

Financial Conduct Authority

By email

14 August 2023

Dear Sir/Madam,

**Practitioner Panel comments on Chapter 4 of PS23/7: Broadening retail and pensions access to the Long-Term Asset Fund – Access to the Financial Services Compensation Scheme**

While the Panel supports a review of the FSCS funding mechanism to reduce drag on UK's competitiveness in investment management as part of the wider Compensation Framework Review, we do not agree that FSCS protection be removed for LTAFs.

In our view investments in LTAFs should be entitled to FSCS coverage. The structure of LTAFs has been well thought through; they are being manufactured by authorised firms and the plans for retail distribution provide that the risks of these products have been appropriately considered. The Consumer Duty requires firms to deliver good customer outcomes for all fund structures, including LTAFs. If LTAFs were to be mis-sold/ and or investors received poor advice, it is fair that they have the option to seek FOS or FSCS compensation as appropriate.

We do not agree with the premise that LTAFs are always high-risk investments that should be excluded. A lower level of liquidity at a fund level does not necessarily translate into a higher level of investment risk. There is also the opportunity to strengthen disclosure requirements to provide more clarity for investors e.g. there could be scope for LTAFs to disclose 'recommended minimum holding periods' to guard against multiple claims made for customers who choose to sell within a short time frame where this would not be in their best interest.

If FSCS protections were restricted for LTAF they would be the only investment product excluded from coverage which could create the perception that they are of lower quality and negatively impact take up amongst retail investors. This would be contrary to the Government's objective of encouraging investment into LTAFs by broadening access. Creating separate coverage for some, but not other, activities relating to the LTAF could also increase confusion as to the scope of the FSCS. Eligibility rules for FSCS compensation are already quite complex and not well understood by retail investors.

We would be happy to discuss any of these points further.

Yours faithfully,

[signed]

Matt Hammerstein  
Chair, FCA Practitioner Panel