Classification: Public

20 April, 2021

John Glen
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Submitted by E-mail to: ukfundsreview@hmtreasury.gov.uk

Dear Mr. Glen,

CFA UK response to HM Treasury their Call for Input ("CoI") in a Review of the UK Funds regime

The CFA Society of the UK (CFA UK) welcomes the opportunity to share its views on this Call for Input ("CoI") which brings together a number of ideas and proposals to improve the competitiveness of the UK asset management sector across a wide range of investment products and markets.

CFA UK's mission is to help build a better investor profession for the ultimate benefit of society[1]. Some of the proposals in this paper would benefit both the investor profession and most importantly the end investor. CFA UK is pleased to support proposals where investment products can be improved by widening investor choices, increasing flexibility for both investee or investor, providing greater transparency, fairness and speed to market. As a matter of principle, CFA UK generally adopts a policy of tax neutrality, but is pleased to support any proposal which addresses matters of tax which currently produce unfair outcomes for end investors.

Our responses to some of HM Treasury's specific questions are provided in Appendix II. CFA UK has decided not to respond to some of the more specific and detailed questions as we believe firms with the end-customer dialogue and trade bodies are better positioned to address them.

Should you have any questions or points of clarification regarding this letter, please contact Andrew Burton (aburton@cfauk.org) in the first instance.

Yours sincerely,

Will Goodhart,
Chief Executive
CFA Society of the UK

Andrew Burton
Professionalism Adviser
CFA Society of the UK

With thanks for the oversight of CFA UK's Professionalism Steering Committee

[1] *A brief overview of both CFA UK and CFA Institute is provided in Appendix 1.*

Appendix I: About CFA UK & the CFA Institute

CFA UK: serves nearly 12,000 leading members of the UK investment profession. Many of our members work with pension funds, either managing investment portfolios, advising on investments or as an in-house employee responsible for pension investment oversight.

- The mission of CFA UK is to build a better investment profession and to do this through the promotion of the highest standards of ethics, education and professional excellence in order to serve society's best interests.

- Founded in 1955, CFA UK is one of the largest member societies of CFA Institute (see below) and provides continuing education, advocacy, information and career support on behalf of its members.

- Most CFA UK members have earned the Chartered Financial Analyst® (CFA®) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute: is the global association for investment professionals that sets the standard for professional excellence and credentials.

- The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

- It awards the Chartered Financial Analyst® (CFA), and Certificate in Investment Performance Measurement® (CIPM) designations worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

- CFA Institute has members in 162 markets, of which more than 170,000 hold the Chartered Financial Analyst® (CFA) designation. CFA Institute has nine offices worldwide and there are 158 local member societies.

- For more information, visit www.cfainstitute.org or follow us on Twitter at @CFAInstitute and on Facebook.com/CFAInstitute.

Appendix II: Responses to questions

REITs

The responses to questions 8 and 9 below have been based on feedback provided by CFA UK's Special Interest Group for Real Estate investment which brings together over 100 CFA UK members and investment professionals with an interest in real estate investment.

Q8: What would be the likely impact if changes were made to the REIT regime in the areas discussed in paragraph 2.16? To what extent could investment in the UK be expected to increase, and what would be the drivers for this? Could such changes be expected to impact the extent to which funds with UK and foreign property assets are managed in the UK?

The Call for Input invites us to consider four possible reforms of the UK's REITs regime and we address the merits of each of these in turn below:

- As investors, our members views on the value of the interest cover test in S543 of the Corporate Tax Act (CTA) 2010 are to a degree influenced by the type of investment they hold in the REIT concerned. However, overall investors can see how these additional tests are burdensome for REITs and generally bring little, no or even negative benefit to their own investment.

    - Secured bond/loan investors will have the benefit of their asset security and other financial covenants in their indentures/loan agreements and will not rely or place much/any value on either the interest cover test or the Corporate Interest Restriction;
    - Unsecured loan investors in the property sector tend also to have some form of financial covenant protection and so form a similar view;
    - For the strongest companies in the property sector, unsecured lending or bonds can be issued or extended without financial covenants. In such circumstances, both S543 and the Corporate Interest Restriction may be perceived to provide some additional comfort or soft support but is generally not regarded as important. If an interest cover restriction were felt to be necessary then credit providers would seek to put that in place themselves;
    - For equity investors, these restrictions actually represent more of a source of risk than protection. Precisely at the time when a REIT enters financial difficulty (such as we have seen in many case during 2020) it faces having to cure this financial covenant through a forced/distressed rights issue or losing its REIT status. Equity investors would generally far rather that the REIT were able to go through its financial difficulties with its creditors (through covenant waivers and the like) without having either the additional threat of loss of REIT status or to manage a distressed rights issue.

- It is widely acknowledged and understood that real estate development has a very different risk (and therefore return) profile to straight real estate investment. The former tends to carry more risk and be for capital growth; the latter is more conservative and is provided for income purposes. On the whole, therefore, CFA UK members support the principle behind the 3-year development rule in S556 of the CTA. REIT investors tend to seek income and a lower risk/return profile free of development risks. The presence of the 3-year post-development restriction helps to underpin this status by (i) incentivising that development occurs outside of the REIT and not within it; and (ii) providing HMRC with the authority to police REIT activities in

cases where the conservative investment risk/return profile may be in danger of being undermined by excessive development activity. However, we note that the precise format of this provision may prove unhelpful for both REIT management and REIT investors, on occasions when a REIT receives an attractive bid for a recently developed asset and yet cannot monetise it. CFA UK therefore wonder whether the existing provision could therefore be refined in such a way as to allow exceptions subject to a cap to allow REITs and REIT investors to benefit from such above-market offers;

- Given that property is often itself divisible (a building might be sub-divided between the basement car park, lower floor retail and upper floor offices, for example), the 3-property rule appears anachronistic. Furthermore, some of our members saw liquidity benefits in REITS being able to hold just one property rather being limited to at least three. CFAUK supports this amendment;
- As stated in the Executive Summary of this letter, CFA UK both (i) upholds the principle of tax neutrality and (ii) seeks to promote the best interests of end investors. The proposal to allow a UK tax-paying REIT-investor to off-set against their own tax bill that portion of any REIT dividend arising from foreign-earned and -taxed income would appear to go against the first principle, but work in favour of the second. The first issue might of course be dealt with if such a reform were also entertained by the relevant foreign tax authority and were reciprocated in the double-taxation agreement between the two countries. If this were to play itself out and be replicated across multiple jurisdictions this could represent a boost to UK-based REIT asset management business. However, CFA UK is unable to determine whether this would represent a good return on the UK tax-payer's investment.

Speed to market

In 2018, CFA UK took part in a pan-European CFA Institute survey and interviewed a handful of AFMs to assess (i) the effectiveness of the UCITS passporting regime across Europe, (ii) the different experiences encountered by AFMs in getting authorisation with different local regulators and (iii) the degree of 'gold-plating' that was still introduced at a national level after authorisation had been granted by the lead regulator. The majority of the interviewees were global asset managers with dedicated authorisation teams experiences in handling the authorisation processes for multiple fund launches every year and very substantial fund programmes. We also interviewed one legal firm which assisted smaller or debut AFMs in the authorisation process; it was clear from this interview that smaller and debut firms were less familiar with the process and found the authorisation process far more challenging.

The scope of the survey only extended to UCITs and CFA UK's interviews only took in views on the regimes in the UK, Eire, Luxemburg, Hong Kong & Singapore. The answers below reflect the survey's findings. The legislative frameworks have not changed since 2018, however, it is possible that commercial practice may have moved on and so some of the comments below may now be out-dated. We have not sought confirmation from the interviewees as to whether their remarks remain current today as in some cases interviewees have changed roles.

Q13: Do you have views on the current authorisation processes set out in legislation and how they could be improved?

All survey respondents agreed that the legislated authorisation timescales for the FCA were adequate and that generally authorisation timescales in London, Dublin and Luxemburg were

generally similar and that in all cases the 2-month deadlines (for UCITS) authorisations had been met. Additionally, respondents found the FCA's process was clearly explained on their website, the forms were clearly and publicly available and that the checklist provided was very helpful. Survey respondents acknowledged that the fees charged for each application probably would not cover all the costs of processing the application.

However, the survey respondents reported variable experiences in the actual authorisation process and we share that detail in our response to question 14 below.

Q14: How does the FCA's timescales for fund authorisation compare internationally? Is there value in providing greater certainty about these time-scales? Other than by reducing the statutory time-limit, how could this be achieved and what benefits would this bring?

The survey revealed that the FCA's fund-authorisation time-scales were very similar with those of Dublin and Luxemburg and much faster than those encountered in Hong Kong and Singapore.

Certainty around time-scales is incredibly important for the AFM as the fund authorisation process is a key gating item involving multiple independent work-streams which are project-managed to/off-of this key deadline. Delays could lead to some of these work-streams having to be repeated (for example, if more recent accounts are filed) or re-planned (market launches, for example) with resultant consequential incremental delays to launch and increased costs.

The survey revealed a few interesting comments about AFM's experiences with the FCA's authorisation processes which may reveal potential areas to improve the authorisation processes, if indeed this has not already been addressed:

- One AFM explained the FCA required scanned signatures whereas other regulators do not;
- One AFM explained how they often experienced 'back-loading' of questions by the FCA towards the end of the 60-day authorisation period. This was felt to be probably in busy periods and led to the AFM's authorisation team having to make hurried internal and sometimes third-party external enquiries to get the answers or amendments back inside the time-window;
- All respondents noted that the FCA and the CBI both took applications via email, but that the CSSF had a web-hosted process where documents could be uploaded and all. correspondence was held in one place. Overall, the CSSF process was concluded to be better – it was more transparent as all correspondence was visible and time-stamped and also avoided the need to send very large documents by multiple emails.

<u>ETFs</u>

Q19: Do you agree that reforms to enhance the attractiveness of the UK funds regime should focus on appealing to the creation of entirely new funds that have not yet been set up?

In the context of just ETFs, for an AFM to set-up a new UK based ETF fund manco is expensive and the exercise of migrating an existing ETF fund-range from an overseas domicile to the UK would involve meaningful costs and logistical challenges that make such a move unappealing. CFA UK would agree that any initiative would be best concentrated on making a UK fund domicile attractive to those AFMs who have yet to establish an ETF range.

Q20: Why do firms choose to locate their funds in other jurisdictions in cases where the UK funds regime has a comparable offering, for example ETFs? Are there steps which could help to address this following the potential reforms to the UK funds regime discussed in this call for input, and would the scope to address this vary depending on the type of fund or target investor market?

There are a number of factors which are considered when deciding where to domicile an ETF fund management company. However, in the case of European ETFs, Dublin has become the stable of choice domiciling over US$480bn (60%) of European ETFs and this dominant market position has been built mainly for reasons of taxation.

The majority of ETFs are equity ETFs and, in turn, US equities are a major component of most equity ETFs. An analysis performed by *Morningstar* succinctly illustrates[2] how the double taxation treaty between the US and Eire (where withholding tax is only 15%) will lead automatically to a materially higher investment return compared to the same equity fund domiciled in Luxemburg (whose double taxation treaty is set at the US corporate tax rate of 30%). Many UK-based fund management groups have listed their ETF range on the London stock exchange, yet chosen to domicile the funds in Dublin for this reason.

The successful negotiation of a UK-US post-Brexit trade deal, which included a re-shaped double taxation agreement mirroring the Eire-US arrangement, would neutralise one of the main attractions of Eire over the UK as the domicile for an ETF manco. However, as explained in our answer to Q19 above, CFA UK understands that such an outcome in negotiations, even if it were possible, is very unlikely to motivate a switch of existing Dublin-based business to London because the costs and logistical challenges of such a transfer are significant.

Q21: Do you agree that reforms to enhance the attractiveness of the UK funds regime should focus on appealing to AIFs targeting international markets? Which markets would be most valuable and what would be the key obstacles to overcome in each?

As explained in section 1.18 of the CoI, UCITs have been carved out of the scope of this call for input. One of the indirect long-term consequences of Brexit for UK AFMs is likely to be that the UK will lose market share in providing fund management services and products to European Retail clients, i.e. UCITS.   The FCA will no longer have a stake in the regulation of the UCITS product and UK and EU regulations for their retail fund products are likely to diverge over time. UK AFMs will continue to serve the UK retail market, and perhaps experience less competition from EU-based and passported funds, but they will need to find alternative markets for their expertise.

London has indeed built-up world-leading fund management expertise over many years and much of this expertise is in alternative assets (private placements, private equity, venture capital, real estate, commodities, derivatives, infrastructure, hedge funds etc.) not suitable for heavily regulated retail investment products but of increasing importance for professional investors such as pension funds or ultra high net worth clients looking for sources of diversification of risk away from traditional public equity and fixed income markets.

[2] https://www.ii.co.uk/analysis-commentary/etf-investors-dont-get-caught-out-wrong-domicile-ii512670

Global UHNW wealth continues to dramatically outpace GDP growth. Based on data from Knight Frank's 2021 Wealth Report, Visual Capitalist[3] provide the most recent on-line survey of global UHNW wealth at the end of March 2021 and which thus looks through the collapse and recovery in stock markets due to COVID-19 and the subsequent government stimuli. Setting a personal wealth of US$30 million as the definition of an UHNW it lists the top-20 countries of domicile for the world's half a million UHNWs. The top-6, in order, are the United States, China, Germany, UK, France, Japan, Italy and the list is dominated by the US and China; the counties of fastest growth in numbers of UHNWs are Saudi Arabia, China, Australia, Hong Kong, South Korea, Singapore and Japan.

Meanwhile, negative and ultra-low interest rates are challenging private pension systems the world over as their liabilities are discounted ever higher and government bonds are bid to yields which no longer offer either risk diversification (upside in equity market sell-offs) or adequate income. To provide an assessment of the scale of the opportunity and the obstacles in each geographic market is beyond our resources and the time available, but we would draw attention to the Mercer CFA Institute Global Pension Index[4]. This assesses the effectiveness of pension provision in 39 pension systems across the globe covering two-thirds of the global population and gives a quickly accessible assessment of where the needs are greatest and therefore perhaps also the opportunity.

Fund Administration

Q22: Do you agree that new UK fund administration jobs associated with new UK funds would be likely to locate outside of London? How could the government encourage fund administration providers to locate jobs in specific UK regions?

Technology has changed the landscape of fund management hugely over the last two decades and will continue to do so. Cloud-based servers, client and sharepoint web-enabled portals, work-flow software, video-conferencing are all examples of technological advances that have facilitated remote working and the migration of fund administration jobs away from London into the regions. CFA UK would expect that this trend will continue within the UK, motivated especially by the significant salary and office cost savings that can be realised.

Within Europe, both Dublin and Luxemburg have successfully built local ecosystems of cost-effective and specialised administrative services. These eco-systems extend beyond the main fund administration companies into a myriad of indirect legal, accountancy and consultancy professional service firms all dedicated to fund administration activity. Salaries of middle- and back-office functions in both Dublin and Luxemburg are notably lower than those in London and other major European cities such as Paris and so these activities are cost competitive. Additionally, within the EU, we note that Poland is emerging as another lower cost-competitor in administrative services and that whilst Paris has tried to compete for this business, i.e. attract operational services and employment, it has struggled to be successful because of its traditional focus on the high-end of the product chain and value adding services like portfolio management and client advisory.

Q23: How can the government ensure the UK offers the right expertise for fund administration activity?

[3] https://www.visualcapitalist.com/top-20-countries-for-ultra-high-net-worth-individuals/
[4] https://www.mercer.com.au/our-thinking/global-pension-index.html#contactForm

Centres of fund administration activity still heavily rely on the local availability of the traditional skill requirements of numeracy, literacy, ethical awareness, personal organisation, the ability to work to tight deadlines, interpersonal and communication skills. However, these skills are now very evidently complemented by data science and digital literacy skills, the ability to code and to understand the possibilities and practicalities of AI applications.

As back-office systems and controls become even more automated, their effectiveness depends increasingly on technology and the capability of the staff responsible for these systems. CFA UK therefore believes it is also important for government to ensure UK regions have a sufficiently technology-literate work-force and labour market, if the trend of locating fund administration jobs outside of London is to continue.

CFA UK is also deeply aware that the global fund management industry is grappling with the huge issue of sustainability and is perhaps nearer the beginning than the end of a 10-plus-year journey to develop rigorous and effective reporting of climate change activities as well as other environmental, social and governance issues. In a few years from now, corporates and financial companies will be producing vast new data measuring their exposure and contribution to these issues and this data will need to be collated, interpreted and reported on through the fund management eco-system. The volume of data involved will almost certainly demand and rely on the application of digital solutions; fund administrators will likely become one of the important conduits of this new data.

How does the government ensure the UK has the right expertise to meet these challenges?

The promotion of data-science and digital skills alongside traditional core subjects within schools and colleges nationally is necessary to ensure a sufficiently strong base of talent is available to come onto apprenticeship and graduate programmes and rise through the ranks.

For those already employed in fund administration, the provision of focused and regular internal and external training, underpinned by a mandatory CPD programme, and complemented by relevant professional courses and exam qualifications is also necessary. Fund administration companies are of course very aware of this and the best already provide comprehensive training, proscribe CPD requirements and encourage their staff to sit professional exams.

Potentially the government could consider tax-concessions or make other forms of funding available to the sector and, in particular, the smaller and mid-sized firms within it. Canary Wharf's enterprise zone status finally ran off in 2011, but was instrumental in building on London's success as a global financial centre. Dublin's success too has been similarly assisted by the tax benefits of its Enterprise Zone. The UK government could consider similar schemes within certain major university cities in the regions with the specific aim of supporting the development of a global fund administration business to match its high-end London-dominated fund management and investment banking capabilities. The time-zone, language and English law advantages that have helped to establish London as a global financial centre all equally apply to the UK regions as competitive strengths in a global marketplace.

For our part, at CFA UK and CFA Institute we are trying to meet the challenges ahead. We provide a full roster of opportunities for professional learning[5] and ongoing CPD as well as examination

[5] https://www.cfauk.org/careers-and-cpd#gsc.tab=0

courses[6] [7] to cater for candidates of different levels of seniority and career focus within the investment profession. CFA UK has pioneered the development of the certificate in ESG Investing[8], which is now being offered globally, and is due to launch its Climate Change Investing Certificate later this year.

Investment Trust Companies

Q24: Are there specific barriers to the use of ITCs, either from the perspective of firms creating fund products or from the perspective of investors seeking to access them? Are there specific steps which could address these?

CFA UK notes Lord Hill's *Listing Review* published on 3rd March and looks forward to providing our opinion to the review's proposals when they come to be consulted on formally by the FCA in the coming months.

CFA UK notes that one of Lord Hill's proposals (Proposal 3.1) does address what is perhaps not a barrier but is certainly an encumbrance to the use of ITCs of firms and investors alike. The current prospectus regime often leads to unnecessary costs and delay to bringing further investment trust issuance to market. Ultimately these costs are usually borne by the investment trust in one form or another and therefore, in turn, end-investors. We note that the Association of Investment Trusts call for there to be a shorter document than a full prospectus where an existing investment company issues new shares which are identical to those already on the stock market[9].

In their nature, ITCs tend to start smaller and grow through further issuance. For ITCs to be more commonly used for financing illiquid property or infrastructure assets then it would be helpful to facilitate the growth in the liquidity of their shares that comes from further issuances. Trusts only get good research and coverage once they have reached a certain scale. CFA UK believes that this would be assisted by a more bespoke tailoring of the prospectus requirements for such further issuances.

The prospectuses to support further issuances financing the ITC's acquisition of new assets indisputably should provide sufficient detail about the new assets, and ideally the final aggregate asset pool post-acquisition. However, it is not necessary to repeat information already in the public domain concerning the investment trust's existing asset base. By definition, existing market abuse and insider information rules require that the market already has this information. Therefore, neither new nor existing investors need it and issuers need not bear the cost of producing it unless they wish to.

We recognise of course that there may be circumstances where an ITC still wishes to provide full information on all assets (to access new, overseas investors, for example, or if the further issuance happens around the usual time of annual disclosures), however, its provision should be at their option and not a statutory requirement.

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[6] https://www.cfauk.org/study#gsc.tab=0
[7] https://www.cfainstitute.org/en/programs
[8] https://www.cfauk.org/study/esg#gsc.tab=0
[9] https://www.theaic.co.uk/aic/news/press-releases/aic-welcomes-lord-hills-prospectus-recommendation-in-uk-listing-review

Q25: Should asset managers be required to justify their use of either close-ended or open-ended structures? How effective might this requirement be, and what are the advantages of this approach?

CFA UK supports the requirement for justifying the use of structure: it serves the good purpose of ensuring a proper and considered evaluation by directors of the appropriate investment vehicle for the assets concerned. The events of the last 18 months have underlined that pooled vehicles with a significant portion of illiquid assets, like property funds, are generally best financed via close-ended rather than open-ended vehicles. However, we note that this requirement is likely to be met with boiler-plate language from both investment trusts and funds alike.

As a related point, CFA UK welcomes the FCA's introduction of the requirement for each UK Fund board to have at least two independent non-executives to help ensure end-investor interests in open-ended funds are paramount in fund design and management. Given the earlier questions on fund administration (Q22-23), we would also add that the growth of Authorised Corporate Directors ("ACD"s) needs to be driven not just by the consideration of costs but also other qualities of good governance.

Distribution of Capital

Q26: Should the distribution out of capital be permitted? What types of products would this facilitate and what investment or financial planning objectives would they meet for investors? What are the possible advantages, disadvantages and risks for investors?

The broad principle of investors being able to make receive distributions out of capital within an investment product is not new. It already exists in different forms in other arenas – for example, equity release mortgages or pension draw-down. It is a natural life-cycle phenomenon that, in the absence of an annuity, pensioners will need to draw on their capital in some shape or form as they cease work and live off their pensions and savings in retirement. Since the pension freedom reforms introduced in 2015, which facilitated pension drawdown and removed the requirement for every pensioner to purchase an annuity, this ever-present need has been met less by an annuity product on the grounds of perceived cost and firms are looking to fill the void with other financial products.

A so-called "bond ladder" product - an investment fund comprising fixed interest securities which amortises down as each scheduled bond principle matures and is partially or entirely distributed as income rather than re-invested – mirrors the bond portfolio that an annuity provider would have invested in to hedge its liabilities under the annuity. A key difference is that the end investor has now taken on his/her mortality risk from the annuity provider. This may be an acceptable risk position in some circumstances – such as when the retiree has a terminal illness or where the capital sum available is easily sufficient to meet the retiree's income requirements comfortably beyond his/her expected mortality.

For investors, the theoretical advantages of this product is a higher income return than an annuity would provide. The potential disadvantages are the investment risks within the portfolio (it may not just comprise government bonds; bonds may get called/redeemed early), the additional complexity (compared to a straight-forward annuity contract) and the risk that they do actually live longer than expected and outlive their capital. There might also be tax disadvantages if the capital component of the return were treated as income by the end-investor for tax-purposes

***Q27**: How do you consider that such a change might be delivered? Please explain your answer, providing specific examples of rules, how they could be changed, and the effect of the changes.*

Whilst we agree in question 26 above that there are circumstances when it is fully appropriate for capital to be distributed as income, we have also identified some of the potential pitfalls in such structures. In many cases, for example, it is probably inappropriate for an end-investor to take on their own mortality risk and an annuity product may be far more suitable for their needs. Targeted product structuring and rigorous product governance, clear suitability criteria and transparent risk disclosures are essential if the above-mentioned potential pitfalls in these products are to be avoided.

Intermediaries need to be assured that the product sold meets key suitability tests; manufacturers of the product need to assure themselves that, when the product is not sold by them directly, approved intermediaries have effective procedures that satisfy themselves of this fact. These tests should be based on an informed, holistic view of the end-investors' financial position as the product in question could either represent the entirety, the majority or only a portion of their retirement wealth.

We note that the current *BEIS Restoring trust in audit and corporate governance* consultation (chapter 2) considers the issue of capital maintenance and dividend payments. The BEIS paper proposes to task the FRC to recommend a new approach on this issue. This new approach is likely to apply to publicly quoted corporate structures, but perhaps more broadly. We would highlight that any HM Treasury conclusions with regard to facilitating funds to pay dividends out of capital needs to be aligned with whatever recommendations and determinations that the FRC may reach. In our view it would be unhelpful if changes were made which then constrained the use of closed-end funds for 'bond ladder' products, such as those discussed here.