

Ireland, a Jurisdiction of Choice and Gateway to Europe for Financial Institutions

In recent decades Ireland has been and is increasingly viewed as a gateway into Europe for US companies seeking a hub to expand their operations into the region. Many of the world's largest multinational life science and technology companies such as Pfizer, Intel, Google and Facebook, have EU headquarters in Ireland, or very significant operations in terms of investment.

As of January 2017, some 1,200 multinational companies operate in Ireland, directly employing approximately 200,000 people. They are attracted by Ireland's highly educated English-speaking workforce, competitive tax environment and the supportive environment provided by Irish development authorities.

These advantages, coupled with Ireland's excellent support infrastructure and a changing global economic landscape, have led to Ireland's emergence as a jurisdiction of choice for international investment. More recently Dublin, the Irish capital and economic hub, is rapidly developing its reputation as a preferred base for international financial institutions post-Brexit.

THE MOVEMENT OF FINANCIAL INSTITUTIONS POST-BREXIT

The recent decision by the United Kingdom to leave the EU has had an unsettling effect on the European economic and political landscape. Banks in the UK have indicated that they will move some of their staff from London to elsewhere in the EU, to maintain their ability to provide services across the region. Some estimates



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indicate that up to 70,000 financial services jobs may move away from the city of London.

Ireland's financial services sector is uniquely positioned to meet their needs. IDA Ireland, the Irish government's inward investment promotional agency, is reported to have already clinched deals with more than a dozen London-based banks and financial institutions to move some or all of their EU operations to Dublin, including some of the world's largest investment banks. Barclays Plc has announced that it will move its EU hub to Ireland while Bank of America has indicated

that Dublin is its "preferred location" for its main legal entity in the EU and Dublin is also running to host its trading and investment EU hub. JP Morgan Chase has recently purchased a commercial property in Dublin to accommodate 1,000 people.

The chairman of the Scottish investment firm, Standard Life, has stated that Dublin will likely be chosen as its new EU hub. Toronto-Dominion (TD) Bank, which already has an operation in Dublin, has chosen the Irish capital for its new trading hub in the EU in preparation for Brexit. Citi Bank also plans to significantly expand its current operations in Ireland as does Northern Trust, and in recent weeks Japan's Mizuho and Sumitomo Mitsui have announced that either Dublin or Frankfurt will be chosen as their new EU headquarters. In addition, the opening of a Bank of China branch in Dublin this June emphasizes the increased interest of Asian banks in the Irish market, Bank of China has already had a previous presence in Ireland through its aircraft leasing operation, BOC Aviation Ireland Limited.

ATTRACTIVE BUSINESS AND REGULATORY ENVIRONMENT

The EU relocation and expansion of leading global financial institutions in the Irish market is testament to its sophisticated yet flexible business environment, and strong but friendly regulatory framework. In recent years, the Central Bank of Ireland has introduced significant new banking regulations, reflecting best practice in EU law. This means that, from a supervisory perspective, Ireland has moved away from the perceived light touch banking regulation of the past and is now firmly embedded in the European supervisory system.

Indeed, while some commentators have suggested that other countries may be engaging in “regulatory arbitrage” in trying to win post-Brexit investment, Ireland is positioning itself to be the EU jurisdiction where financial decisions are made. The ambition being that Dublin will be host to “the mind and management of the entity”, according to Ireland’s Central Bank. Ireland is also a contender to host the European Banking Authority (EBA), which is to relocate from London. Many now consider that Dublin is vying with Frankfurt as the leading destination for financial institutions, particularly the large American banks, looking to ensure ongoing access to the 27 country EU bloc post-Brexit.

The Irish economy has been experiencing strong growth and is more diversified than ever which is undoubtedly a huge factor for large institutions and investors when deciding whether to invest and expand into Ireland. 2017 has been a very positive year for the Irish economy which has resulted in The Central Bank of Ireland raising its forecast for economic growth in 2017, from 3.5 per cent GDP to 4.5 per cent making it the fastest growing euro zone economy for the fourth year in a row.

OTHER FINANCIAL SERVICES OPPORTUNITIES

The financial services industry has been central to this economic growth. In addition to more traditional banking jobs, Ireland has thriving investment funds, fintech, insurance and aviation finance sectors. Ireland continues to be the leading global location for aircraft financing and leasing activities as emphasized by the arrival of new entrants to the market such as Chinese leasing companies and the US private equity houses.

Outside of the financial institutions, opportunities also exist for Ireland in the wake of Brexit across the industries of fintech, insurance and investment funds. In the absence

of any special arrangements, it is expected that passporting will be lost to UK institutions once Brexit occurs. As a result The Central Bank of Ireland has seen a significant increase in the number of firms within these industries seeking to explore their ability to receive authorization in Ireland and access into the EU post-Brexit.

The variety and flexibility of tax efficient structures available is one of the key advantages that Ireland offers to facilitate investment within the financial services sector. Irish regulated and unregulated vehicles are widely used by international banks, asset managers and private equity investment funds for financial platforms. These include securitizations, profit participating note transactions, loan origination, bond issuances and asset leasing platforms. The reduction or elimination of withholding taxes on income flows being a key benefit as a result of Ireland’s wide double tax treaty network.

OUR CONTINUED SUCCESS

Ireland has long been viewed as an attractive destination for multinational companies seeking to expand their operations into the European market. Leveraging off these successes, Ireland has positioned itself as the logical gateway to Europe for those US financial institutions affected by Brexit who are seeking to maintain their access across the region in the changing landscape post-Brexit.

Our commitment to the European Union, our future position as the only remaining English speaking EU member state, along with our innovative business sector, our competitive tax regime, flexible structures and talented workforce strengthen our ability to become the EU jurisdiction of choice for financial institutions seeking continued access to the European market.

While the Brexit decision was one which was not generally welcomed in Ireland, the Irish Government and the existing financial services community are well prepared and best placed to minimize the fall-out for US firms affected and ensure they have continued access to the broad European market.

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