

31 January 2019

Dear Councillor

**London LGPS CIV Limited  
Shareholder Agreement to amend definition of Business scope**

I am writing to you, as your authority's nominated Shareholder Representative, in order to obtain approval to amend our Shareholder Agreement so that the definition of the scope of the Company's business is consistent with evolving expectations of an LGPS pooling company.

Clause 2 of the Shareholder Agreement sets out the business purpose of London CIV. It describes the business of London CIV as acting as the FCA authorised operator of an ACS to provide a collaborative platform for investing pension monies and other investments. Since London CIV was established the concept of pooling has developed, including the vehicles used to pool funds and the services provided by pool companies. The Board therefore propose an amendment to the Shareholder Agreement to recognise that change and provide more flexibility for future potential future changes and choices. The proposed amendment was discussed at the Shareholder Committee in December 2018 prior to approval at the General Meeting of Shareholders on 31 January 2019.

The current wording of Clause 2 is "*The business of the Company shall (unless and until otherwise determined in accordance with this Agreement) be confined to acting as the FCA authorised operator of an ACS to provide a collaborative platform through which the Administering Authorities of the LGPS funds can aggregate their pension monies and other investments. The Company will be branded as "London CIV".*

The proposed wording of Clause 2 is "*The business of the Company shall (unless and until otherwise determined in accordance with this Agreement) be confined to acting as the FCA<sup>1</sup> authorised company to provide a collaborative platform through which the Administering Authorities of the LGPS funds can aggregate their pension monies and other investments. The Company will be branded as "London CIV".*

When London CIV was launched as a regulated firm to manage the pool of London Local Authority pension investments the concept of pooling was narrower than it is now. The purpose of the business was defined in terms of an Authorised Contractual Scheme and the business activity of managing an authorised Alternative Investment Fund as that was its initial purpose. It was envisaged that this would need to be extended in due course.

Since then Shareholders have agreed to an extension of business activities to permit the London CIV to operate Unauthorised Funds such as an exempt unauthorised unit trust which can pool illiquid assets such as infrastructure.

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<sup>1</sup>The list of defined terms in the Shareholder Agreement would be amended to add the FCA as follows "FCA means the Financial Conduct Authority, [the conduct regulator of financial services firms] as defined by Chapter 1 of the Financial Services and Markets Act 2000, as amended and any successor bodies or assignees." The list of defined terms would also be amended to add a definition of the Financial Services and Markets Act 2000 (FSMA) to include any successor legislation and incorporate a general clause to ensure that any legislation, regulation or entity referred to in the Shareholder Agreement would include successor legislation, regulation or entity.

The change in business definition will ensure that the definition of the scope of London CIV's business takes account of changes in the concept of pooling to date and potentially in the future. If a change in FCA permissions is required this will be approved by the Board, provided that this is within the framework of the Medium Term Financial Strategy approved by the Shareholders in General Meeting.<sup>2</sup> For example if London CIV were to undertake oversight of passive funds this would be outside the scope of being an ACS operator. For avoidance of doubt there is no change to the obligations to seek Shareholder Approval to the Annual Budget (section 6.1 to 6.3) including both profit and lost and capital requirements, and the financial and regulatory capital approval and reporting provisions in the Shareholder Agreement (clause 3).

Clause 15 of the Shareholder Agreement provides that "any variation of any term of this Agreement shall be in writing duly signed by each of the Shareholders and the Company".

Please confirm by signing this letter as indicated below that you, or another duly authorised representative of you local authority, agree that the wording of Clause 2.1 of the Shareholder Agreement may be amended as set out in this letter.

I would be grateful for your early attention to this matter so that London CIV can begin the work to implement additional services for Shareholders, including meeting regulatory requirements.

I am copying this letter to your borough Treasurer or equivalent and Pension Officer or equivalent for information and so that they can facilitate any assistance you may need.

If you have any queries please contact Kristina Ingate on [kristina.ingate@londonciv.org.uk](mailto:kristina.ingate@londonciv.org.uk)

Please return your signed and scanned confirmation by email to [kristina.ingate@londonciv.org.uk](mailto:kristina.ingate@londonciv.org.uk)

Yours sincerely



Mark Hyde-Harrison  
Chief Executive

Confirmed

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Authorised Signatory/Signature of Shareholder Representative

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Name in capitals

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Name of Authority

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<sup>2</sup> Schedule 2 Matters reserved Part A number 1 requires the Company to obtain approval from all Shareholders in writing (which may be in electronic form), subject to FCA rules, to extend the activities of the Company outside the scope of business or close down any business operation.

The change to the definition of the business in clause 2 would mean that it would not be necessary to obtain the written approval of all LLAs each time the Company needed to vary its FCA permissions. Instead this would be subject to Board sign off. It is envisaged that this would be given when detailed business plans to implement new services for LLAs are approved.