

MEMO# 33442

April 20, 2021

ICI Global Letter on UK Financial Services Compensation Scheme Look Through Provisions

[33442]

April 12, 2021 TO: ICI Global Regulated Funds Committee
ICI Global UK Financial Services Compensation Scheme Working Group RE: ICI Global Letter on UK Financial Services Compensation Scheme Look Through Provisions

On 7 April 2021, ICI and ICI Global sent a letter to the Financial Conduct Authority (FCA) and Her Majesty's Treasury, asking them to limit the scope of the look through provisions of the Financial Services Compensation Scheme (FSCS) to just UK domiciled investment funds. In the letter, we argued that the costs resulting from the application of the look through to funds domiciled outside the UK are not commensurate to investor protection benefits and reduce the UK's competitiveness as an investment management centre.

In simple terms, the FSCS enables fund investors to seek compensation for loss resulting from the activities of investment fund managers (IFMs) and delegated investment managers (DIMs) where the loss is not solely due to market movements and where the IFM or DIM cannot pay compensation themselves due to their financial circumstances.

The FSCS' look through provisions were introduced in April 2018 to bring greater consistency to fund investors' compensation claims by addressing instances where fund investors do not have a valid direct civil liability claim for loss against an investment fund manager and therefore may not have a protected claim under the FSCS.^[1] Claims for loss against IFMs are limited to the management of UK domiciled funds and cannot be brought against IFMs managing overseas funds. Claims for loss against DIMs under the FSCS are not, however, subject to a similar territorial scope limitation and may be brought by eligible claimants regardless of where the fund is domiciled, marketed, or managed.

We have argued that non-UK fund investors are far less likely to expect and/or be aware of the FSCS and the tenuous circumstances in which a claim against a DIM could possibly be brought does not appear to justify extending the scope of the FSCS coverage to these situations. We, therefore, strongly urge the FCA to introduce a territorial scope limitation for claims against DIMs similar to that for IFMs managing overseas funds, thereby limiting the scope of FSCS' look through provision to just UK domiciled investment funds.

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Director of Global Funds Policy
ICI Global

[Attachment](#)

endnotes

[1] See paragraph 9.23, CP16/42: Reviewing the funding of the Financial Services Compensation Scheme (FSCS), 1 May 2018, *available from* <https://www.fca.org.uk/publication/consultation/cp16-42.pdf>

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