

December 2007

07 / 20
newsletter

This newsletter provides a summary of PS07/20. Please see 'Who should read this paper?' below to see if PS07/20 is relevant to you.

Financial Services Authority

Investment Entities Listing Review

Feedback on CP07/12 and final Handbook text

Why are we issuing the Policy Statement?

In June of this year we published CP07/12, the third consultation paper (CP) issued in connection with the Investment Entities Listing Review, our wide-ranging review of the Listing Rules as they impact investment entities. That document contained final Handbook text amendments to the Listing Rules resulting from proposals in the earlier CP06/4 and CP06/21 consultations which have now taken effect, plus a small number of proposals for further amendments to the Listing Rules.

In this paper, we summarise the feedback we have received on those further proposals from the respondents to the consultation. We also present our final policy decisions on those proposals, together with the resulting final Handbook text.

Who should read the paper?

The paper will interest:

- those who participate in the capital-raising process, including issuers seeking access to capital markets and their advisers; and
- investors, both institutional and retail.

Will this be of interest to consumers?

This document relates to changes to the Listing Rules, which we make in our capacity as UK Listing Authority. In that capacity, we make and enforce the Listing Rules and pursue objectives set for us by the Treasury. These are to provide an appropriate level of investor protection, facilitate access to the market and to maintain the integrity and competitiveness of UK capital markets.

Retail investment in listed investment entities totals many billions of pounds. The changes described in this paper are designed to enhance the new listing regime introduced in September 2007 and make it more attractive to investment entities with more modern investment techniques. So this Policy Statement will be of interest to retail investors.

What is the background to this?

The overall objectives of the review of the listing rules for investment entities have not changed since we started the review in 2005. We want to modernise the rules and produce a durable, more principles-based regime which will allow the listing of investment entities with more modern investment strategies, while retaining robust and appropriate investor protection measures.

In CP07/12 we proposed measures designed to implement a unitary listing regime for shares in closed-ended investment funds. Previously, in CP06/21, we had asked for views on an earlier decision to withdraw our March 2006 proposal to prohibit secondary (directive-minimum) listing of investment funds and instead operate a 'two-tier' listing system, subject to clear labelling. However, after a vigorous public debate on those proposals, we concluded that the two-tier concept did not command the support of stakeholders.

We therefore announced we would proceed on the basis of a unitary listing system for investment entities. In order to implement this, CP07/12 set out proposals to limit the scope of Chapter 14 of the Listing Rules (which deals with directive-minimum listings of equity securities) so that it is not available to investment entities. It also proposed five carefully targeted further amendments to the new Chapter 15 of the Listing Rules. Each was designed to make the listing regime more attractive and competitive, particularly to issuers focused on alternative investment strategies.

Having considered the feedback on the CP07/12 proposals, which was largely supportive, we now intend to implement the unitary listing regime for investment entities, substantially on the basis of the proposals set out in CP07/12. In particular, our proposal to limit the scope of Chapter 14 and thereby implement a single listing regime for the shares in closed-ended investment funds received the support of respondents and will be implemented.

How is the Policy Statement set out?

- Chapter 1 gives an overview of the paper's contents;
- Chapter 2 provides a policy statement and feedback on CP07/12; and
- Appendix 1 sets out final Handbook text, effective 6 March 2008.

What happens next?

The changes to the Listing Rules are set out in full in Appendix 1 of the document and will take effect on 6 March 2008.

This Policy Statement reports on the main issues arising from Consultation Paper 07/12 (*Investment Entities Listing Review*) and publishes final rules.

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How can I get the full paper?

You can download the full Policy Statement from:

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