

## **AREF Member Roundtable - FCA CP 18/27 Illiquid Assets and Open-ended Funds**

**Wednesday 12 December**

### **Table members (name and firm):**

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### **FIRST BREAK-OUT DISCUSSION**

#### **Subject: Material Uncertainty and Suspensions**

#### ***FCA findings from review of property fund suspensions:***

- *The valuation of real estate assets poses challenges under stressed market conditions and firms need to consider how best to deal with this issue.*

#### **Mandatory suspensions due to material uncertainty**

##### ***FCA proposal:***

*Authorised fund manager to temporarily suspend dealing in units of a NURS where the SIV has expressed material uncertainty about immovables that account for the value of at least 20% of the scheme property. (FCA 4.1)*

*The requirement to suspend dealing should also apply to all NURSs that have at least 20% of the value of their scheme property invested in one or more funds which have suspended trading due to material uncertainty.*

**Roundtable Questions**

**Adapted from FCA Q7 (page 18)**

Do you agree that mandating suspension when there is material uncertainty about the value of the immovables held by a NURS is required in all exceptional circumstances and would be in the best interest of investors?

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**FCA Q8 & 9 (page 18 & 19)**

Do you agree that 20% of the scheme property is the right level at which to set the threshold for mandatory suspension for NURS that invest directly or indirectly in immovable? If not, please explain why a higher or lower threshold would be preferable.

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**AREF Q1**

Do you agree that the FCA's proposal for mandating suspension would lead to consistent actions being taken by property funds in exceptional circumstances? If not, why not and what would you suggest the FCA propose instead?

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**AREF Q2**

What issues, if any, would there be when the material uncertainty of values has been lifted?

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**AREF Q3**

Do you feel the SIV is the correct party to trigger suspension and do you think the Red Book definition of Material Uncertainty is sufficiently clear?

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