AREF
The Association of Real Estate Funds

HM Treasury

Financial Services Growth & Competitiveness Strategy - Call for Evidence

This Call for Evidence was open for four weeks until **12 December 2024**.

AREF's response was submitted on 12 December 2024 via Smart Survey link: https://www.smartsurvey.co.uk/s/FinancialServicesGrowthandCompetitivenessStrategy/ (at 12.50pm) and emailed to FSGrowthStrategy@hmtreasury.gov.uk (at 4.50pm).

Question 1: *Which of the following statements best describes you as an individual or as an organisation:*

a) Academic

b) Consumer Group

c) Government or Mayoral Authority

d) Individual

e) Trade Body

f) Trade Union

g) Financial Services Organisation

h) Other – please specify

Additional Questions for Financial Services Organisations:

Question 2 - 7: N/A

Chapter 3

Objectives and Approach:

Question 3.1: *Do you agree with the proposed objectives set out in paragraph 3.6?*

Yes, we do agree with proposed objectives to deliver a credible 10-year plan for a Financial Services Growth & Competitiveness Strategy for the UK.

Growth and Competitiveness:

Question 3.2: *[For Financial Services Organisations] For firms operating in more than one jurisdiction, what are the main drivers affecting your decisions on where to invest?*

No comment

Future of Financial Services:

Question 3.3: *What do you consider to be the most important trends or changes likely to affect the financial services industry over the next 10 years?*

- Investment in the private markets will continue to grow.
- Real estate funds and other institutional investors will become significant investors in residential.
- DC pension funds will become important service providers to savers and important investors in growth assets such as real estate, infrastructure and private equity.

Chapter 4

Policy Pillars

Question 4.1: *Do you agree with the list of policy pillars that the government intends to focus on? Are there other areas that should be included?*

Yes, we agree the Government should focus on the following policy pillars:

- Innovation & Technology
- Regulatory Environment
- Regional Growth
- Skills & Access to Talent
- International Partnerships & Trade

Question 4.2: *Please rank the list of pillars in order of importance to your business or organisation for i) day-to-day operations and ii) longer- term plans for investing in the UK:*

	Day to day	*Longer term*
Innovation & Technology	*4*	*4*
Regulatory Environment	*1*	*1*
Regional Growth	*5*	*5*
Skills & Access to Talent	*2*	*3*
International Partnerships & Trade	*3*	*2*

Question 4.3: *How well is competition currently working in the financial services sector, and how can it be improved?*

No comment.

Innovation & Technology

Question 4.4: *What is your assessment of how effectively the UK supports innovation and the adoption of new technology? What could be improved in the financial services sector?*

For innovation to flourish there must be policy certainty and the ability for rules and legislation to keep up with, and where possible be agnostic to, innovation and new technologies. This will enable confidence in long-term investment decisions. We support initiatives such as the FCA's sandbox that enables new ideas take place in a protected environment.

The risk aversion culture in the UK needs to change. Both public and private sectors exhibit a reluctance to adopt new technologies due to perceived risks and uncertain returns on investment.

In addition, more funding for innovation is required in the UK beyond the initial proof of concept stage to the scaling-up stage to enable small businesses to bring new technologies to a wider market.

Non-standardised data and lack of interoperability among existing systems creates challenges in integration and adoption of new technologies.

Businesses and education establishments need to be encouraged to be involved in new initiatives as early as possible and ensure their staff and students are educated in the new skills they require to adopt new technology.

Question 4.5: *Which technologies do you think have the most potential to transform financial services over the next 10 years? And in which financial services sectors or functions do you see these being applied most effectively?*

Tokenisation has the potential to provide the opportunity for firms offering financial products, including real estate funds, to engage with a wider range of investors from small investors, such as retail investors, to large corporate investors on the other side of the world.

If data protection complexities can be overcome there are opportunities for achieving efficiencies in property transactions and improving the move towards net zero from sharing building energy data. The sharing of energy data between landlords, such as real estate funds, and their corporate and residential tenants would enable strategies to be put in place to improve the energy efficiency of real estate. This will not only help the UK achieve net zero but also save tenants money.

Regulatory Environment

Question 4.6: *What is your assessment of the UK's current regulatory environment?*

We totally agree that "*there is more to do to ensure that financial services regulation creates an attractive environment for businesses to establish and expand in the UK while maintaining high regulatory standards*".

The opportunity for retail investors to invest in authorised property funds that invest mainly in direct property has near enough been taken away by the FCA's indecision on whether to introduce notice periods for these funds and HMRC refusal to permit funds with notice periods to be Stocks and Shares ISAs. To give investors some certainty, some of the authorised property funds have converted to hybrid funds which have less direct property holdings and more investments in REITs. This leaves these funds and their investors open to the volatility of the REITs market and the majority of the investment has been in overseas REITs, which is the opposite of the government's broad policy objective of encouraging investment in the UK. Other authorised property funds have closed down completely. Further comments on this point are set out in our answer to Question 5.9.

The impact of the changes to authorised property funds, as explained above, has been broader than retail investment as defined contribution (DC) pension schemes have also been significant investors in funds designed for retail investors. We would note that there have been several developments designed to reduce investment barriers to help drive DC pension scheme investment in private capital and accelerate interest in the Long Term Asset Fund (LTAF) and increase its take up, which has been low to date. In addition to operational issues with the LTAF (see our responses to Questions 5.8 and 5.9) there remain some cultural, operational and structural challenges to DC pension scheme investment in private funds. For instance, how DC pension schemes that typically invest via 'life platforms'/bundled unit-linked insurance policies can access a broader range of semi-liquid products and how DC providers can more readily accept private capital fee structures. We would be supportive of amendments to market infrastructure to broaden investment options for DC pension schemes, along with improvements in DC pension schemes awareness of LTAFs for dedicated private capital strategies and more regulatory guidance and reassurance on liquidity expectation for how DC pension schemes should handle stress events and their impact on liquidity. Finally, reducing the 6-month FCA-authorisation window for the LTAF would provide helpful encouragement to those looking to launch.

Additionally, we believe that the FCA's asset registration requirements for authorised funds put UK funds investing directly in property at a competitive disadvantage in comparison to their non-UK peers. The FCA Handbook requires property to be held in the name of the depositary or its delegate, which increases transactional costs, as well as operational and legal complexity. We understand that these requirements are resulting in depositaries becoming more cautious about acting for such funds, especially in light of the Building Safety Act 2022, the Fire Safety Act 2021 and the Fire Safety (England) Regulations 2022, which expose the depositary's and/or its nominee's directors to potential criminal liability (please also see our response to Question 5.13). As a result, the UK asset registration requirements may impact the success of such authorised funds, including the LTAF.

Question 4.7: *How can regulation support responsible and informed risk-taking?*

No comment.

Regional Growth

Question 4.8: *[For Financial Services Organisations] What are the three most important factors, ranked in order, that you consider when making an investment location decision within the UK?*

No comment

Question 4.9: *How can we capitalise on synergies between different regional financial services hubs to support growth?*

No comment

Skills & Access to Talent

Question 4.10: *What is your assessment of the UK's ability to attract global talent to the financial services sector?*

No comments

Question 4.11: *What is your assessment of the UK's ability to effectively upskill and reskill domestic workers for roles in the financial services sector?*

One of the main concerns of real estate funds is the shortage of skilled contractors to build and maintain property and in support services such as planning departments. Local colleges and businesses should be incentivised to provide high-quality apprenticeships, training and upskilling opportunities in the building industry, particularly in new technologies. Also, there needs to be the ability for skilled workers to be able to afford to move to the areas of the country where they are required. Although these concerns are not directly related to roles in the financial services sector, they will have a major impact on real estate funds assisting the government in meeting its agenda to build the homes, workplaces and associated infrastructure greatly needed in the UK.

International Partnerships & Trade

Question 4.12*: What barriers do international financial services firms face in either establishing and operating in the UK, or using UK markets?*

One barrier and additional cost for asset management firms is when there are any differences in regulations between the EU and the UK. For example, the SDR investment label regime in the UK is very different from the SFDR disclosure requirements in the EU.

Question 4.13*: What opportunities should the government seek to advance through its international financial services relationships?*

Currently EU Alternative Investment Fund Managers (AIFMs) enjoy market access to UK professional investors, UK AIFMs do not have similar market access to EU professional investors. As part of the Government's desire to reset the UK's relationship with the EU, we would like to see that market access for UK AIFMs to EU professional investors should be equivalent to market access for EU AIFMs to UK professional investors. Not only would this provide more choice for EU pension schemes; it would provide a wider market for UK AIFMs' services.

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Chapter 5

Priority Growth Opportunities

Question 5.1: Do you agree with the priority opportunities that have been identified?

Yes, we agree with the priority opportunities identified.

Question 5.2: *Which of the following business areas and activities do you see:*

a) ***For financial services firms:*** *As high growth opportunities for your firm?*

b) ***For other organisations/individuals:*** *As high growth opportunities for the sector?*

Please rank the below from 1 to 11, where 1 is the highest growth potential.

1. *Asset Management*
2. *Pensions*
3. *Sustainable Finance*
4. *FinTech*
5. *Insurance/Reinsurance*
6. *Financial Advice*
7. *Financial Market Infrastructure*
8. *Investment Banking*
9. *Mutual/Cooperative*
10. *Payment Services*
11. *Retail Banking*
12. *Other (please specify)*

We have only ranked the top 5 as they are the most appropriate to our sector.

Fintech

Question 5.3: *What do you see as the most important ingredients for a thriving UK fintech sector in coming 10 years?*

No comment

Question 5.4: *Which are the critical factors for success that are specific to the fintech sector to enable innovative businesses to succeed?*

No comment

Sustainable Finance

Question 5.5: *In the UK's sustainable finance framework, as set out in the Chancellor's Mansion House package, do you see barriers or gaps that would support the growth and competitiveness of the UK sustainable finance market?*

The aspiration of the FCA to build a world-leading and competitive sustainability regime that will help the UK's asset management sector thrive by setting standards that improve sustainability information is

welcomed by real estate funds. The UK's Transition Plan Taskforce (TPT) aims to deliver a "gold standard" for climate transition plans; this is supported by real estate funds. The ESG Metrics for Real Estate paper (ESG Metrics for Real Estate) has been mentioned in publications by the FCA and TPT. This takes a whole life carbon approach that considers scope 1, 2, and 3. It also provides recommendations on broader issues such as social value, physical and transitional risk, and biodiversity.

Question 5.6: *What do you think should be the UK's priority when engaging with the global sustainable finance agenda, both bilaterally and at a multilateral level?*

Sustainability is usually an important factor when real estate investors decide where to invest their capital. To attract capital from institutional investors, from within the UK and from overseas, the UK needs to have high sustainability standards compared to other countries. AREF members support the UK Net Zero Carbon Building Standard that should provide greater goal posts for buildings to aim for. There must be certainty that legislation and policies will remain consistently high to ensure the UK achieves net zero by 2050. For example, investors expect real estate in the UK to adopt a net zero aligned trajectory, such as the Carbon Risk Real Estate Monitor (CRREM) pathways.

Many institutional investors have signed up to the UN-Convened Net Zero Asset Owner Alliance. They have committed to decarbonising their investment portfolios and achieving net-zero emissions by 2050. If they cannot achieve this by investing in the UK, they will invest elsewhere.

Question 5.7: *What are the opportunities and barriers for the financial services sector in developing the products and/or services necessary to facilitate investment into the net zero transition?*

For each opportunity, please provide an indication of the type of intervention required, for example developing guidance, or supporting the development of further capabilities.

There has been a lack of direction from government surrounding key regulation such as the proposal to amend the Minimum Energy Efficiency Standards (MEES) and Energy Performance Certificate (EPC) requirements. Also, there has not been any follow up from the government to the consultation on a national performance-based policy framework for rating the energy and carbon performance of large commercial and industrial buildings. This considered implementing regulations similar to NABERS for commercial buildings over 1,000 square feet. Although we welcome the Government's recently published consultation on the Energy Performance of Buildings including EPCs.

Carbon offsetting and pricing are important tools in helping businesses to build a case for low carbon solutions. They have a role to play in accelerating the decarbonisation of the built environment. More guidance would be welcomed on future government policy on how this will be managed.

Real estate funds invest in both residential and commercial buildings for the long-term. For this reason, they want these properties to meet the highest viable standards now as it will cost more to upgrade them at a later date. In some cases, this can only be achieved if other stakeholders are encouraged to do the same. For example, house builders should continue to be encouraged to install solar panels, air source heat pumps and electric car chargers in new builds.

There are significant data protection complexities for institutional landlords and operators in collecting energy data even where they can arrange access with the utility company and/or tenants/occupiers. This problem is going to be exacerbated with GHG Scope 3 requirements when data on indirect emissions will need to be collected such as tenant demise, embodied carbon across the life cycle and arguably associated transport emissions.

While technological advances and data management platforms are improving, and there is increasing landlord and occupier collaboration and data sharing, plus increasing application of "green" leases in the commercial sector, there are still considerable data gaps. Ultimately, it is very difficult for a landlord to evict an occupier for not sharing their energy data, despite what may be in the lease. The importance of the UK Government mandating the sharing of real estate energy consumption data is set out in this Social Market Foundation commentary (https://www.smf.co.uk/commentary_podcasts/we-need-mandatory-sharing-of-real-estate-energy-consumption-data-in-the-uk/).

When full reporting is possible, there are limits to how much influence landlords can exert over tenants regarding energy use and intensity in their workspaces and homes. The ongoing energy crisis presents additional pressures in terms of fuel poverty risks and unfortunately, the most energy efficient solutions are still usually the most expensive. The granularity of operational residential real estate is a particular challenge, but the institutional and social housing sectors are investing heavily in community engagement programmes as well as retrofitting and new technologies.

Capital Markets (including retail investment)

Question 5.8*: Are there any barriers to growth in capital markets that are not being targeted by existing government reforms? How can private and public markets be grown so that they best support UK growth?*

The UK's pension schemes are an international outlier. The seven largest pension markets globally allocate on average 23% to illiquid assets such as property, infrastructure, private equity, and venture capital. In the UK, that number is just 9%. (Thinking Ahead Institute Global Assets Study 2023 - https://www.thinkingaheadinstitute.org/content/uploads/2023/02/GPAS-final.pdf). DB pension schemes have been significant investors in real estate funds. They have found investing in real estate funds has provided them with long-term growth and regular income. With the move from DB to DC pension schemes, DB pension schemes are starting to disinvest from real estate funds. Although Long-Term Asset Funds (LTAF) were designed specifically to facilitate DC pension schemes and retail investors to access alternative asset classes there has been low take up. (FCA Chief Executive: International regulatory developments affecting investment management - https://www.fca.org.uk/news/speeches/international-regulatory-developments-affecting-investment-management). There are operational difficulties that DC pension schemes face in investing in LTAFs and other funds with notice periods accessed through platforms. Most of the platforms they use for investing do not accommodate investments with notice periods. This needs to be addressed otherwise DC pension schemes will be inhibited in implementing investment strategies which can include funding for new housing and infrastructure.

Real estate is an ideal investment for LGPS pools, either direct or through real estate funds which provide an opportunity for them to invest in more specialist real estate investments such as commercial property for life sciences, manufacturing and data centres. The new fund structure, an unauthorised contractual scheme, known as the Reserved Investment Fund (RIF) is expected to be attractive to LGPS, with its low costs and flexibility, when investing in real estate via a fund.

Question 5.9: *Are there any barriers to retail participation in UK capital markets? What more can be done to encourage consumers to invest in capital markets to a longer-term time horizon?*

As noted in our response to Question 4.6, the opportunity for retail investors to invest in authorised property funds that invest mainly in direct property has near enough been taken away by the FCA's indecision on whether to introduce notice periods for these funds and HMRC refusal to permit funds with notice periods to be Stocks and Shares ISAs. We believe that three obstacles need to be addressed to allow the recovery of retail investment in illiquid assets.

1. The uncertainty over the introduction of mandatory notice periods for non-units retail schemes (NURSs) investing in fundamentally illiquid assets has caused many funds to either amend their investment criteria to ensure that the majority of their investments are in liquid assets or to exit the market completely. Fixed notice periods are not the only solution to liquidity mismatch in open-ended funds and are often not the best answer. The International Organization of Securities Commissions (IOSCO) in its latest guidelines for consultation recognises that deferred settlement is an equally valid liquidity management tool. We have been advocating this as an alternative to fixed notice periods since 2017. We believe that this is more compatible with platform architecture and ISA rules (see subsequent bullets).

2. Retail investment tends to be via investment platforms which are not currently able to accommodate funds with notice periods.

3. Notice periods are incompatible with the rules for Stocks and Shares ISAs. Allowing investment via Innovative Finance ISAs does not work for model portfolio investments, which is how most investment is made in practice.

We believe that fixed notice periods and platform architecture are also issues for investment by DC pension schemes and the recently introduced long-term asset fund (LTAF). (See our response to Question 5.8).

Insurance & Reinsurance Markets

Question 5.10: *What are the barriers to insurers and reinsurers to growing their businesses and share of international markets?*

No comment

Question 5.11: *What are the barriers to innovation in the UK's insurance markets?*

No comment

Asset Management & Wholesale Services

Question 5.12: *What are the barriers to setting up and conducting business as a UK asset manager or conducting wholesale services in the UK?*

Overseas Capital

Last year over £19bn was invested by overseas investors in UK real estate (Source: MSCI Real Assets). Real estate funds provide an attractive proposition for overseas investors. They have seen UK law as a gold standard but some initiatives, such as reforms to leaseholds in England & Wales, may reduce the historic confidence of overseas investors in UK property law.

One of the main challenges for seeking finance is global competition for that finance, for example, attracting investment in data centres and life sciences buildings. The UK needs to ensure it is competitive to attract overseas capital.

HM Land Register Backlogs

The current backlog of up to two years at HM Land Registry is causing problems when buying and selling property in the UK and is not giving a good impression of the UK to overseas investors. The delays are causing additional costs for sellers of property including real estate funds. For example, sellers have to continue to be involved in tenant engagement after a property sale because they are still the registered holders of the property at HM Land Registry. Also, this doesn't help the new landlord build good relations with their tenants. Also, the delays are preventing the wind up of real estate funds that have sold all their property but have to continue to undertake legal and regulatory requirements such as producing accounts, because they are still the registered holders of the property they have sold. The backlog is slowing down refinancing of property and complex applications are taking much longer than they should. Overall, the delays are a drag on productivity and growth. The quicker this can be resolved the better.

Leasehold Reform

Investors in real estate funds like a predictable business environment and until there is more clarity around the leasehold reforms that the Government plan to introduce next year, some investors will be more cautious about investing in the UK.

Market access for UK AIFMs to Europe

As mentioned in our response to Question 4.13, currently EU Alternative Investment Fund Managers (AIFMs) enjoy market access to UK professional investors, UK AIFMs do not have similar market access to EU professional investors. As part of the Government's desire to reset the UK's relationship with the EU, we would like to see that market access for UK AIFMs to EU professional investors should be

equivalent to market access for EU AIFMs to UK professional investors. Not only would this provide more choice for EU pension schemes; it would provide a wider market for UK AIFMs' services.

Reserved Investor Fund (RIF)

We are confident that the RIF will contribute to growth for the financial sector with UK fund managers utilising the RIF as a speed-to-launch, low cost to operate onshore fund structure and will be particularly attractive for holding UK real estate: fund managers will no longer be forced offshore on account of the current gap in the UK fund offering.

We understand that there is much interest in the RIF from UK fund managers as well as professional investors (including local authority pension schemes, other UK institutional investors and international institutional investors).

RIF (eligible only for professional investors) to maintain Collective Investment Scheme (CIS) status, and opt out of Alternative Investment Fund (AIF) status

Under the Financial Services and Markets Act 2023 section 64 (FSMA 2023 section 64) it is a requirement that the RIF should be classified as an AIF. We understand that this reflects the requirement of FCA officials - supported by some in industry - that the AIF conveys an international brand which will bring re-assurance to investors: both in the UK and elsewhere.

In order for the RIF (eligible only for professional investors) to be even more competitive with offshore alternative structures we are aware of industry demand that the RIF should only need a CIS status and not an AIF status in addition.

As and when government is looking to update/reform financial services and markets legislation, we ask that the government and the FCA consider minimal reform to the RIF legislation embedded in FSMA 2023 section 64 to permit the RIF (eligible only for professional investors and with consent of all investors and the AIFM) to operate with just CIS status. Also, if legislation were to permit such a RIF to operate – with just CIS status (instead of the RIF needing both AIF status and CIS status) - our understanding is that the RIF could then dispense with a depositary: further enhancing the RIF attractiveness as a speed-to-launch, low cost to operate onshore fund structure.

RIF holding UK residential real property and VAT option to be added to the VATA list

In terms of VAT treatment, there are differences between the RIF holding UK commercial property, UK residential property and other assets:

- UK commercial property – Provided the RIF validly opts to tax its properties (such that supplies it makes relating to them are subject to VAT), it should be able to recover the input VAT it incurs on supplies of fund management that it receives.
- UK residential property - If the RIF were added to the VATA list such that supplies of fund management to it were no longer VATable, managers of commercial real estate funds would no longer be able to recover their related input VAT.

  As it is not possible to opt to tax residential property, it is unlikely that a RIF investing in residential property will be able to recover VAT charged to it by a fund manager in relation to the management of real estate assets (though if the fund carried out development, and it is likely that, due to the zero-rating of a first grant of a residential development, i.e. a "VAT lease" etc, fees attributable to the development phase should be recoverable).
- Other asset classes – In principle, the RIF may invest in assets other than real estate. The VAT treatment of its transactions and its ability to recover VAT charged on management (or other) fees will be determined by the nature of the assets.

These consequences mean that for RIFs investing in residential property (and other asset classes which do not give rise to input recovery for the fund), VAT charged on fund management fees will be a material commercial cost and, accordingly, reduce the RIF's attractiveness.

This issue could be addressed for those RIFs by adding the RIF to the VATA list, however, this would make it a less competitive structure for RIFs investing in commercial property (and other classes which do give rise to input tax recovery for the fund), as fund managers would no longer be able to reclaim their own related input VAT.

There is significant interest in the use of RIFs to hold commercial property, so the entitlement (for management fees to a RIF to be VATable) must be retained. However, this does not assist the UK residential property sector (or for that matter, other sectors that may wish to use the RIF) who could assist with the government agenda to build more homes.

We understand the RIF Experts Group made a submission ‘Treatment of RIF fund management fees from a VAT perspective’ to HM Treasury and HMRC on 6 September 2024. This outlined the issues explained above and asked to discuss with the government a proposal that the government grants a RIF fund manager (on behalf of the RIF) the option for the management supplies to a RIF to be exempt. We encourage the government to engage with the RIF Experts Group to find a solution.

Question 5.13: *In what ways could the regulatory landscape for asset management or wholesale services adapt to the needs of organisations over the next 10 years?*

External Valuers - Reform of The Alternative Investment Fund Managers Regulations 2013 Regulation 24(5).

We agree with the following extract from paragraph 5.19:

“*There are numerous opportunities to galvanise the competitiveness of asset managers and wholesale services, and to amplify the unique expertise of these sectors to attract more business to the UK. This includes simplifying regulation (in particular for Alternative Investment Managers).*”

We refer to the submission by Melville Rodrigues Consulting LLP on 18th December 2023 to the Financial Conduct Authority (FCA): Asset Management Policy Team copied to HM Treasury: Asset Management, Personal Finances and Funds, Financial Services Group requesting a consultation on the reform of The Alternative Investment Fund Managers Regulations 2013 Regulation 24(5).

Regulation 24(5) overrides any contractual limit on liability agreed between the AIFM and the valuer. This simply does not work in practice. At present few, if any, professional valuers can or will accept appointment as external valuers by an AIFM because of the unlimited liability imposed by Regulation 24(5). Most reputable valuers in the UK are members of professional bodies that require them to have professional indemnity insurance. Moreover, some insurers will also have policy conditions that require all instructions to contain liability caps. This has been an issue for AREF Fund Members for many years and we strongly advocate that the government and the FCA consider the reform of The Alternative Investment Fund Managers Regulations 2013 Regulation 24(5) (Regulation 24(5)) and propose an amendment to Regulation 24(5).

Appointment of a Principal Accountable Person (PAP) and Responsible Person (RP)

The Building Safety Act 2022 (BSA), the Fire Safety Act 2021 (FSA) and the Fire Safety (England) Regulations 2022 (FSR) requires the legal owner of residential buildings to appoint a Principal Accountable Person (PAP) and Responsible Person (RP). As residential buildings owned by authorised funds are held in the name of the depositaries’ nominee companies, the depositaries need to appoint the PAP for the purpose of the BSA and the RP for the purpose of the FSA and FSR. They have been advised that the registration form requires an individual to be named which gave the depositary and the named individual exposure to potential criminal action. Also, there will be additional requirements for legal owners of properties under the Terrorism (Protection of Premises) Bill. Depositaries are reluctant to take on all this responsibility as they do not undertake day to day management of real estate held by funds.

We understand there are ongoing discussions between the UK Depositary Association, FCA and HM Treasury regarding this issue to enable the appropriate legislation and regulations to be put in place as soon as possible.