

Chapter 15

Closed-Ended Investment Funds: Premium listing

15.2 Requirements for listing

- 15.2.1** **R** To be *listed*, an *applicant* must comply with:
- (1) ■ LR 2 (Requirements for listing);
 - (2) the following provisions of ■ LR 6 (Additional requirements for premium listing (commercial company)):
 - (a) ■ LR 6.2.4R (1) and ■ LR 6.2.4R(2), if the *applicant* is a *new applicant* for the *admission* of *equity shares* and it has published or filed audited accounts;
 - (b) ■ LR 6.2.6R;
 - (c) ■ LR 6.7.1R, ■ LR 6.9.1R(1), ■ LR 6.9.2R, ■ LR 6.14.1R to ■ LR 6.14.5G, and ■ LR 6.15.1R; and
 - (3) ■ LR 15.2.2 R to ■ LR 15.2.13A R.

Shares of a third country company

- 15.2.1A** **R** The *FCA* will not admit *shares* of a *company* incorporated in a *third country* that are not listed either in its country of incorporation or in the country in which a majority of its *shares* are held, unless the *FCA* is satisfied that the absence of the listing is not due to the need to protect investors.
- [Note: Article 51 CARD]

Investment activity

- 15.2.2** **R** An *applicant* must invest and manage its assets in a way which is consistent with its object of spreading investment risk.

15.2.3 **G** [deleted]

- 15.2.3A** **R**
- (1) An *applicant* and its *subsidiary undertakings* must not conduct any trading activity which is significant in the context of its *group* as a whole.
 - (2) This rule does not prevent the businesses forming part of the investment portfolio of the *applicant* from conducting trading activities themselves.

15.2.4 **R** [deleted]

- 15.2.4A** **G** Although there is no restriction on an *applicant* taking a controlling stake in an investee company, to ensure a spread of investment risk an *applicant* should avoid:
- (1) cross-financing between the businesses forming part of its investment portfolio including, for example, through the provision of undertakings or security for borrowings by such businesses for the benefit of another; and
 - (2) the operation of common treasury functions as between the *applicant* and investee companies.

Cross-holdings

- 15.2.5** **R**
- (1) No more than 10%, in aggregate, of the value of the total assets of an *applicant* at admission may be invested in other *listed closed-ended investment funds*.
 - (2) The restriction in (1) does not apply to investments in *closed-ended investment funds* which themselves have published investment policies to invest no more than 15% of their total assets in other *listed closed-ended investment funds*.

Feeder funds

- 15.2.6** **R**
- (1) If an *applicant* principally invests its funds in another *company* or fund that invests in a portfolio of *investments* (a "master fund"), the *applicant* must ensure that:
 - (a) the master fund's investment policies are consistent with the *applicant's* published investment policy and provide for spreading investment risk; and
 - (b) the master fund in fact invests and manages its investments in a way that is consistent with the *applicant's* published investment policy and spreads investment risk.
 - (2) Paragraph (1) applies whether the *applicant* invests its funds in the master fund directly or indirectly through other intermediaries.
 - (3) Where the *applicant* invests in the master fund through a chain of intermediaries between the applicant and the master fund, the *applicant* must ensure that each intermediary in the chain complies with paragraphs (1)(a) and (b).

Investment policy

15.2.7 **R** An *applicant* must have a published investment policy that contains information about the policies which the *closed-ended investment fund* will follow relating to asset allocation, risk diversification, and gearing, and that includes maximum exposures.

15.2.8 **G** The information in the investment policy, including quantitative information concerning the exposures mentioned in **LR 15.2.7 R**, should be sufficiently precise and clear as to enable an investor to:

- (1) assess the investment opportunity;
- (2) identify how the objective of risk spreading is to be achieved; and
- (3) assess the significance of any proposed change of investment policy.

15.2.9 **R** [deleted]

15.2.10 **G** [deleted]

Independence

15.2.11 **R** The board of *directors* or equivalent body of the *applicant* must be able to act independently:

- (1) of any *investment manager* appointed to manage *investments* of the *applicant*; and
- (2) if the *applicant* (either directly or through other intermediaries) has an investment policy of principally investing its funds in another *company* or fund that invests in a portfolio of investments ("a master fund"), of the master fund and of any *investment manager* of the master fund.

15.2.11A **R** ■ LR 15.2.11R (2) does not apply if the *company* or fund which invests its funds in another *company* or fund is a *subsidiary undertaking* of the *applicant*.

15.2.12 **G** [deleted]

15.2.12-A **R** For the purposes of ■ LR 15.2.11 R:

- (1) the chair of the board or equivalent body of the *applicant* must be independent; and
- (2) a majority of the board or equivalent body of the *applicant* must be independent (the chairman may be included within that majority).

15.2.12A **R** For the purposes of ■ LR 15.2.11 R and ■ LR 15.2.12-A R, the following are not independent:

- (1) *directors, employees, partners, officers or professional advisers* of or to:
 - (a) an *investment manager* of the *applicant*; or
 - (b) a master fund or *investment manager* referred to in ■ LR 15.2.11R (2); or
 - (c) any other *company* in the same *group* as the *investment manager* of the *applicant*; or
- (2) *directors, employees or professional advisers* of or to other *investment companies* or funds that are:

- (a) managed by the same *investment manager* as the *investment manager* to the *applicant*; or
- (b) managed by any other *company* in the same *group* as the *investment manager* to the *applicant*.

15.2.13 **G** [deleted]

15.2.13A **R** A *person* referred to in ■ LR 15.2.12AR (1) or ■ (2) who is a *director* of the *applicant* must be subject to annual re-election by the *applicant's* shareholders.

15.2.14 **R** [deleted]

15.2.15 **G** [deleted]

15.2.16 **R** [deleted]

15.2.17 **R** [deleted]

15.2.18 **G** [deleted]

15.2.19 **R** The board of *directors* or equivalent body of the *applicant* must be in a position to effectively monitor and manage the performance of its key service providers, including any *investment manager* of the *applicant*.