Minutes of the first Technical Expert Group (TEG) meeting
12 February 2021
Virtual meeting

Agenda

1. Competition law reminder by Simmons & Simmons LLP
2. Agreeing the TEG's focus and prioritisation
3. Agreeing the structure of the TEG
4. Process for delivering draft solutions for the second meeting of the Steering Committee (SC2) on 4 May

Item 1. Competition law reminder by Simmons & Simmons LLP

1. Simmons & Simmons LLP set out the legal obligations of all members of the Working Group relating to competition law. They reminded members that it is their responsibility to meet their legal obligations and to take their own legal advice.

Item 2. Agreeing the TEG's focus and prioritisation

2. The co-chairs[1] of the Technical Expert Group (TEG) opened up the meeting by thanking members for their participation in the Working Group and stressing the importance of the work. The Bank of England has previously emphasised the importance of increasing the supply of and demand for productive finance to the economy.[2] It would help to improve the UK's long-term productivity growth, and aid the UK's coronavirus (COVID-19) economic recovery. Productive finance could also improve the resilience of the financial system to shocks, in line with the Financial Policy Committee (FPC)'s primary objective. The Financial Conduct Authority (FCA) highlighted that, although closed-ended funds facilitate investment in productive finance assets, investor feedback suggests that there is a need for an option for investment in long-term assets via open-ended authorised fund structures. The FCA also noted that it is open to re-examining its regulatory framework, including its distribution rules.

3. The co-chairs outlined the key outcomes of the first Steering Committee meeting in January.[3] In particular, the Committee agreed to prioritise facilitating the creation of the Long Term Asset Fund (LTAF) – consistent with the Chancellor's commitment to have set up and launched the LTAF by the end of 2021 – and proposing practical solutions to the other significant barriers to investment in productive finance.

4. The Investment Association (IA) outlined the key features of their LTAF proposal. The objectives of the LTAF are to create a fund structure that facilitates access to investment in private markets, and to expand the range of options currently available for investors. The proposal does not intend to replace existing structures or to target certain sectors within the universe of less liquid assets.

5. The Secretariat summarised the main barriers to investment in productive finance that the Steering Committee had agreed to focus on. These fall broadly into three categories: barriers to creating the LTAF; barriers to distributing it; and to enabling investor demand. These types of barriers include: the absence of an appropriate open-ended fund structure; regulatory barriers; lack of operational infrastructure for non-daily dealing funds; and barriers to demand from

[1] Nike Trost (Head of Pensions and Funds, Financial Conduct Authority) and Lee Foulger (Director, Financial Stability Strategy and Risk, Bank of England).
[2] Bank of England (2020), Financial Stability Report, August: https://www.bankofengland.co.uk/-/media/boe/files/financial-stability-report/2020/august-2020.pdf
[3] See Minutes from the first Steering Committee meeting: https://www.bankofengland.co.uk/minutes/2021/january/working-group-to-facilitate-investment-in-productive-finance-january-2021

investors, for example, Defined Contribution (DC) pension schemes focusing more on costs than net returns.

6. The TEG members broadly agreed with the list of barriers the Group should aim to come up with practical solutions to and their categorisation. The discussion mostly focused on the following themes:

   a. There was general agreement that the TEG should conduct analysis to ensure that the design of the LTAF made it attractive to its target investors.

   b. There was also general interest in learning lessons from other jurisdictions' experience, for example, the European Long Term Investment Fund (ELTIF) and Business Development Companies in the US.

   c. There was a discussion about the types of assets an LTAF should invest in. This included questions about what might comprise 'productive finance' investments, whether targeting the LTAF on these assets was the intention, and what targeting the LTAF on these opportunities might mean for the design of the structure.

   d. Several members highlighted the need to engage and coordinate with other ongoing policy and regulatory work that is relevant for productive finance (for example, the Solvency II Review and DWP consultations on consolidation and the charge cap). This will help avoid duplication and enable the TEG to identify and focus on issues not addressed elsewhere. The Secretariat could facilitate this coordination.

   e. One member suggested that the three categories of barriers could be framed more clearly as, respectively, legal and regulatory barriers, operational barriers and demand-side barriers.

7. The members also discussed the need to prioritise the work, in particular whether the TEG should focus, initially, on barriers facing DC pension schemes or also cover those facing Defined Benefit (DB) pension schemes and some retail investors, in parallel. There was a range of views. Some members argued in favour of focusing on the barriers facing DC schemes to start with, and considering retail investors later, given the Working Group's relatively short timeframe. Others suggested considering the barriers facing DC and DB schemes and retail investors in parallel, given the overlaps in potential solutions to the three categories of barriers previously discussed. Comment was also made that focussing solely on one type of investor might make it more challenging to tailor any solutions proposed by the Working Group to other investor types at a later date. It was also mentioned that focusing on just one investor type might not generate sufficient demand for a product such as the LTAF. It was agreed that the TEG sub-groups will take forward and agree an initial prioritisation of the barriers to focus on ahead of the next Steering Committee meeting on 4 May, with the aim of agreeing what was feasible to deliver within the Working Group's six month lifespan.

Item 3. Agreeing the structure of the TEG

8. The Secretariat proposed splitting the TEG into three sub-groups to take forward the detailed technical discussions and come up with practical solutions. Each sub-group will focus on one of the three sets of barriers outlined above (barriers to creating the LTAF, distributing LTAF, and enabling demand). It is important that each sub-group comprises a broad and diverse mix of members to ensure that the discussions and proposed solutions reflect a wide range of views, but is not too large, to keep discussions manageable.

9. The majority of TEG members agreed with this proposed structure. The discussion mostly focused on the need to ensure effective coordination and engagement among the sub-groups and to draw on other organisations, as appropriate. To aid the former, several members suggested to share papers and readouts from the sub-group meetings with all TEG members. Others proposed that the monthly TEG meetings should allow sufficient time to discuss the substantive issues and get all members' views. This will help identify potential overlaps, gaps and inconsistencies across the sub-groups' proposed solutions, and develop a shared view rather than using the meetings merely to share information. One member suggested having a fourth sub-group responsible for coordinating the work of the other sub-groups.

Item 4. Process for delivering draft solutions for the second meeting of the Steering Committee (SC2) on 4 May

10. The Secretariat outlined the expected deliverables and the timelines for the sub-groups. Ahead of the next Steering Committee meeting on 4 May, the TEG should agree the scope of the barriers it proposes is feasible to focus on and produce an initial set of practical solutions. The final set of recommendations will be signed off by the Steering Committee at its last meeting on 26 July. The sub-groups will take forward the work and engage all TEG members at the full TEG monthly meetings.

11. The immediate priority for the TEG is agreeing chairs and members for the sub-groups. The Secretariat asked for members to volunteer for these positions by no later than noon on 17th February. Based on these expressions of interest, the co-chairs of the TEG would propose the chairs and membership of each sub-group to TEG members by the end of that week, based on the considerations outlined above. The chairs of the sub-groups will be responsible for ensuring that their sub-group delivers its outputs to the TEG to the agreed timescales, setting out meeting agendas, providing a competition law reminder in each meeting and circulating readouts to members and the Secretariat. The sub-groups should meet for the first time the week beginning 22 February and start progressing the work. Each sub-group should decide how often to meet, with the expectation that it would be once a week, on average.

12. The Secretariat also outlined expectations for the sub-groups. Members are encouraged to have a single TEG member to promote continuity at the meetings and to keep numbers manageable.

That member would sit on both the TEG and a TEG sub-group, and draw on expertise and input from their organisations, as needed. There could be some flexibility on this if required, but this would need to be discussed and agreed with the Secretariat.

13. Given sub-groups will operate with a degree of autonomy, it will be important to coordinate their work. The Secretariat will sit across different groups and the monthly meetings of all TEG members will be used to discuss dependencies and potential gaps, and to ensure consistency and transparency across the sub-groups' work.

14. The TEG also needs to consider how to engage with organisations outside the working group. Each sub-group should discuss relevant stakeholders for their work and liaise with the Secretariat, who would help coordinate and facilitate the outreach across groups.

The Productive Finance Working Group

Attendance

Co-chairs

Nike Trost	Financial Conduct Authority
Lee Foulger	Bank of England

Private sector attendees

Ross Hayter	Aberdeen Standard Investments
Nicholas Smith	Alternative Investment Management Association (AIMA)
Callum Tanner	Association of British Insurers (ABI)
Guy Rainbird	Association of Investment Companies (AIC)
Ashish Dafria	Aviva
Jane Sloan	Blackrock
Rachel Turner	BNY Mellon
Tom Taylor	British Private Equity and Venture Capital Association (BVCA)
Andrew McCaffery	Fidelity
Nathan Long	Hargreaves Lansdown
Mona Christensen	
James Chew	HSBC
Chris Dodwell	Impax Asset Management
Jonathan Lipkin	Investment Association (IA)
Laura Mason	Legal & General
Dr Darko Hajdukovic	London Stock Exchange Group
Arthur Rakowski	Macquarie Asset Management
Stephen O'Neill	Nest
Christopher Davies	Partners Group
Karen Hurst	Pensions & Lifetime Savings Association (PLSA)
David Land (alternate for Prateek Sharma)	Rothesay Life
Neil Simmonds	Simmons & Simmons LLP
Emma Reynolds (alternate for Adam Wendelboe)	TheCityUK (TCUK)
Naomi Clark	Universities Superannuation Scheme
Duncan Hale	Willis Towers Watson
Anthony Ellis	Hymans Robertson
Mark Walker	Coal Pension Scheme

Secretariat

James Howat	Secretariat (Bank of England)
Iren Levina	Secretariat (Bank of England)
Alan Mankikar	Secretariat (Bank of England)
Tom Bramhill	Secretariat (Financial Conduct Authority)

Official sector attendees

Sophie Stone	Bank of England
Leo Fernandes	Bank of England

The Productive Finance Working Group

Sadie Lambie	Her Majesty's Treasury
Fraser MacLeod	Her Majesty's Treasury
Rachel Mumford	Her Majesty's Treasury
Mhairi Jackson	Financial Conduct Authority
Michael Collins	Financial Conduct Authority
Andrew Blair	Department for Work and Pensions
Brendan Walshe	The Pensions Regulator