

## 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:

		<ul style="list-style-type: none"> <li>(1) assess the investment opportunity;</li> <li>(2) identify how the objective of risk spreading is to be achieved; and</li> <li>(3) assess the significance of any proposed change of investment policy.</li> </ul>
15.2.9	<b>R</b>	[deleted]
15.2.10	<b>G</b>	[deleted]
15.2.11	<b>R</b>	<p><b>Independence</b></p> <p>The board of <i>directors</i> or equivalent body of the <i>applicant</i> must be able to act independently:</p> <ul style="list-style-type: none"> <li>(1) of any <i>investment manager</i> appointed to manage <i>investments</i> of the <i>applicant</i>; and</li> <li>(2) if the <i>applicant</i> (either directly or through other intermediaries) has an investment policy of principally investing its funds in another <i>company</i> or fund that invests in a portfolio of investments ("a master fund"), of the master fund and of any <i>investment manager</i> of the master fund.</li> </ul>
15.2.11A	<b>R</b>	■ LR 15.2.11R (2) does not apply if the <i>company</i> or fund which invests its funds in another <i>company</i> or fund is a <i>subsidiary undertaking</i> of the <i>applicant</i> .
15.2.12	<b>G</b>	[deleted]
15.2.12-A	<b>R</b>	<p>For the purposes of ■ LR 15.2.11 R:</p> <ul style="list-style-type: none"> <li>(1) the chair of the board or equivalent body of the <i>applicant</i> must be independent; and</li> <li>(2) a majority of the board or equivalent body of the <i>applicant</i> must be independent (the chairman may be included within that majority).</li> </ul>
15.2.12A	<b>R</b>	<p>For the purposes of ■ LR 15.2.11 R and ■ LR 15.2.12-A R, the following are not independent:</p> <ul style="list-style-type: none"> <li>(1) <i>directors, employees, partners, officers or professional advisers</i> of or to: <ul style="list-style-type: none"> <li>(a) an <i>investment manager</i> of the <i>applicant</i>; or</li> <li>(b) a master fund or <i>investment manager</i> referred to in ■ LR 15.2.11R (2); or</li> <li>(c) any other <i>company</i> in the same <i>group</i> as the <i>investment manager</i> of the <i>applicant</i>; or</li> </ul> </li> <li>(2) <i>directors, employees or professional advisers</i> of or to other <i>investment companies</i> or funds that are:</li> </ul>

		<p>(a) managed by the same <i>investment manager</i> as the <i>investment manager</i> to the <i>applicant</i>; or</p> <p>(b) managed by any other <i>company</i> in the same <i>group</i> as the <i>investment manager</i> to the <i>applicant</i>.</p>
15.2.13	G	[deleted]
15.2.13A	R	A person referred to in ■ LR 15.2.12AR (1) or ■ (2) who is a <i>director</i> of the <i>applicant</i> must be subject to annual re-election by the <i>applicant's</i> 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 <i>directors</i> or equivalent body of the <i>applicant</i> must be in a position to effectively monitor and manage the performance of its key service providers, including any <i>investment manager</i> of the <i>applicant</i> .