

Editor's note

Welcome to the 2008 edition of the IFIA industry newsletter. In preparation and anticipation of the 2008/2009 committee term, bearing in mind that the previous committee term has just come to a close, we thought it timely to publish the newsletter in advance of the new term beginning. Many of the articles in this year's newsletter detail industry developments over the past 12 months while also identifying some industry trends for the future. The last year has proved challenging for many economically around the globe and the CEO's introduction takes a look at where the Irish funds industry is positioned in light of the changing economic climate and considers the question 'Do we need another IFSC?'

This year, for the first time, a guest contribution has been included from Barry O'Dwyer of Barclays Global Investors who wrote an insightful and complementary article outlining how and why BGI selected Ireland as their domicile of choice for over 144 funds with in excess of €100 billion in assets. The article concludes positively confirming a strong product pipeline for Barclays along with their commitment to Ireland remaining firm.

As well as the articles which have become newsletter regulars; in this issue we have also included a number of articles specifically prepared to provide an overview of some product and industry developments, such as 'Growing LDI trend – opportunity for Ireland's funds industry', 'Market disruption events and their impact on funds practitioners' and 'Valuation issues in the investment management industry'. It is also worth noting that in the industry survey and statistics section there is some interesting information about Irish fund distribution trends and also information on the transfer agency sector.

Over the last 12 months the investment funds industry in Ireland has continued to develop and grow and during this period the industry has worked very closely with the authorities and agencies to ensure the legal and regulatory infrastructure is responsive and anticipating industry needs. As always, there have been numerous legal and regulatory developments and the 'Regulatory Update' provides some insight into what has been happening from an Irish and European perspective. Also, and notwithstanding considerations for the next phase of UCITS developments (UCITS IV), included

is an interesting piece to provide an overview of 'The evolution of the UCITS product'. Much has been achieved in product development which is being rewarded by the continued growth in the industry, for example, following last year's very welcome announcement from the Financial Regulator regarding improvements to the QIF product and authorisation process over 360 QIF funds have been launched under the new arrangements.

Although there are no specific articles on the industry's marketing initiatives it is certainly an area where progress continues to be made. The publication of two special supplements 'Funds Industry Review' by the Irish Times in December 2007 and June 2008 went some way in helping to raise the industry's profile domestically. The industry's international marketing initiatives continued a plenty in the last 12 months, with industry briefing seminars hosted for the first time in Singapore and the second time in Japan. The industry's second trip to Asia proved another success and will continue to be part of the industry marketing initiatives going forward. To take advantage of the US's goodwill towards its Irish ancestry and to mark St Patrick's Day the industry moved the US seminars to St Patrick's week in March 2008. Industry briefings were held in New York, Boston and for the first time, Chicago, with Minister Batt O'Keeffe providing the opening remarks in Chicago. The seminars were a great success and including the London seminar which was held in February, over 1,500 attendees participated. Details of all forthcoming industry road shows will be circulated later in the year.

The Annual Global Funds Conference 2008, hailed a great success, was held on 27-29th May at Carton House, Maynooth, Co. Kildare and attracted almost 300 delegates. The conference included a wide-ranging agenda with many interesting speakers and again offered delegates the possibility to participate in the keenly contested golf competition with many trying their best to beat the well known pro, Christy O'Connor Junior and some succeeding! Finally the fourth IFIA HR & Training Conference will be held on 16th September 2008 in the Clarion Hotel, IFSC, Dublin 1. Details of this along with all other event details, including the overseas industry seminars, will be posted on the IFIA website www.irishfunds.ie.

Do we need another IFSC?

Reading the newspaper a short time ago I was drawn to an article which started with the question “Do we need another IFSC?” The article was one of many written recently to identify current domestic economic conditions against the framework of the traditional economic cycle. Recognising that the current economic circumstances are unique, as they are “current”, but reflecting the reference framework of previous but similar circumstances, the article went on to ponder whether a catalyst for economic activity and employment creation, such as an IFSC was needed. After reading the article I was also left pondering, “Do we need another IFSC?”

There is no doubt that the development of an international financial services centre and the many industries that it has fostered and encouraged, which now extend way beyond the IFSC itself, has been very good for the Irish economy. Looking at the funds industry alone, albeit the largest of the international financial services sectors, there are now 10,000 people directly employed by industry companies, 2,200 direct jobs in advisory firms, and from this employment on an annual basis €1 billion is injected into the annual national income with a corresponding contribution in employment tax to the exchequer, and this does not include the multiple of indirect jobs supported by, and other taxes contributed by, the funds industry.

Attempting to list all of the touch points where the funds industry positively impacts and enhances the national economy would require more space than this newsletter permits, but it is fair to say that the economic footprint of the funds industry is deep.

It is important to note, the relationship between Ireland and the international investment funds industry has been mutually beneficial, Ireland has also been good for

the global investment funds industry; driving product development initiatives, providing thought leadership and sharing expertise to deliver efficiencies. With in excess of \$2 trillion AUA, Ireland is one of the leading global fund jurisdictions, providing an environment and infrastructure to facilitate, encourage and anticipate the requirements of the global industry. While Ireland’s ability and desire to respond to, and provide solutions for, the international industry is obvious by the numbers of funds domiciled and the value of assets being serviced etc., the guest article by Barry O’Dwyer included in the following pages of the newsletter highlights this in a far more considered and eloquent manner.

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Recent market conditions, popularly referred to as the liquidity crisis or the credit crunch, have certainly cast a long shadow over the entire global economy, and the financial services industry in particular. Yet while no sector of the financial services industry has been unaffected, some sectors have been impacted more than others. Because of the nature of the activity of the funds industry, it would be fair to say that, in the overall

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context, our industry has been somewhat less impacted than other industry sectors. With respect to the funds industry in Ireland, the practical consequence of the market conditions and the general reduction of liquidity have been concentrated on fund valuations.

Given the central role that the Irish industry plays in the administration of investment funds, and more specifically the valuation of fund assets, the industry responded immediately to recent market conditions by coming together and providing a forum and focus for best practice. One of the activities in this respect was the consideration and preparation by the Trustee Committee of an information note on the relevant practical considerations when a market disruption event occurs; a summary article extracted from this information note is included on page 11. This collegiate approach, which has served the industry in Ireland so well, through helping each other to help ourselves, has extended to the European industry where we have brought the Irish experience and expertise to EFAMA and led on EFAMA's fund valuation activity which included the preparation of a very well received information/practice note.

Looking forward and whilst recognising the achievements of the industry to date, the potential of the future significantly outweighs the achievements of the past. With the global acceptance of UCITS as the retail financial product of choice on one hand and the growing demand for a flexible product with speed to market capabilities on the other, fund jurisdictions that recognise and deliver the environment to support this will be the fund jurisdictions of the future.

As an established domicile for UCITS, with an evolving regulatory environment for the QIF and significant expertise in hedge funds, Ireland has the capabilities to

deliver on this potential (details of which are outlined in several of the articles over the coming pages). The reality is, however, that so have many other jurisdictions.

The realisation of Ireland's potential is dependant on our collective abilities to ensure the international investment fund community continues to consider Ireland as the jurisdiction of choice for the domicile and/or administration of their funds. This will be achieved by ensuring the regulatory environment is robust and efficient, the profile of Ireland as an international jurisdiction is promoted and the expertise and experience of the industry companies continues. Should this be achieved the footprint of the industry will be deepened, employment in the industry will increase (a conservative estimate of 5,000 additional jobs in 5 years has been suggested), regional expansion will continue and the stated political objective of an all island industry can become a reality. A growing investment funds industry will strengthen the international financial services sector.

Finally, let me return to where I started, “Do we need another IFSC?” The answer is a resounding; No, let's work together to ensure the one we have achieves its potential.



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