

# Irish Funds Industry

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A Special Report



**Key roles in a diverse sector**

Who are the rocket scientists of the funds industry?

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## Resilient sector marks 30th year as contribution to exchequer nears €1bn

**Mimi Murray**

Growing industry employs 17,000 people directly and another 32,000 indirectly as Ireland cements its position as one of the 'core global funds centres'

The Irish funds industry has remained extremely strong and resilient throughout many challenges since it came into being 30 years ago. It employs 17,000 people directly and another 32,000 indirectly and contributes just under a billion euro to the Irish exchequer each year.

In fact there was only one year when there wasn't growth within the industry and that was in 2008. "Understandable," says Fionán Breathnach, country head at Simmons and Simmons, given the scale of the financial crash and ever since then there has been year-on-year growth.

"It's an extremely important industry within the Irish economy, with 180 companies that directly employ people," he says.

That employment goes right across Ireland, says Eve Finn, chief executive of LGIM Europe, and while domestically important, "internationally the fact we have grown so strongly in even five years has really cemented Ireland as one of the core global funds centres in the world".

The €914,000 million to the Irish exchequer represented a 9 per cent increase in just two years and statistics from the Central Bank look at how the industry has fared from December 2020 to end of the November 2021. There was 19 per cent growth in the level of assets in Irish-domiciled funds, almost €4 trillion in Irish-domiciled funds throughout the pandemic and post-Brexit. "The industry continues to go from strength to strength and has proven itself to be resilient and a significant contributor to the Irish economy," even throughout Brexit and Covid, Breathnach says.

**Accelerated growth**

In fact, Brexit has accelerated growth, with a huge number of firms coming to Ireland to set up European Union-based operations because of it. But they are set up very much with growth in mind, Finn says. "The industry as a whole has grown significantly in terms of global asset manage-



**"Strength to strength": a robust regulatory framework and talent are key to the Irish funds industry's success.**  
ILLUSTRATION: BRYAN O'BRIEN, PAUL SCOTT

ment players who have set up bases here. Ireland was always seen as a strong funds centre in Europe, alongside Luxembourg, but actually it was a bigger beneficiary of Brexit than Luxembourg. There's a real opportunity to continue to be seen as an innovation centre now," she adds.

"The asset-management sector has benefited the most from Brexit. In broad terms, the Irish funds industry offers international asset managers a domicile and platform from which to sell investment funds from, throughout the EU and with the UK's departure from the EU Ireland is

now the only common-law English-speaking country and gives UK asset managers the platform to continue to access the European asset markets," Breathnach says.

"We very much see ourselves working in partnership with our UK-based clients. The City of London is going to continue as a strong global financial centre but what we can offer is not only being able to give them a funds domicile but also a location in which they can establish or expand an already existing operation on the ground here in Ireland. We also serve as a gateway for US managers to gain access to the European markets where previously they may have defaulted to the UK to establish the foothold in Europe," he says.

A combination of factors have led to the industry's success down through the years, but two key reasons – a robust regu-

latory framework and talent – are key. "The regulatory framework is extremely important to asset managers and we are increasingly seeing investors in funds require a strong and robust regulatory framework in order for them to be confident in the type of funds that they invest in. Add to this the hard-working and talented workforce – managers in the UK and US have a level of expectation with regards to service and they receive that here," he adds.

Finn says the talent pool really attracted LGIM to Ireland as it is strong and broad. "We've hired about 40 people in the Dublin office, eight different nationalities and lots of expertise. Brexit has broadened the range of roles that are available for people. There is a real opportunity for the talent market now," she says.

In terms of Covid and changes to work practices, Breathnach says they pretty much went from full time in the office to at home and that proved to work in terms of IT and communications and they could continue servicing clients with same level of service.

**'Adapting to WFH'**

"The industry adapted phenomenally well in March 2020. There was a period of significant market volatility, and we had to adapt our way of working, core to the fact the industry weathered that initial storm really strongly. At that time it was about ensuring we were safeguarding our investor's assets. While adapting to WFH, tech played a huge part in that and there was little or no impact in terms of output for our clients," Finn says.

Now looming large on the agenda is environmental, social and corporate governance (ESG). "This trend is a big one, and has been with us for a number of years. But there will be more regulatory focus on it, transparency for investors and making sure disclosures are appropriate to demonstrate your sustainable credentials will continue," she says.

There is also a lot of competition for talent, and it's about having the right culture, people and diversity and helping them to upskill, she says.

Overall, the industry has remained robust throughout the difficult years, it has been able to overcome challenges, so the track record, according to Breathnach and Finn, suggests it will continue to grow and the pipeline of work for 2022 would suggest that.

**“Brexit has accelerated growth, with a huge number of firms coming to Ireland to set up European Union-based operations”**

## Ireland's fintech and regtech sectors thrive thanks to solid grounding

**Edel Corrigan**

Strong financial services base here linked to creation of the IFSC



**Dillon Eustace partner Keith Waine: "For regulated firms, a particular challenge is finding suitably qualified compliance professionals".** PHOTOGRAPH: EUGENE LANGAN

Ireland's technology and finance sectors have long been going from strength to strength with major global players either originating or setting up in the country, and the financial technology (fintech) and regulatory technology (regtech) sectors are no exception.

"We've seen some fantastic businesses start up from people's bedrooms," says Conor Flynn, chief information security officer, Waystone.

"The strong tech sector here allows people to get very good training and exposure to technology," says Flynn. "We're at the leading edge of what's happening with cloud platforms and cryptography, with all the areas that build the grounding for the fintech sector."

In addition, he says the establishment of the IFSC – which brought a large number of global funds companies and banking organisations to Ireland – created a strong financial services employment base here. "So the two of those sectors coming together, the move toward cloud technology, and the establishment of global players from local businesses, is another example of the coming together of tech and finance know-how."

Some of the reasons for the sectors' success, says Keith Waine, partner, Dillon Eustace,

are the strength of existing tech and financial industries which are a source of business and talent; the availability of a young, educated, English-speaking, and multilingual workforce, a favourable business and tax environment, access to Europe and easy access to capital. "Enterprise Ireland and the IDA provide significant financial and practical supports to Irish firms expanding abroad and to international firms looking to set up in Ireland.

"If we exclude Stripe, perhaps the biggest Irish success stories to date in this area have been regtech firms such as Fenergo, Corlytics, and AQMetrics," says Waine. "More recently, we are seeing firms like Sekuritance offering regtech services to a booming crypto-asset industry."

While the future is bright for the industry, finding the right people will be one of the key challenges for both sectors.

"Finding and retaining talent is increasingly difficult but

that also applies to the broader financial and tech industries," says Waine. "For regulated firms, a particular challenge is finding suitably qualified compliance professionals who understand the industry and who have the experience and credentials required to be approved by the Central Bank of Ireland."

"As the businesses grow, we only have a small pool of people

**“We're at the leading edge of what's happening with cloud platforms and cryptography”**

in the country, and rely on people from other countries to come and work here," says Flynn. "We need to enable that, with visa programmes and other supports." He says that the market is a competitive place for talent, particularly for start-ups trying to compete

with global tech companies. "Look at TikTok who arrived two years ago already has 2,000 staff. It came in with State-supported employment creation, and has the ability to offer phenomenal packages even at the start of a career.

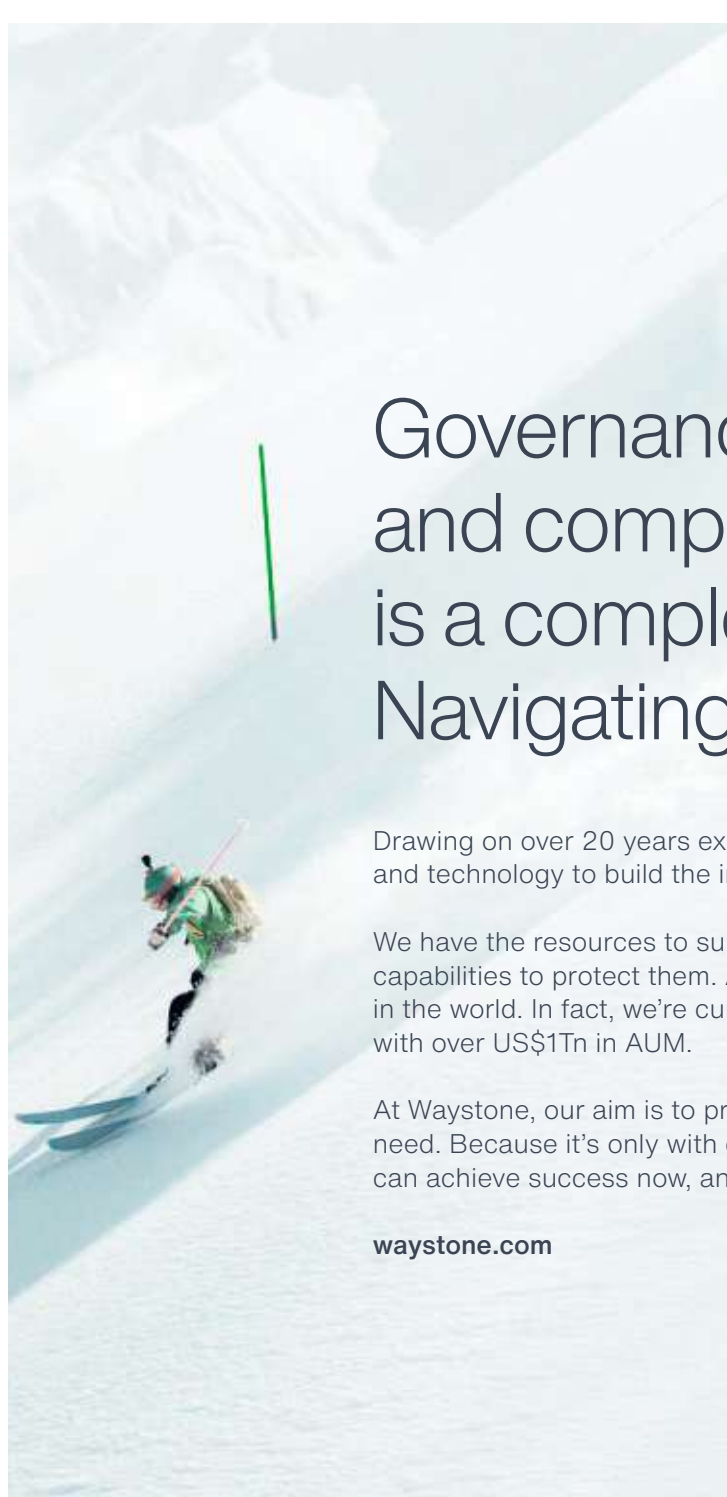
"For a start-up, a founder will give time and sweat equity but if you're trying to hire people, it's difficult because of the opportunities for high income from some of these global companies." However, he said it creates ingenuity when offering packages, such as giving staff a bigger slice of equity.

**Getting investment**

Flynn says the focus of investors who get in at angel investor level, second round, or Series A round levels, is on start-ups who show maturity for data governance, information security and data protection. "If you try too hard at the tech and then bolt on data governance, data protection or information security later, it can often mean massive re-engineering, and sometimes it will never sit right."

He says investors want to see an appetite within start-ups to do it right from the beginning, which creates a solid foundation for those organisations to "build and scale out without having to pay a lot of money to go back and re-engineer their environment".

Internationally, the future looks bright for this industry and Ireland has a clear opportunity to position itself as one of the world's leading centres, says Waine. "There is no doubt that the industry has seen a Brexit dividend and successful UK firms will continue to look to Ireland to establish an EU hub."



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