ROUNDTABLE
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The underlying themes that will continue to drive the funds story in 2022 and beyond

The Roundtable panel of this Yearbook edition of the Finance Dublin Funds Monitor were asked to assess and review the major trends and emerging topics for the global funds and asset management industries taking a long term view, looking forward into 2022 and beyond. The content they have provided was contributed just as the Russian invasion of Ukraine began, and does not take cognisance of war-related effects. The content should be read with that in mind.

The roundtable covers key underlying topics such as the growth of Private Assets, ESG labels, new fund structures, how market trends have amplified ETF growth, changing investor sentiment, and Digital Assets, all against the constant background hum of regulatory change. The roundtable contributors are, listed in order of appearance: Donncha Morrissey, Head of Ireland Branch, Sparkasse Bank Malta plc; Conor Joyce, Head of Transfer Agency, Ireland, IQ-EQ; Ronan Doyle, Head of Specialist Services Product & Profitability, RBC Investor & Treasury Services; Melíosa O'Caoimh, Country Head, Ireland, Northern Trust; Frank Talsma, Director, Risk & Investment Analytics at RBC Investor & Treasury Services; Brian Finneran, COO, MJ Hudson Bridge; David Petiteville, Director, Regulatory Solutions at RBC Investor & Treasury Services; Ross McCann, Head of Fund Services Ireland, Alter Domus; Ian Sinclair, Managing Director & Head, Digital/Crypto Assets at RBC Investor & Treasury Services; Ken Martin, Director of ETF Product Development at RBC Investor & Treasury Services.

Private Assets

Last year could be a record-breaking year for private equity fund raising with over $535 billion raised in the first three quarters of 2021. The level of PE dry powder (raised, but as yet not invested, capital) was estimated, by Preqin, to stand at a record $2.286 trillion in August 2021. How well positioned is Ireland's funds industry to benefit from this growth in Private Equity and, more broadly, the increased interest in private assets?

Donncha Morrissey, Head of Ireland Branch, Sparkasse Bank Malta plc: Indeed, buoyed by a very successful last decade at a global level in terms of performance (via deal numbers, size and exit values) private equity firms are utilising that confidence in finding increasing number of investments which will enable them to deploy that 'dry powder' into attractive companies. Having demonstrated to the financial community their differentiators and very specific expertise together with the continued success of their funds and strategies, private equity in the face of the persistently low interest rate environment in Europe, is being taken to a wider audience of professional and retail investors and expanding reach via new funds and strategies.


Donncha Morrissey

Ireland has never been better positioned to benefit from the growth in private equity. It is a proven fund servicing jurisdiction with a depth of knowledge, expertise and range of service providers in the market. Over the last number of years Ireland has increasingly become the primary European office for a variety of asset managers and also for a number of banks, this wider expertise and availability on the ground of additional services from these new entrants is a positive for the jurisdiction.

> **"From a product perspective Private Equity funds can be set up as either an ICAV of an Investment Limited Partnership ('ILP'), with the ILP being a structure particularly more familiar in the world of PE/VC/RE funds."**

From a product perspective Private Equity funds can be set up as either an ICAV or an Investment Limited Partnership (ILP), with the ILP being a structure particularly more familiar in the world of PE/VC/RE funds. The updates in recent times to Ireland's ILP product were necessary and it is now a demonstrated product where the 'early adopters' have funds live, having shown the way and faith in the product and the partners on the ground. We expect to see continued growth of the ILP and the Irish private equity, venture capital, real estate sectors and private assets more generally.

Conor Joyce, Head of Transfer Agency, Ireland, IQ-EQ: The growth in private equity fundraising is continuing, and the Irish market is primed to benefit from this. The vast majority of the mega-funds are currently managed by either US or European managers, who may have traditionally used a non-Irish structure. With the launch of the new Irish

Investment Limited Partnership (ILP) fund structure, however, the market is ready to make the most of the fundraising growth.

The ILP is a regulated Irish fund structure, in the form of a common law partnership regulated by the Central Bank of Ireland. An ILP is transparent for Irish income tax and capital gains tax purposes under pre-existing law and it is particularly well suited to investments in private equity.

"With dry powder at record levels, this will eventually translate into more portfolio company investments and a related rise in the use of SPVs that Ireland is positioned to greatly benefit from - not only in the private equity space but also in relation to real assets and private credit."

As discussed below, the Irish market has been slow in attracting the recently launched funds using the ILP structure due to its lack of recognition among both fund managers and investors. This will change over time at an exponential pace once more funds begin to establish themselves in Ireland. However, there is still work to be done in increasing the awareness and acceptability of the ILP with the investors.

With dry powder at record levels, this will eventually translate into more portfolio company investments and a related rise in the use of SPVs that Ireland is positioned to greatly benefit from - not only in the private equity space but also in relation to real assets and private credit. Between the strength of the ILP structure and the high level of money in the market, we believe Ireland's future in the alternative funds sector looks very promising.

Ronan Doyle, Head of Specialist Services Product & Profitability, RBC Investor & Treasury Services: Private assets have been increasing in popularity as investors seek higher returns in a persistently low interest rate environment. This growth is projected to continue at an annual rate of 9.8% to USD 17.16 trillion by 2025, driven by a number of factors such as government stimulus programs in response to COVID-19 and rising demand for the financing of sustainable investment (source: Preqin Special Report: The Future of Alternatives 2025, November 2020).

A recent area of growth in private capital services is the increase of retail investor access to private investments such as private equity, private debt and real estate vehicles. Managers of private real estate funds, so far effectively limited to institutions and wealthy individuals, have increasingly been turning their attention to the under-served retail investor market. So-called retail investors, who do not meet the wealth or professional requirements to qualify as professional investors, generally cannot access private real estate funds as these funds require investors to meet certain qualification requirements. However, new funds have been designed to entice retail investors. This is a significant trend, which is likely to provide a new investor base for private investment funds going forward.

ESG

Have you seen an increased demand for ESG products in the past six months and do you expect to see investor demand grow in the coming 12 months? What are your views on the creation of separate UK and EU ESG labels and implications for the growth of ESG products in Europe?

Melíosa O'Caoimh, Country Head, Ireland, Northern Trust: Yes, there is a clear trend towards managers and investors demanding ESG-type products. We are particularly interested in watching how this space develops on two distinct, albeit partially-related, tracks.

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Firstly, clearly there is a regulatory element to ESG as regulators look to create common nomenclature and a set of tools that will make it easier for investors to assess the ESG "credentials" of a particular product. Secondly, while regulation can define boundaries and key provisions, over time we expect that once those have been defined, managers will work to differentiate themselves increasingly on their own terms and compete with each other for investor interest in this space.

Conor Joyce, Head of Transfer Agency, Ireland, IQ-EQ: There is a demand to understand ESG and how to implement it, and that desire is growing by the day – at IQ-EQ we've witnessed it with our own ESG service offering, IQ-EQ Compass. Since its launch last year, we've had a huge number of enquiries about the product from clients and prospects at various stages in their ESG journeys. We have also been involved in performing ESG training for various intermediary firms, some of which were attended by more than 70 participants at a time.

Conor Joyce

For fund managers, the push is coming from their investors, their regulators or from their internal stakeholders – sometimes, from all three. To meet this demand, more fund managers are exploring ESG opportunities for their next funds.

While the EU's sustainable finance taxonomy was introduced to prevent greenwashing, in practice the classification system has, at times, been treated as a product label to increase the status of a fund. Committing to a more stringent set of requirements may appear easy at the start, however, this could bring huge operational burdens in subsequent years – and may not even be achievable in some circumstances. Consequently, fund managers may end up being challenged by stakeholders in later years on the commitments they made at launch. We believe this will ultimately result in the growth of ESG products; challenges by industry participants will lead to more prudent choices being made by fund managers, which will lead to standardisation and comparability across the industry and geographies.

Until then, the devil lies in the detail – even with the same, or different, classifications. However, the regulations are certainly a step in the right direction and will hopefully streamline the whole process and make the right information available to stakeholders.

Frank Talsma, Head of Data and Risk & Investment Analytics at RBC Investor & Treasury Services: ESG is the fastest growing investment trend driven by strong demand, especially around climate (net zero commitments). Next to maximising risk-adjusted returns, investors increasingly want to make sure their money is invested in companies and sectors that reflect their values and give a positive impact on the world around them.


Frank Talsma

ESG investing is experiencing a sustained boom however 2021 has also shown that it needs to undergo some maturing/development in order to remain credible and make it a long term success. Regulators and investors alike demand greater transparency and evidence of positive real-world impacts. ESG funds will increasingly need to substantiate such impacts with data and fact in order to continue to attract sufficient capital to realize their long term goals.

Brian Finneran, COO, MJ Hudson Bridge: There has been a definite increase in demand from certain European markets and investor types in the past 2 years. We expect this to be a dominant trend in other European markets over the next 1-2 years. Separate UK and EU labels for sustainability is not positive for investors or product manufacturers that service both markets. Ultimately it increases the cost of compliance and creates a potential for regulatory arbitrage.

David Petiteville, Director, Regulatory Solutions at RBC Investor & Treasury Services: We are witnessing several countries, in particular within Europe launching local ESG label initiatives, a trend that is expected to grow in the coming years. The label is an essential element for investors for a quick selection without having to look at the underlying details. However, transparent ESG reporting with standardised metrics may provide more helpful information to determine if an asset or a fund is aligned to an investor's goals. For the time being, most international efforts seem to be directed to harmonized reporting and less on a standard ESG labelling.

Considering that the UK is no longer part of the European Union, it is not a surprise to witness UK and EU ESG labels coexisting. Any national or extra-national label will gain a worthy reputation if it accurately reflects investment goals and holds effective ESG values and strategies. Any situation that is perceived tentative of greenwashing would be detrimental for a label and may disappear.

> **"It is crucial to the funds industry in Ireland that future trends are identified and the structures available are able to facilitate future growth areas such as, for example, hybrid funds - which mix liquid and illiquid assets and may require special regulator protections and/or adjustment to the existing structures."**

As future standard ESG reporting is implemented, we can expect that we will see a similar approach for the label. But this may take some time.

Ireland

With Ireland's updated Investment Limited Partnership regime approaching the end of its first year can you give your early assessment on its progress to date and market sentiment towards it so far? In your view, what are the next steps Ireland can take to further enhance its funds offerings?

Conor Joyce, Head of Transfer Agency, Ireland, IQ-EQ: At the end of 2020, Irish legislators, assisted by representatives from the industry, updated Ireland's ILP regime to make it a practical solution for structuring an investment fund. The ramp up in the number of funds using the structure has been a little slow, initially at least, with only 12 authorised as at the end of October 2021. However, this relatively low level of activity is to be expected as asset managers, investors, intermediaries and the regulator get to grips with the new regime.

Ireland is coming from a low base for partnership funds in comparison to other more established jurisdictions, such as Luxembourg and the Cayman Islands. Therefore, it's natural to see a 'feeling out' period like what was seen with the Irish Collective Asset-management Vehicle (ICAV), which went on to become an extraordinary success. Generally, feeling towards the ILP is positive, and as asset managers launch more ILPs and there is a proven path for the product, we can expect to see a significant increase in momentum and authorisations in 2022.

Going forward, it is crucial to the funds industry in Ireland that future trends are identified and the structures available are able to facilitate future growth areas such as, for example, hybrid funds - which mix liquid and illiquid assets and may require special regulator protections and/or adjustment to the existing structures. The ILP will also require some fine-tuning over the coming year as early wrinkles are identified and ironed out. For example, the requirement for investors to seek legal advice in order to excuse provisions, and the requirement for ILPs to seek the approval of the majority of investors (or the depositary) before any amendments to the lasting power of attorney (LPA), may require some adjustment in the medium term.

Ross McCann, Head of Fund Services Ireland, Alter Domus: Speaking from a Private asset fund perspective, we know ICAVs have been the primary Irish vehicle of choice for this fund type since their introduction. We also knew from before the launch of the ICAV that despite all their features - such as the segregated liability sub-funds and the ability to 'check the box' from a US tax perspective - the ICAV really needed a fit for purpose Limited Partnership regime to complement it.


Ross McCann

Due to its differences to the traditional LP and GP 'look and feel' this gave rise to the need for educating managers who, in turn, need to get investors comfortable. For many managers, particularly North American private equity managers, this has been a barrier to using Ireland. The industry worked hard over a number of years with the regulator and government to bring fully updated ILP legislation to fruition. The statistics to mid-2021 are clearly too early to show traction of the new ILP product, however as a business we are now seeing our first ILP launches coming through after discussions dating back to summer 2021. Anecdotally, we know there are several more in the market.

"We've seen a definite trend from hedge funds, family offices and ultra-high-net-worth investors towards 'considering' digital asset investments. The volatility of the crypto markets, the year-on-year growth and the lack of liquidity make them a very attractive (but high-risk) investment for the more entrepreneurial investor."

We knew the ILP was not going to be a 'light switch' event, but rather a snowball effect as both managers and advisors gained familiarity with the structuring opportunities and first movers created pathways for others to follow. ILP offers managers a compelling, regulated product for access to European investor capital which fully complements Ireland's various other jurisdictional benefits. We anticipate the ILP will increasingly be the key driver in Ireland at attracting significant AUM in the growing private equity, debt/credit, real estate and infrastructure asset classes of the private asset sector.

Digital Assets

Digital assets are impacting approaches to investment management and asset servicing. The development of new products and asset classes (and the possible side-lining/obsolescence of incumbent products) could have an impact on asset allocation, investment strategy, depositary and fund administration. In what areas are you already seeing this impact and what steps should industry participants be taking to mitigate the risks and capitalise on the opportunities that the rise of digital assets presents?

Conor Joyce, Head of Transfer Agency, Ireland, IQ-EQ: It is a fair to say that allocators and investors are generally moving away from traditional products and looking at ways of increasing investment returns based on their utility, diversifying risk and investment allocations. At IQ-EQ, we've seen a definite trend from hedge funds, family offices and ultra-high-net-worth investors towards 'considering' digital asset investments. The volatility of the crypto markets, the year-on-year growth and the lack of liquidity make them a very attractive (but high-risk) investment for the more entrepreneurial investor. That said, the world of digital assets is still a relatively unsophisticated market with minimal institutional players and a whole industry of counterparties that the typical investor has never heard of or dealt with. We have also seen digital assets no longer being a vertical product as a standalone, but forming part of the overall portfolio construction with digital assets becoming an overlay to a portfolio of traditional assets.

Our guidance would be to start building up in-house knowledge of this asset class. Who are the key players? What types of assets are available, and how would clients effectively trade them? Consider your risk approach and framework to enter this market and what additional training, technology and human capital you require. Importantly, this is still a largely unregulated market with a lack of clarity around who can do what and where. The Central Bank of Ireland has given high-level indications of its view of the digital asset market but this is far from comprehensive or clear compared to more traditional markets.

Our clients want exposure to this new asset class and we want to support them with that. We strive to partner with our clients on this journey, but with small steps and a very risk-conscious approach.

Melíosa O'Caoimh, Country Head, Ireland, Northern Trust: While our industry remains at an early stage in the development of this asset class, we are engaging with clients to understand and also anticipate their digital asset needs and to align our services with their plans and ideas. For example, we have developed our fund administration operating model to service and support digital assets and supported the launch of an asset backed crypto exchange-traded note by a client.


Melíosa O'Caoimh

We are developing capabilities to support our asset manager clients as they bring innovative new products to market by providing the accurate information and timely communications that they rely upon to manage their funds and communicate with investors – just as we do for their traditional and alternative funds.

Ian Sinclair, Managing Director & Head, Digital/Crypto Assets at RBC Investor & Treasury Services: The 'traditional' financial infrastructure for public securities currently has dematerialized securities registered electronically and transferred in CSDs with transactions very much instigated by investors or issuers in localised time zones via SWIFT. As we look forward, we are already seeing SWIFT being replaced by APIs, early signs of digitalisation of assets and currencies into shared ledgers which gives rise to increased fragmentation and the start of smart contract driven lifecycles. Over the longer term we anticipate significant digitisation of securities (both public and private) operating in 24 x 7 x 365 markets and some form of digitisation of payment capabilities, either via Central Bank Digital Currencies or Stable coins, giving rise to genuine real-time settlement.


Ian Sinclair

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This has the potential to mobilise assets globally, improve liquidity and associated price discovery as well as reduce operational and counterparty risk whilst providing a data-rich functionality. However, as always, financial market participants continue to live with legacy structures and technology infrastructure within their businesses which limits their ability to fully leverage many of the benefits that could arise. In addition, regulation currently remains behind the curve in many jurisdictions and is, at best, fragmented across the globe. Given this, we have to be realistic about the pace and path(s) of adoption of these new capabilities with the result that many players continue to undertake significant R&D around use cases but it is not clear yet when/where wholesale adoption will commence.

ETFs

Figures compiled by ETFGI show that ETFs listed globally have gathered a record US$1.14 trillion in net inflows in the first 11 months of 2021. What are the key investor trends that have been driving this growth? In your view, what ETF trends do you expect to develop in 2022?

Ken Martin, Director of ETF Product Development at RBC Investor & Treasury Services and Frank Talsma, Director, Head of Data and Risk & Investment Analytics at RBC Investor & Treasury Services: The growth and popularity in ETFs is being driven by a combination of factors. Investment vehicle advantages versus a mutual fund include the ease of understanding (trades like a stock), lower costs, liquidity, transparency, portfolio diversification and tax efficiency in addition to being borne out by better performance returns versus traditional mutual funds.


Ken Martin

It's also important to note that whilst the last few years, which were very stressful to the market, have validated ETFs both as a product and its associated ecosystem, as they would test the limits and as a result, enhance investors' confidence in ETF products. Coupled with this, fiscal and monetary policies followed by governments globally to limit the impacts of the pandemic helped propel the market to new highs. Naturally, people rushed to invest on the fear of missing out, and an ETF product was the choice for market access.

In terms of trends, we expect to see more mutual funds converting to ETFs as investment managers look to expand their product offering by leveraging existing assets and the performance of the legacy mutual fund to give them a head start in bringing new offerings to the market. Allied to this, active strategies continue to gain in popularity amongst ETF investors especially in a market downturn when generating alpha through skill and active stock picking is gaining attention. The advent of semi-transparent fund structures is allowing Issuers to offer products to cater for this growing segment without disclosing their secret sauce. The conversion of mutual funds dovetails into this nicely.

Interest in thematic ETFs such as AI, ESG, digital assets, healthcare and technology continues to grow apace with the launch of the first crypto ETFs in 2021. We see crypto playing an important role in multi-asset strategy funds moving forward.

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Climate change, a central pillar of ESG, in which regulators and governments are driving industry bodies to implement standards for all institutional and retail investors, are beginning to witness the first Carbon Allowance funds come to market. In 2021 we saw funds repurpose themselves around ESG and this will continue to grow. SFDR is a key driver for fund classification (e.g. article 8 and 9 funds) albeit there are still uncertainties around the rules as the regulation is still evolving and level II application has been further delayed by six months to January 2023.

Lastly macroeconomic factors such as inflation may drive demand for special strategies like commodity ETFs.

Additional resource: Ken Martin, Director of ETF Product Development at RBC Investor & Treasury Services, recently discussed during a podcast the increasing importance of exchange-traded funds (ETFs) to investors across the globe: https://www.rbcits.com/en/insights/2021/12/going_beyond_passive

Donncha Morrissey, Head of Ireland Branch, Sparkasse Bank Malta plc: ETFs as a product in both the US and Europe continue to grow year on year. The why is driven by a few things including continuous innovation, but primarily due to the simplicity of the product. ETFs are easy to use, easy to comprehend and also easy to buy. This also means they are easy to sell and particularly for investors who may need intra-day capital, or want the security of knowing that such capital is available if liquidity is required the allure of the ETF from this perspective is understandable.

Then the continuous compression of margins in the asset management industry means that for an investor the sentiment is that they are achieving more bang for their buck and receiving more of the benefit of the return the fund has achieved.

In 2022 expect to see more advancement and more investor appetite for actively managed ETFs, further theme-driven ETFs (we have seen Robotics, Hydrogen, Cloud) and with a significant number of ESG ETFs.

Regulation

The European Commission's recent proposals for the UCITS and AIFM Directives are less directional than those advocated by ESMA, especially in the area of delegation. The proposals, among other topics, would see a harmonising of certain requirements across the directives, introduce new rules for loan origination funds and changes depositary requirements and the use of liquidity management tools. What is your assessment of the proposals and, in your view, are there areas that should be revisited as the proposals make their way through the legislative process?

David Petiteville, Director, Regulatory Solutions at RBC Investor & Treasury Services: The Proposal is moving in the right direction as it attempts to address issues such as the inconsistency of the regulatory rules, specifically on the delegation (as highlighted in the question), and evolution in the market.

"The improvement in the supply of depositary services in smaller markets is a good recommendation. It allows (at a transitory level until further harmonisation) depositors in jurisdictions with appropriate legislation such as Ireland or Luxembourg to provide cross-border services for smaller and concentrated markets."

It should be acknowledged that the Proposal is still at an early stage and will now be subject to the EU legislative review process before it is agreed and published in the Official Journal of the EU. This period will provide an opportunity for further amendments. Therefore, some EU Member States may use this period to find ways to limit further the delegation to non-EU countries, with certainly the UK in mind. Specifically on the delegation rules, the Proposal continues to allow AIFMs and UCITS managers to be permitted to delegate both portfolio and risk management functions to non-European countries. However it enables more regulatory scrutiny by implementing transparency of delegation arrangements and clarifying supervisory expectations. As ESMA will publish technical standards on the detailed process, stricter rules could complement the Directive.

The improvement in the supply of depositary services in smaller markets is a good recommendation. It allows (at a transitory level until further harmonisation) depositors in jurisdictions with appropriate legislation such as Ireland or Luxembourg to provide cross-border services for smaller and concentrated markets at a transitory level until further harmonisation. But unfortunately, the Proposal didn't go far enough to introduce a depository passport, which would have to be consistent with other European passport initiatives.

Brian Finneran, COO, MJ Hudson Bridge: We welcome any process for improvement and harmonisation and there is a number of very positive aspects to the proposals in the areas of loan origination and use of liquidity management tools. We expect that these proposals and in particular the area of delegation will evolve significantly as they make their way through the next stages.

Brian Finneran

Melíosa O'Caoimh, Country Head, Ireland, Northern Trust: We broadly welcome the proposals from the Commission, as a number of key items have been clarified. We have seen how difficult it can be for regulators to execute on political imperatives. For example, following the financial crisis of 2009, there was an inevitability that there was going to be a material change in how the investment fund landscape operated, However, looking back, a significant amount of time was spent discussing and deciphering areas of regulatory focus that were less than clear, rather than on purely implementing directives.

"From a policy perspective, we are working with industry and others to explore options for making Ireland the fund domicile of choice for global real estate assets."

It is also noteworthy that, post-Brexit, the EU funds industry is dominated by investment activities and investors located outside of the European Union. The ongoing competitive dynamics and political relationships will be key in assessing the future of the space and we will watch regulatory action with interest.

Property funds

The Central Bank of Ireland has published a consultation paper on the introduction of measures designed to address financial stability concerns arising out of identified liquidity mismatch and excessive levels of leverage in property funds. Can you please comment on the Central Bank's proposals outlined in the paper?

Brian Finneran, COO, MJ Hudson Bridge: In general we welcome any proposals to provide clearer guidance on these specific fund types. We feel the focus is correctly on the areas of leverage, liquidity mismatches and redemption terms. A note of caution is that some of the proposals could put Ireland as a fund domicile at a disadvantage and if the comparisons to Germany as a domicile of property fund domicile is appropriate.

Melíosa O'Caoimh, Country Head, Ireland, Northern Trust: Northern Trust was pleased to respond to this CBI Consultation Paper directly and to participate in the industry response. We understand the regulatory concerns and provided a comprehensive response. We also understand the political and social reality in Ireland today around housing policy and availability of affordable rental homes and believe the investment fund sector has a role to play here.

A wider question for us concerns the relationship between Irish funds and Irish real estate. We have noted that a majority of the assets held by Irish real estate funds are, in fact, real estate investments located in Ireland. From a policy perspective, we are working with industry and others to explore options for making Ireland the fund domicile of choice for global real estate assets.

David Petiteville, Director, Regulatory Solutions at RBC Investor & Treasury Services: In its consultation paper, 'Macroprudential measures for the property fund sector' (CP145), the Central Bank of Ireland (CBI) aims to increase the resilience of the property fund sector by enabling enhanced absorption of future adverse shocks.

David Petiteville

The CBI takes advantage of the discretionary provision given to Europe Member States Regulatory Authorities in the 2013 AIFM Regulation to meet its objectives. It concerns the limits to the level of leverage, which the CBI would propose to set at 50 per cent. The CBI would keep the opportunity to change the limit in any direction, including suspension depending on the macro-financial development. While a three year transition period is given to existing property funds, fund managers may be uncomfortable with a limit that can evolve and on which you have no certainty. In addition, the 50 per cent limit might be considered challenging if too low for existing funds. It should also be noted that new funds will see the rule apply immediately.

"While a three year transition period is given to existing property funds, fund managers may be uncomfortable with a limit that can evolve and on which you have no certainty. In addition, the 50 per cent limit might be considered challenging if too low for existing funds."

The proposal certainly needs some additional clarification regarding the criteria to determine what funds would fall under the definition of the property fund. Lastly, the metrics used to determine the leverage limit could be diverse and further consideration on how they would apply would be required.