

12th October 2016

Dear Member

New Charity Authorised Investment Fund Structure (CAIF)

As announced by the government in last year's March budget, we are delighted to confirm the launch of a new Charity Authorised Investment Fund structure following a number of years of work by the Charity Investors Group, the Charity Law Association, the Investment Association, the Charity Commission and the Financial Conduct Authority. This structure will be available exclusively to Funds established for charitable purposes. Each Fund will be registered as a Charity, and regulated as such by the Charity Commission for England and Wales. As authorised funds they will also be regulated by the FCA under the Financial Services and Markets Act, offering protection for the investing Charities, the majority of who would be classified as retail investors.

The Charity Authorised Investment Fund structure replicates the main benefits of the existing Common Investment Fund structure presently administered by the Charity Commission. The new structure preserves many of the specific characteristics of Common Investment Funds; including the tax benefits of being a registered Charity; the ability to smooth income to aid cash flow budgeting for investing Charities and the ability to have an independent advisory committee to represent charity unitholders. Additional benefits include improved regulatory oversight, and an exemption from VAT on investment management fees.

The Investment Association have made available a model trust deed, produced with the assistance of the Charity Law Association, available on their website along with a basic guide to the structure¹.

In more detail

A Charity Authorised Investment Fund is a FCA regulated structure, complying with the requirements of an authorised fund. The Charity Authorised Investment Fund will also have a stated charitable object to further the charitable purposes of the Charities that directly or indirectly hold units in the Scheme and will be registered as a Charity, subject to satisfying the Charity Commission that it meets all relevant criteria. The ongoing regulation of the Fund's charitable status will be the responsibility of the Charity Commission. The charitable status of the Charity Authorised Investment Fund brings with it the relevant tax exemptions.

¹ <http://www.theinvestmentassociation.org/investment-industry-information/policy-and-consultations/industry-guidance.html>

Existing Common Investment Funds may choose to convert to the new structure in order to benefit from both regulatory oversight better suited to an investment fund and an exemption from VAT on investment management fees. There is almost £12bn² currently invested in Common Investment Funds, and an estimated 13,000³ Charities investing. Common Investment Funds are unregulated investment funds⁴. The new structure provides the opportunity for Charities to invest in an FCA authorised fund, with the associated VAT exemption on investment management fees whilst at the same time being a vehicle tailored for and only available to Charities.

We would like to offer our thanks to all of those who have helped us get to this stage and firmly believe that this is a positive development for the Charity sector and the effective management of Charity assets.

Yours faithfully

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² Source: State Street as at 31st March 2016

³ Source: Charity Commission Guidance, as according to 2012 annual returns.

⁴ More detail on the regulation of Common Investment Funds can be found on the Charity Commission website [here](#)