

Working Group on facilitating investment in long-term assets

Terms of Reference

Background

1. The supply of finance for productive investment is important for long-term growth and productivity, and for financial stability.¹ One type of productive finance that requires particular attention in the UK at present is investments that are longer-term, less liquid and more equity like than other types of instruments. And the economic uncertainty created by coronavirus (COVID-19) means that it is now more crucial than ever that a long-term investment culture is fostered that delivers good outcomes for consumers, while aiding economic recovery.
2. Her Majesty's Treasury (HM Treasury), the Bank of England (the Bank), and Financial Conduct Authority (the FCA) are therefore convening an industry Working Group to facilitate new productive investment in the UK economy to support economic growth.
3. The non-bank sector, including pension funds, insurers and investment funds, may be more apt to provide such types of productive finance. However, it is estimated that UK insurance companies and pension funds allocate only around 3% of their assets to unlisted equity. And UK collective investment funds (in which insurance firms and pension funds also invest) allocate only 2% of their assets to unlisted equities.
4. The Working Group will build upon work already undertaken to investigate the potential barriers to investment in productive finance assets in the UK, including the Government's Patient Capital Review in 2016 and the Long-Term Asset Fund (LTAF) proposal from the Asset Management Taskforce's UK Funds Regime Working Group in 2019.

Objectives of the working group

5. The Working Group's overall objective is to propose concrete solutions to barriers to long-term investment. This includes proposing a roadmap, timetable and set of actions for firms and others to implement those solutions. A high priority and early deliverable will be to identify potential fund structures that invest in long-term assets, such as the LTAF, and consider what is required to ensure that they are viable investment options for a range of investors, including default arrangements of defined contribution (DC) pension schemes.
6. In addition to facilitating the successful launch of the LTAF, the Working Group's objectives include:
 - Proposing possible solutions to identified operational barriers to long-investment including considering how potential fund structures, such as the LTAF, can be viable investment options for a range of investors, including DC pension schemes;
 - Determining what further steps need to be taken to overcome barriers preventing or discouraging investment in long-term assets by investors with long-term investment horizons or liabilities;

¹ Productive investment refers to spending by businesses that has the potential to expand the productive capacity of the economy, whilst also generating marginal returns to society that exceed the marginal cost of investment to society. Such investments include plant and equipment, research and development, technologies and infrastructure. Productive finance refers to the way that businesses finance this productive investment – such as cash injections from owners, loans, and external investors.

- Proposing possible solutions to barriers to demand for long-term assets, in particular in relation to default arrangements of DC pension schemes;
- Considering recommendations for potential regulatory changes to facilitate more productive investment while still protecting investors and maintaining financial stability;

7. Tax incentives are not in scope of the Working Group's objectives.

Chairs and operations of the Working Group

8. The Working Group will comprise both a Steering Committee, and a technical expert group (TEG) with topic expert representatives. The TEG will report into the Steering Committee.
9. The Steering Committee will be co-chaired by the Governor of the Bank, the Chief Executive of the FCA, and the Economic Secretary to HM Treasury. The TEG will be co-chaired by the FCA and the Bank.
10. The Bank and the FCA will jointly act as the secretariat for the Steering Committee and TEG.
11. The Working Group may also commission formal assistance from professional services firms, where necessary.
12. The duration of the Working Group is currently expected to be six months.

Membership and consultative procedures

13. Membership of the Working Group will be at the invitation of the Bank, FCA and HM Treasury. The criteria for membership are set out [here](#).
14. Membership of the Working Group will be drawn from a diverse set of market participants and interested bodies, including:
- a. investment platforms;
 - b. banks/broker dealers;
 - c. asset management firms,
 - d. pension funds, trustees and insurance companies;
 - e. non-financial corporates and other issuers;
 - f. infrastructure firms;
 - g. wealth managers; and
 - h. trade associations representing relevant sectors and markets.
15. Each participant organisation in the Working Group (a Member) will nominate individuals to attend the Steering Group and TEG. The individuals attending the Steering Committee will be senior level representatives. Individuals on the TEG will be technical experts.
16. Individuals attending the Working Group will be expected, to the extent possible, to consider and communicate the broader view of their sector alongside the view of the relevant Member they are representing. Members will also be expected, where appropriate, to: draw on their own resources to support the Working Group's objectives; and take actions in support of the Working Group's objectives.

17. To promote fair representation and support a manageable size for the Working Group, Members are expected to have no more than one individual representative at Working Group meetings and no more than one representative at TEG. The overall number of Members of the Working Group will be limited to 26.
18. Interested stakeholders, who would like to be updated on the work of the Working Group should contact FSSR-Productive-Finance-Secretariat@bankofengland.co.uk and ProductiveFinanceWG@fca.org.uk.

Governance and transparency

Governance

19. The Working Group will issue recommendations; it is not a decision-making body.
20. Any recommendation or conclusions shall be agreed by consensus by the members of the Steering Committee or TEG. If agreement by consensus cannot be reached, the Working Group chairs will summarise the discussion, but dissenting views will be recorded in the minutes.
21. To be quorate, the Steering Committee requires, in addition to the chairs, a minimum attendance of 15 Members, including (in the judgement of the relevant chairs and in consultation with the Bank, FCA, and HM Treasury) sufficient sectoral diversity. If the Steering Committee is not quorate, meetings may proceed but recommendations or conclusions cannot be approved.
22. Where deemed appropriate by the Chairs, Members may attend Working Group and TEG meetings remotely.
23. Representatives from the Bank, the FCA, HM Treasury, may chair meetings and, along with the Pensions Regulator and the Department of Work and Pensions, participate in technical discussions. But any recommendations or conclusions of the Working Group will represent the views of the Members, and not necessarily of, or endorsed by, the UK authorities.
24. The Bank, FCA and HM Treasury may provide guidance to the Working Group, including by suggesting specific additional objectives, proposing amendments to these Terms of Reference, or reviewing the membership of the Working Group as necessary, in order to achieve the overall objective set out above.

Attendance at the Steering Committee and operation of the TEG

25. Attendees are expected to come to Steering Committee and TEG meetings prepared and be ready to engage and provide their insights on agenda items.
26. The TEG will be overseen by the Steering Committee, and will be tasked with providing more detailed input into specific questions as directed by the Steering Committee.

Transparency

27. It is essential that the Working Group operates in a transparent manner. That is necessary to provide the opportunity for the broadest possible engagement in the Working Group's work; to support the legitimacy of any conclusions or recommendations it makes; and to ensure that market participants who are not directly involved are appropriately informed of the Working Group's work.
28. The Working Group will consult with a broad cross-section of market participants where appropriate, through the publication of consultative papers, hosting roundtable events, or otherwise.
29. Minutes of Steering Committee meetings, once approved, will be published on a timely basis on the Bank's [webpage for the Working Group](#). And interim updates may be published if more timely

transparency on a particular topic is warranted. The Bank, HMT and the FCA will disclose these Terms of Reference, and the institutional membership of the Working Group, on the same webpage.

Confidentiality, competition law and conflicts

30. Each Member will be responsible for complying with relevant confidentiality obligations, competition laws and any other relevant laws both by it and by any individuals nominated by it to the Steering Committee or the TEG. Members will be responsible for taking their own legal advice in regard to competition law; and any actual or potential conflicts of interest by Members, or their representatives, shall be noted by the organisations/individuals concerned and passed back to the Chairs of the Working Group.

Confidentiality

31. Each Member and individuals nominated by Members to attend the Steering Committee or TEG will be subject to a duty of confidentiality. Any non-public information disclosed or opinions expressed during Steering Committee or TEG meetings will be treated as confidential unless and until the Working Group has authorised their public release. Once approved, minutes of the Steering Committee meetings will be made publicly available.

32. In the interest of encouraging full engagement, Members and the individuals that they nominate to attend the Steering Committee and TEG meetings agree and accept that any discussion at the Steering Committee or TEG meetings will not be attributable to individuals or the Members that they represent.

33. Members and the individuals that they nominate to the Steering Committee or TEG may be exposed to sensitive information and, potentially, to material non-public information in the course of their work. Confidentiality is extremely important, and whilst it is understood that individuals attending Steering Committee or TEG meetings may want to discuss topics and issues that arise in the Steering Committee or TEG with other staff at their organisation in order to seek input for the Working Group, Members are expected to accept responsibility for ensuring all such individuals and staff are aware of, and respect, the confidentiality and sensitivity that attaches to the work of the Working Group and any related papers.

34. The unnecessary involvement of Members' staff and other third parties is strongly discouraged. Members are reminded of their legal obligations in relation to material non-public information and personal data.

35. In all cases where Members' staff and third parties see Working Group documents, Members are expected to accept responsibility for ensuring that all such staff and third parties are aware of and respect the confidentiality and sensitivity which attaches to the Steering Committee Group and TEG and the documents in question.

Competition law

36. It is the responsibility of each Member and their representative to ensure they understand their responsibilities under, and fully comply with, competition law when participating in the above groups and forums, during breaks and in general, and in particular that they understand what is and is not lawful practice.

It is the responsibility of each Member to take their own legal advice on competition law and for relevant individuals representing each Member to consult the legal and/or compliance teams at their respective institution for further guidance and/or if necessary/appropriate, arrange to take competition law compliance training.

37. Particular care will need to be exercised in order to make sure that Members familiarise themselves with the concept of competitively sensitive information and do not unilaterally disclose or exchange it under any circumstance. The Bank, FCA, and HM Treasury understand that technical, operational and administrative advice/input/feedback relating to the provision of long-term capital will be discussed in meetings of the Steering Committee and TEG. However, if certain potentially competitively sensitive information is absolutely necessary for the smooth functioning of the Working Group, then appropriate procedures will need to be put in place to make sure that such information is suitably anonymised and aggregated and can be shared in compliance with applicable competition laws.
38. In addition, if, for instance, during a Steering Committee, TEG or other meeting in connection with the Working Group, a participant has concerns about the discussion from a competition law compliance perspective – for example, due to sharing competitively sensitive information – the participant should make their concerns known to the meeting as a whole, and the discussion giving rise to such concerns should cease. The participant should ensure that their objection is noted in the record. If such discussion does not cease, the participants concerned should leave the relevant meeting and request that their departure and the reasons for it are included in the Minutes.
39. In line with the above, Members of the Working Group may not use their position for commercial advantage by citing participation in client promotional materials.

Conflicts of interest

40. Any actual or potential conflicts of interest by Members (or their representatives) shall be noted by the relevant Member and passed back to the Chairs of the Working Group. The Chairs of the Working Group will assess any raised conflict of interest in conjunction with the impacted Members' assignments and responsibilities, and engage with legal advisors, to consider possible actions, including the replacement of the conflicted Members.

Addendum to the Terms of Reference (March 2022)

41. In September 2021 the Working Group published a [report](#), summarising the findings from the Working Group's work to date and including a set of recommendations addressed at industry and the official sector, aiming to remove the barriers to investment in long-term, less liquid assets. Working Group members volunteered to take forward various elements of these recommendations, and the Steering Committee agreed to monitor progress in implementing the recommendations.
42. In December 2021 membership of the Working Group was reviewed, in line with the membership criteria published [here](#). In particular, given the nature and the target audience of the recommendations in the report, the representation of pension schemes and (investment and employee-benefit) consultants was strengthened, to improve the overall expertise, representativeness and diversity of the Working Group. After the report's publication in September 2021, several Working Group members chose not to volunteer for the next phase of the work, for either resourcing or personal reasons, or because the recommendations were less relevant for their institutions. A revised membership list has been published [here](#).
43. The Steering Committee will continue meeting regularly to monitor the progress in removing any remaining barriers to investment in long-term, less liquid assets – until the Steering Committee co-chairs and the members agree that such meetings are no longer necessary.

44. While the confidentiality obligations set out at paragraphs 31-35 above continue to apply, Working Group members may also commission formal advice from professional services firms, where necessary, with the agreement of the Secretariat of the Working Group.