



# **The Irish fintech ecosystem:** *A guide for foreign investors*

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# Introduction

Ireland has a long established track record for both financial services and technology. With over 400 financial services companies and over 37,000 people employed in technology companies in Ireland today, it is unsurprising that the country has emerged as a growing international fintech hub.

Homegrown success stories like TransferMate, Realex Payments and CurrencyFair operate alongside global financial services behemoths, including First Data, Visa and Paypal, in areas such as payments, lending, wealth management, crowdfunding, distributed ledger technology and blockchain.

There are a variety of reasons why so many fintech companies choose to set up operations and are thriving in Ireland. Some of the key reasons are outlined below.

## What makes Ireland a great location for fintech?



### GOVERNMENT SUPPORT

Government strategy to drive growth and provide ongoing support in this sector



### WELL DEVELOPED FINTECH ECOSYSTEM

Dedicated industry bodies, organizations and incubators help to support and develop the regulatory, commercial and community ecosystem for the fintech sector



### TRACK RECORD

US fintech leaders like First Data, Visa, Paypal and Stripe have significant operations in Ireland



### STRONG DOMESTIC START-UP SCENE

Homegrown success stories like TransferMate, Realex Payments and CurrencyFair have made waves internationally



### FUNDING AND INCENTIVES

Government and private funding options available



### REGULATORY PASSPORTING

Fintech companies licensed by the Central Bank of Ireland benefit from regulatory passporting across the EU



### SKILLED & EDUCATED TALENT POOL

Tailored fintech qualifications and courses are offered by many Irish universities and educational bodies



### STRONG FINANCIAL SERVICES INDUSTRY

400+ financial services companies employ 40,000+ people



### TECHNOLOGY

Top 10 'Born on the Internet' and 9/10 top global software companies are in Ireland



### CORPORATE TAX

12.5% corporate tax rate



### POST-BREXIT PLANNING

Location of choice for many financial services companies as a post-Brexit EU base



### ACCESSIBLE

Five international airports and five regional airports



Partnering with the Irish Government is one of the best decisions our leadership team has made.

*Tom Villante, Co-Founder and CEO of YapStone*

*Source: IDA Ireland Press announcement, November 2017*

#### Government support for the fintech industry

The Irish government is treating the development of the Irish fintech industry as a high priority. This was emphasized by the appointment in June 2017 of Michael D'Arcy as the country's first Minister of State at the Department of Finance with special responsibility for fintech.

This followed the launch in 2015 of the Irish government's strategy for developing the country's International Financial Services Sector for the following five years (IFS2020). A key element of this strategy is the recognition and promotion of fintech as a rapidly expanding area of innovative financial services.

IFS2020 identified three key actions to be implemented in relation to fintech:

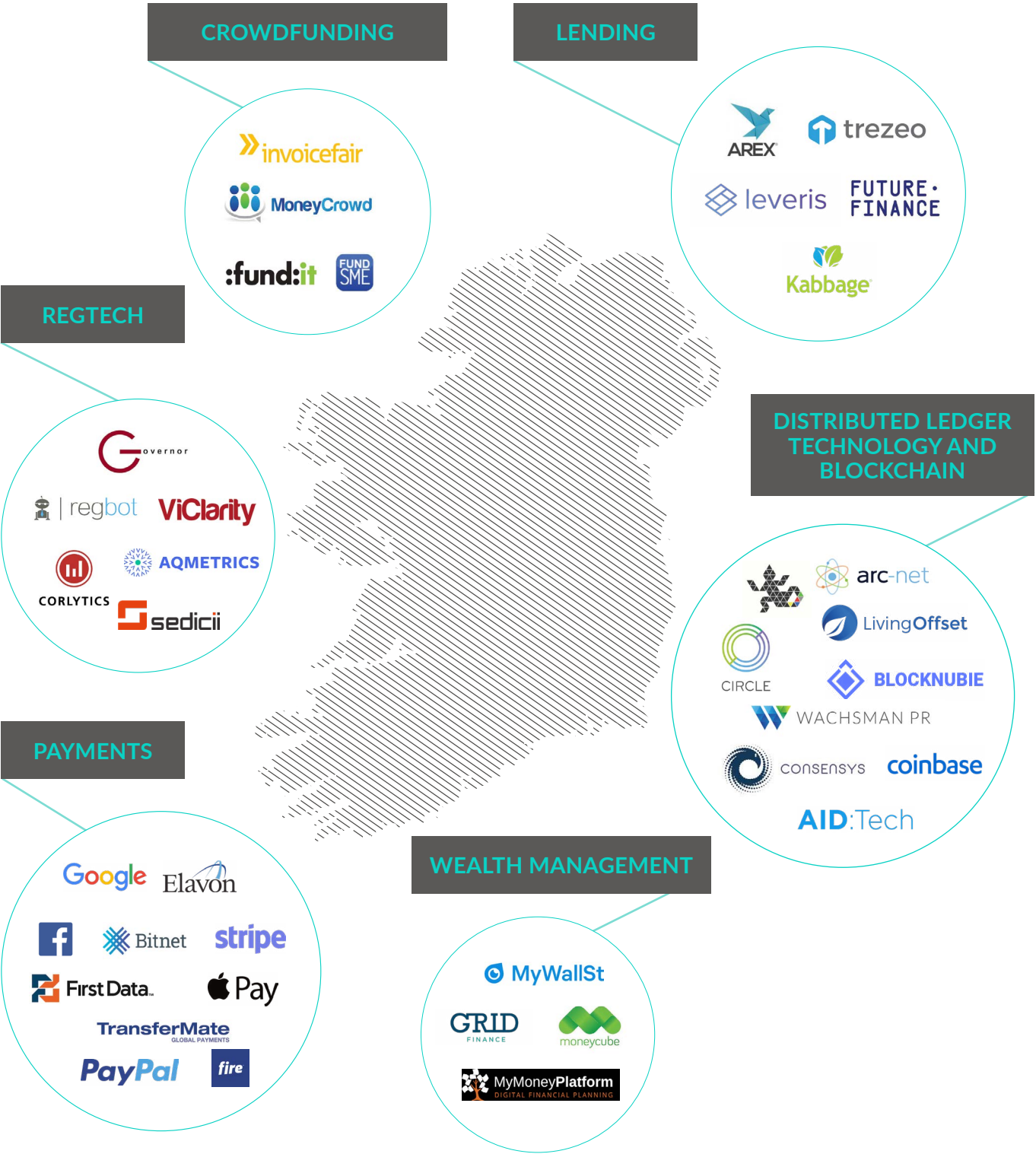
1. enhancing international financial services and information and communications technology
2. sourcing funding for fintech
3. supporting fintech accelerators through partnerships with Enterprise Ireland

Fintech is now also a priority sector for Enterprise Ireland - the government organization responsible for the development and growth of Irish companies in world markets. Enterprise Ireland now has a dedicated fintech team in Dublin that manages more than 220 companies with internationally focused business strategies. It has been involved in multiple initiatives to support the development of the fintech sector in Ireland, including the coordination of a number of fintech trade missions in the US and beyond. It has also supported a number of investor networks focused on fintech start-ups.

Equally, from an international perspective, fintech is a priority sector for IDA Ireland - the government arm responsible for attracting foreign direct investment to Ireland. Key investments have been secured by IDA Ireland in the last two years from US fintech leaders like Stripe, YapStone and Equifax.

As well as the practical support and mentorship offered by government organizations like Enterprise Ireland and IDA Ireland, the Irish government through its various arms has made a number of funding options available to companies operating in the fintech space - see further under "Funding and Incentives" on page 8.

# Track record: A snapshot of the international fintech industry in Ireland



### The Irish fintech ecosystem

With at least 7,000 people currently employed by the fintech industry in Ireland, a number of key organizations, incubators and other support mechanisms have emerged in recent years to support and further develop this growing sector.

#### Industry organizations

- **The Fintech and Payments Association of Ireland (FPAI)** is the main trade association representing fintech and payments businesses in Ireland. The FPAI aims to develop the regulatory, commercial and community ecosystem in which fintech and payment companies operate, and was established by a number of stakeholders active in the Irish fintech sector in early 2015.
- **Fintech Ireland** is an independent, non-profit organization, the stated mission of which is to lead the promotion, support and facilitation of the Irish fintech scene. Fintech Ireland regularly collaborates with other organizations internationally to run events in Ireland, and recently co-hosted a unique "Fintech Bridge" event with Fintech Atlanta in Dublin.
- **Blockchain Ireland** is a combined effort of the government and Irish-based companies, led by the IDA Blockchain Expert Group to promote and share information on blockchain in Ireland. Blockchain Ireland aims to promote the country as a blockchain centre of excellence, attracting international companies to make use of Ireland's well-developed technological and research sectors to support their blockchain projects.

#### Incubators and accelerators

- **Dogpatch Labs** operates a co-working space for scaling technology start-ups. Located in the heart of Dublin's Digital Docklands, it houses over 45 companies. While catering to all types of tech start-ups, Dogpatch Labs entered into a partnership with Ulster Bank in 2015 as part of the bank's aim to develop its fintech arm. Ulster Bank has opened an offsite innovation hub at Dogpatch Labs, where they work with partners to build new products and solutions for the banking sector. Members of Ulster Bank's innovation team

mentor and learn from Irish fintech start-ups, as well as host regular fintech hackathons.

- **The Digital Hub** is another Irish tech incubator. Since 2003, hundreds of companies have progressed through the Digital Hub's enterprise cluster and have gone on to create thousands of jobs in the Irish digital economy. The National Digital Research Centre (NDRC) is part of the Digital Hub, and includes programs such as (i) NDRC launchpad, (ii) NDRC Female Founder initiative and (iii) NDRC Venture Lab. The NDRC works with close to 1,000 entrepreneurs and 40 early stage companies each year. Some of its notable alumni are household names, such as Kavaleer, Lincor, MTT, Slack and Stripe.
- **Bank of Ireland's "startlab"** program is an incubator program that aims to educate, connect and scale tech start-ups. Each program runs for a six-month period where start-ups meet with key speakers, coaches and mentors to help grow and scale their company. Its third startlab, launched in Dublin in November 2017, is exclusively fintech-focused.
- **Citi Accelerator Hub** is a co-working space for fintech start-ups located in Citi's offices in the Financial District in Dublin. Participating start-ups have access to Citi's mentoring network for advice and support, as well as industry meetups and networking events.
- Run by Accenture Ireland, the **Fintech Innovation Lab** includes mentors from some of the country's largest financial and tech institutions, including Allied Irish Bank, Bank of Ireland, FEXCO, Google, PayPal, State Street, Citi, Realex Payments and Ulster Bank.
- **MasterCard Labs "StartPath"** program provides a four-month program and office space in MasterCard's Dublin office which is its global technology HQ.
- **NovaUCD**, operating out of **University College Dublin's** university campus, offers mentoring and workspaces to start-ups from a range of disciplines.



The talent of the workforce in Ireland runs deep... Given this, and the support we have received from IDA Ireland, Dublin became a natural choice and will continue to present additional opportunities in terms of growth and development.

*Dave Webb, CIO of Equifax*

*Source: IDA Ireland Press announcement, September 2016*

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- **Dublin City University's Ryan Academy** runs the Propeller Venture Accelerator program for early-stage technology start-ups. Offering €30k seed funding to entrepreneurs, the three-month, accelerator provides start-ups with office space and access to over 80 mentors from the wider Irish and international business community.
- **AIB Startup Academy** is a joint venture between AIB and the Irish Times that selects 14 high potential start ups to pitch and compete for the top prize of €200k after completing an eight week Accelerator Programme.

#### **Industry events**

In recognition of Ireland's growing reputation as a global fintech hub, it has been selected as the host location for a number of high profile international industry events, including the Annual Blockchain for Finance Conference (2017), MoneyConf (2018) and the Fintech Innovation Summit (2018).



## Fast growing Irish fintech: Home grown success stories

### FUTURE· FINANCE

Future Finance provides smart, fair and flexible loans for students in Europe. Founded in 2013 by Brian Norton and Vishal Garg, its aim is to fund Europe's €50bn+ annual education finance gap. Now the largest and fastest growing non-government student lender in Europe, it has raised US\$459m across six funding rounds. Future Finance was also listed as a top 100 global fintech company in the Fintech 100 2018.

### fenergo:.

Fenergo offers solutions for client life-cycle management, anti-money laundering, regulatory compliance and client data management. As of September 2018, it has approximately 200 staff and has raised approximately US\$80m in funding. Its backers include the New York venture capital firm, Insight Venture Partners.

### Trustev

Trustev increases sales and stops fraud for e-commerce and financial companies. Founded in 2013, it was acquired by consumer credit-rating company TransUnion for US\$44m in 2015.

### currencyfair

CurrencyFair allows individuals and businesses to exchange currencies and send funds to bank accounts worldwide. Funded in 2010, it has now surpassed the US\$1bn barrier in facilitated currency transactions. Last year, it appointed a new CEO, Paul Byrne, and raised €8m in a funding round, bringing the total funding raised by CurrencyFair to €28m.

### MyWallSt

MyWallSt (formerly Rubicoin) is a financial investment tools maker designed to transform individuals into investors through its 'Invest' and 'Learn' apps. MyWallSt is a graduate of the Nova-UCD incubator in Dublin. In 2017, it announced further funding from existing backers Enterprise Ireland and the Motley Fool, and has been integrated into Robinhood since 2015, which allows users to immediately start investing. As of November 2018, MyWallSt has raised over US\$8.5m in funding.

### SWRVE

Swrve is a global leader in cross-platform customer interaction for sales, marketing and operations. Swrve processes over 12bn user events a day, and partners include Salesforce and Oracle, with investors including Netgear and Summit Bridge Capital. As of March 2018, Swrve has raised a total of US\$76.1m.

### leveris

Leveris is a software company that offers a full-service, modular, banking-as-a-platform (BaaP) solution for traditional banks, new market entrants and consumer brands entering the banking and lending space. Leveris is headquartered in Dublin, with research and development centres in Prague and Minsk. Leveris was also listed as a top 100 global fintech company in the Fintech 100 2017.

### Linkedfinance

Linked Finance is Ireland's first peer-to-peer lending platform, offering Irish SME's an alternative to borrowing from the banks. Linked Finance uses technology to connect SMEs with lenders who want to support Irish businesses and earn returns. Linked Finance recently hit the milestone of having lent over €59m to Irish SMEs since its launch and recently secured a €50m backing from Portugal-based digital bank Banco BNI Europa, bringing its total funding to nearly €55m.

### Flender

Flender is a peer-to-peer platform which helps people borrow and lend money via their social circles, while allowing businesses to raise funds through their own customers. Flender leverages existing connections in order to increase trust between borrowers and lenders, lowering default rates. The Dublin-headquartered startup, whose backers include former EY Entrepreneur of the Year award winner Mark Roden, announced a €50m debt financing round to fund its expansion in March 2018, bringing its total funding to more than €51m.



As we grow and expand Circle's presence across Europe, our Irish operations will become a strategic anchor which will continue to expand.

Sean Neville, Co-Founder & President of Product and Operations of Circle

Source: IDA Ireland Press announcement, March 2017

## Funding and incentives

### Government funding and incentives

#### Taxation

Ireland has, for many years, used tax incentives as a powerful tool to attract inward investment, and has been extremely successful in this regard, particularly in terms of US investment. Key to that success is the 12.5% rate of corporation tax on trading profits.

To complement the 12.5% rate, Ireland has introduced tax legislation intended to make Ireland an attractive location for holding companies and regional headquarters, particularly for EMEA operations (e.g. no capital gains tax on gains from the sale of certain shares and reduced tax on foreign dividends). Other key tax benefits of investing in Ireland include:

- Tax relief on the acquisition cost of Intellectual Property (IP) and other intangibles
- A general R&D tax credit system giving an effective tax deduction of 37.5% for qualifying expenditure
- The first OECD compliant patent box regime (the Knowledge Development Box (KDB) with 6.25% effective tax rate on profits arising from certain types of IP
- Extensive domestic exemptions from withholding tax on interest and dividend payments

For more information on the extensive tax benefits available for fintech companies in Ireland, please contact a member of the A&L Goodbody team.

#### Funding and grant support

In addition to an attractive and stable corporate tax

regime, the Irish government through its various arms offers funding and grant support that may be available to fintech companies doing business in Ireland.

#### IDA Ireland

In addition to providing logistical and practical support to multinational companies investing in Ireland, IDA Ireland can in certain circumstances offer grant assistance to multinational companies establishing or expanding their Irish activities. For the most part, grant assistance is linked to job creation and is contingent on the company submitting a formal business plan to IDA Ireland. Any potential grant aid is negotiated on a project-by-project basis and is subject to approval of the board of IDA Ireland. Total grants are subject to ceilings as dictated by EU state aid rules. For more on the grant assistance offered by IDA Ireland to multinational companies, please contact a member of the A&L Goodbody team.

#### Enterprise Ireland

Enterprise Ireland provides equity funding to start-ups across a range of sectors, including fintech at both early stage, via their €50k Competitive Start Fund (CSF) program, and the high-potential start-up (HPSU) stage. Fintech is a key focus area for Enterprise Ireland, and in 2017 it launched its first fintech-dedicated CSF, offering 10 companies an investment of up to €50k each, accompanied by a mentorship program, as well as incubation space in partnership with Bank of Ireland's innovation team in Dublin.

Based off the success of this round in 2017, a further CSF dedicated to Fintech & Deep Tech (AI/ML, AR/VR, IoT, blockchain and cloud) launched in June 2018, which provided funding as well as a mentorship program to successful applicants.



### *Ireland Strategic Investment Fund*

The Ireland Strategic Investment Fund (ISIF) is an €8bn sovereign development fund with a statutory mandate to invest on a commercial basis to support economic activity and investment in Ireland. ISIF has a long-term investment strategy, and therefore can act as a source of "permanent" or "patient" capital that can work to a longer-term horizon than most participants in the market.

### ISIF by numbers

**€8.5bn**  
Portfolio value

**€2.9bn**  
Commitment to date

**€7.4bn**  
Proposed commitment total

ISIF has made a number of high profile investments in US companies and funds, including Silicon Valley Bank, Polaris Partners, Lightstone Ventures, Sofinnova Ventures, Highland Capital Partners and Arch Venture Partners. It has invested across a wide variety of sectors, including various funds targeting financial services and technology.

### ISIF recent fintech investments



Kabbage, an Atlanta-headquartered fintech company, announced its decision to establish its European headquarters in Ireland after a key investor, Reverence Capital Partners, secured a €50m investment from ISIF.



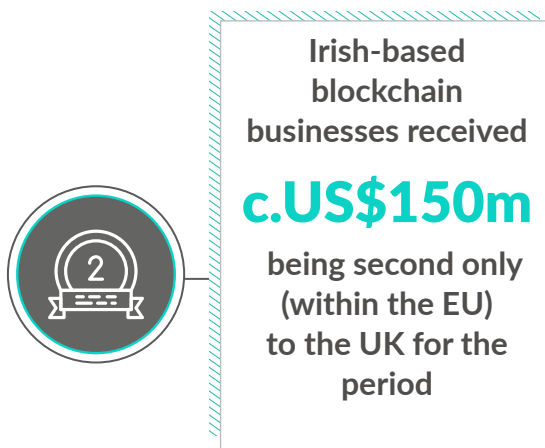
Motive Partners, a US fintech venture capital firm recently secured a €25m investment from ISIF and will be opening a Dublin fintech innovation hub called Motive Labs.



ISIF has invested €45m into Muzinich, a US firm, which manages US\$28bn worth of assets – with the investment aimed at providing funding to Irish SMEs, including fintech firms. The contribution from ISIF means Muzinich will inject at least €67.5m into Irish SMEs over the next eight years.

### Private funding

The private funding sector is also increasingly active in Ireland, with Irish technology firms having raised over €1bn through venture capital in 2017, and fintech investments accounting for roughly 20% of that figure.



### Crowdfunding, initial coin offerings and token sales

Most Irish fintech start-ups are raising funding through traditional funding mechanisms such as venture funding, government supported funding and debt. For example, the Department of Finance recently estimated that crowdfunding constitutes only 0.33% - 0.4% of the SME finance market in Ireland; compared with 12% in the UK. Equally, despite the global surge in capital raising through initial coin offerings (ICOs) and token sales throughout 2017, there have been few ICOs and token sales carried out by Irish companies to date.

#### Crowdfunding

Ireland does not currently have a bespoke regulatory regime for crowdfunding. However, the EU Commission recently published a proposal for an EU Crowdfunding Regulation, which includes a comprehensive authorization and passporting regime for crowdfunding platforms across Europe. Once this has been enacted

at EU level, it will form part of Irish law. This is in line with recommendations set out in the Department of Finance's Feedback Paper on the Regulation of Crowdfunding in Ireland, which indicated that respondents to a consultation process on crowdfunding generally favored regulation, provided that it is *"proportionate and... facilitates the development and growth of the industry as opposed to stifling or hindering it"*.

#### Initial coin offerings and token sales

The last two years have also seen a small handful of Irish blockchain companies raise capital through ICOs. As with crowdfunding, Ireland does not currently have a bespoke regulatory regime for token sales and ICOs. However, the Central Bank of Ireland (the **Central Bank**) has issued warnings to investors (echoing similar warnings from EU regulators) on the risks associated with virtual currencies and ICOs.

In March 2018, the Department of Finance published a discussion paper on Virtual Currencies and Blockchain Technology in which it proposed the creation of an intra-departmental working group that would draw on the expertise of multiple state agencies – including the Irish Department of Finance, the Revenue Commissioners, the Data Protection Commissioner and the Department of Business, Enterprise and Innovation - to explore and oversee developments in virtual currencies and blockchain. The working group's stated mandate will include *"monitoring developments"* at EU and global level in relation to virtual currencies and blockchain, identifying economic opportunities for Ireland in this area, and *"considering whether suitable policy recommendations"* are required. The tone of the paper is not dissimilar from the approach adopted recently at EU-level by the European Commission in its Fintech Action Plan 2018, in which the Commission committed to *"monitoring the developments of cryptoassets and initial coin offerings"* together with EU regulators and other international standard setters, with a view to *"assessing whether regulatory action at EU level is required."*



Irish tech talent is exceptional. We are very excited to employ Ireland's finest software engineers and build technology IP that will further revolutionize digital payments for shared economy and global marketplaces.

*Tom Villante, Sanjay Saraf, EVP/Chief Technology Officer, Yapstone*  
*Source: IDA Ireland Press announcement, November 2017*

#### Talent Pool

Today in Ireland there are approximately 40,000 people employed within financial services, and more than 100,000 working within technology.

From engineering talent to financial services expertise, Ireland offers a deep and diverse talent pool for the fintech industry. To bolster this existing talent pool, educational initiatives have been launched by universities and educational institutions across the country to help cultivate the next generation of fintech talent.

- **The National College of Ireland and Dublin Business School** provide full time undergraduate and graduate level degrees in fintech, focusing on Markets and Services, Quantitative Financial Modelling, Fintech: Ecosystem and Innovation, Fintech Regulation (Regtech), Data Analytics and Visualization, Advanced Fintech Operations, Fintech: Machine Learning Applications and Distributed Ledger Technology.
- **The Law Society of Ireland** provides a number of courses in fintech for lawyers and non-lawyers, including "Fintech the Fundamentals", "Fintech Symposium – Law and Regulation in Ireland" and "Fintech for Financial Services Professionals".

- Irish universities regularly host hackathons, including a recent Dublin Business School Blockchain hackathon in January 2018 in partnership with Comtrade, a leading dynamic technology company, focused on potential application blockchain technologies in the aviation industry.



It is estimated that from start-ups to multinationals, as many as

**5,000  
NEW  
JOBS**

could be created in the Irish fintech sector by 2020

### Regulation of fintech businesses in Ireland

Ireland does not currently have a specific regulatory regime for fintech businesses and some fintech businesses may fall outside the Irish regulatory ambit.

The Central Bank is the regulator for financial services in Ireland. Depending on whether or not a company is deemed to be a regulated entity (as defined in legislation), fintech businesses may require prior authorization from the Central Bank to conduct business in Ireland.

Payment institutions, electronic money institutions, investment companies and money transmission businesses are examples of business models which may require authorization in Ireland. When the fifth EU anti-money laundering directive (**5AMLD**) comes into force in Ireland, fiat-to-virtual currency exchanges will also require authorization, as will certain crowdfunding platforms, when the EU Crowdfunding Regulation (see page 10) comes into force.

Financial regulation in Ireland derives primarily from EU law and requirements, and generally speaking, fintech companies authorized by the Central Bank can benefit from regulatory passporting across the EU. Once authorized in Ireland they can offer their products and services across other EU member states without the need for further authorization in the relevant member state.

Depending on the nature of the business being carried out, fintech companies may be subject to the European Union (Payment Services) Regulations 2018, which govern payment institutions, and/or the Electronic Money Regulations 2011, which authorize an undertaking to issue E-Money. Fintech businesses may also be subject to consumer protection legislation and Central Bank codes of conduct, as well as anti-money laundering and data protection legislation.



### The Central Bank of Ireland

A key component of a successful and attractive jurisdiction for the location of financial services activities is a strong and independent regulator, with international credibility.

The Central Bank carries out its functions in the context of a harmonized approach to financial regulation across the EU. The Central Bank is committed to providing a high-quality, fair and transparent authorization process for all applicants. It is open to engaging with firms and has the resources, including dedicated professional teams, to deal with any increase in authorization applications, particularly in light of Brexit.

The Central Bank's focus is on the risk to consumers from fintech developments, and on protecting consumers where an activity is not yet regulated. That being said, the Central Bank has been publicly supportive of the fintech movement in Ireland and its Director of Consumer Protection has recently stated that *"there is an exciting opportunity for fintech firms to contribute in a positive way to protecting consumers and enabling greater access and availability of financial products and services"*.

# Brexit



## What does it mean for fintech companies?

Many companies are assessing their options in light of Brexit, in particular fintech businesses who seek to freely access the European Union market of 500m consumers. Post-Brexit, unless special arrangements are agreed between the UK and the EU:

- The EU financial regulatory and payments regime will no longer apply to the UK. The movement of services, capital, payments and people between the EU and the UK will become more difficult.
- Fintech firms that are authorized by the UK financial regulator will no longer be able to passport into the EU. These companies may need to relocate their operations outside of the UK to an EU jurisdiction in order to qualify for EU passporting.
- The EU rules on data protection, intellectual property and technology will no longer apply to the UK so there will be greater divergence and uncertainty.

Ireland has already seen a number of high profile fintech companies announce the transfer of operations to Ireland in the wake of Brexit, including US cryptocurrency exchange, Coinbase and UK challenger banks, Revolut and Starling Bank. As a committed member and supporter of the EU and the Eurozone, Ireland offers an unrivalled value proposition for fintech companies seeking to do business in the EU in a post-Brexit marketplace.

## A&L Goodbody fintech experience

The A&L Goodbody fintech team advises both domestic and international fintech companies at all stages of their development – from high growth start-ups to leading financial institutions and multinational companies bringing disruptive financial technologies to the market.

Our cross-departmental team, based in Dublin and across the fintech epicenters of London, New York, San Francisco and Silicon Valley, advise on the full range of Irish and EU legal issues affecting our fintech clients throughout their life cycle. Our financial regulatory expertise is second-to-none in the Irish market and we have long-standing relationships with key Irish regulators, including the Central Bank, the Irish Data Protection Commissioner and other agencies and industry bodies that operate in the fintech sector. Leveraging this expertise and know-how, we can provide innovative, but cost effective, legal solutions to support you and your business as you embark on your path to international expansion.

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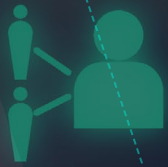


## Awards & rankings



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