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Our ref: CP07 12/MT

Dear Richard

CP07/12 Investment Entities Listing Review**

This is the Financial Services Consumer Panel's response to CP07/12** Investment Entities Listing Review.

The Panel welcomes the FSA's proposal for a unitary regime for listing investment entities under Chapter 15. In our response to CP06/21, we indicated that the Panel was prepared to see some relaxation of Chapter 15's requirements to make the market more attractive to investment entities with alternative investment strategies. Although the Panel did not respond in detail to the modification proposals to Chapter 15 put forward at that time, we did accept that the proposed changes would meet the objective.

Since the publication of this CP, the London Stock Exchange ('the LSE') has announced the launch of a specialist fund market to cater specifically for these types of issuers. The Panel has asked the LSE why such a market was necessary given the efforts being made by the FSA to adapt Chapter 15 to meet the needs of such issuers. The Panel was advised by the LSE that as the proposed unitary regime would not go far enough, the LSE felt obliged to establish an alternative market to prevent these issuers going to other markets such as Euronext. This rather begs the question – why are further changes to Chapter 15 proposed if the LSE believes they will not produce the intended outcome? We would very much like to have an answer from you on this point please. Our comments to the questions posed in the consultation paper should be read with this observation in mind.

Q1: Do you agree with our proposed change to the scope of Chapter 14?

Yes. As indicated in our responses to earlier consultation papers on this issue, the Panel believes that investment entities should be prohibited from listing under Chapter 14 as we believe that it does not provide sufficient investor protection.

Q2: Do you agree we should delete the detailed requirements to demonstrate sufficient experience on the part of investment managers?

No. While the Panel agrees that it is primarily the responsibility of the board to ensure that the management of the company has sufficient expertise, the Panel sees no harm in retaining the measure outlined in CP06/04.

Q3: Do you support allowing more than one manager representative on the board of a listed closed-ended investment fund?

Yes, provided that the majority of the board, including the chairman are independent.

Q4: Do you agree that, subject to the conditions proposed above, feeder funds should be listed?

Although the Panel does not have the specialist knowledge to respond to this question fully, we believe that feeder funds would be more attracted to the new specialised fund market established by the LSE.

Q5: Do you agree with the proposed minimum level of disclosure we set out in paragraph 4.24 above?

The Panel would prefer that the levels of disclosure proposed in CP06/21 in paragraphs 2.29 – 2.33 and outlined in paragraph 4.23 of CP07/12 were made mandatory, as this information would be of value to investors.

Q6: Do you agree with our proposal to require, in addition to the minimum level, quarterly disclosure of positions in excess of 10%? Would your view be different if the disclosure threshold was raised to 20%?

As stated above in our response to question 5, the Panel does not support the proposed minimum levels of disclosure. However, if these proposals are implemented we believe that they should be supplemented by a requirement for disclosure of positions of 10% or more of portfolio. We consider a 20% threshold unacceptably high.

Q7: Do you agree that we should retain the stipulation in the Listing Rules that the investment manager is a related party?

Yes.

Q8: Given the significant influence that investment managers often exert over listed funds, do you agree with our proposed new exemption for co-investment arrangements? Is it sufficient to enable legitimate investment fund business?

The Panel is unable to comment on this question.

Yours sincerely,



John Howard
Chairman