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**Funds Review,
Department of Finance,
Miesian Plaza,
50-58 Baggot Street Lower, Dublin
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RE: Funds Sector 2030: A Framework for Open, Resilient & Developing Markets

BlackRock¹ is pleased to have the opportunity to respond to the Funds Sector 2030 Review issued by the Department of Finance.

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets, while preserving consumer choice and assessing benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this public consultation and will remain available to contribute to the thinking of the Department of Finance on any issues that may assist in the final outcome.

We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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¹ BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

Executive Summary

BlackRock is one of the leading asset managers in Ireland with US\$ 1.049 trillion AUM, offering a range of investment strategies across 528 funds. Our intention for this submission is to provide a strategic overview of how we see the funds industry developing, with a view to providing context that may help the Department of Finance to position the industry and regulatory environment in Ireland for 2030. We also endorse the submission made by Irish Funds, which by necessity takes a more granular approach to the questions asked, but we do not seek to duplicate their work.

We will begin by identifying five major macro-economic growth themes which will affect investor decision making and how they are likely to impact investor demand for funds leading up to 2030. We will then touch on likely future demand for Exchange Traded Funds (ETFs) and Money Market Funds (MMFs) given the Department's particular interest in both fund types. Next, we will address ways to support private capital before concluding with some thoughts on how Ireland might position itself to retain its position as one of the world's leading jurisdictions for fund domiciliation, taking advantage of the opportunities offered by financial innovation and digitalisation.

These points will be made with reference to BlackRock investor surveys which we will reference in this submission.

I) 5 Major Macro-Economic Growth Themes to 2030

We see the new macro-regime and asset returns being shaped by deep structural forces. We see these themes as affecting the investment strategies that will be preferred by clients and will impact the future structure of funds.

1. **Developments in digital capabilities and artificial intelligence (AI):** This year we have seen the potential of technologies like artificial intelligence and machine learning, with Generative AI showcasing how automation could create new capabilities and power new solutions to support businesses and society.

Impact on funds: Increasingly asset managers can count on the support offered by AI technology and machine learning techniques to support them in their work by providing and structuring data and improving analysis in portfolio management structures, risk management and sustainable finance.

2. **Geopolitical fragmentation:** The war in Ukraine and worsening US-China relations have ushered in a new era of global fragmentation and competing defence and economic blocs. Without significant tech-driven productivity gains, this will likely result in lower growth and higher inflation. Industrial and protectionist policies could also spur investment in infrastructure and robotics. We see investment opportunities as the West pursues greater self-sufficiency in some areas like tech and energy. We also think that economic growth will be more volatile and more vulnerable to shocks. As such, investors will need to be more cautious in targeting themes set to benefit from these trends.

Impact on funds: We see increasing demand for thematic funds targeting these themes, as well as for actively managed funds with stock selection strategies that seek investment opportunities arising from geopolitical fragmentation.

3. **Low-carbon transition:** Forming a view on the highly uncertain transition requires assumptions on how policy, technology and consumer and investor preferences will

evolve over the coming decades. We believe the transition towards a decarbonised economy will involve a massive reallocation of capital as energy systems are rewired. These shifts are a result of competing economic catalysts and barriers that determine how and when low-carbon technology will be adopted. We expect tipping points to come when the relative costs of low-carbon technology fall below those of incumbent sources and when barriers to adoption are low. The impact on portfolios depends not only on the timing and size of these shifts but also when markets price them in.

Impact on funds: We see increasing demand for funds in this space in both public and private markets. Transition readiness is an investment approach that measures a company's exposure to and management of transition risks and opportunities, seeking to provide investors with a higher conviction approach to invest in the transition to the low-carbon economy. We expect investors to favour funds with investment strategies that utilise Low-Carbon Economy Transition Readiness strategies to overweight companies that are believed to be better positioned to benefit from the transition to a low-carbon economy, and to underweight companies that are believed to be poorly positioned to benefit.

4. **Aging populations:** Aging populations produce less income, with implications for consumer spending and public finances. Reduced labour supply limits how much an economy can produce and grow and leaves fewer workers to support a larger nonworking population. This in turn impacts government spending and debt: per capita revenue from income tax falls, as spending on pensions and healthcare rises. This could lead to more government borrowing, at a time when rising interest rates are already increasing debt burdens.

Impact on funds: We see growing interest in pension-related strategies which target both the accumulation and retirement income phases of pensions. While the Pan European Pension Product (PEPP) is at the early stages of development, the need for a robust solution in a cost-efficient wrapper, like PEPP, is likely to grow. We expect a lot of interest from long-term retirement savers in funds with the potential to generate long-term returns unencumbered by disproportionate regulatory restrictions associated with liquidity and capital.

5. **Future of finance:** We see an acceleration in the changes of the financial architecture, whereby banks face increased competition for financial services, and non-bank lenders are stepping in. This presents opportunities in private markets, including in direct lending or finance negotiated directly between a non-bank lender and a borrower. We expect more borrowers to turn to private credit as it becomes relatively better priced and given the certainty of execution and long-term partnership private lenders can provide. Private markets are complex, with potential for volatility and return dispersion, necessitating a sophisticated approach to risk management.

Impact on funds: Ireland has already put in place its own regime for direct lending funds. Aligning this with the recently agreed rules for loan origination funds in the amended Alternative Investment Fund Managers Directive (AIFMD) proposals offers Ireland the opportunity to compete for fund domiciliation in this growing market.

II) Keeping Pace with Sustainable and Technological Innovation

We believe Ireland should promote a regulatory approach which encourages product innovation and recognises, supports and engages with industry on innovation and market developments in this space. Developing effective feedback loops between industry, government and regulator will help support Ireland's position as a dynamic hub for

innovation, fostering innovation while also safe-guarding citizens and their rights. This will also allow the Central Bank of Ireland to target resources towards supporting the development of a robust regulatory regime to enable responsible innovation without creating bottlenecks in the authorisation and supervisory process.

When assessing where investors will allocate their assets, we consider factors including:

- Changing investor preferences.
- An evolving regulatory environment.
- Increased focus on sustainable investing, transition and green finance, reflecting investor appetite for investment products that effectively manage climate risk or achieve real-world impact.
- Innovation on the technological front, which could not only include new products such as tokenised fund solutions or funds offering risk-controlled exposure to digital assets, but also new tools that could be applied at various stages of the investment cycle (e.g., AI solutions could support fund management, distribution, outsourcing and engagement).

Ireland's ability to maintain a robust, investor-friendly regulatory framework while keeping pace with technological advancements and sustainable investment trends will be central to its continued success as a funds domicile.

It could be helpful for the Central Bank of Ireland to have a multi-year plan to implement its favoured direction of travel on both digital and sustainable finance initiatives – in collaboration with industry and with appropriate resourcing and alignment with peer regulators across Europe. Adopting a proactive approach to the regulation of technology, has much more potential for success as it encourages innovation, while ensuring responsible deployment of technological solutions. With the means and mandate to build the in-house expertise on innovative growth trends, comes the likelihood that Ireland will continue to be perceived as a favoured jurisdiction with a predictable and robust regulatory regime.

Sustainability:

For Ireland to grow as a sustainable finance hub in Europe, we believe the funds sector should be seen as an important bellwether.

Investors are increasingly seeking investment solutions and products aligned with their sustainability objectives as demonstrated by a recent survey we commissioned in June among 200 institutional investors in 15 countries.ⁱ As fund managers translate these preferences into new structures and products, there is an opportunity for Ireland to position itself as the location of choice for these types of funds.

While we recognise the evolving nature of the European legislative and regulatory framework in this space, clear, predictable, and consistent timelines and procedures with pre-determined parameters and service level standards for the authorisation and supervision of sustainable funds would be welcome.

As the supervisory framework in this space develops, we believe it is important for it to support genuine innovation in a fast-moving environment where the quality and depth of data availability continues to rapidly evolve. While much work has been done in recent years to put in place a framework to address the lack of widely available and globally

consistent sustainability disclosures, challenges remain today which complicate the process of making sustainability-related disclosures at the fund (product) level.

As reporting becomes more widespread, new data may force changes in disclosures, or to product or investment strategy. In these instances, it is important that supervisors and managers can work towards making necessary changes in a timely and constructive manner that minimises costs and disruptions for end-investors.

Finally, as the regulatory framework evolves, we believe it's important that rules work well for exchange traded funds (ETFs). Ireland has an important voice in EU legislative and supervisory debates; ensuring that ETFs can be accommodated in the sustainable finance framework should be an important priority which will help Ireland leverage its current financial centre footprint to become a leading sustainable finance hub.

Technology:

The asset management industry of 2030 could almost become unrecognisable from that of today. Technological change and innovation have the potential to fundamentally reshape the entire fund sector, from management to distribution and engagement. We believe that digital assets and blockchain technologies are going to become increasingly relevant for our clients from our investment management choices, to how we interact with our capital markets ecosystem. That said, to ensure a smooth transition to innovative solutions it will be critical from a regulatory perspective to ensure that clear governance practices are put in place to manage issues that may arise as we deploy new technologies, resolving conflicts of interest where possible and ensuring clear rules around custody, settlement, and reconciliation.

Tomorrow's financial markets could be built on the pillars of tokens, transparency, and technology. This new financial market infrastructure of fungible and non-fungible services offers the prospect of instantaneous settlement and reduced fees by potentially revolutionising traditional clearing, settlement, and reconciliation processes. However, this comes with a high threshold for adoption of alternative new technologies. The market for asset tokenisation is evolving rapidly and has many potential use cases including securing ownership rights, enabling asset fractionalisation, boosting liquidity, and making transactions more convenient and transparent.

Specifically, work has been underway across BlackRock in four areas of digital assets and their associated ecosystems where we see potential to benefit our clients and capital markets more broadly in distinct ways:

- Stablecoins: These are digital assets pegged to a stable reference value, typically the U.S. dollar, and backed by a reserve of assets such as bank deposits or short-term government securities. Stablecoins have the potential to transform payment systems and capital market processes through the frictionless, real-time transfer of value. Importantly, not all stablecoins are the same and it's critical that users understand and have a high level of transparency into the underlying collateral.
- Tokenisation: This refers to digital tokens that represent ownership of a range of asset types. Tokenisation offers the prospect of driving efficiencies in capital markets, shortening value chains, and improving cost and access for investors. Some significant pilot projects are underway, in some geographies in collaboration with local regulators.

- **Permissioned blockchains:** This refers to distributed networks accessible by known entities. They provide the opportunity to remove frictions from the capital markets ecosystem through real-time data synchronicity across the value chain. Their adoption must show added value compared to the current infrastructure model in terms of dealing with volumes and accuracy.
- **Crypto assets:** These are digital assets issued via public blockchains enabled by cryptography. As the industry matures, clients are increasingly asking BlackRock to help facilitate access to crypto assets. As demonstrated by FTX's failure, it will be critical to manage issues around governance, conflicts of interest, custody, settlement, and reconciliation. These will be fundamental steps in ensuring new technologies are deployed safely and effectively in the future and to prevent a similar scenario from arising again.

Regulators will play an important role in determining how fund managers can investigate and put these new methods and products to use. We envisage some of the most promising use cases in the data analytics and AI space to be around analysis of datasets to enhance portfolio construction and risk management, supporting asset managers in their work. From an investor experience point of view, greater use of digital platforms could offer more tailored personalised advice and greater transparency. It also would democratise investing more broadly as these tools become more widely accessible.

Ireland's expertise in fund management and the skills and services ecosystem that surround it are a big opportunity for the Irish funds industry. There are several jurisdictions including France, Germany and Luxembourg that are already demonstrating an openness to these innovations. Ireland's future success will depend on finding a balance between enabling emerging technologies in the funds sector and investor protection.

III) Growth in Exchange Traded Funds (ETFs)

European exchange traded funds (ETFs) have come a long way since the introduction of first ETFs in early 2000s. ETF assets in Europe reached a record €1.5 trillion in July 2023, as investors' preference for low-cost, transparent, liquid and diversified global investment vehicles fuelled record year-on-year inflows into ETFs in the preceding decade. Between 2013-23, ETF assets grew 4-fold.ⁱⁱ BlackRock estimates that ETF assets will reach €2.5 trillion by 2027, as trends of low-cost investing and emergence of new ETF investors and use-cases gain paceⁱⁱⁱ.

Ireland is well placed to catalyse as well as capitalise this growth. Irish domiciled ETFs topped €1 trillion for the first time this year, representing 68% of the European ETF market. Luxembourg is the next largest domicile for European ETFs with €295 billion assets, while the rest of Europe has €186 billion combined.^{iv} Currently, most ETF service providers - including issuers, fund administrators, liquidity providers - have established operations in the country. A strong pan-EU regulatory framework along with support from the government and industry promotes Ireland as a leading hub for European ETFs.

New data from YouGov commissioned by BlackRock and published in May 2023 shows a wave of ETF adoption from the next generation of European investors. Three trends are clear: ETF markets across Europe have the momentum to grow at pace; ETFs are increasingly being used by people as a starting point when investing; and ETF investors are getting younger. Across Europe, of the next wave of ETF investors, 54% will be aged between 18-34 years, compared to only 32% of new investors aged 35-54.^v

The European ETF ecosystem stands to benefit from further evolution of market structure with the availability of an affordable consolidated tape that aggregates and disseminates ETF trade reporting to all venues and clients in close to real time. European markets have never featured a consolidated view of pan-European trading, and investors often lack the transparency and full understanding of the depth of usage, liquidity, and price-discovery in European ETFs.

However, this is likely to change. The July 2023 political consensus to establish consolidated tape as a mandatory feature of European capital markets is an important milestone that paves the way for market harmonisation, which will further enhance the efficiency of European ETFs and their adoption as transparent, liquid, and low-cost financial instruments. We expect the next phase of adoption for European ETFs to be led by European investors as well as international users of UCITS ETFs. We also encourage Irish and EU policymakers to adopt a clear and ambitious action plan with regards to the construction and rollout of the tape.

We believe that there are four trends that will fuel future ETF growth, which as they align, represent a decades-in-the-making ETF movement. The four trends or assumptions are as follows^{vi}:

- ETF investors are active investors.
- Investors everywhere are sensitive to cost.
- A transformation in the business model for financial advice is ongoing.
- An evolution in the way bonds trade tends to favour ETFs for efficient market access.

We no longer consider investors being active or passive, we consider all investment decisions to be active ones. We believe that investors are poised to increase their use of ETF strategies as tools to potentially beat the market in the years ahead. ETFs are increasingly being used in portfolios to seek outcomes that differ from the broad market. As investors recognise that asset allocation tends to be more important than individual security selection, they are likely to step up their use of ETFs as building blocks in asset allocation and as vehicles to deliver factor-based investment strategies that seek to emphasise persistent drivers of returns.

ETF growth is entwined with investors' embrace of index investments as foundational strategies. Index investing is predicated partly on the notion that costs associated with stock-picking by a fund manager can erode long-term returns. ETF adoption dovetails with that recognition by all types of investors. Most self-directed retail investors and sophisticated institutions are turning to lower cost, diversified ETFs as core broad market exposures.

Investors are increasingly paying wealth managers a transparent fee based on assets, instead of an indirect fee via brokerage commissions and retrocessions. Under MiFID II advisors are required to disclose all upfront and ongoing fees to clients. We expect to see new demand for lower-cost index products that will bring more adoption of ETFs into advisory. This could favour ETFs at the heart of portfolios.

The bond liquidity that many institutions once took for granted is declining. We believe there is tremendous growth potential in bond ETFs as institutions find it more difficult to access individual bonds. To facilitate large transactions, investors are increasingly likely to use bond ETFs alongside, or instead of, single securities. Bond ETFs also allow efficient trading of bundles of securities that would otherwise be difficult and expensive to access individually. Trading individual emerging market bonds from more than 50 countries can be as much as 65 times more expensive than an ETF tracking an index^{vii}.

As market structure changes, we are continuously discovering and investigating new use cases for ETFs, most notably in the areas of sustainable investing, digital markets, and active ETFs. Active ETFs aim to achieve a particular objective, like maximising income or outperforming an index, whereas most ETFs are designed to track an index.

Fixed Income ETF Products:

Growing adoption of fixed income ETFs and other index- and portfolio-based products are continuing to revolutionise the way investors access European corporate bond markets. As we brace for a new regime of greater macro-led market volatility, the adoption of fixed income ETFs continues to grow in 2023 as investors use them for access, liquidity and managing risks in their bond portfolios. We believe that ETFs will continue to play an integral role for investors looking to access and navigate today's bond markets. Again, we would welcome Government support for the roll out of an EU-wide consolidated tape for shares and ETFs which will enable investors to connect the currently fragmented pools of ETF liquidity. This will help improve the quality of the trading infrastructure and will help drive ETF adoption more broadly.

Bond markets have evolved significantly since the global financial crisis, largely due to the shift in banks' trading models and an increasing reliance on electronic platforms. The COVID-19 sell off in March 2020 was a key catalyst to accelerated adoption, particularly by institutional investors, as ETFs were able to provide price transparency, immediacy of execution and tight tracking during uncertain times. Against this backdrop, the use of fixed income index instruments, including ETFs, has significantly increased. BlackRock estimates that global bond ETF AUM will reach \$5 trillion by the end of 2030, and we expect Ireland's share of this growth to grow proportionately.^{viii}

The acceleration in bond ETF adoption will be fuelled by four powerful trends that broaden and deepen their usage.

- Building blocks in evolved 60/40 portfolios: more investors are blending bond ETFs with active strategies that seek to meet investment objectives and avoid unwanted risks.
- Tools for seeking active returns: institutional investors including active asset managers are turning to bond ETFs for transparency, access, liquidity, and portfolio efficiency.
- Catalyst for modernising bond markets: bond ETFs are reshaping fixed income market structure by helping to drive electronification, algorithmic bond pricing and portfolio-oriented trading.
- Increasingly precise sources of potential returns: new bond ETFs are providing more precise fixed income exposures that allow investors to build increasingly customisable portfolios, hedge risks and capture opportunities.

Electronic trading and sophisticated pricing allow broker-dealers to simultaneously buy and sell large numbers of individual bonds through 'portfolio trades'. This basket-centred marketplace favours even greater acceleration of bond ETF adoption since a growing number of fixed income transactions either directly or indirectly involve bond ETFs for sourcing or hedging risk.

The modernisation of bond markets is especially relevant for this consultation. The growth of bond ETFs and their ecosystem has helped drive advances in electronic trading and algorithmic pricing of individual bonds, which together have helped improve transparency and liquidity in underlying bond markets. These advances enable more primary and secondary ETF market transactions and expand the number of individual bonds that can

be priced and traded daily. The new architecture increasingly pivots around trading baskets of bonds, particularly high yield, and investment grade holdings in liquid ETFs.

Retail Investors & ETF Savings Plans:

A further growth factor for ETFs is their increasing take up by retail investors and as such we offer some reflections on the conditions necessary to further promote retail investor engagement in ETFs. Retail investment participation levels have started rising in some countries across Europe, with ETFs – and ETF Savings Plans in particular – catalysing interest and accessibility for first-time investors.

ETFs offer a variety of benefits and represent an excellent investment choice for retail investors. They provide broad and diversified exposure to a basket of securities, offer competitive fees, give investors full transparency on their underlying holdings, and can be transacted quickly and easily.

There are over 6 million ETF Savings Plans^{ix} today in the EU helping retail investors invest over €11 billion of cash each year – representing 5 times growth since 2019. Industry estimates indicate that EU retail investors may triple their holdings of ETFs by 2026, for example in Germany reaching €350 billion AUM. Over this period, BlackRock estimates that the total number of ETF savings plans will increase fivefold, with 20 million individuals investing up to €34 billion in EU capital markets.^x

They are typically offered commission-free to the end investor, as the asset manager will subsidise the transaction costs of buying ETFs through digital platforms or brokerages out of its own assets. Fixed rate transaction costs can represent a significant percentage of a retail investor's investment compared to that of an institutional investor investing significantly larger amounts. We believe that EU Retail Investment Strategy (RIS) proposals to ban payments of any sort from asset managers to distribution platforms risks inhibiting retail investor participation across the EU. This would not only undermine the EU's policy objectives but would have a particularly negative impact on retail investors with lower incomes who invest smaller amounts.

Where such payments benefit retail investors and are not retained by distribution platforms as retrocessions, such payments should still be permitted by the RIS, to grow investor participation levels further.

ETF Savings Plans are *the* tool for introducing retail customers to investments for the first time:

- They offer a straightforward way to invest with low amounts, ensuring that even individuals with lower income levels can participate in capital markets.
- The diversified nature of ETFs (i.e., baskets of securities offering broad market exposures) means that investors do not unduly expose themselves to idiosyncratic risk.
- The regular monthly contributions mean that investors can benefit from euro-cost averaging – harmonising the impact of any potential material market movements from month-to-month, and helping investors build long term wealth in their portfolios.
- They also encourage retail investors to take a long-term approach to their investments. Indeed, in our experience we see that end investors typically hold such investments for 8+ years on average – a holding period that continues to increase.

IV) Innovation in Money Market Funds (MMFs)

The cluster effect of Ireland as an attractive financial centre with the right infrastructure and some of the most experienced regulators in the world with respect to asset management, is a huge opportunity.

MMFs are a key part of the Irish fund industry today. We believe MMFs are important tools for many investors and will continue to grow in the changing rate environment and as the use cases for MMFs grow and technology continues to evolve.

Cutting-edge innovation, like the application of blockchain technology to MMFs through the tokenisation of shares for example, has the potential to reshape the MMF landscape. Technological change in this space is a key opportunity for Ireland, given the unique concentration of fund managers, custodians, and innovative tech firms, to support the growth of the sector.

Supervisors will need to have the expertise and openness to new ideas to foster the evolution of the sector, resulting in the right balance of innovation, growth, and resilience.

V) Supporting Private Assets Growth

BlackRock's inaugural 2023 Global Private Markets Survey^{xi} interviewed senior executives responsible for private market allocations from more than 200 institutions, in 22 countries with US\$ 15 trillion in AUM, of which US\$ 3.2 trillion is invested in private markets. It identifies areas where respondents see the biggest opportunities across private asset classes and explores their priorities when accessing the markets.

We see continued growth in private asset vehicles both by institutional but also increasingly by retail investors. Consequently, we welcome the roll out of the revised European Long-Term Investment Fund (ELTIF) Regulation at the start of 2024. Recent discussions within ESMA around the use of liquidity management tools in ELTIFs rightly indicate the need to balance investor expectations with very genuine financial stability considerations. We await the outcome of ESMA's regulated technical standards in ELTIF^{xii} to show the way forward. In the meantime, we have spent considerable time on investor and distributor education. We believe the most powerful tools are effective education and awareness raising as opposed to over-prescriptive declination of liquidity rules.

Private markets encompass so many different areas that they can meet investors' needs across the time horizon of a portfolio, and through market and economic cycles. Private credit or non-bank finance does not just benefit investors, but also plays an important role in supporting the real economy. As such, it should be supported by regulators. Private capital can be provided to projects at many stages of development, unlike bank lending which operates within cyclical credit cycles, increasing the overall sources of funding available for businesses and infrastructural projects in particular. Additionally, bespoke terms for funding that private credit funds allow for, means that funding can be tailored to the needs of the borrower. Developed capital markets usually correlate with stronger economies.

VI) Enhancing Ireland's Attractiveness for Fund Domiciliation

For Ireland to continue to be positioned as a prime location for EU and international firms in the funds sector, we highlight the benefits of promoting increased and continued

engagement between the Department of Finance and regulatory authorities with industry. We encourage the Central Bank to continue its stance of providing stakeholders with increased opportunities for more effective and meaningful engagement.

As the funds industry becomes increasingly international, fund managers and investors seek jurisdictions with regulatory regimes that align with international standards. We welcome the Central Bank's engagement at both the FSB and IOSCO and leading role within ESMA, bringing its depth of experience on the development of key market sectors such as ETFs to an international regulatory audience. An effective international regulatory framework that responds to the needs of investors for choice and innovation, helps to position Ireland as a globally recognised and preferred funds domicile.

To deliver what is needed for a prosperous and well-functioning fund ecosystem by 2030, an enhanced risk appetite may be required from the Central Bank of Ireland. Similarly, for Ireland to be seen as one of the primary choices for fund domiciliation, the funds industry will seek:

- Consistency on procedures and service level standards for authorisation and ongoing supervision.
- Increased opportunities for sharing experience of market developments and insights with the regulator, creating an ongoing set of feedback loops for knowledge sharing and setting regulatory expectations.
- A proactive approach to new products, trends, and regulatory changes from the European Union.
- Consideration of Ireland's attractiveness as a fund domicile in addition to overall financial stability in the work and mandate of the Central Bank of Ireland.

Embracing Innovation:

Fostering an ecosystem that enables innovation in the funds industry will be central to continuing to position Ireland as a leading centre for new fund domiciliation. Supporting innovation from a regulator's perspective is not about always picking the winning product or initiative. It is about creating an environment where risk-controlled experimentation is encouraged and where regulators are actively following and engaging with industry on emerging themes and use cases for new technologies or product structures.

As these technologies – and markets generally – evolve and become more intricate, all efforts should be made to ensure that the regulator continues to have access to the necessary in-house expertise and resources to manage and respond these changes.

European Long-Term Investment Funds (ELTIFs) are a good example of how innovation in regulatory structure, innovation in technology and innovation in product design can align. Embracing innovation arguably gives certain jurisdictions an edge over others and countries that provide regulatory clarity from an early stage tend to benefit from the establishment of that expertise.

Some other EU jurisdictions started investigating how ELTIF products might be structured early on and invested the time to develop a framework immediately after the first tranche of legislation came into effect. For asset managers now wishing to develop an ELTIF offering, jurisdictions with a near 7-year experience with these fund structures will likely be considered more attractive than Ireland.

Improving Efficiencies and Timelines:

The funds industry in Ireland would benefit from an expedited and more predictable fund authorisation process. This could be achieved through a combination of additional supervisory resourcing, automation of certain functions, and a set of objective service standards visible to, and ideally agreed in collaboration with, the industry.

We would also welcome if the Central Bank engaged with industry participants to understand the issues it faces when supplying data for regulatory returns. The Bank of England is engaging with the FCA and industry to conduct a data collection review^{xiii} that is aimed at “regulators getting the data they need to fulfil their mission, at the lowest possible cost to industry”.

Furthermore, the fund industry in Ireland would benefit from a consistent method of communication from the Central Bank when communicating requirements and information to industry participants, so they can be easily identified.

Enhancing Engagement with Industry:

The Central Bank of Ireland’s Financial Industry Forum is a welcome initiative, but it should be complemented by sector specific forums to deliver more meaningful changes. Engagement with each sector should become a codified part of the culture of the regulator to ensure it is embedded as a cultural norm.

The Central Bank could look to the experience of both ESMA and other national securities regulators with a broad range of sector or thematic focussed stakeholder groups with regular meetings and feedback sessions. Our experience is that these stakeholder groups provide a forum for valuable dialogue to complement formal consultation procedures. In our experience, this leads to more efficient collaboration when it comes to both the design and implementation of new regulation and guidance.

We envisage that more consistent engagement between the Department of Finance, Central Bank of Ireland and funds industry through regular industry surveys and pulse checks would enable the government and regulator to work in tandem with industry, responding in real time to changing market dynamics, as opposed to having to do a major overhaul of the industry every few years.

Conclusion

Ireland’s success as a domicile will be determined by its ability to balance regulatory stability with forward-looking approaches, creating an environment that both safeguards and encourages the growth of the funds sector.

We appreciate the opportunity to address and comment on the issues raised by this public consultation and will make ourselves available to the Department of Finance to discuss any specific issues which may assist in the ongoing review of the Irish funds sector.

While our updated annual investor survey will only be published after the submission period for this consultation closes, we would welcome the opportunity to engage with relevant officials upon its publication in the coming weeks should it be of interest.

ⁱ **BlackRock.** [Low Carbon Transition Institutional Investor Survey 2023.](#)

ⁱⁱ **ETFGI.com.** [ETFGI Reports that Assets Invested in ETFs Industry in Europe Reached a Record \\$1.69 Trillion at the End of July.](#) 22 August 2023.

- iii BlackRock projections based on industry growth forecasts, as of September 2023. Estimates may change.
- iv **EY.** [Irish ETFs Top €1 Trillion – Fund Industry Increasingly Favours ETF Investment](#). 17 July 2023.
- v **Financial Times.** [BlackRock Spies Rapid Growth in European Retail ETF Market](#). 18 May 2023.
- vi **BlackRock (iShares).** [4 Trends Driving ETF Growth](#).
- vii **BlackRock (iShares).** [4 Trends Driving ETF Growth](#).
- viii **BlackRock (iShares).** [Bond ETFs Turn 20 – All Systems Go for \\$6 Trillion](#). BlackRock projections based on industry growth forecasts, as of September 2023. Estimates may change.
- ix **ExtraETF:** 2026 ETF Savings Plans Market, March 2022
- x **BlackRock.** [Policy Spotlight: Fractional Ownership and ETF Savings Plans](#). BlackRock projections based on industry growth forecasts, as of September 2023. Estimates may change.
- xi **BlackRock.** [Global Private Markets Survey 2023](#)
- xii **BlackRock.** [Response to ESMA Consultation on Draft Technical Standards under Revised ELTIF Regulation](#). August 2023.
- xiii **Bank of England.** [Transforming Data Collection Initiative](#).