Matheson

Ireland and Luxembourg – A Comparison

Ireland and Luxembourg are the European domiciles of choice for cross-border fund distribution. This is due to a number of shared features, including the long standing and respected reputation of each jurisdiction as a fund location and a global recognition of experience and expertise in establishing and servicing the widest range of funds.

In an independent global survey of asset managers commissioned by Matheson and conducted by the Economist Intelligence Unit ("EIU"), 71% of the managers surveyed said that they would choose Ireland as one of their top three European fund domiciles. The survey findings demonstrate that Ireland is regarded by global asset managers as the best European for investment funds when compared to its competitor European jurisdictions, with Ireland's performance placing it far ahead of its nearest rivals. Luxembourg and Germany came in joint second place in the survey, with 45% of managers selecting those jurisdictions as one of the top three fund domiciles.[1]

Expertise and Innovation

- Both Ireland and Luxembourg have significant experience and expertise in establishing the widest possible range of international funds. However, Ireland has developed a strong reputation for the efficient and effective servicing of complex funds, including exchange traded funds ("ETF"), money market funds and alternative investment funds. Ireland currently accounts for **53%** of the total European ETF market and **40%** of European money market funds.

- Ireland was the first European jurisdiction to offer a regulated alternative investment fund product, the Irish Qualifying Investor Alternative Investment Fund ("QIAIF"), in 1990. In the intervening period, Irish service providers and the Central Bank of Ireland have worked to develop solutions to allow the effective and practical implementation of alternative investment strategies in a regulated structure. This has meant that Ireland maintains a distinct advantage as a jurisdiction for UCITS intending to pursue alternative investment strategies.

- Ireland is the largest hedge fund administration centre in the world and, accordingly, has significant experience in servicing alternative investment structures. Ireland services alternative investment assets representing approximately **40%** of global and **63%** of European hedge fund assets.

- The Irish Stock Exchange is the largest exchange globally for investment fund listings, with over 7,000 classes listed.

- Following the June 2016 vote in the United Kingdom to withdraw from the EU, Ireland remains committed to its EU membership and retains its important position as an English speaking gateway to one of the world's largest markets. Ireland is a common law jurisdiction, sharing common legal principles with the US and UK, within the broader framework of EU legislation.

- A wide range of languages is supported by the Irish funds industry and with approximately 17% of Ireland's resident population coming from abroad, the Irish funds industry has access to a workforce which includes may native speakers of European and Asian languages.

Prudent but Accessible Regulation

The Central Bank of Ireland's regulatory focus is on robust and effective regulation, facilitating market and product development, while protecting investor interests. The Central Bank is willing to engage in direct discussion with industry members and fund promoters in relation to unique or new proposals surrounding funds which are consistent with the above principles of regulation. This approach regularly extends to face-to-face meetings to discuss new fund structures and practical solutions to challenges faced by the industry.

International Recognition

- Ireland was the only international fund centre to be included on the OECD 'white list' of jurisdictions deemed to have implemented OECD standard for transparency and exchange of information when published in April 2009.

- Ireland has signed bilateral Memoranda of Understanding ("MoU") with 24 jurisdictions, including China, Dubai, Hong Kong, Isle of Man, Jersey, South Africa, Switzerland, Taiwan, UAE and the US.

[1] The full set of findings and data arising from the EIU survey may be found in the EIU publication "Choosing a European fund domicile: The views of global asset managers" available on our website.

Taxation

- There is no income tax, subscription tax, redemption tax, corporation tax and Irish funds are exempt from Irish tax on their income or gains, irrespective of where investors are located. Ireland does not impose any annual tax comparable to the "taxe d'abonnement" in Luxembourg.

- Ireland has an extensive and growing network of double taxation treaties with over 70 countries, providing access to favourable tax reclaim rates. An Irish QIAIF may also hold assets through special purpose vehicles to improve tax efficiencies. The Irish / US double taxation treaty, in particular, works very well for Irish regulated funds with structural advantages over other jurisdictions.

- In the case of promoters considering the consolidation of UCITS management companies, Ireland's 12.5% rate of corporation tax is the lowest in the OECD and compares very favourably with the 29.22% equivalent headline rate in Luxembourg.

Service Culture

- Ireland is ranked by the IMD Competitiveness Yearbook 2016 as:
  - **1st** in the world for availability of finance skills
  - **1st** in the world for investment incentives
  - **1st** in the world for foreign investors
  - **1st** in the world for flexibility and adaptability of people

Full details of the Asset Management and Investment Funds Group, together with further updates, articles and briefing notes written by members of the Asset Management and Investment Funds team can be accessed at www.matheson.com.

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