

NED Conference

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AFM Non-Executive Directors' Conference

Mutuals' Deferred Shares Bill 2014-15

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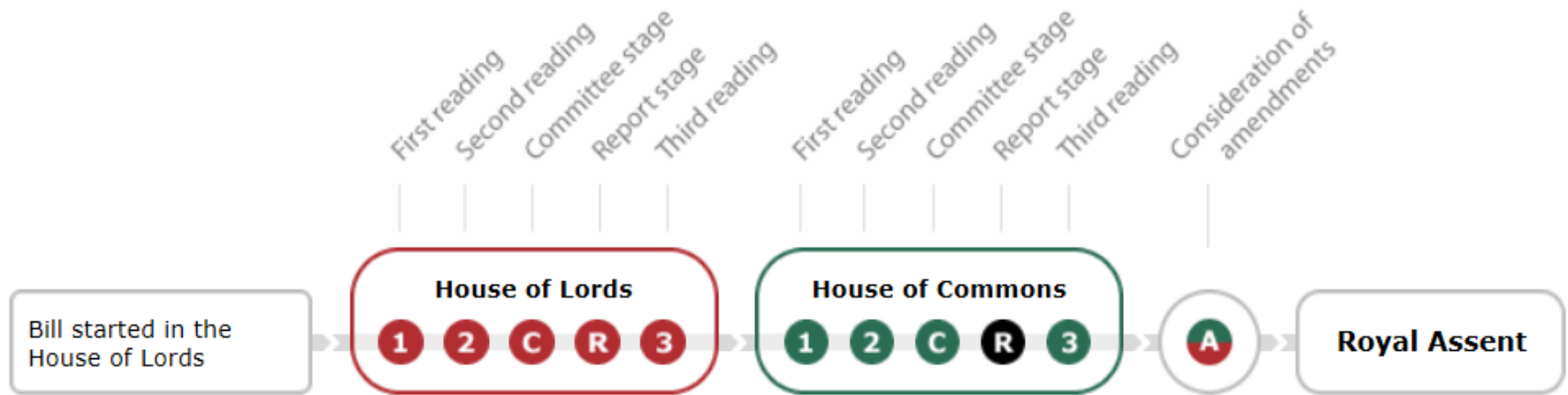
The Bill: how it came about

- Need for external capital in co-operatives and mutuals - without compromising mutuality
- Model of building society Core Capital Deferred Shares
- Driven by Mutuo, AFM and a group of AFM members
- Bill introduced into House of Lords in 2013
- Initial resistance from regulators...and Government
- Persistence pays:
 - Bill reintroduced in 2014-15 session
 - PRA agree shares can qualify as Restricted Tier I Capital under Solvency II
 - Government agrees to back (amended) Bill

The Bill: what it does

- Enabling legislation
- Amends existing legislation to permit mutual insurers to issue deferred shares:
 - effectively permanent share capital
 - one-shareholder one-vote
 - no right to vote on demutualisation
 - freedom to determine investor remuneration
- Possible uses:
 - mutual capital instead of (or as well as) under PS 14/5
 - development of new products
 - liquidity for with-profits fund
 - Sharia-compliant insurance

The Bill: where it has got to



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- All parliamentary stages so far passed smoothly
- Report stage in House of Commons on 6 March
- Parliament to be dissolved on 30 March
- Next steps:
 - drafting regulations
 - involvement of PRA, FCA, HM Treasury
 - involvement of potential issuers and investors

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