

Primary Market Technical Note

Related party transactions by closed-ended investment funds – amendment to an existing investment management agreement to cover new money

The information in this note is designed to help issuers and practitioners interpret our UK Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, and related legislation. The guidance notes provide answers to the most common queries we receive and represent FCA guidance as defined in section 139A FSMA

Rules

UKLR 11

Changes to the fees payable by a closed-ended investment fund to an existing investment manager are classifiable as related party transactions under UKLR 11.

Where a closed-ended investment fund is proposing to issue further shares (typically a new line of shares), it is often the case that the existing investment management agreement is amended to cover the new money on exactly the same basis as the existing funds. In such cases, we consider that no related party transaction is taking place.

However, where the amendment involves any changes to the terms of the agreement that are (or could be) to the benefit of the investment manager, we would expect any such change to be classified as a related party transaction.

Similarly, where the entire investment management agreement is replaced by one in which the management fees are calculated on a different basis, we would consider the new agreement to be classifiable as a related party transaction.