Ireland's fund industry & Brexit considerations

Presentation to the Securities Market Practice Group

Pat Lardner, Chief Executive

Date

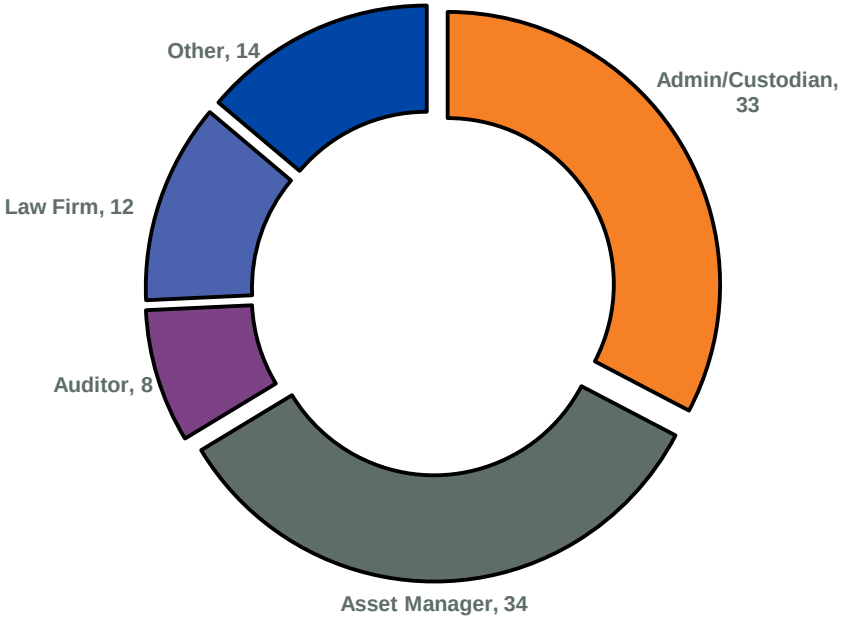
26 April 2017

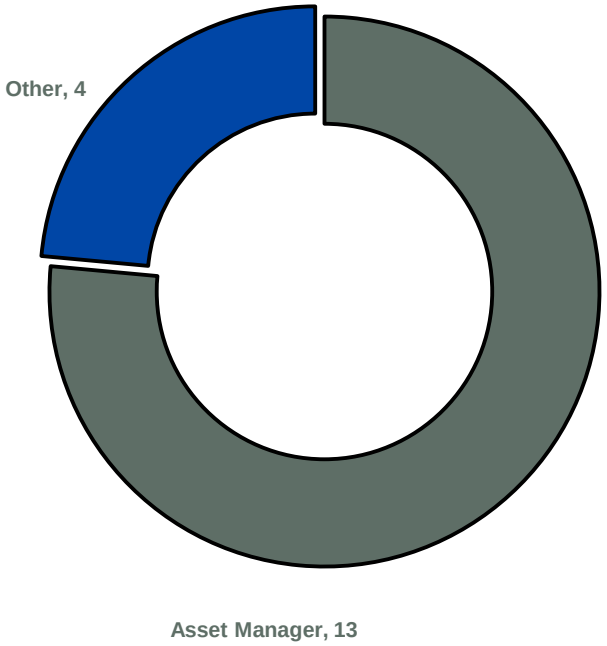
Who/what we are……

- industry association for all aspects of regulated cross border investment funds in Ireland
  - representative/advocacy function
  - promotional function
- 119 member firms, located both in and outside Ireland
- key link to the authorities & policy makers in Ireland and beyond
- the industry's representative in Europe and globally
- a platform for collaboration, information sharing and driving outcomes & improvement

Our membership (119 firms)

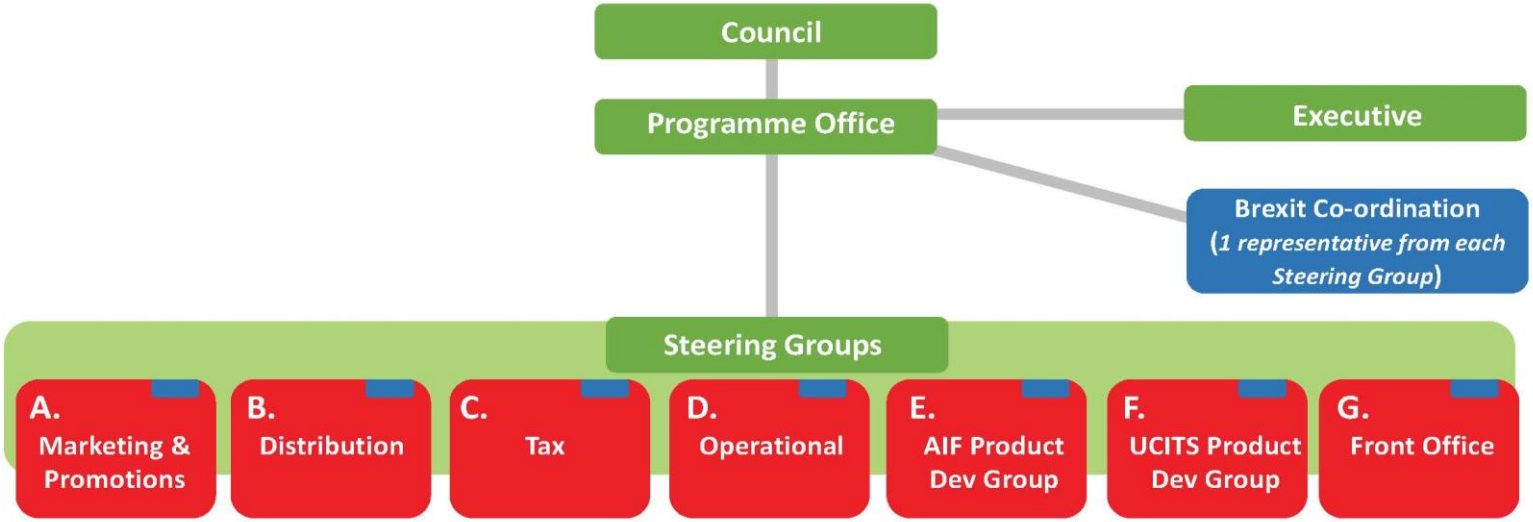
Full Members: 101	Associate Members: 18





Source: Irish Funds, April 2017

Working Group Structure



Working Groups

A. Marketing & Promotions	B. Distribution	C. Tax	D. Operational		E. AIF Product	F. UCITS Product	G. Front Office
A1. Events	B1. UK	C1. International	D1. Legal	D7. AML	E1. Hedge Funds	F1. UCITS V	G1. Investment Risk
A2. Conference	B2. Europe	C2. VAT	D2. Transfer Agency	D8. Middle Office & Related Operations	E2. Private Equity	F2. ETFs	G2. Organisational Risk
A3. Membership	B3. Asia	C3. FATCA / CRS	D3. Depositary	D9. Mgmt Company Effectiveness	E3. Real Estate	F3. MMFs	G3. Asset Management Reg.
A4. Comms & Publications	B4. Latin America	C4. Domestic	D4. Financial Reporting	D10. Regulatory Reporting	E4. AIFMD	F4. UCITS Rulebook & Other Issues	G4. CMU
	B5. Switzerland		D5. HR & Training	D11. FinTech	E5. ELTIF & Loan Funds		
	B6. North America		D6. Head of Operations				*As of 13 January 2017*

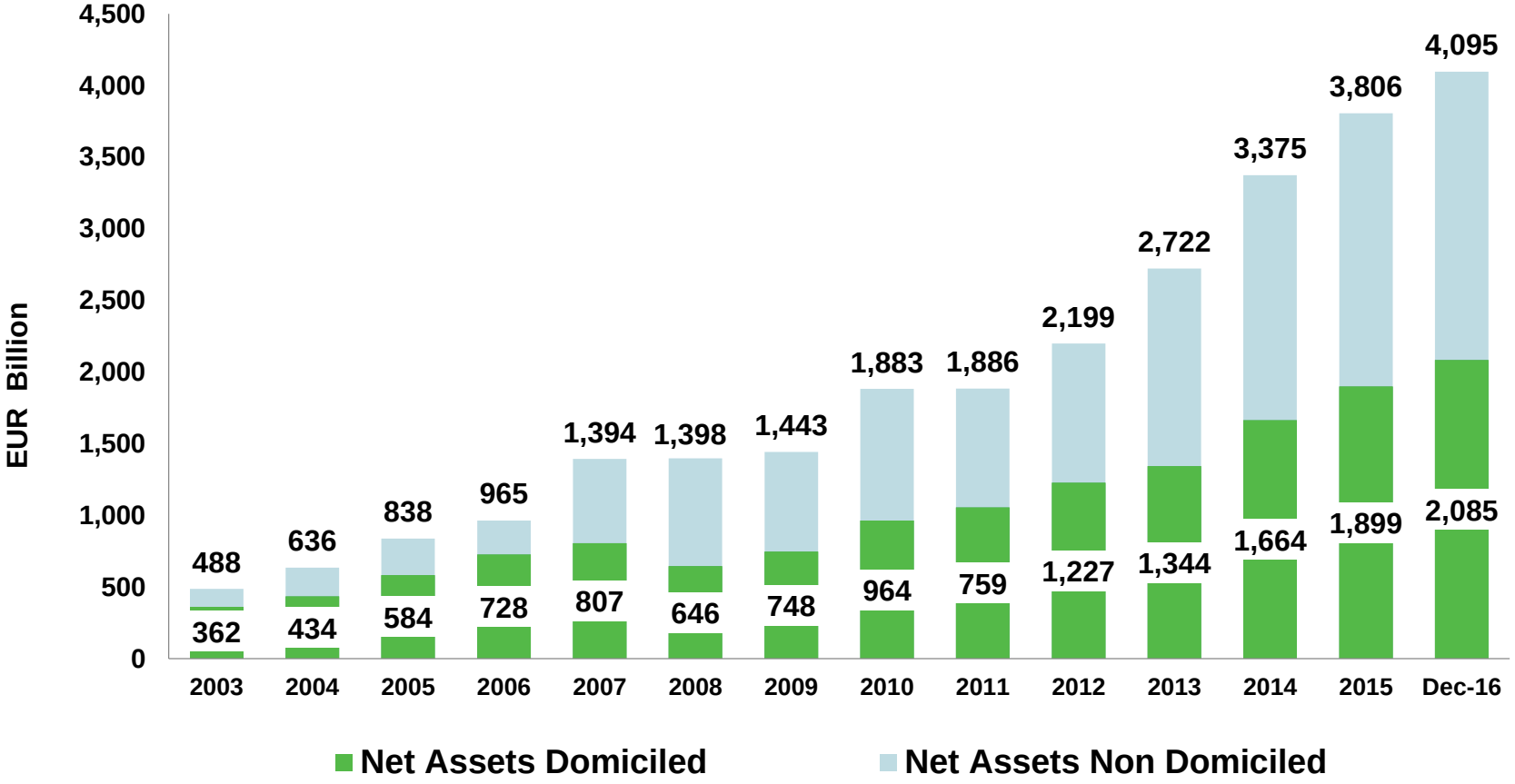
Ireland's funds industry

"Gateway" to global capital and investments for over 25 years

- 887 asset managers from more than 50 countries use Ireland to administer more than 13,000 funds with >€4 trillion in assets
- 480 asset managers have over 6,300 Irish domiciled funds and sub-funds with assets of €2 trillion
- The Irish funds industry supports distribution of investment funds to more than 70 countries around the world, in 23 currencies
- >50% of all European ETFs are domiciled in Ireland
- Ireland administers >40% of the world's hedge funds
- Over 14,000 people directly employed

Irish Funds Under Administration

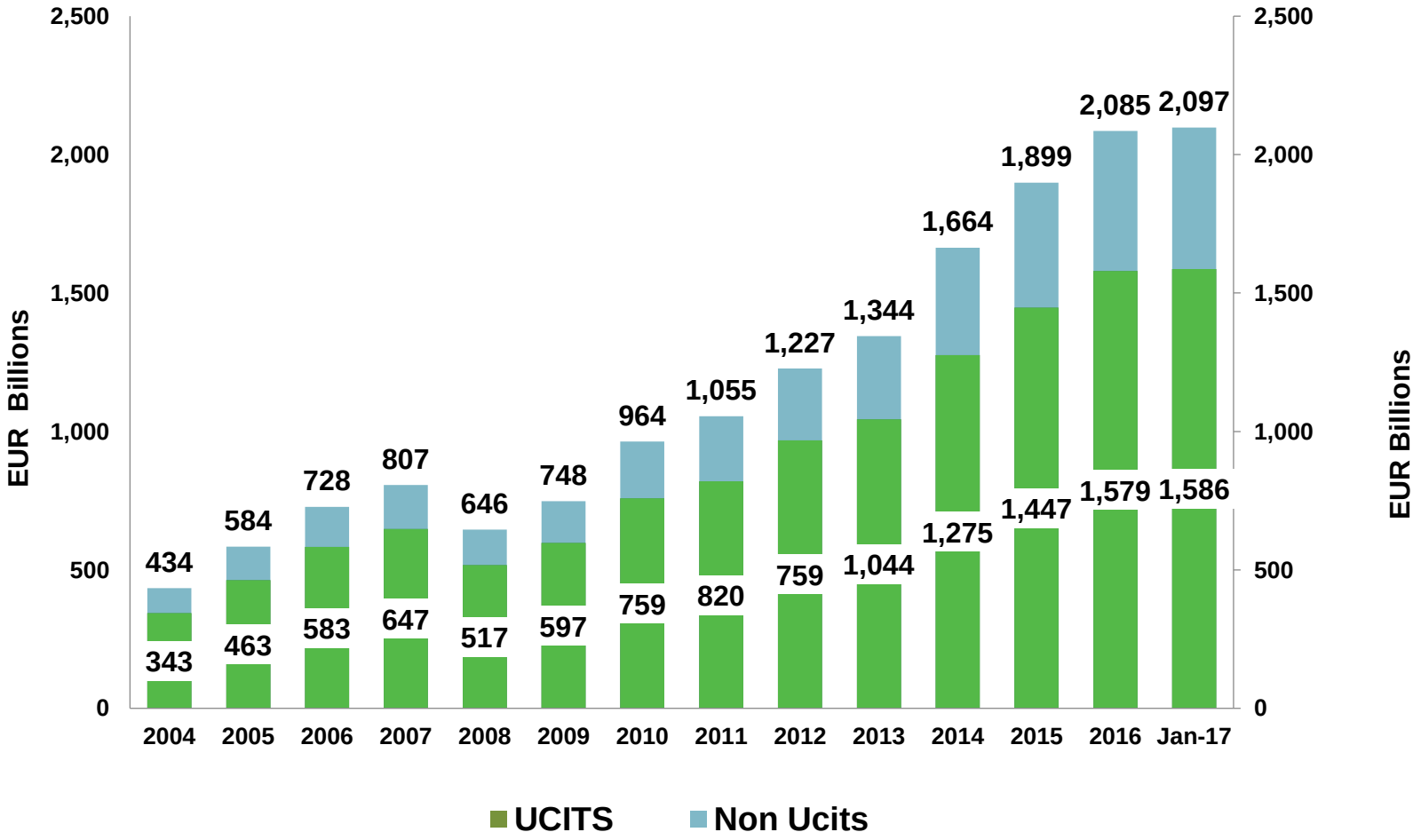
Total Domiciled and Non-Domiciled Assets, EUR billions



Source: Central Bank of Ireland and Irish Funds

Domiciled funds split

Irish Domiciled Funds – Product Breakdown, Euro billions



Source: Central Bank of Ireland and Irish Funds

Another way to look at the industry

SOURCE: Central Bank of Ireland, Monterey Insight Ireland Survey 2016 and Irish Funds (Net assets and number of funds valid as of Dec 2016)

887 Fund Promoters

(480 promoters of Irish Domiciled Funds)

Irish Investment Funds Industry

€4.1

TRILLION TOTAL AUA

13,785 TOTAL FUNDS

6,470 IRISH DOMICILED

7,315 NONDOMICILED

€2.1

TRILLION DOMICILED AUA

DISTRIBUTION TO OVER

70 COUNTRIES

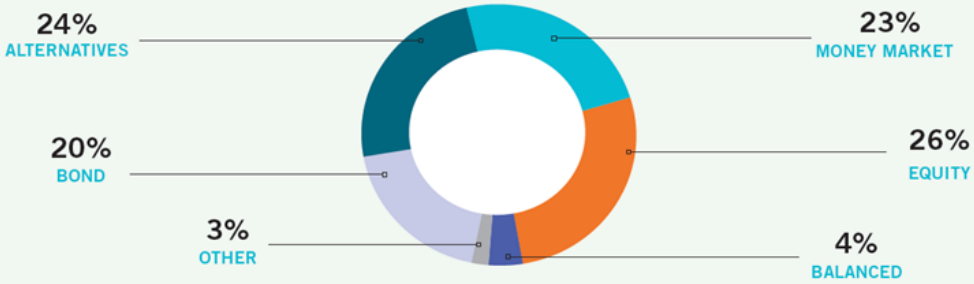
LAWYERS
ACCOUNTANTS
LISTING BROKERS

45
ADMINISTRATION
COMPANIES

18
TRUSTEE /
CUSTODIAN BANKS

SOURCE: Central Bank of Ireland, Dec, 2016

Irish Domiciled Funds
Breakdown by type



What does the industry in Ireland provide?

- EU Single Market Access: product & service passports
- Investor Access: European Market and beyond
- Service Excellence
- Low Costs
- Low Tax Environment
- Regulatory Environment
- Commitment from Government
- Infrastructure : language/legal/telecommunications

7th
IMD WORLD COMPETITIVENESS 2016 YEARBOOK

1st
FLEXIBILITY AND ADAPTABILITY OF PEOPLE

1st
IN EUROPE FOR COMPLETION OF 3RD LEVEL EDUCATION

Brexit

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- Big talking point but little certainty yet and a long way to run (marathon rather than a sprint)
  - Destination and path?
  - Arrival date(s)?
  - What will the post Brexit funds world look like?
- Consistently we've all made incorrect assumptions – a lesson for later in the process?
- UK will remain an important part of global (and by extension European) financial markets
- Ireland's orientation
  - Solution based
  - Clear that we are EU members but UK links not insignificant
- Association's perspective
  - We serve EU and non-EU managers and will continue to do so
  - Functioning and minimally disrupted savings and investment markets are good for all (investors, policy makers and economies)
  - A few key things are important and are linked

Our approach

- All 38 Irish Funds Working Groups have Brexit as a standing item
- As do all 7 Steering Groups & our Programme Office
- We have an external Brexit lead co-ordinator to oversee collation, allocation, reporting, escalation etc of key Brexit issues
- Updates to governing Council every 2 months
- Focus to date:
  - local government stakeholders to ensure our priorities are understood
  - communicating our approach internationally via events and open dialogue with a wide range of entities/organisations
  - Collating Brexit related resources : http://www.irishfunds.ie/getting-started-in-ireland/brexit-resources
  - handling inbound enquiries and supporting IDA Ireland

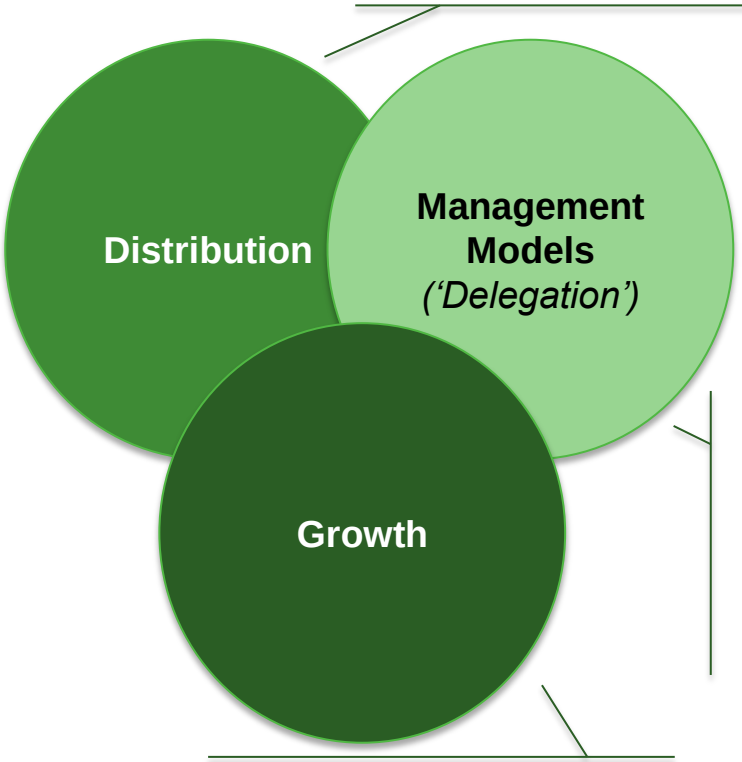
Three interdependent themes

Current context

SOURCE: 1-Lipper IM Dec 2015
2-Monterrey Ireland Fund Report 2016

Target outcome

Continuity in **UK investor access** to Irish/EU funds



Continuity in **UK firm management** of Irish/EU funds

Increase **Ireland's growth trajectory** as an international asset management/funds centre

International asset management/funds centre

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Opportunity

Re-affirm Ireland's attractiveness as an international asset management/funds centre

Growth

Benefits

'The Basics'

- Predictability / efficiency of regulatory process
- Competitive tax rate
- Common law system
- Only English-speaking country in the Eurozone
- Less expensive than many locations

Asset Manager Activity

- 800+ investment firms active in Ireland[4]
- Increased presence of front office activities
- 18 of the top 20 global AMs have Irish funds
- €4trn total AuA, €300bn managed from Ireland[1]
- AM counterparties already in transit from UK

Infra-structure

- Space for 100K new employees by 2020, 100K new houses[2]
- Leading global tech centre & fintech location
- London-Dublin: Most flight options in Europe
- 35K+ employed in international financial services in Ireland, 14K in funds industry
- 130K degree-level graduates across business, law and STEM w/ 20K new grads p.a.[1]

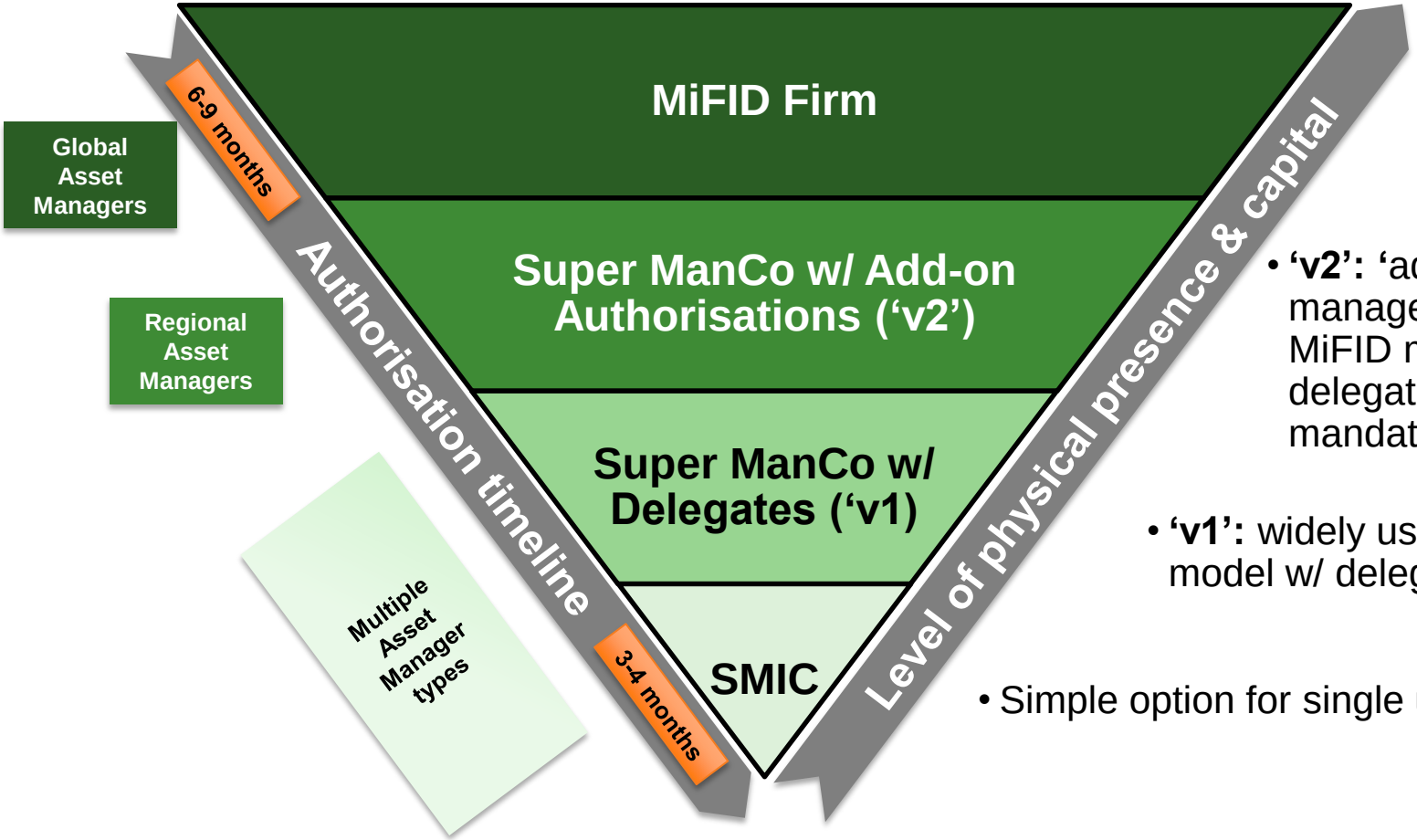
NOTES:

1. *http://www.iaim.ie/why-ireland (STEM = Science, Technology, Engineering & Mathematics) & http://www.hea.ie/sites/default/files/awards_-_all_undergraduate_by_level_and_field.xlsx*
2. *IFS 2020 Action Plan 2017 (http://finance.gov.ie) & IDA Ireland*
3. *MiFID firms, UCITS ManCos, Irish AIFMs & Non-Irish AIFMs*

Solution

Provide managers with **options** to support the establishment of a physical **presence in Ireland**

Structuring options: Management models



- Wider range of permissions available
- **'v2':** 'add-ons' enable management w/out MiFID manager as delegate, including mandates
- **'v1':** widely used standard model w/ delegation option
- Simple option for single umbrella fund

Management Models
('Delegation')

DEFINITIONS:

- **'MiFID Firm':** Investment firms authorised under Markets in Financial Instruments Directive (2007, to be replaced by MiFID 2 / MiFIR in January 2018)
- **'Super ManCo'**: authorised to provide services to UCITS and AIFs w/ the option of add-on authorisations for segregated mandates
- **'SMIC'**: Self-Managed Investment Company

To find out more about….

- Ireland's funds industry and what we offer

  www.irishfunds.ie

- Ireland's approach to international financial services

  www.ifsireland.com

  IFS IRELAND
  DELIVERING GLOBAL FINANCIAL SERVICES

- Ireland as a place to do business

  www.idaireland.ie

  IDA Ireland

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