

**LISTING RULES (INVESTMENT ENTITIES SINGLE REGIME) (AMENDMENT)
INSTRUMENT 2007**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in the following sections of the Financial Services and Markets Act 2000:
- (1) section 73A (Part 6 rules);
 - (2) section 79 (Listing particulars and other documents);
 - (3) section 96 (Obligations of issuers of listed securities);
 - (4) section 101 (Listing rules: general provisions);
 - (5) section 157(1) (Guidance); and
 - (6) schedule 7 (The Authority as Competent Authority for Part VI).

Commencement

- B. This instrument comes into force on 6 March 2008.

Amendments to the Handbook

- C. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- D. The Listing Rules sourcebook (LR) is amended in accordance with Annex B to this instrument.

Citation

- E. This instrument may be cited as the Listing Rules (Investment Entities Single Regime) (Amendment) Instrument 2007.

By order of the Board
6 December 2007

Annex A

Amendment to the Glossary of definitions

In this Annex, underlining indicates new text.

Insert the following definition in the appropriate alphabetical position:

investment entity

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

Annex B

Amendments to the Listing Rules sourcebook (LR)

In this Annex, underlining indicates new text and striking through indicates deleted text.

For the benefit of stakeholders, we have set out the full text of LR 15 even though parts of it have not changed.

9.2 Requirements with continuing application

Control of assets and independent business

- 9.2.2A R A *listed company* that has *shares listed*, or *securities* convertible into its own *shares listed*, must comply with LR 6.1.4R(2) and (3) at all times. This rule does not apply to a *mineral company*, a *scientific research based company*, ~~*venture capital trust* or *other investment entity*~~, a *closed-ended investment fund* or an *open-ended investment company*.

14 Secondary listing of overseas companies

Application

- 14.1.1 R This chapter applies to an *overseas company* with, or applying for, a *secondary listing of equity securities* other than an *overseas company* that is an *investment entity*.

...

15 Closed-Ended Investment Funds

15.1 Application

- 15.1.1 R This chapter applies to a *closed-ended investment fund* applying for, or with, a *primary listing of equity securities*.

15.2 Requirements for listing

- 15.2.1 R To be *listed*, an *applicant* must comply with:
- (1) LR 2 (Requirements for listing);
 - (2) only the following provisions of LR 6 (Additional requirements for listing for equity securities);

- (a) *LR 6.1.3R(1)(d) and (e), if the applicant is a new applicant for the admission of shares or securities convertible into its own shares and it has published or filed audited accounts;*
 - (b) *LR 6.1.3R(2);*
 - (c) *LR 6.1.16R to LR 6.1.24G; and*
- (3) *LR 15.2.2R to ~~LR 15.2.13G~~ LR 15.2.13AR.*

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.*

Control of investee companies

- 15.2.3 G ~~Although there is no restriction on a closed-ended investment fund taking a controlling stake in an investee company, to ensure a spread of investment risk a closed-ended investment fund 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 closed-ended investment fund and investee companies. [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.

Trading activity

- 15.2.4 R (1) ~~A closed-ended investment fund and its subsidiaries 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 closed-ended investment fund from conducting trading activities themselves. [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 a ~~*closed-ended investment fund*~~ 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 (“A”) ~~and A~~ that invests in a portfolio of *investments* (a “*master fund*”), the *applicant* must ensure that: control the investment policy of A and ensure that A complies with the requirements relating to the spread of investment risk set out in this chapter (see LR 15.2.2R to LR 15.2.5R).
- (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 15.2.7R, 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.

~~Sufficient and appropriate experience of directors and investment managers~~

15.2.9 R ~~An *applicant* must ensure that, collectively, its *directors* and *investment managers* have sufficient and appropriate experience in the management of assets on a scale and type in which the *applicant* proposes to invest. [deleted]~~

- 15.2.10 G
- (1) ~~An *applicant* is likely to have sufficient and appropriate experience if:~~
 - (a) ~~its assets are or will be managed by a *person* or *persons* who have permission from the *FSA* or from a *competent authority* to manage *investments*; or~~
 - (b) ~~it can otherwise demonstrate that the *persons* who will have responsibility for managing its assets have appropriate experience (over at least the preceding three years) of managing a portfolio of assets which is comparable to its portfolio.~~
 - (2) ~~An *applicant* will have appropriate experience under (1)(b) if the *persons* within the entity responsible for managing the assets have managed a portfolio of *investments* that has a value of at least 50% of the funds the *applicant* is proposing to raise. [deleted]~~

Independence

15.2.11 R The board of *directors* or equivalent body of the *applicant* must be able to act independently ~~of any *investment manager* appointed to manage *investments* of the *applicant*.~~:

- (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 To satisfy LR 15.2.11R, a majority of the board or equivalent body of the *applicant* (including the Chairman) should not be:

- (1) ~~*directors, employees, partners, officers* or professional advisers of or to:~~

- (a) ~~an investment manager of the applicant; or~~
- (b) ~~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 entities 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. [deleted]~~

15.2.12A R For the purposes of LR 15.2.11R, a majority of the board or equivalent body of the applicant (including the Chairman) must not be:

- (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 To comply with LR 15.2.11R:

- (1) ~~the board of the applicant should have no more than one director who is also a director, partner, employee or professional adviser of or to:~~
 - (a) ~~the investment manager to the applicant; or~~
 - (b) ~~any other company in the same group as the investment manager to the applicant; and~~
- (2) ~~a director described in (1) should be subject to annual re-election by shareholders. [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.

15.3 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 securities* is required to retain a *sponsor* in accordance with LR 8 (Sponsors).

15.3.3 R In addition to the circumstances set out in LR 8.2.1R when a *sponsor* must be appointed, an *applicant* must appoint a *sponsor* on each occasion that it makes an application for *admission* of *equity securities* 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 15.2.7R.

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

Control of investee companies

15.4.3 G ~~A closed-ended investment fund should have regard to the guidance in LR 15.2.3G at all times. [deleted]~~

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

Trading activity

15.4.4 R ~~A closed-ended investment fund must comply with LR 15.2.4R at all times. [deleted]~~

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

Cross-holdings

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

Feeder funds

15.4.6 R If a closed-ended investment fund principally invests its funds ~~in another company or fund ("A") and A invests in a portfolio of investments in the manner set out in LR 15.2.6R~~, the closed-ended investment fund must ensure that LR 15.2.6R is complied with at all times.

15.4.6A G LR 15.2.6R and LR 15.4.6R 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

15.4.7 R ~~LR 15.2.11R = to LR 15.2.13G~~ LR 15.2.13AR apply at all times to a closed-ended investment fund.

Shareholder approval for material changes to investment policy

15.4.8 R A closed-ended investment fund must obtain the prior approval of ~~the holders of the majority of its ordinary equity shares~~ its shareholders to any material change to its published investment policy.

15.4.9 G 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~~ 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 securities

- 15.4.10 R An existing *listed class of equity securities* may not be converted into a new *class* or an unlisted *class* unless prior approval has been given by the ~~holders of the majority shareholders of the closed-ended investment fund's ordinary equity shares~~ in that existing *class*.

Further issues

- 15.4.11 R (1) Unless authorised by ~~the holders of the majority of its shares~~ 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.

15.5 Transactions

Compliance with the Model Code

- 15.5.1 R (1) A *closed-ended investment fund* must comply with the provisions of the *Model Code*.
- (2) LR 9.2.7R to LR 9.2.10R do not apply to a *closed-ended investment fund*.
- (3) Paragraph (1) does not apply to:
- (a) dealings by *persons discharging managerial responsibilities* in the *closed-ended investment fund*;
 - (b) purchases by the *closed-ended investment fund* of its own *securities*; and
 - (c) sales of *treasury shares* for cash or transfers (except for sales and transfers by the *closed-ended investment fund* of *treasury shares* in the circumstances set out in LR 12.6.2R);
- if the *closed-ended investment fund* satisfies the requirements of (4).
- (4) The transactions described in (3) may be entered into during a *close period* if:
- (a) the *closed-ended investment fund* is satisfied that all *inside information* which the *directors* and the entity may have in periods leading up to an announcement of results has

previously been notified to a *RIS*; and

- (b) the *closed-ended investment fund* notifies a *RIS* that it is satisfied that all *inside information* has previously been notified.

Significant transactions

- 15.5.2 R A *closed-ended investment fund* must comply with *LR 10* (Significant transactions), 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 G *LR 11* (Related party transactions) applies to a *closed-ended investment fund*.
- 15.5.4 R In addition to the definition in *LR 11.1.4R* a *related party* includes any *investment manager* of the *closed-ended investment fund*.

Additional exemption from related party requirements

- 15.5.5 R (1) *LR 11.1.7R to LR 11.1.11R* do not apply to an arrangement between a *closed-ended investment fund* and its *investment manager* 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 R 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 R 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 any provisions relating to compensation payable in the event of termination of the agreement;
 - (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) ~~the name of the *investment managers* together with an indication of the terms and duration of their appointment, the basis for their remuneration and any arrangements relating to the termination of their appointment; [deleted]~~
- (5) the full text of its ~~*investment policy*~~ 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 R 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 LR 15.6.4R.
- 15.6.4 R A valuation required by LR 15.6.3R must:
- (1) either:
 - (a) be made in accordance with the Appraisal and Valuation Standards (5th 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 (5th 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 (5th edition) issued by the Royal Institution of Chartered Surveyors.

15.6.5 R The summary described in LR 15.6.3R 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 Combined Code

- 15.6.6 R
- (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 LR 9.8.6R(6) need not include details about the following principles and provisions of the *Combined Code* except to the extent that those principles or provisions relate specifically to non-executive *directors*:
 - (a) Principle B.1 (including Code Provisions B.1.1 to B.1.6); and
 - (b) Principle B.2 (including Code Provisions B.2.1 to B.2.4).

Annual financial and half yearly report

- 15.6.7 R In addition to the requirements in LR 9 (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 ~~investments~~ cross-holdings

- 15.6.8 R A *closed-ended investment fund* must notify to a RIS of the following: 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.
- (1) ~~within two business days of the end of each calendar month, a list of all investments in other listed closed-ended investment funds, as at the last business day of that month, 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; and

- (2) ~~within two business days of the end of each quarter, a list of all investments with a value greater than 5% of the closed-ended investment fund's total assets and at least the 10 largest investments as at the last business day of that quarter.~~

16.4 Requirements with continuing application

16.4.1 R An open-ended investment company must comply with:

- (1) LR 9 (Continuing obligations) except LR 9.2.6BR and LR 9.2.15R;

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Appendix 1

Relevant definitions

1.1 Relevant Definitions

App ...
1.1.1 ...

investment entity an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

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LR TR

LR TR 1 Transitional Provisions for Sponsors and Venture Capital Trusts

(1)	(2) Material to which the transitional provisions applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision coming into force
...	...				

2	<i>LR</i> 15.2.11R – <i>LR</i> 15.2.13G <i>LR</i> 15.2.13AR and <i>LR</i> 15.4.7R	R	Do not apply in respect of a <i>venture capital trust</i> listed before the date this instrument comes into force.	From 28 September 2007 to 28 September 2010	28 September 2007
...	...				
4	<i>LR</i> 11.1.5R(2)	R	Does not apply to arrangements between a <i>venture capital trust</i> and its <i>investment manager</i> where: (1) the arrangements are such that each invests in or provides finance to a <i>company</i> and the investment or provision of finance is made either (a) at the same time and on the same terms; or (b) in accordance with a pre-existing agreement between the <i>venture capital trust</i> and its <i>investment manager</i> ; and (2) the <i>venture capital trust</i> was listed before the date this instrument comes into force.	From 28 September 2007 to 28 September 2010	28 September 2007
...					

LR TR 2 Transitional Provision for closed-ended investment funds listed before 28 September 2007

<u>(1)</u>	<u>(2)</u> Material to which the transitional provisions applies	<u>(3)</u>	<u>(4)</u> Transitional provision	<u>(5)</u> Transitional provision: dates in force	<u>(6)</u> Handbook provision coming into force
<u>1</u>	<i>LR</i> 15.4.1AR and <i>LR</i> 15.4.1BG	<u>R</u>	<i>LR</i> 15.4.1AR and <i>LR</i> 15.4.1BG do not apply to a <i>closed-ended investment fund</i> listed before 28 September 2007 until the date of the publication of its first annual	<u>6 March 2008</u>	<u>6 March 2008</u>

		report after 28 September 2007.	
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LR TR 3 Transitional Provisions for *Investment Entities* already listed under LR 14

Transitional Provisions for *Investment Entities* already listed under LR 14

<u>(1)</u>	<u>(2)</u> <u>Material to which the transitional provisions applies</u>	<u>(3)</u>	<u>(4)</u> <u>Transitional provision</u>	<u>(5)</u> <u>Transitional provision: dates in force</u>	<u>(6)</u> <u>Handbook provision coming into force</u>
1.	<u>LR 14, LR 15 and LR 16</u>	R	<u>These transitional provisions apply to an entity that is an <i>overseas company</i> and an <i>investment entity</i> and that immediately before 6 March 2008 did not comply with the requirements of LR 15 or LR 16 but complied with the requirements of LR 14.</u>	<u>6 March 2008</u> <u>Indefinite</u>	<u>6 March 2008</u>
2.	<u>LR 14, LR 15 and LR 16</u>	R	<u>LR 14 continues to apply to the entity for so long as it is listed after that date (and LR 15 and LR 16 do not apply) unless the entity makes an election under rule 3 of these transitional provisions.</u>	<u>6 March 2008</u> <u>Indefinite</u>	<u>6 March 2008</u>
3.	<u>LR 14, LR 15 and LR 16</u>	R	<u>The entity may by notice in writing given to the FSA elect to comply with the requirements of LR 15 or LR 16 (whichever is applicable to the entity) instead of the requirements in LR 14 from a date specified in the notice. An entity should not give notice under this transitional rule unless it has come to a reasonable opinion, after having made due and careful enquiry, that it can satisfy the requirements of LR 15 and 16 (as the case may be).</u>	<u>6 March 2008</u> <u>Indefinite</u>	<u>6 March 2008</u>
4.	<u>LR 14, LR 15 and LR 16</u>	R	<u>If an entity gives a notice under TR3 3R of these transitional provisions it must comply with the requirements of LR 15 or LR 16 (as</u>	<u>6 March 2008</u>	<u>6 March 2008</u>

			<u>the case may be) from the date specified in the notice and the requirements of LR 14 no longer apply to the entity from that date.</u>	<u>Indefinite</u>	
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Note: An entity which intends to give notice under LR 3 TR3 3R should consult with the FSA at the earliest possible stage if it intends to comply with the requirements of LR 15 or LR 16 (whichever is applicable to the entity) instead of the requirements in LR 14.