

Why Dublin is BGI's preferred domicile

Barry O'Dwyer of Barclays Global Investors, one of the world's largest global hedge fund managers, pays tribute to Ireland as a funds domicile and writes that the concentration of so many professionals in one area is something that sets Ireland apart as a funds centre.

I would like to thank the IFIA for this opportunity to share with its membership the experience that Barclays Global Investors (BGI) has of Ireland and what sets it apart, in our view, from other offshore financial centres. Many of the readers of this publication will have heard mention of BGI but most likely in the context of index tracking strategies. I wonder how many know that our Irish funds account for approximately 13 per cent of all Irish domiciled assets and that we are one of the largest global hedge fund managers. BGI was formed over 30 years ago and today is the world's largest fund manager. We currently manage €1,402 billion in assets for 2,985 clients around the world. We have offices in 14 countries and a workforce of over 3,000.

Our London office launched its first Irish domiciled fund in early 1995 with a couple of hundred thousand dollars in seed capital. At the time it was a significant step for the company and was our first offshore domiciled pooled investment vehicle.

Today BGI has in Ireland in excess of €100 billion in assets spread over 144 funds managed through a combination of 14 unit trust and PLC umbrella vehicles. Our product range includes BGI's Flagship Money Market funds, our iShares branded Exchange Traded Funds, Index Equity funds, Index Fixed Income funds, Liability Driven Investments, Active Equity funds, Active Fixed Income funds, Currency strategies, Global Macro funds, Commodity funds and other Hedge funds.

What drives the selection of jurisdictional domicile for an offshore investment vehicle? BGI considers a

number of factors in arriving at this decision none of which by themselves are sufficient to win the argument but if all are positive, makes for a very compelling argument.

End investor familiarity: – the target client's preference or bias for a jurisdiction can and does have a major influence on where we decide to domicile a fund. From a standing start in the late 1980s it has to be said that Ireland has done a remarkable job in positioning itself as a trustworthy and transparent jurisdiction around the world. Many of BGI's clients are familiar now with Ireland and are comfortable with it but certainly at the start our marketing people had to do a little education as well. While it is gradually reducing in importance as an influencing factor some clients will still have a natural bias to the jurisdiction they are most familiar with. Having said that there are undoubtedly some international investors that are now adopting the same bias towards Irish funds, so this can work both ways.

Tax transparency: – this is a fundamental requirement for an offshore fund and quite simply the clearer the rules, the better. BGI has found that the Irish legislation is sufficiently transparent in this respect. I will talk later about the powerful impact momentum can have on jurisdictional selection but it can work the other way also and it is very important for the continued success of Ireland as an offshore funds centre that the tax legislation is not tinkered with in any negative way. Creating ambiguity about the tax status of a fund would do terrible damage to the Irish funds industry.

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Attitude of the regulator: – a regulator that can keep open communication channels, have a focus on creating a pro-business environment yet retain strong and competent oversight is a difficult balance to get right but to a large extent the Irish regulator has done just that. In all the jurisdictions it operates in, BGI places a high priority on building an open relationship with its regulator and we have been very happy with the level of co-operation offered by the Financial Regulator to date. BGI has also found that industry bodies such as the IFIA have proved to be a very useful and effective channel for communicating industry wide issues with the Regulator.

Service providers: – there is a basic infrastructure that is required for the start-up and ongoing management of any investment vehicle including administration services, custodial services, auditing services and legal services. A major advantage BGI sees in having funds domiciled in Ireland has been the competence and professionalism of all the parties required to make our investment vehicles work. This also extends to the Irish independent directors who play a very important role in ensuring the proper management of the affairs of investment vehicles. I find it difficult to remember an occurrence where BGI’s funds were badly let down by any of its contracted parties. The concentration of so many professionals in one area is something that does set Ireland apart as an offshore funds centre. It essentially has created a one stop shop for the global funds industry and this is a strong attraction for global promoters like BGI. Incidentally BGI also uses Irish based administrators and custodians as service providers to our range of Cayman domiciled funds managed out of London.

Momentum/consistency: – BGI endeavours to market its funds as a single product range and as such having consistency of fund documentation and process is an important aspect to our business. I am sure that among fund promoters we are not alone in this approach. Therefore once a fund jurisdiction is chosen it is a natural evolution that future funds will also be launched in that market. This creates a powerful momentum effect that once started is difficult to stop. However it can also work against a jurisdiction most probably following the introduction of an isolated piece of negative regulation/legislation.

In general terms the future for the Irish funds industry looks positive, it has successfully positioned itself as a global centre for investment funds and the mix of features that won it BGI’s business so many years ago continue to sit centre stage in maintaining its attractiveness. Many challenges lie ahead, not least financial market instability and competition from other jurisdictions who try to replicate Ireland’s success. But there will be opportunities also and keeping an eye to the future while building on the excellent work done to date is critical for the Irish funds industry to retain its attractiveness.

The Irish funds industry has been an incredible global success story and BGI is proud to be part of it. Our product pipeline and asset growth expectations for our Irish funds in the next few years remain very positive and our commitment to Ireland as BGI’s preferred domicile for offshore funds is as strong as ever.

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