

Consultation on proposal to reduce the minimum asset value for an IPSEX Issuer

24 March 2023

Consultation on a proposal to reduce the minimum asset value for an IPSX Issuer

Introduction

IPsx UK Limited (IPsx) is conducting a consultation on a proposal to reduce the minimum asset value owned by an IPSX Issuer to £20m, subject to regulatory approval. At present, the minimum asset value permitted for an IPSX Issuer is £50m.

This proposal is aimed at bringing the IPSX Rules for Issuers in line with the change to the tax rules applying to REITs which will take effect on 1 April 2023.

This consultation is aimed at IPSX Issuers, potential Issuers and IPSX Lead Advisers, who are invited to provide feedback. We also welcome feedback from other IPSX Members and interested parties. The proposed changes are described in this document.

The closing date for responses is 7 April 2023.

Responses should be sent to regulation@ipsx.com.

Any queries should also be sent to this address.

Proposed reduction in the minimum asset value for an IPSX Issuer

Background

On 15 March 2023, the FCA published a policy paper on Corporation Tax for REITs which removes the requirement for a REIT to hold a minimum of three properties where it holds a single commercial property asset worth at least £20m. This change will take effect on 1 April 2023.

Proposal

The minimum value of asset(s) owned by an IPSX Issuer is currently defined in the IPSX Rules for Issuers as “generally in excess of £50m”. We propose that, subject to regulatory approval, the minimum value be reduced to £20m, so that it is aligned with the revised REIT rules.

Impact on the IPSX Rules for Issuers

The proposal will necessitate revision of the definitions of Single Commercial Property Assets and Multiple Commercial Property Assets in the glossary. The proposed changes to these definitions are tracked below:

Single Commercial Property Asset: an underlying real estate or infrastructure asset having a commercial purpose and which:

- a) occupies a single geographic location or postal address; or
- b) comprises a group of co-located assets.

*Guidance: IPSX requires that an underlying **Single Commercial Property Asset** has a minimum value of £20m ~~is of institutional grade (i.e. it will generally have a Market Value in excess of £50m)~~. The **Exchange** may admit an **Applicant** where the **Single Commercial Property Asset** has a lower **Market Value** if it is satisfied that the asset is suitable for admission to **IPSX**. In such cases, the **Applicant** should contact **Market Regulation**.*

Multiple Commercial Property Asset: underlying real estate or infrastructure assets which have a commercial purpose and which show a sufficient degree of commonality in order to be eligible for admission.

Guidance: Commonality of assets may be demonstrated by factors such as:

- i. type/sector;
- ii. tenant(s);
- iii. geographic location;
- iv. common financial performance; or
- v. master lease.

*IPSX requires that the underlying real estate or infrastructure assets have a minimum value of £20m ~~are of institutional grade (i.e. the assets will generally have a Market Value in excess of £50m)~~. The **Exchange** may admit an **Applicant** where the underlying real estate or infrastructure assets have a lower **Market Value** if it is satisfied that the asset is suitable for admission to **IPSX**. In such cases, the **Applicant** should contact **Market Regulation**.*

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