**Encouraging first time buyers to the Stock Market**

My Lords

I declare my interest as a director of the London Stock Exchange.

I commend my noble friend Lord Lee for securing this debate and for his enlightened vision of involving schools with a small real investment portfolio.

For anyone starting to invest, perhaps with an idea or two but wanting diversity, a go to investment for 150 years was Listed Closed-end Investment Companies which offer a treasure chest of good things.

Some offer portfolios of other equities both UK and international, but over half nowadays are ‘alternatives’ investing directly into infrastructure, especially social infrastructure like hospitals, schools and renewable energy. Some might have local connections. How inspiring would that be, and to be able to visit projects or attend a shareholders meeting, showing for example how unrecyclable waste wood is turned into energy instead of landfill.

Can’t we just get this off the ground?

But of course, we have to hope that Listed Investment Companies will still be around to inspire all investors, especially in the ‘alternatives’ sector.

Let’s remind ourselves why they were the jewel in the crown of the City for so long.

They are diversified and can hold a wider range of assets than open-ended mutual funds - notably the investment in vital infrastructure

They provide permanent capital to the underlying investee because investors buy and sell company shares with investment in the assets remaining stable

And they are not exposed to run withdrawals

There are no deductions from the share value held and the market share price discounts expected deductions from Net Asset Value

The wisdom of markets scrutinises and sniffs out performance and all other issues with alacrity

and they are transparent as a Public Listed Companies with audited accounts.

Unfortunately, the Government has contributed to killing them off.

How?

By legislating that Listed Investment Companies must be double regulated.

Growing the mountain of lost investment to £100 billion while we wait for FCA rules

Undermining the Stock Market and its reputation

Opening the door to attack by Saba and their ilk

And not being internationally competitive

And why?

Because we cling to EU legislation that since 2022, we alone enforced counterproductively, so that Listed Investment Companies internal expenses – already discounted in share prices – are presented as additional deductions to be paid directly by shareholders, when they are not.

Now the FCA is consulting on change with products such as open and closed ended funds being described as ‘substitutable’ when they are not and they continue their obsession with comparing costs as the yardstick for selection.

Open ended funds have different mechanisms behind their costs. They have to continually rebalance portfolios, they can’t use leverage, they don’t have maintenance cost for real assets --- the list goes on so why compare? Far better for each to explain what each does.

It’s easy for a Government that needs growth and a stock market recovery to do one simple thing: end double regulation and return listed investment companies to their original status when they made small fortunes for countless private savers while supplying essential capital to British infrastructure and industry. I truly believe that neither HMT nor the FCA understand the market and what it offers. If they did, they wouldn’t continue to kill it. Yet all I hear is empire building - ‘they are mine’ has actually been said.