Chapter 15

Closed-Ended Investment Funds: Premium listing
15.1 Application

15.1.1 This chapter applies to a closed-ended investment fund applying for, or with, a premium listing.
15.2 Requirements for listing

15.2.1 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 non-EEA company

The FCA will not admit shares of a company incorporated in a non-EEA State 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 An applicant must invest and manage its assets in a way which is consistent with its object of spreading investment risk.

15.2.3 [deleted]

15.2.3A (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 [deleted]
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**

(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**

(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**

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 15.2.11 R (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 chairman 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 15.2.11 R (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 [deleted]

15.2.13A R A person referred to in 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 [deleted]

15.2.15 [deleted]

15.2.16 [deleted]

15.2.17 [deleted]

15.2.18 [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.
15.3  Listing applications and procedures

15.3.1  G  An applicant is required to comply with LR 3 (Listing applications).

Sponsors

15.3.2  G  An applicant that is seeking admission of its equity shares is required to retain a sponsor in accordance with LR 8 (Sponsors).

15.3.3  R  An applicant must appoint a sponsor on each occasion that it makes an application for admission of equity shares which requires the production of listing particulars.

Multi-class fund or umbrella fund

15.3.4  R  An application for the listing of securities of a multi-class fund or umbrella fund must provide details of the various classes or designations of securities intended to be issued by the applicant.
15.4 Continuing obligations

Compliance with LR 9

15.4.1 R A closed-ended investment fund must comply with all of the requirements of LR 9 (Continuing obligations) subject to the modifications and additional requirements set out in this section.

Investment policy

15.4.1A R A closed-ended investment fund must, at all times, have a published investment policy which complies with LR 15.2.7 R.

15.4.1B G A closed-ended investment fund should have regard to the guidance in LR 15.2.8 G at all times.

Investment activity and compliance with investment policy

15.4.2 R A closed-ended investment fund must, at all times, invest and manage its assets:

(1) in a way which is consistent with its object of spreading investment risk; and

(2) in accordance with its published investment policy.

15.4.3 G [deleted]

15.4.3A R A closed-ended investment fund must comply with LR 15.2.3A R at all times.

15.4.4 R [deleted]

15.4.4A G A closed-ended investment fund should have regard to the guidance in LR 15.2.4A G at all times.
Cross-holdings

15.4.5

A closed-ended investment fund must, when making an acquisition of a constituent investment, observe the principles relating to cross-holdings in LR 15.2.5 R.

Feeder funds

15.4.6

If a closed-ended investment fund principally invests its funds in the manner set out in LR 15.2.6 R, the closed-ended investment fund must ensure that LR 15.2.6 R is complied with at all times.

15.4.6A

LR 15.2.6 R and LR 15.4.6 R are not intended to require the closed-ended investment fund to be able to control or direct the master fund or intermediary (as the case may be). But if the closed-ended investment fund becomes aware that the master fund or intermediary (as the case may be) is not investing or managing its investments in accordance with that rule it will need to immediately consider withdrawal of its funds from the master fund or intermediary (as the case may be) or other appropriate action so that it is no longer in breach of the rules.

Independence and effective management

15.4.7

LR 15.2.11 R to LR 15.2.13A R apply at all times to a closed-ended investment fund.

15.4.7A

The board of directors or equivalent body of the issuer must effectively monitor and manage the performance of its key service providers, including any investment manager appointed by the issuer, on an on-going basis.

Material changes to investment policy

15.4.8

Unless LR 15.4.8A R applies, a closed-ended investment fund must:

1. submit any proposed material change to its published investment policy to the FCA for approval; and
2. having obtained the FCA’s approval, obtain the prior approval of its shareholders to any material change to its published investment policy.

15.4.8A

A closed-ended investment fund is not required to seek the FCA’s approval for a material change to its published investment policy if:

1. the change is proposed to enable the winding up of the closed-ended investment fund; and
2. the winding up:
   (a) is in accordance with the constitution of the closed-ended investment fund; and
   (b) will be submitted for approval by the shareholders of the closed-ended investment fund at the same time as the proposed material change to the investment policy.
In considering what is a material change to the published investment policy, the *closed-ended investment fund* should have regard to the cumulative effect of all the changes since its shareholders last had the opportunity to vote on the investment policy or, if they have never voted, since the admission to listing.

**Conversion of an existing listed class of equity shares**

An existing *listed class of equity shares* may not be converted into a new *class* or an unlisted *class* unless prior approval has been given by the shareholders of that existing *class*.

**Further issues**

1. Unless authorised by its shareholders, a *closed-ended investment fund* may not issue further *shares* of the same class as existing *shares* (including issues of *treasury shares*) for cash at a price below the net asset value per *share* of those *shares* unless they are first offered pro rata to existing holders of *shares* of that class.

2. When calculating the net asset value per *share*, *treasury shares* held by the *closed-ended investment fund* should not be taken into account.

**Cancellation of premium listing**

A *closed-ended investment fund* must comply with [deleted]

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Externally managed companies

15.4.26 A closed-ended investment fund is not required to comply with LR 9.2.20.

Independent business

15.4.27 A closed-ended investment fund is not required to comply with LR 9.2.2A to LR 9.2.2G.

Notifications to the FCA

15.4.28 (1) A closed-ended investment fund is not required to comply with LR 9.2.23 in so far as it relates to LR 9.2.2A, LR 9.2.2E and LR 9.2.2F.

(2) A closed-ended investment fund is not required to comply with LR 9.2.24 to LR 9.2.25.

Annual financial statement

15.4.29 A closed-ended investment fund is not required to comply with LR 9.8.4R (14).

Election of independent directors

15.4.30 A closed-ended investment fund is not required to comply with LR 13.8.17.
15.5 Transactions

15.5.1 [deleted]

**Significant transactions**

15.5.2 A closed-ended investment fund must comply with LR 10 (Significant transactions) and LR 5.6, except in relation to transactions that are executed in accordance with the scope of its published investment policy.

**Transactions with related parties**

15.5.3 LR 11 (Related party transactions) applies to a closed-ended investment fund.
15.5.4 In addition to the definition in LR 11.1.4 R a related party includes any investment manager of the closed-ended investment fund and any member of such investment manager’s group.

Additional exemption from related party requirements

15.5.5 (1) LR 11.1.7 R to LR 11.1.11 R do not apply to an arrangement between a closed-ended investment fund and its investment manager or any member of that investment manager’s group where the arrangement is such that each invests in or provides finance to an entity or asset and the investment or provision of finance is either:

(a) made at the same time and on substantially the same economic and financial terms; or

(b) referred to in the closed-ended investment fund’s published investment policy; or

(c) made in accordance with a pre-existing agreement between the closed-ended investment fund and its investment manager.

(2) For the purposes of paragraph (1)(c), a pre-existing agreement is an agreement which was entered into at the time the investment manager was appointed.
15.6 Notifications and periodic financial information

Changes to tax status

15.6.1 A closed-ended investment fund must notify any change in its taxation status to a RIS as soon as possible.

Annual financial report

15.6.2 In addition to the requirements in LR 9.8 (Annual financial report), a closed-ended investment fund must include in its annual financial report:

1. a statement (including a quantitative analysis) explaining how it has invested its assets with a view to spreading investment risk in accordance with its published investment policy;

2. a statement, set out in a prominent position, as to whether in the opinion of the directors, the continuing appointment of the investment manager on the terms agreed is in the interests of its shareholders as a whole, together with a statement of the reasons for this view;

3. the names of the fund’s investment managers and a summary of the principal contents of any agreements between the closed-ended investment fund and each of the investment managers, including but not limited to:
   a. an indication of the terms and duration of their appointment;
   b. the basis for their remuneration; and
   c. any arrangements relating to the termination of their appointment, including compensation payable in the event of termination;

4. [deleted]

5. the full text of its current published investment policy; and

6. a comprehensive and meaningful analysis of its portfolio.

Annual financial report additional requirements for property investment entities

15.6.3 A closed-ended investment fund that, as at the end of its financial year, has invested more than 20% of its assets in property must include in its annual
financial report a summary of the valuation of its portfolio, carried out in accordance with R15.6.4.

15.6.4 A valuation required by R15.6.3 must:

(1) either:

   (a) be made in accordance with the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors; or

   (b) where the valuation does not comply in all applicable respects with the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors, include a statement which sets out a full explanation of such non-compliance; and

(2) be carried out by an external valuer as defined in the Appraisal and Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors.

15.6.5 The summary described in R15.6.3 must include:

(1) the total value of properties held at the year end;

(2) totals of the cost of properties acquired;

(3) the net book value of properties disposed of during the year; and

(4) an indication of the geographical location and type of properties held at the year end.

Statement regarding compliance with UK Corporate Governance Code

15.6.6 (1) This rule applies to a closed-ended investment fund that has no executive directors.

(2) A closed-ended investment fund's statement required by R9.8.6R (6) need not include details about Principles P, Q and R and Provisions 32 to 41 of the UK Corporate Governance Code except to the extent that those Principles or Provisions relate specifically to non-executive directors.

Annual financial and half yearly report

15.6.7 In addition to the requirements in R9 (Continuing obligations), half-yearly reports and, if applicable, preliminary statements of annual results must include information showing the split between:

(1) dividend and interest received; and

(2) other forms of income (including income of associated companies).
**Notification of cross-holdings**

A closed-ended investment fund must notify to a RIS within five business days of the end of each quarter a list of all investments in other listed closed-ended investment funds, as at the last business day of that quarter, which themselves do not have stated investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.