

IRELAND FOR FINANCE

The strategy for the development of Ireland's international financial services sector to 2025

Ireland for International Financial Services

International Messaging

September 2019

Table of Contents

| | |
|---|----|
| KEY MESSAGES | 2 |
| IRELAND AND IFS | 4 |
| TRADING WITH AND INVESTING IN IRELAND | 9 |
| IRELAND – BUSINESS & WORKING ENVIRONMENT | 11 |
| LIVING & WORKING IN IRELAND | 15 |

KEY MESSAGES

Ireland and IFS

- Ireland is a **globally-recognised centre for specialist International Financial Services**.
- Ireland is home to **over 430 IFS companies** including over 200 foreign-owned companies spread throughout the country employing **approximately 44,000 people**.
- These companies include some of the world's largest IFS companies in sub-sectors such as **banking, investment funds, investment management, insurance and reinsurance, FinTech and aircraft leasing**.
- Ireland has a **clear and coherent plan for driving further growth in IFS** –the ***Ireland for Finance Strategy*** – supported and driven by all relevant public and private stakeholders and led by a **dedicated Minister with responsibility for financial services and insurance, Michael D'Arcy TD**.
- **Ireland offers a unique blend of expertise and a proven track record** in the area of **green and sustainable finance** with €28bn worth of activities listed here.
- The fourth annual **European Financial Forum (EFF)** was held on the **13th February 2019** in Dublin Castle and planning is underway for the next edition of the forum on the **12th February 2020**.

Trading with and Investing in Ireland

- Ireland is and will remain a **fully committed member of the EU and the Eurozone**. As an EU member, Ireland has **guaranteed access to financial services passporting across the EU and EEA**.
- Our **unemployment rate, at 5.3% (July 2019), is well below the EU (6.5%) and Eurozone (7.6%) averages**.
- All key economic indicators point to continued solid economic growth in Ireland. National accounts final estimate figures released by the CSO (11th July 2019) for full-year GDP growth in 2018 is 8.2 per cent. GNP grew by 6.5 per cent.
- GDP is projected to expand by 3.9 per cent overall in 2019 and by 3.3 per cent in 2020. The modest downward revision of c.¼ percentage points since Budget 2019 (for both years) reflect a combination of factors, including slightly weaker-than-assumed personal consumer spending, and a decline in net exports in the short term.
- **Ireland was ranked 1st in the world for inward investment** by quality and value, measured by the average job value created by investment projects for the **7th year in a row** by the **IBM Institute for Business Value Global Location Trends report for 2018**.

- According to the same report, Ireland continues to lead the world for attracting high-value investment, generating substantial inward investment with strengths in key high-value sectors such as ICT, financial and business services and life sciences. But Singapore is now a close second, with Lithuania and Switzerland right behind. Countries are continuously looking for ways to improve and enhance their differentiating capabilities.

Ireland – Business Environment

- Ireland was ranked as the **2nd best country in the Eurozone for doing business** in the Forbes magazine rankings in 2019, coming an overall 11th in the world.
- The International Institute for Management Development ranks Ireland **7th out of 63 economies; 3rd in Europe; and 2nd in the Euro Zone** for overall competitiveness.

Ireland is ranked **12th overall and 6th in knowledge and technology outputs and 5th in infrastructure in the 2019 Global Innovation Index**. Companies receive a 25% tax credit against Research and Development.

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- **Government** plans to **invest €116bn in infrastructure projects** by 2027, and capital investment in infrastructure will be sustained at an average of 4% of GNI* over the period (Project Ireland 2040).

Living & Working in Ireland

- Ireland is an increasingly **diverse society** and is **ranked 12th (out of 146 countries) on the Social Progress Index 2018 and is ranked 4th in the UN Development Programme’s “Human Development Index”** for 2018.
- **International schooling is available in Dublin and a number of private education providers are working on increasing provision of international educational services in Ireland.**
- Ireland is **well connected to the rest of the world**. There are regular flights to all major European cities; over **83 daily weekday flights to London** and direct flights to Beijing and Hong Kong.
- Ireland is the **only European country with US immigration flight pre-clearance facilities**.

IRELAND AND IFS

Overview & Strategy

Overview

- Ireland is a **globally-recognised centre for specialist IFS**. Ireland is home to **over 430 IFS companies** including over 200 foreign-owned companies spread throughout the country.
- **Approximately 44,000 people work in dedicated international financial services in Ireland.**
- Snapshot of IFS in Ireland:
 - ✓ 3rd largest funds domicile in the world with 5.5% of global investment fund assets
 - ✓ The largest European domicile for exchange-traded funds
 - ✓ Leading location for worldwide hedge fund administration
 - ✓ Over €4.4trn of assets under administration and over 900 global managers
 - ✓ 20 of the top 25 Financial Services companies have a presence in Ireland
 - ✓ 17 of the top 20 global banks are based in Ireland
 - ✓ 14 of the top 15 global aircraft lessors and over 60% of the world's leased commercial aircraft owned or managed from Ireland
 - ✓ 11 of the top 15 insurance companies have a presence in Ireland
 - ✓ The Irish-cross border insurance sector now writes business into more than 110 countries with more than 25 million customers.

Ireland's Government Strategy for IFS: Ireland for Finance

- The continued successful development of the **IFS Sector in Ireland is a priority for the Irish government** and is led by a **dedicated Minister for IFS, Michael D'Arcy TD**.
- The **Ireland for Finance** strategy was launched on 26 April 2019. The Strategy is structured around the following four pillars:
 1. The **operating environment** pillar is focused on ensuring the policy, culture and legislative conditions underpinning IFS will support growth;
 2. The **technology and innovation** pillar is focused on providing a collaborative approach to addressing emerging challenges and opportunities in technological developments;
 3. The **talent** pillar seeks to ensure that we continue to have skilled people to meet the demands of the IFS sector, including meeting new and changing skills; and
 4. The **communications and promotion** pillar is focused on ensuring that Ireland's IFS offering is communicated to all those who are or may be attracted to investing in Ireland.
- Three horizontal priorities will apply across the four pillars - **regionalisation, sustainable finance and diversity**.

- ***IFS Ireland*** is the **banner brand** for Ireland's IFS industry, supported and promoted by the public and private sector, representing the integrated face for the world's premier financial institutions all trading from Ireland.
- Further details on IFS Ireland are available on www.IFSIreland.com and you can follow IFS Ireland on twitter on [@IFS_Ireland](https://twitter.com/IFS_Ireland).

Regional Aspect of IFS

- **Approximately 33% of IFS jobs are based outside Dublin**, with firms in these locations reporting **lower operating costs** and **higher staff retention rates** than in other major cities.
- **Office rental prices substantially less than Dublin**, thereby offering competitive and lower cost locations.
- Regions outside the greater Dublin area and Cork are **eligible for IDA Ireland¹ Capital and Employment Grants**.

European Financial Forum - #EFF19

- The fifth annual European Financial Forum (EFF2020) will take place in Dublin on 12 February 2020.
- The EFF is a unique, Government sponsored, **European platform for top decision-makers and influencers**, in the public, private and regulatory fields of financial services, enabling them to discuss the future of financial services.
- The EFF allows **Ireland's IFS sector to showcase its capability in providing specialist financial services**, with senior executives explaining the importance of their Irish operations as part of their Global and regional corporate strategies.
- The EFF is organised as part of Ireland for Finance, the latest Government Strategy for the development of the International Financial Services (IFS) sector. **The Forum showcases Ireland's international financial services environment** to an international audience, and highlights the Irish Government's commitment to the development of IFS.
- The **theme for EFF2020** will be finalised at a later date nearer to the event. EFF2020 will reflect sector developments and Ireland's strategic priorities, including: investment

¹ Industrial Development Authority Ireland – Ireland's inward investment promotion agency.

management, fintech, payments and sustainable finance, as well as promoting the Ireland for Finance strategy.

- **EFF2019 had the best line up of speakers yet with very strong mix of the international organisations – Asia Development Bank and World Bank/IFC** plus strong representation from Europe with DG FISMA, the SRB and ESMA sending senior representatives.
- In addition, the 2019 Forum featured senior executives from companies that have located significant operations in Ireland to access the European market such as:
 - Sir Gerry Grimstone, Chairman of Barclays Bank;
 - Mike Corbat, CEO of Citigroup;
 - Ron O’Hanley, President and CEO of State Street;
 - Anne Finucane, Vice Chair, Bank of America Merrill Lynch; and
 - Liu Liange, the President and Vice Chair of Bank of China.
- Attendees at the 2019 Forum also heard from leading public sector representatives from across the globe including:
 - Raphael Bostic, President and CEO of the Federal Reserve Bank of Atlanta;
 - Deputy Governor Masazumi Wakatabe of the Bank of Japan;
 - Ingrid van Wees, Vice President, Finance and Risk Management at the Asian Development Bank;
 - James Lau, Secretary for Financial Services and the Treasury of Hong Kong; and
 - Alzbeta Klein, Director and Global Head of Climate Business at the International Finance Corporation.
- See [here](#) for a short video from EFF2019, and [here](#) for some highlights from panel and speakers.

Ireland's IFS Subsectors

Investment Management and Fund Services

- **Ireland is the domicile for 5.5% of world-wide investment funds assets, making it the 3rd largest global centre and the 2nd largest in Europe;** managing €2.4 trillion worth of assets.
- Non-domiciled funds managed from Ireland account for another €1.8 trillion.
- The overall number of funds under administration in Ireland grew by 28% between 2008 and 2018, with the value of these funds growing by over 200% over the same period
- **Ireland is the leading European domicile for exchange-traded funds,** with nearly 60% of the total European ETF assets;
- Over 900 global fund managers from over 50 countries and 17 of the top 20 global asset managers have Irish domiciled funds;
- **Ireland is the largest hedge fund administration centre in the world** and Europe's leading hedge fund domicile with over 40% of global hedge fund assets serviced in Ireland;
- Major hub for cross-border fund distribution with Irish funds sold in 90 countries around the world;
- Ireland is well-known for its **robust and efficient regulation and investor protection.**

FinTech and Payments

- As a global hub for finance, technology and investor activity, Ireland is a hotbed of Fintech innovation with:
 - ✓ Established global industry leaders with Irish operations in both IFS and Technology sectors;
 - ✓ Critical mass of innovative indigenous Irish companies;
 - ✓ **Comprehensive Double Taxation Agreement network;**
 - ✓ **Competitive corporate tax rate of 12.5%;**
 - ✓ Knowledge Development Box (KDB) – tax rate of 6.25%;
 - ✓ **R&D Tax Credit of 25%;**
 - ✓ **EU Regulatory Passporting;**
 - ✓ Strong independent Regulator delivering independent and effective authorisation and supervision;
 - ✓ **Six Irish FinTech companies on the 2019 Global RegTech 100 list.**
- **Ireland is the European home for global innovation labs** for companies such as Mastercard, Accenture, Deloitte, Google, ConsenSys, BNP Paribas and Citi.
- **Enterprise Ireland is the world's second biggest FinTech investor and the third largest venture capitalist in Europe,** investing in over 80 deals for FinTech companies and supporting over 200 innovative Irish Fintech Companies.

- These deals, combined with financial services companies, have helped **generate over €1 billion** in revenue in 2017.
- Readily available financing from the Government and State Agencies has fuelled a thriving centre for RegTech and PayTech, with a focus on R&D and innovation.

Green/Sustainable Finance

Key Messages

- The G20 estimates that the world will need to invest around \$90 trillion in sustainable infrastructure assets by 2030 to implement the Paris Agreement on climate change and the UN Sustainable Development Goals.
- Ireland has a globally-recognised cluster of talent in renewable energy finance, thanks to our global windfarm pioneers and world-leading professional services firms with experience in supporting green asset management.

Green Bonds

- Ireland, through the National Treasury Management Agency, issued its first sovereign green bond in October 2018, raising €3 billion.
- The bond was for 12 years and attracted very strong market interest, being over-subscribed on a 4:1 basis. Ireland is the 4th EU country to issue a green bond.
- The bond is a strong signal of Ireland's commitment towards transitioning to a low-carbon economy and will help reduce the cost of capital for green projects.

Finance Green Ireland

- Ireland's green/sustainable finance initiative is **Finance Green Ireland**. The Forum aims to drive awareness of Ireland's world leading green finance credentials and **promote Ireland as a leading Global Green Finance Centre**.

Fossil Fuel Divestment Bill

- Ireland is one of the first countries in the world to put in place legislation to divest public money from fossil fuels.
- Ireland's Strategic Investment Fund has starting moving investments out of fossil fuels and into windfarms, solar power and other renewable energy projects to support national carbon transition objectives and the State's climate change obligations.

TRADING WITH AND INVESTING IN IRELAND

Ireland's Economy²

- All key economic indicators point to **continued solid economic growth in Ireland**, despite the challenging regional and global environment. **Real GDP grew by 8.2% in 2018. Real GDP is predicted to grow by 3.9% in 2019 and by 3.3% in 2020.**
- Furthermore, private consumption is expected to rise by an average of 2% through to 2021, while investment and exports are forecast to grow by 6.9% and 5.2%, respectively, in 2019. The **immediate impact of the UK referendum and Brexit negotiations has been relatively muted.**
- The Government is maintaining a countercyclical budgetary policy, which will maintain resilience of the public finances, avoid unnecessary borrowing and protect against overheating – thereby **supporting competitiveness and debt sustainability.**
- Ireland's unemployment rate, at 5.34%, is well below the EU (6.5%) and Eurozone (7.6%) averages.
- Ireland has an **'A' grade status from all major sovereign debt rating agencies, with all forecasting a stable outlook.**
- Ireland has made steady progress towards placing our **public finances on a sustainable footing.**
 - Furthermore, a budget surplus of €0.1 billion was recorded for 2018, **for the first time since 2006**, allowing the country to better withstand external shocks.
 - **Tax receipts in 2018** were up almost **€4.3 billion (8.3%) year-on-year**, underpinned by a strong economy.
 - Ireland's **debt to GDP ratio is manageable and on a firm downward trajectory** and is projected to reach 61.4% of GDP in 2019, just above the 60% of GDP threshold required by the Stability and Growth Pact. It is forecasted to reach 516% by the end of the forecast horizon in 2023.
 - **The cost of borrowing is close to historic lows.** Irish bond yields (benchmark ten-year bonds) are now trading steadily at or below 1%, in line with most EU peers.
 - **A Rainy Day Fund is being established by Government**, with the purpose of enhancing the resilience of the economy and public finances in order to withstand future economic and financial shocks.
 - The Rainy Day Fund will receive a **€1.5 billion injection of seed capital from the Ireland Strategic Investment Fund**, and will receive transfers of €500 million per annum from the Exchequer, starting in 2019.

² <https://www.gov.ie/en/collection/25bff1-monthly-economic-bulletins-2018/#2019>

Ireland: The EU and Brexit

- Ireland is **fully committed to membership of the EU and the Eurozone.**
- As an EU member, Ireland has **guaranteed access to financial services passporting across the EU and EEA.**
- **Irish public support for the EU is very high (93%).** There is strong support for EU membership across all major political parties.
- EU membership remains **central to the success of our open, competitive economy.**
- **Diversification in identifying new markets and intensification in expanding existing markets** is an important component of our post-Brexit strategy.
- The UK is an important trading partner, at 16% of Irish trade. However, our export market is increasingly diversified, with **36% of Irish trade now being with other EU Member States.**
- Ireland, as an **English-speaking, common law jurisdiction** is in a very strong position to **maximise opportunities in IFS** arising from Brexit.

IRELAND – BUSINESS & WORKING ENVIRONMENT

Pro-Business Environment

- Ireland:
 - ✓ Is, and will remain, the **only English-speaking, common law country in both the EU and the Eurozone**;
 - ✓ Has a strong **pro-business environment, including an open economy** and a stable and consistent **12.5% corporate tax rate**;
 - ✓ Has a **strong and fully-independent financial services regulator** providing high-quality, effective regulation and supervision fully embedded in the European System of Financial Supervision and the Single Supervisory Mechanism;
 - ✓ Has **close and long-established business links with both the UK and the US**;
 - ✓ Has **strong incentives for research and development**;
 - ✓ Has a comprehensive network of Double Taxation Agreements with 74 countries.
- Ireland was ranked as the **2nd best country in the Eurozone for doing business** in the Forbes magazine rankings in 2019, ranking an overall 11th in the world.
- Ireland is one of the most competitive economies in the world. Our strong and improving competitiveness position is reflected in Global Competitiveness Reports:
 - ✓ The International Institute for Management Development ranks Ireland **7th in the World; 3rd in Europe; and 2nd in the Euro Zone** for overall competitiveness;
 - ✓ The World Economic Forum ranked Ireland as 23rd most competitive economy in 2018;
 - ✓ The World Bank ranked Ireland as the 23rd easiest country in the world in which to do business in 2019.

Regulation and Licencing

- The **Central Bank of Ireland (CBI) is committed to delivering high-quality, effective financial regulation and supervision to safeguard financial stability and protect consumers.**
- The CBI **strongly encourages all applicants to engage with them early in the application process for authorisation to establish and operate in Ireland.**
- The CBI carries out its functions in the context of a **harmonised approach to financial regulation across the EU** and regularly undertakes **rigorous assessment against published rules, processes and standards derived from EU law**, ensuring that regulated firms are well-run and resourced, and that consumers are protected.
- The CBI is **ready to confront any challenges posed by Brexit**. It has sufficient resources, including dedicated professional teams, to deal with any increase in applications.

People and Talent

Key messages

- The Government recognises that the **continued growth of high-value, export-based sectors** requires firms to have access to a **skilled labour pool**.
- It is dedicated to achieving this via **continued investment in education and up-skilling domestically**, and an **effective visa and work permit system for migrant workers**.

Young and highly skilled workforce

- Ireland's key assets are our people. Our workers are **well-educated, highly-skilled, flexible, internationally diverse and multilingual**.
- 33% of our population is aged under 25, giving us **the youngest population in the EU**.
- Ireland has a **highly educated workforce**:
 - ✓ Over 50% of 25-34 year olds have a third-level qualification – higher than the OECD average of 45%;
 - ✓ In 2017/18, over 231,000 students enrolled in third-level courses across Ireland's universities and colleges, while 8,513 pursued doctorates;
 - ✓ The highest number of science, maths and computing 3rd level STEM graduates per 1000 population in Europe.
- **Talent development** is driven by the: (i) National Skills Strategy 2025; and (ii) Action Plan for Education, covering training and skills development, from primary school to PhDs.
- Ireland has **dedicated training courses** to support the **further development of IFS expertise in Ireland**, with funding programmes supported by the State and industry.
- In a 2019 OECD Report analysing the capacity to attract and retain highly educated workers and foreign entrepreneurs, Ireland ranked 6th for attracting workers with master or doctoral degrees, and 10th for attracting foreign entrepreneurs

Immigration and visas

- **15% of Ireland's workforce is international** (11% from other EU countries) meaning that proportionally Ireland has the **3rd most international workforce in Europe**.
- Employment permits criteria are eased for employers and sectors best positioned to grow Ireland's economy through schemes such as the **Trusted Partner Initiative**, aimed at **companies in start-up and expansion modes**, with benefits including:
 - No fee and faster turnaround time; and
 - Reduced paperwork for every permit applied for under the scheme.

Ireland and Innovation

- **The 2019 Global Innovation Index ranks Ireland 12th of 129 countries and 6th in knowledge and technology outputs, and 5th in infrastructure. The European Innovation Scoreboard ranks Ireland as the 10th most innovative Member State and a Strong Innovator.**
- Ireland is ranked **12th globally for overall scientific research** and in the **top 5 in key disciplines such as nanotechnology (3rd) and materials science (5th).**
- Ireland's reputation for excelling in research and creative discovery, is due to 4 main factors:
 - ✓ World renowned research institutes with state-of-the-art facilities;
 - ✓ Many research and study collaborations, including partnerships with industry and universities;
 - ✓ Generous funding and support from both Ireland and the EU, as well as private funding; and
 - ✓ Talented, highly skilled people and PhD graduates with expertise in research.
- 17 Science Foundation Ireland Research Centres established over 1,700 collaborations with industry in 2018.
- Ireland encourages companies to undertake research programmes by **offering a substantial 25% tax credit for Research and Development.**
- Ireland introduced the first **Knowledge Development Box (KDB)** in the world to meet the OECD's 'modified nexus' standard. Ireland's KDB applies a tax rate of 6.25% to profits arising from certain Intellectual Property Assets (patented inventions and copyrighted software) which are the result of qualifying R&D activity in Ireland.
- The EU's Programme to support Research and Innovation, has a **budget of €75 billion** and runs from 2014-20. Ireland has already won €760 million in funding from Horizon 2020 and is on course to secure €1.25 billion over the lifetime of the programme. The EU budget for Research and Innovation for 2021-2027 will increase to €1.135 trillion.
- Today, Ireland is home to:
 - ✓ 20 of the top 25 Financial Services companies;
 - ✓ 17 of the top 20 global banks;
 - ✓ 14 of the top 15 global aircraft lessors;
 - ✓ 11 of the top 15 insurance companies;
 - ✓ All of the top 10 'Born on the Internet' companies;
 - ✓ All of the top 10 global pharmaceutical firms;

- ✓ 9 of the top 10 global technology companies, with more than 500 software firms in Ireland overall;
- ✓ 14 out of the Top 15 Med Tech companies;
- ✓ An established Internet hub with World leading brand name companies (e.g. Google, Facebook, Twitter, LinkedIn, Microsoft, Apple, eBay and PayPal);
- ✓ 8 of the Top 10 Industrial Automation companies.

Investing for Competitiveness

Housing Investment

- Steps taken by the Government to address the housing challenge are yielding results.
- **Budget 2019 allocated €2.3 billion to the housing programme for 2019**, a 26% increase on 2018.

Future Planning

- **Project Ireland 2040: Building Ireland's Future**, is an ambitious plan to drive Ireland's long term economic, environmental and social progress across all parts of the country over the next decade, and to prepare Ireland for expected **population growth of over 1 million by 2040**.
- This capital investment is being done in a **prudent and measured way**, taking account of external uncertainties facing our economy, and aims to ensure that Ireland is ready for the future with a society that has **sustainable and balanced growth, nurtures talent, serves the welfare of our people, and offers opportunity for all**.
- **Highlights** include:
 - **A €22bn climate change investment programme** to aid the transition to a low carbon and climate resilient society over the next decade.
 - **Significant public transport investment** across the country, to **boost connectivity** both within Ireland and with international locations.

Start-up Ecosystem

- **Start-up activity is at a record high in Ireland**, with start-up companies now accounting for over two-thirds of all new jobs created in Ireland.
- Ireland is a great location for entrepreneurs and is ranked 5th in Europe and 8th overall on the Global Entrepreneurship Development Index Report for 2018.
- Enterprise Ireland continues to support start-up companies focussed on the Fintech sector which is a key area of focus under the Government's *Ireland for Finance* strategy.

LIVING & WORKING IN IRELAND

Quality of Life

Opportunity

- The number of people employed in IFS in Ireland is projected to grow to 50,000 by 2025.

International education

- **International schooling, including the International Baccalaureate, is available** in Dublin and there is increasing provision of private international educational services in Ireland.

Diversity

- Ireland is ranked:
 - ✓ **12th out of 146 countries** on the **Social Progress Index 2018** and is an increasingly diverse society;
 - ✓ **4th** on the **UN Development Programme’s “Human Development Index”**.
- **Irish society is increasingly diverse** with approximately 1 in 6 born abroad. A 2015 Eurobarometer report on Discrimination in the EU showed Ireland to have much higher rates of acceptance, tolerance and open-mindedness compared to other EU countries on issues of gender, race, sexuality, age and disability.

Connectivity

- Ireland is **well connected to the rest of the world**. There are regular flights to all major European cities; over **83 daily weekday flights to London** and direct flights to Beijing and Hong Kong.
- Ireland is the **only European country with US immigration flight pre-clearance facilities**.