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Talking heads: Ireland seeks premier league membership for private assets

Reforms should bolster Ireland's private markets business, but increased regulatory scrutiny also needs to be dealt with. As *Nicholas Pratt* writes, 2021 promises to be a pivotal year.

Entering 2021, Ireland is grasping the national regulator's recent review of fund management companies operating under the 'CP86' regime – that is, guidance introduced in 2016 designed to strengthen fund governance through measures such as board effectiveness, managerial functions and oversight of third-party service providers.

At the EU level, Ireland – along with other fund domiciles – faces a review of alternative investing rules.

But there is also optimism that Ireland will gain from the growth in private-capital investments now that amendments to the Irish Limited Partnership Act have been made.

Funds Europe canvassed opinions from some of the country's funds leaders.

FURIO PIETRIBIASI, CEO, MEDIOLANUM ASSET MANAGEMENT

Has Ireland's reputation been impacted by CP86 and the Central Bank's 'Dear Chair' letter?
While CP86 has been an important change for the industry, it was not a surprise. It is

the same approach that we have seen in other jurisdictions and it was essentially the outcome of an extensive consultation process with industry stakeholders. It has attracted more attention because the Central Bank of Ireland (CBI) has clearly coded its expectations and requirements, something other regulators have not.

Having clear rules are important for any regulated business for transparency and to ensure a level playing field across the industry. On the other hand, the requirements are only a real issue for a number of players which have been operating for many years on a different model and they now have to readjust to a new structure. With that being said, I don't think that CP86 has stopped new players coming to Ireland. In fact, its requirements, while not yet in force, were already a conditional requirement for all the new entities that filed their applications in preparation for Brexit.

DAVID HARTE, CHIEF EXECUTIVE, AMUNDI IRELAND

Does Ireland have enough capacity to meet the expanded substance requirements?
This is not the first time the industry has faced potential resourcing challenges. In the past, it has been able to address any such challenges and I believe it will again.

CP86 substance requirements will be met through different business models. Larger self-managed investment companies (SMICs) may set up their own management company, but that requires significant investment and resourcing. The third-party management company (ManCo) model, which Amundi Ireland offers, has the operational scale required to meet the CP86 substance requirements and providers will have a key role in creating the required capacity.

What investment products will be most in demand in Ireland in 2021?
There is a growing demand amongst pension and savings investors for products that are focused on investing responsibly. It is increasingly important for investors to understand the process behind funds to ensure they are investing with a manager that has a proven, credible track record in this space. With deposit rates at zero, or in some cases negative, there are very early signs of a move away from cash into conservative funds which provide some equity market exposure but are well diversified across other asset classes such as bonds and cash.

EMMA LOVE, HEAD OF COMPLIANCE, TOBAM

What will be the impact of the EU's Alternative Investment Fund Managers Directive (AIFMD) review?

Asset managers and their compliance teams should take this opportunity to engage with the consultation process. They should consider the potential impact on their current arrangements, particularly in respect of delegation to third countries, as well as the potential application of the Directive to third-country firms.

They should further assess any implications from the potential harmonisation of the Ucits and AIFMD Directives.

On the matter of substance, we have already seen the Central Bank of Ireland (CBI) and [Luxembourg's] CSSF address this subject as part of the authorisation process and firms should now start to consider staffing requirements.

What turbulence can we expect from Brexit?
So far, European investment managers have witnessed a redomiciliation and repapering of existing UK broker and trading relationships into European jurisdictions. This has been relatively straightforward to date with the counterpart undertaking the majority of the heavy lifting. However, this will put pressure on the smaller brokers who lack the same resources. Clearly there will be economic implications for the EU and the UK but from an investment point of view, we have not experienced any major issues. That said, more work is required on equivalence.

PAT LARDNER, CHIEF EXECUTIVE, IRISH FUNDS

Ireland passed the Investment Limited Partnership (ILP) (Amendment) act in December 2020. What impact will it have on Ireland's funds market?
The Act modernises Ireland's partnership offering for strategies investing in private assets and supports our drive to be the premier location to support global investing. It will be especially welcome by those managers who want to use an EU-based, common law partnership structure which complies with AIFMD. It will attract managers to Ireland as a key base for European capital raises and will also help ensure that we are optimally positioned to develop as a centre for green financing and support the EU Green Deal.

The overall impact of these developments will be significant and felt country-wide – we estimate that it will create an additional 3,000 jobs by 2025 while attracting up to €20 billion per annum in global private capital.