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House of Lords to hear trusts cost disclosure bill



Baroness Sharon Bowles is expected to present her private members bill to the House of Lords. (UK Parliament)

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By **Tara O'Connor**



The House of Lords is expected today to hear a bill which would remove the requirement for investment trusts to disclose costs and charges in certain circumstances.

Baroness Sharon Bowles is set to present a private members bill which FT Adviser understands will call for changes to be made to existing regulations.

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Among the proposed changes is a rule that investment firms should not be required to include costs and charges relating to closed-end investment companies whose shares are traded in any market recognised by a UK recognised investment exchange.

Richard Stone, chief executive of the Association of Investment Companies, said the bill would open up an opportunity to combat the harm to investors of current cost disclosure rules.

He said: “Regulated cost disclosures have been allowed to mislead investors for too long.

“Since the election, we’ve written to Tulip Siddiq [economic secretary to the Treasury] to stress the urgency of reform and encouraged our members to do the same. Baroness Bowles’s bill opens up another opportunity to remedy this harm and puts pressure on the government to make swift progress in repealing Priips and Mifid. We are supportive of the bill and wish it success in its passage through parliament.”

Current rules mean investment trusts are treated as collective investment vehicles, rather than as equities.

The total costs incurred by a trust must be shared with a client, meaning fund of fund investors and model portfolios are less willing to invest in these vehicles.

Bowles was an MEP for nearly a decade and chaired the European Parliament's committee on economic and monetary affairs between 2009 and 2014. She was given a life peerage in 2015.

In May she was part of a House of Lords committee which warned the FCA investment trusts were under threat.

At the time, an FCA spokesperson said the body recognised the challenges posed by existing cost disclosure requirements.

They added changes to investment trust charges that required further legislation.

First stage of the bill

The bill is one of 25 chosen to be heard by the House of Lords today and this is its first reading.

The first stage is usually a formality and is generally agreed without debate or objection.

It will be up to Bowles to secure a second reading of the bill at which stage there it will be voted on.

If it then passes this second reading it will be moved to either a committee of the whole house or a grand committee - at this stage amendments are able to be moved.

It is not until these three readings have taken place that it has a chance to be heard in the House of Commons, if sponsored by an MP.

Baroness Ros Altmann tabled a private members bill on reforms to the regulation of investment funds at the end of 2023.

The bill made it to its third reading and would have been considered by the House of Commons had an election not been called.

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