



Legal Update

Approaching Deadline for CBI Funds Macroprudential Framework

The Central Bank of Ireland (the “CBI”) launched a Discussion Paper (Discussion Paper 11) on the 18 July 2023 with regards to the approach to macroprudential policy for investment funds. It is seeking feedback on several issues and the closing date for responses - the 15 November 2023 – is now fast approaching.

Background

The objective of the Discussion Paper is to advance the debate on a potential approach to the development of a macroprudential framework for the investment funds sector. While the macroprudential policy is now well developed in the banking sector, it remains nascent beyond including for the funds sector. This Discussion Paper therefore aims to inform and aid the ongoing international and European regulatory debate on the macroprudential policy for the funds sector. The global non-bank financial intermediaries (“NBF”) sector has grown significantly since the Global Financial Crisis and the funds sector has an increasingly important role in the wider global financial system.

Macroprudential Policy for Investment Funds

The aim for the framework would be to ensure that this growing and increasingly important segment of the financial sector is more resilient to stresses and less likely to amplify adverse shocks. This would better equip the sector to serve as a resilient source of financing supporting broader economic activity. The rationale for macroprudential policy intervention is amplified by the need to address

risks that are not covered by other elements of the regulatory framework.

Macroprudential Framework principles for Funds

The proposed principles outlined will be core to the specific design and operation of the macroprudential framework. The proposed principles include, in the case of investment funds: resilience enhancing measures applicable for funds on a collective basis: ensuring that resilience is built up before crisis conditions arise; policy measures seeking to limit underlying problems and targeted at the interconnectedness of the sector; and policies that have a degree of flexibility over time. Policy intervention should be the result of a careful balance between costs and benefits for the broader economy and global co-ordination is a critical enabler when designing the framework for the funds sector.

How can Clerkin Lynch help?

Clerkin Lynch can assist with the drafting of submissions regarding this Macroprudential Framework as well as keeping clients informed as to any new requirements that may emerge from the new framework once finalised and released.



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