

# Why Ireland Ticks the Box as a Fund Domicile

By Cassie Waller and Jane O' Reilly: Factors such as the regulatory environment, legal and tax regimes and innovation and ease of doing business are some of the most influential criteria in the successful operation of a fund. That is why choosing the right fund domicile is a key decision for asset managers and end investors.

Since the establishment of the funds industry in Ireland 30 years ago, it has become internationally recognised as one of the leading domiciles in which to launch funds. Ireland is regarded as a key strategic location by the world's leading players with more than 50% of the world's leading financial services firms having a base there.



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This is evidenced by various criteria, including the numbers - Ireland services €4.7 trillion of assets across multiple fund structures and asset classes with 986 fund promoters from 53 countries having assets administered in Ireland. The growth of Irish-domiciled funds continues to move at pace with net assets of €2.7 trillion and 17 or 85% of the top 20 global asset managers operating Irish domiciled funds. Irish funds are distributed in more than 90 countries worldwide and net sales into Irish funds have continued to grow.



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In particular, Ireland has long been synonymous with the alternative investment fund industry e.g. hedge funds, having been the first regulated jurisdiction to provide a regulatory framework specifically for the alternative investment fund industry. It strives to remain at the forefront in preparing for and reacting to, regulatory and market developments and managers and service providers enjoy a prudent but pragmatic regulatory environment. Between European legislation, the Central Bank of Ireland and the European Securities and Markets Authority, Irish funds are subject to a high level of regulation.

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Ireland now services over 40% of the world’s global hedge fund assets and 63% of European hedge fund assets, making it the largest global hedge fund administration centre.

Furthermore, Ireland is internationally recognised as a major hub for supporting global distribution with Euronext Ireland being internationally recognised as a leading regulated exchange for the listing of Irish and non-Irish funds. As a recognised exchange in an OECD jurisdiction, this plays an important role in helping to attract investors.

So why has Ireland been so successful? Put simply, Ireland has a proven track record in this sector offering regulatory pragmatism combined with, tax efficiency, innovation and seasoned professional expertise. The following are some of the key credentials making Ireland the domicile of choice for many asset managers.

### **Regulatory Excellence**

Ireland is a member of the European Union thereby benefitting from the harmonisation of EU financial services regulations offering asset managers access to the EU-wide market.

It is regulated by the Central Bank of Ireland (CBI) which provides a transparent process with clear timelines for fund and promoter authorisations. As a result of the CBI’s proactive and efficient authorisation process, approval timelines are considered generally significantly faster than in other EU jurisdictions.

As an onshore jurisdiction, offering regulated products, investors' perception, reputation and longevity of the Irish funds centre have helped position Ireland as the domicile of choice for many asset managers.

## **Legal and Tax Efficiency**

Ireland's legal and tax regimes are key attractions for managers when establishing an Irish domiciled fund. Post Brexit, Ireland will be the largest English-speaking common law jurisdiction in the Eurozone and provides for a broad range of fund structures.

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While there are multiple fund structures serviced from Ireland, the UCITS structure has proven the most popular, representing 75% of the assets in Irish domiciled funds, and recognised as the gold standard of regulated fund structures. For alternative investments, Irish Alternative Investment Funds (AIFs) cater to the widest range of investment strategies operating within a regulated framework.

The Irish tax regime continues to play a prominent role in the successful growth of the funds sector. Ireland's tax regime is fully compliant with OECD guidelines and EU law and its efficient and transparent nature, make it very attractive to fund managers and investors. Irish domiciled funds are exempt from Irish tax on income and gains derived from their investment and are not subject to any Irish tax on their net asset value. Ireland's tax neutral regime for globally distributed investment funds has been in place since the establishment of the funds industry 30 years ago.

Other than in respect of certain funds which hold interests in Irish real estate (or particular types of Irish real estate related assets), non-Irish investors are not subject to Irish tax on their investment and do not incur any withholding taxes on from the fund.

Depending on the tax status of an investor in their home jurisdiction an Irish fund can also be structured as a tax transparent vehicle resulting in the retention of tax benefits (e.g. withholding tax) that would otherwise be lost. Ireland has one of the most developed tax treaty networks in the world across the EU, Asia, the Middle East and South America, and this continues to grow.

## **Innovation**

Ireland remains at the centre of product innovation continuously developing new structures, services and technologies to meet the evolving regulatory and market environment.

There is an accelerating trend of regional offices opening across Ireland. The advantages are easily identifiable. Ireland has transport access both internationally and domestically, it is generally viewed as a neutral business environment and most importantly has an exceptional “homegrown” talent pool with world class academic institutions driving innovation every day intersecting academia and financial practice.

## **Expertise**

Ireland's professional services infrastructure is well established providing experienced and developed expertise, with specialist legal, tax and accounting skills.

Ireland's capabilities extend across a broad range of fund and asset management services with a well-developed and experienced professional specialists across asset management, fund administration, depositary, legal, tax, compliance, audit and technology services.

Closely aligned to trends across the investor community there are an increasing number of socially aware funds being launched in Ireland. Coupling this with the quickening pace of new technologies new products and the evolution of fintech's capital assets will continue to flow into the industry. Ireland looks set to retain its dominant position within the European investment funds industry.

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