organisation website

Organisation email address for public display

Organisation email address for commission use only

Does the organisation operate from this address?

Yes

Trustee numbers

How many trustees does the organisation currently have? (total)

What is the minimum number of trustees the organisation's governing document says it must have?

Trustees

Add details for each trustee separately

Trustee details

Please add the correct number of trustees to the table.

Attach your completed and signed trustee declaration. If you do not have one you can download one.

You need to confirm that the details provided in this section are correct

Other regulators

Are you registered with any of the following regulators? (select all that apply)

Financial Conduct Authority

Regulator number

TBC

Do you have a gift aid number from HMRC?

Income & bank details

Please attach the organisation's latest accounts

If it is expected that the assets of a CIF will be transferred to this CAIF then the accounts of the CIF should be included.

Estimated gross annual income

Year to date income

Does the organisation have a bank account?

Yes

Is the organisation's main account a bank or a building society account?

Bank

Sort code (e.g. 001122)

Bank name

Account number

Account name

Funding

Next financial year end date (dd/mm/yyyy)

Please explain how the organisation is or will be funded in the future (select all that apply)
See guidance

Investments

Charging for services

Please give more details

- Funding from interest and return on endowments
- Sale of assets
- Other

Please give more details

You will need to set out where the income of the Charity Authorised Investment Fund is expected to be derived from. For example; investment returns (including income and capital returns on the assets invested) as well as assets being added or removed by the charity investors.

Tax

Does or will the organisation benefit from any of the following tax relief? (select all that apply)
Please note this information may be shared with HMRC. See guidance.

- VAT relief
- Corporation tax relief
- Investment relief
- Other

Please give more details

Have you taken any specialist advice on any tax arrangements for the organisation of a complex nature?

Have you disclosed any tax avoidance schemes to HMRC? See guidance.

Employment

Does or will the organisation employ:

- a trustee
- its founder
- a person related to a trustee
- a person related to the founder
- an organisation connected to a trustee
- an organisation connected to the founder

Goods or services

Does or will the organisation buy goods or services from:

- a trustee
- its founder
- a person related to a trustee
- a person related to the founder
- an organisation connected to a trustee
- an organisation connected to the founder

Yes

Please enter their details in the table below.

Name	Goods/services provided	Payment	Relationship
Manager		Fee	Trustee
Trustee		Fee	Trustee

Please attach a copy of the minutes of the meeting where this was agreed for each of the people/organisations listed above. This might be one document or multiple.

File name

Other personal benefits

Will any other kind of personal benefit be received by:

- a trustee
- its founder
- a person related to a trustee
- a person related to the founder
- an organisation connected to a trustee
- an organisation connected to the founder

Please enter their details in the table below.

Name	Personal benefit provided	Relationship
Connected persons e.g. Manager	You will need to say if there are other benefits to connected persons, for example if the CAIF may invest in funds managed by the Manager, for which they may receive an additional fee.	Trustee

Managing Risks

Does the organisation work with children or vulnerable people?

Attached documents

Data Protection

Any information you give us will be held securely and processed only in accordance with the rules on data protection. We will not disclose your personal details to anyone unconnected to the Charity Commission unless:

- you have consented to their release; or
- we are legally obliged to disclose them; or
- we regard disclosure as either (a) necessary so that we can properly carry out our statutory functions or (b) necessary in the public interest.

We may share and disclose information about you with relevant public authorities, regulatory bodies and agencies, outside the Charity Commission but only if:

- we can lawfully do so; and
- we decide that disclosure is necessary for national security, crime detection, prevention, and law enforcement, or other issues in the public interest

Information we collect about you

We will use this information:

To enable us to carry out our statutory functions and duties;

This will include the following actions:

- (a) update, consolidate, and improve the accuracy of our records;
- (b) undertake crime detection and prevention and law enforcement and assist the third parties specified above to investigate or prevent crime and carry out law enforcement;
- (c) data analysis, testing, research, statistical and survey purposes

Information we receive from other sources.

Information we receive from other sources

We may combine this information with information you give to us and information we collect about you. We may use this information and the combined information for the purposes set out above (depending on the types of information we receive).

We will ensure that any such disclosure and use is proportionate; considers your right to respect for your private life; and is done fairly and lawfully in accordance with the data protection principles of the Data Protection Act.

The Data Protection Act 1998 regulates the use of 'personal data', which is essentially any information, however stored, about identifiable living individuals. As a 'data controller' under the Act, the Charity Commission must comply with it.

Any changes we may make to our privacy statement in the future will be set out in the replacement version of this form. Please check back frequently to see any updates or changes to our privacy policy.

Declaration

Do you want to attach any supplementary documentation?

Are there any special circumstances the Charity Commission should take into account?

Yes

Explain these special circumstances:

You should state that this is a pre-authorisation application for a Charity Authorised Investment Fund.

If you are intending on moving assets from an existing CIF into the new CAIF structure you should highlight that here; including the existing CIF's registration number.

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1. Pre-application

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2. Final application

- Executed trust deed
- Final prospectus
- Trustee declaration
- Proof of funds
- Confirmation of any changes made since the pre-application was submitted, including mark-ups against the trust deed and prospectus submitted with the pre-application, if applicable.

Submitting your application for charity registration

Application reference number

Your application reference number is:

Please quote this in all correspondence.