



Investment
Property Forum

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Transparency of land ownership involving trusts

The Investment Property Forum (IPF) welcomes the opportunity to respond to the above consultation.

About the IPF

IPF is a national membership organisation of senior professionals, all active in the corporate property investment and finance market. The organisation has a diverse membership of 1,750, which includes fund managers, investment agents, accountants, bankers, lawyers, researchers, academics, actuaries and other related professionals.

The IPF's Mission is to enhance the understanding and efficiency of property as an investment asset class, including public, private, debt, equity and derivatives, for its members and other interested parties, including government. We are not a lobby organisation but one of our key priorities is to identify where legislation or regulation has an impact on the market and to alert government, our members and others to any adverse or beneficial issues.

The IPF's scope covers direct and indirect routes to investing in property. With regards to the latter, we have an Indirect Property Investment Interest Group that covers issues relating to both the listed and unlisted property sector.

IPF comments

Our particular concern is the potential application of the rules to widely marketed investment funds. John Forbes, who sits on the IPF Indirect Property Investment Interest Group attended the 'roundtable' consultation call on 25^h January and raised this matter and a possible solution using the existing Genuine Diversity of Ownership (GDO) test.

The consultation already envisages a possible exclusion for pension fund trusts, as the members of pension funds do not direct or control the investments in the funds. This rationale also applies to investment funds. Widely marketed investment funds may have many beneficial owners, all with a right to a very small proportion of the property held by the fund.



We see several practical difficulties in applying both the reporting and transparency rules to such funds:

- There may be a very large number of investors;
- The investors may change on a regular basis. There are funds in the form of unit trusts that allow daily subscriptions and redemptions;
- There is a high level of intermediation in the market so the ultimate investor may have come through other products in the chain, such as fund-of-funds; and
- The identity of a fund manager's clients is commercially sensitive. Managers will not want to share this with their competitors.

The fund managers of such funds are regulated and comprehensive rules are already in place in respect of anti-money laundering (AML). In terms of the other transparency benefits of disclosures, for such funds it is much more relevant who the fund manager is than the ultimate investors. Like for pension fund trusts, we do not believe there is any public interest in these funds disclosing publicly their beneficial owners.

We assume these are not the type of trusts the Government had in mind when ensuring there is more transparency of who owns land and property. We would ask the Government for a carve out from any new transparency rules for land ownership involving trusts such funds. We believe that this is best achieved through applying existing legislative definitions. We would propose excluding the following types of funds:

- Authorised and unauthorised unit trusts, as defined under s237 of the Financial Services and Markets Act 2000.
- Funds that meet a GDO test. This definition of funds applies for various pieces of tax legislation and a common set of conditions applies. It is set out in the HMRC Investment Funds Manual under IFM17000. This section of the manual has been updated very recently following an extensive consultation exercise with industry bodies by HMRC.
- Institutional investors such as pension schemes; there are existing definitions that can be used.

We have discussed our comments on investment funds with the Association of Real Estate Funds (AREF) and the British Property Federation (BPF). Both organisations share our concerns. They have also shared their proposed responses and we support their comments on other aspects of the consultation.

We hope that our comments are helpful. Please contact Sue Forster, details below, should you require any further information.

Sue Forster
CEO, Investment Property Forum