

# New Local Government Pension Scheme regulations expected to permit investment in derivatives could be made before the end of the year

Last November, the Government launched a consultation on proposals to introduce a new approach to the investment strategy in the Local Government Pension Scheme (LGPS) and published the draft *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016* for consultation.

The proposals were developed in response to a 2014 consultation on opportunities for collaboration, cost savings and efficiencies and follow the Government's announcement at the end of last year that local authorities should develop proposals for pooling assets.

Of particular interest to those in the investment banking sector is that, if passed as currently drafted, the new regulations will specifically name 'derivatives' as a permitted investment for LGPS funds. This would therefore open up the derivatives market to a counterparty type which has previously had only a limited ability to make use of derivatives.

At the same time, however, the draft regulations may limit LGPS funds' ability to enter into stock lending arrangements, although it is not clear, at this stage, whether this is an intentional divergence from the current position.

While the consultation closed in February and a response and final form regulations are still awaited

(such that the final regulations could change on this point), a recent Government publication gives an indication of when the new regulations are expected to be made.

Last week, the Department for Communities and Local Government published guidance to help administering authorities of LGPS funds with the preparation of their 'investment strategy statements' (which they will be required to prepare and publish under the new regulations).

This guidance makes reference to the new regulations being introduced 'later this year' and notes that investment strategy statements must be published by 1 April 2017. (It is expected that the new regulations would therefore need to come into force a reasonable time in advance of this).

## Contacts



**Hywel Robinson**  
Partner

T: +44 20 7006 8387

E: [hywel.robinson@cliffordchance.com](mailto:hywel.robinson@cliffordchance.com)



**Habib Motani**  
Partner, London

T: +44 20 7006 1718

E: [habib.motani@cliffordchance.com](mailto:habib.motani@cliffordchance.com)

**2 New Local Government Pension Scheme regulations expected to permit investment in derivatives could be made before the end of the year**

---

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

[www.cliffordchance.com](http://www.cliffordchance.com)

Clifford Chance, 27th Floor, Jardine House, One Connaught Place, Hong Kong

© Clifford Chance 2016

Clifford Chance

---

Abu Dhabi ■ Amsterdam ■ Bangkok ■ Barcelona ■ Beijing ■ Brussels ■ Bucharest ■ Casablanca ■ Doha ■ Dubai ■ Düsseldorf ■ Frankfurt ■ Hong Kong ■ Istanbul ■ Jakarta\* ■ London ■ Luxembourg ■ Madrid ■ Milan ■ Moscow ■ Munich ■ New York ■ Paris ■ Perth ■ Prague ■ Riyadh ■ Rome ■ São Paulo ■ Seoul ■ Shanghai ■ Singapore ■ Sydney ■ Tokyo ■ Warsaw ■ Washington, D.C.

\*Linda Widyati & Partners in association with Clifford Chance.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.