Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Discussion Paper
An approach to macroprudential policy for investment funds

Feedback from the Commercial Real Estate Finance Council Europe (CREFC Europe)

July 2024

Question 1: Do you agree with the above assessment of the potential channels through which investment funds can generate systemic risk?

In very broad terms yes, but we are concerned about the appropriateness and timeliness of the discussion paper, and the lack of clarity about its intended scope of application - especially as regards real estate funds - in the light of separate recent and ongoing initiatives in the same space in Ireland (CP145) and at EU level (AIFMD Review). We write to support the submissions made by INREV, which we have seen and with which we agree.

Question 2: Do you agree with the assessment in this Discussion Paper that it is primarily the collective actions of investment funds that can generate systemic risks?

In very broad terms, yes, but see our response to Q1.

Question 3: Do you agree that the current regulatory framework for funds - which has primarily been designed at a global level from an investor protection perspective – has not been sufficient to reduce the propensity of certain fund cohorts to amplify shocks?

Our area of expertise is real estate finance, a space in which the migration of a significant element of risk from banks to non-banks strikes us as an almost unmitigated positive. We recognise that systemic risks can nevertheless arise from the real estate sector, and have advised on ways those might be managed. While we cannot really answer the question as framed, we are not convinced that policymakers (at global, EU or national level) have the level of understanding about the real estate and real estate finance sector, nor the holistic view of it required, to monitor and address potential risks effectively.

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Question 4: Do you agree with the key proposed objectives and principles of macroprudential policy for funds as set out in this Discussion Paper? Are there additional principles, which need to be considered?

We can comment only from the perspective of the real estate finance sector, and in that respect we refer you to the response submitted by INREV, with which we agree.

Question 5: Do you agree with the analysis and the issues highlighted pertaining to the design of potential specific macroprudential tools for the funds sector? Are there are additional potential tools that could be explored?

We can comment only from the perspective of the real estate finance sector, and in that respect we refer you to the response submitted by INREV, with which we agree.

Question 6: Do you agree that tools could target the interconnectedness of funds as well as/instead of their vulnerabilities?

We can comment only from the perspective of the real estate finance sector, and in that respect we refer you to the response submitted by INREV, with which we agree.

Question 7: Do you agree with the governance and data considerations highlighted in this Discussion Paper when operationalising macroprudential policy for funds?

We can comment only from the perspective of the real estate finance sector, and in that respect we refer you to the response submitted by INREV, with which we agree.

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Question 8: Beyond governance and data considerations, are there additional issues that need to be considered when operationalising macroprudential policy for funds?

We would be delighted to engage in a dialogue with the CBI to explore how the real estate finance sector might most effectively be supervised from a macroprudential perspective. Having been disappointed at the limited degree to which the CBI accepted our suggestions in response to CP145, we do not think that the response to this question is the best format for discussing the topic.

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