



Rialtas na hÉireann
Government of Ireland

Funds Sector 2030:

A Framework for Open, Resilient & Developing Markets

Terms of Reference
April 2023

Department of Finance
[finance.gov.ie](https://www.finance.gov.ie)

Minister's Foreword



Asset management and funds servicing has played a critical role in the development of Ireland's International Financial Services (IFS) sector and has proved to be one of the strongest growth areas in recent years.

Ireland has positioned itself as a global centre of excellence for asset management, with Irish resident funds valued at €3.65 trillion in assets under management (AUM) according to Q4 2022 Central Bank of Ireland data. Taking account of Q3 2022 data for SPVs, which values them at over €1 trillion AUM, funds both regulated and unregulated can be estimated to be of the order of €4.6 trillion in terms of AUM.

The impact of this sector on the economy has been equally impressive, with employment now at over 17,000 across some 180 companies. Indirect employment, particularly in legal and accounting services, is also significant and moreover this sector has expanded beyond Dublin to become a nationwide employer.

This growth in Ireland has followed international developments in the funds sector, which have been significant over the last decade. Domestically and globally, funds, in their widest sense, continue to develop in complexity and to evolve the range of services and product offerings. Likewise, engagement with the wider economy is also growing more significant year-on-year.

Under the broad and interlinked themes of *Open Markets*, *Resilient Markets* and *Developing Markets* I believe that by conducting a wide-ranging review we will ensure that Ireland maintains its leading position in asset management and fund servicing and that the sector will continue to support economic activity both at the regional and national level. The review will also seek to ensure our funds sector is resilient, our frameworks are future-proofed, supportive of macro-prudential stability and continue to meet international best-practice standards.

International developments such as the EU Capital Markets Union (CMU) policy, also supports the view that it is timely to examine Ireland's funds sector and where appropriate make changes to our framework for the years ahead. In undertaking this review, it will be important to take account of the relevant commitments contained in the Programme for Government and the relevant recommendations of the Commission on Taxation and Welfare.

To do so, I am establishing a multi-disciplinary review team that will draw on skills and experience from within and outside my Department and which will engage with industry as well as national and international stakeholders during this process. I am confident that this work will help support the continued growth and resilience of Ireland's IFS sector in the years ahead as well as ensuring that the needs of the economy are best served by the use of such vehicles in a supportive role. I look forward to receiving the findings of this important work by summer 2024.

Michael McGrath, T.D.
Minister for Finance

Report Terms of Reference

The *Programme for Government – Our Shared Future* contains the following commitment:

“...we will implement the Ireland for Finance – Financial Services Strategy to continue to deliver a competitive and resilient financial services sector.” (PfG, page 25)

In October 2022 a new [International Financial Services Strategy](#) was launched which restated the Government’s vision that Ireland should remain internationally competitive and be a top-tier location of choice for specialist international financial services. Furthermore, the importance of the IFS sector for the Irish economy was noted along with a recognition that Ireland is now a very significant global financial centre in certain aspects within the EU financial system.

In particular, Ireland is a global centre for asset management and funds servicing and this funds sector also plays a role in relation to Government policy in areas such as delivering on objectives within the *“Housing for All”* strategy. The funds sector also plays an increasing role in helping citizens to make provision for their investments, savings, pensions and retirement as well as provide financing for SMEs and the decarbonisation of the economy.

Taking account of developments at national level as well as at EU and international level, the legislative and regulatory framework for funds continues to try and keep pace with market developments and continues to grow in scale and complexity – especially so in the asset management and funds servicing sector. Of particular note is the ever-increasing focus on the financial resilience of the sector both from a domestic and international perspective.

In this context, the Minister for Finance considers that it is timely to conduct a holistic review of the asset management and funds servicing sector (regulated & unregulated) in Ireland and to consider international comparisons. It is envisaged that the output of this review would inform and refresh our policy and legislative framework for the years ahead. The review will take account of the following:

- The recent work of the Commission on Taxation and Welfare;
- The IMF Financial System Assessment of Ireland 2022;
- The recently updated Government strategy for the international financial services sector, where policy goals and targets have been set out for the coming years.
- That the funds sector, and the IFS sector more widely, has been a driver of employment and economic activity, across the country;
- The relationship and interlinkages with the EU’s Capital Markets Union (CMU) policy;
- The evolving regulatory regime (including the regulatory toolkit) for the funds sector at EU level and more generally internationally;
- The fact that Ireland is now a very large international financial services centre and in particular a significant jurisdiction for funds;
- That funds in this jurisdiction are both regulated and unregulated; and
- That Ireland’s international reputation as a well-regulated, predictable, transparent and ‘best-practice’ environment has been a key factor in the growth of the IFS sector.

Taking account of this national and international context, the Minister for Finance has tasked his Department with conducting a review and as part of this review preparing a '*Funds Sector 2030*' Report that will:

- Assess how the funds sector has evolved since policy supports to attract international financial services activity to Ireland began in the late 1980s.
- Assess how the funds sector directly and indirectly contributes to the economy, with particular reference to employment, revenues and regional development.
- Outline the current landscape of the asset management and funds servicing, having regard to domestic and international debates on the role of the non-bank sector;
- Undertake relevant peer comparisons, most notably from other EU jurisdictions;
- Take account of EU policy, in particular examining alignment with the EU Capital Markets Union (CMU) policy and other relevant international policies, and assess trends and how best Ireland can be positioned to fully benefit in the future;
- Assess the role the sector can play in deepening Ireland's capital markets and in particular supporting domestic SME's access to finance;
- Outline the regulatory and supervisory framework for the sector and as part of that examination, considering the financial resilience of the sector both in the context of its size relative to the domestic economy and also in the context of Government's policy goal to have Ireland as a location of choice for EU and international financial firms;
- Have regard to the Commission on Taxation and Welfare recommendations 6.6 & 6.7 which called for:
 - an examination of the taxation regime for funds, life assurance policies and other related investment products, with the goal of simplification and harmonisation where possible; and to do so with a net revenue-raising or neutral mandate;
 - an examination of the regimes for Real Estate Investment Trusts (REITs) the Irish Real Estate Funds (IREFs) and their role in the property sector, including how they support housing policy objectives; and
 - the use and scope of the Section 110 regime, both in the context of the property sector and more generally so as to ensure that the regime is fit for purpose and meeting agreed policy objectives;
- Assess how the sector assists in meeting wider Government policy objectives in areas such as pensions, long-term savings and investment in domestic enterprises and infrastructure; and
- Make recommendations on the above areas so as to promote Open Markets, Resilient Markets and Developing Markets in Ireland in the years ahead.

The Department of Finance will undertake this work by means of a multi-disciplinary team, made up of its own staff and staff from other relevant state bodies, including Revenue, the Central Bank of Ireland and where appropriate experts from outside the State sector.

In preparing its report, the Review Team will also engage extensively with stakeholders and as part of this process will seek external views, including by means of a public consultation.

The Review Team will present its draft report to the Minister by Summer 2024.



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