



CORPORATE GOVERNANCE COMMITTEE
– FRIDAY 17 NOVEMBER 2017

QUESTION SUBMITTED UNDER STANDING ORDER 7(3) and (5)

Mr. G. A. Boulter CC asked the following question:-

“On Tuesday 10th October, Cabinet passed a motion for the County Council to seek to obtain "Elected Professional Client Status" so that it no longer benefits from protections given to investors with a "Retail Client" status.

- 1. Would the loss of these protections in any way increase the risks to the County Council?***
- 2. Should such risks be considered in the risk register?"***

Mr. W. A. Liquorish CC replied as follows:-

The current regulatory environment means that Leicestershire County Council is classed as a professional investor, so does not enjoy any of the protections that are available to retail investors. Assuming that the opt-up under MiFID II is successful, the Council will simply be retaining its current position.

Given the authority's internal and external financial expertise – it manages a £4bn Pension Fund as well as the £200m cash held by the Council – the protections available to retail investors are unnecessary. They are largely designed to ensure that investors do not invest in products that they do not understand, and the nature of our treasury management activities and the expertise that we have available means that the risks are minimal.

Not “opting up” is a much bigger risk, as it will restrict the types of investment that we can access (to all intents and purposes, we would only be able to use fixed term cash deposits) and this will have a potentially significant detrimental impact onto the return generated from the investments.

Given that we currently do not have those protections that are available to retail investors, that the risks are very low and have been managed successfully for a number of years, being classified as a retail investor would actually leave us in a worse position. “Opting up” leaves us in the same position that we currently are therefore there is no need for the risk register to be amended.

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