

Via electronic submission:

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To HM Treasury
1 Horse Guards Road
London SW1A 2HQ
United Kingdom

Response to HMT consultation on draft legislation on using Legislative Reform Order to change partnership legislation for private equity investments

Dear Sir/Madam

The Institutional Limited Partners Association (ILPA) appreciates the opportunity to respond to the consultation issued by HM Treasury on 23 July on using Legislative Reform Order to change partnership legislation for private equity investments in the United Kingdom.

ILPA is a global organisation dedicated to the interests of institutional investors into private equity funds worldwide (known as Limited Partners). ILPA's membership comprises more than 3,000 investment professionals from 32 countries around the world across 333 organisations, ranging from insurance companies, pension funds, public sector funds, foundations and endowments, collectively representing more than €1 trillion in private equity assets under management globally. More than 15% of ILPA's member organisations are headquartered in Europe, including a number of well-known European pension plans, insurance companies and endowments across 11 countries. In addition, many of ILPA's non-EU member organisations operate European investment portfolios managed or advised by satellite offices in the EU.

ILPA supports the important work of its colleagues at the British Private Equity and Venture Capital Association (BVCA), in their role as the industry's interlocutor in the UK, representing both investors and fund managers. ILPA shares many of the observations outlined in BVCA's response to this consultation. Our perspective is distinct, in that our observations are made from both a global point of view and one that reflects solely that of institutions providing long-term risk capital to companies through private equity funds, i.e., institutional Limited Partners. Our members invest worldwide, including into Europe through limited partnerships that are structured under this Law, and we therefore welcome the effort to enact reforms that will bring structures commonly used for English and Scottish Limited Partnerships in line with structures commonly used in other jurisdictions.

In this respect, ILPA welcomes the government's commitment to remove unnecessary legal complexity and administrative burdens for Limited Partners, in order to maintain the attractiveness of the UK as a major hub for international investments and to more effectively accommodate the use of limited partnerships for private equity investments while minimising costs to investors.

Therefore, we support the review of the Limited Partnership Act 1907 provided that the main benefits of the limited partnership structure – its flexibility, its transparency for UK tax purposes and the limited liability protection that it offers to investors – are kept in the amended legislation. We focus our response on three particular topics of interest, namely the list of permitted activities that a limited partner may undertake without jeopardizing its limited liability status, the funding arrangements and the dissolution of the limited partnership.

In particular, ILPA recommends HMT to align the white list of permitted activities that a LP can carry out without losing their limited liability with successful criteria set out in other jurisdictions¹ in order to ensure global consistency and make sure that investors can compete on a level-playing field internationally.

We also take note of HMT's suggestion to remove the requirement for Limited Partners in private funds to make a capital contribution, and to remove the liability of Limited Partners in private funds for capital contributions that have been withdrawn. Here again, ILPA suggests that HMT makes sure that new amended funding arrangements are consistent with the rules applicable to LPs in other jurisdictions, such as the existing Delaware rules stating that *"a person may be admitted to a limited partnership as a limited partner of the limited partnership and may receive a partnership interest in the limited partnership without making a contribution or being obligated to make a contribution to the limited partnership."*

Additionally, we commend the spirit of the provisions for striking from the register inactive private fund limited partnerships in an effort to ensure that the register is up to date and to simplify the search for active private fund limited partnerships. We are concerned, however, about the potential for exposing those Limited Partners in partnerships that are not yet dissolved to unlimited liability. It is essential that any changes to the register do not alter the liability status of the limited partners in the partnership. We recommend the inclusion of specific language indicating that removal from the register does not impact on the respective rights and liabilities of the partners either before or after striking off. Absent such language providing for the preservation of limited liability status for inactive but not yet dissolved limited partnerships, we recommend against a provision for striking such partnerships from the register.

Finally, ILPA agrees with HMT that rules should be simplified in case of winding-up a limited partnership without necessarily applying for a court order so to make the dissolution process less complicated and burdensome for investors when a common course of action can be determined amongst Limited Partners themselves and in accordance with relevant laws and the provisions as laid out in the limited partnership agreement.

In conclusion, ILPA welcomes HMT's work recalibrating the rules applicable to Limited Partners in the UK and hopes that such changes will help channelling more long-term funding into private equity for innovative companies with high potential for growth. We would be very pleased to elaborate on the

¹ Such as the activities included in the [Delaware code for limited partnership](#) in the United States

views mentioned in this response, given the importance of this issue to our members. We look forward to the opportunity to play a constructive role in this process going forward and to discussing ILPA's submission in greater detail.

Kind regards,

A handwritten signature in black ink that reads "Jennifer Choi". The signature is written in a cursive, flowing style.

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