

[AS INTRODUCED]

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Make provision about listed investment companies; the classification and characteristics of those companies; and for connected purposes.

BE IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Listed closed-end investment companies

This Act relates to collective investment undertakings of the closed-end type, the shares of which are admitted to trading on any market or venue operated by a United Kingdom recognised investment exchange, known as Listed Closed-End Investment Companies (“LCICs”) and does not relate to collective investment undertakings other than the closed-end type.

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2 Classification of listed closed-end investment companies according to their characteristics

(1) In the making of rules, guidance, directions, policy or any other regulatory material and in the interpretation of legislation, including retained EU law, relating to or relevant to LCICs, the Financial Conduct Authority (FCA), the Pensions Regulator (TPR) and any other relevant regulator must be governed by the characteristics and classification of LCICs in subsections (2) to (9).

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(2) LCICs are collective investment undertakings of the closed-end type and in particular are distinct from those known as—

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(a) open ended investment companies or unit trusts;

(b) long term asset funds;

(c) European long-term investment funds; and

(d) exchange traded funds.

(3) LCIC shares are a publicly traded capital market financial instrument.

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(4) The value of LCIC shares as a financial instrument is the price at which such LCIC shares are traded on the relevant market or venue.

(5) LCIC shareholders have no individual right to a proportional share of the net asset value of the relevant LCIC nor to have their shares in that LCIC repurchased or redeemed, directly or indirectly out of the assets of that LCIC

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at a time of their choosing and realise their investment value by selling their LCIC shares on the relevant market or venue.

- (6) Subsections (4) and (5) apply in the ordinary course of market trading, not in unusual circumstances such as, but not limited to, winding-up, shareholder votes or court action. 5
- (7) Management expenses, including performance fees, and other recurring and non-recurring operating expenses of the LCIC are deductions from the net asset value of the LCIC and not charges paid by the LCIC shareholder as a deduction from the value of the shareholder's LCIC shares.
- (8) LCIC management expenses, including performance fees, and other recurring and non-recurring operating expenses are publicly disclosed to the market via published audited reports and accounts. 10
- (9) There are no direct charges levied on the shareholder by the LCIC and therefore –
- (a) there are no charges in relation to the LCIC to enter into any pre- or post- trade investor facing disclosures made by an alternative investment fund manager of that LCIC or any other entity acting as a manufacturer or distributor of that LCIC's shares; and 15
- (b) where shares of a LCIC ("A") are held by another collective investment undertaking ("B"), there are no charges in relation to the shares of A to include in B's investor facing disclosures. 20

3 Amendments to the Commission Delegated Regulation (EU) 2017/565

- (1) The Commission Delegated Regulation (EU) 2017/565 is amended as follows.
- (2) In Article 50(2) (information on costs and associated charges), at end after paragraph 2 insert – 25
- “2A. For these purposes, investment firms are not required to aggregate or include any costs and charges relating to any closed-end investment company whose shares are admitted to trading on any market or venue operated by a United Kingdom recognised investment exchange.” 30
- (3) In Annex II (costs and charges), in Table 2, in row “Ongoing charges”, column “Cost items to be disclosed”, after the second “instrument” insert –
- ““Value” for the purposes of any closed-end investment company whose shares are admitted to trading on any market or venue operated by a United Kingdom recognised investment exchange means the share price.” 35
- (4) In Annex II (costs and charges), in Table 2, in row “Ongoing charges”, column “Examples”, after the third “costs” insert –
- “Costs and charges of any closed-end investment company whose shares are admitted to trading on any market or venue operated by a United Kingdom recognised investment exchange are not ongoing charges.” 40

- (5) In Annex II (costs and charges), in Table 2, in row “Incidental costs”, column “Examples”, after “Performance fees” insert—

“Performance fees and any other incidental costs of any closed-end investment company whose shares are admitted to trading on any market or venue operated by a United Kingdom recognised investment exchange which are not ongoing charges for the purposes of this table are also not incidental costs as they are not deducted from value to the investor, which is the share price.”

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4 Extent, commencement and short title

- (1) This Act extends to England and Wales, Scotland and Northern Ireland.
- (2) This Act comes into force on the day on which it is passed.
- (3) This Act may be cited as the Listed Investment Companies (Classification etc) Act 2024.

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Listed Investment Companies (Classification etc) Bill [HL]

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Make provision about listed investment companies; the classification and characteristics of those companies; and for connected purposes.

Baroness Bowles of Berkhamsted

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