

Ireland's International Financial Services Industry Since 1987

April 2008

Outline of Presentation

■ Context

- the Irish Economy since 1987
- Key success factors at the “macro” level

■ IFSC

- History
- Present Situation
- Reasons for success

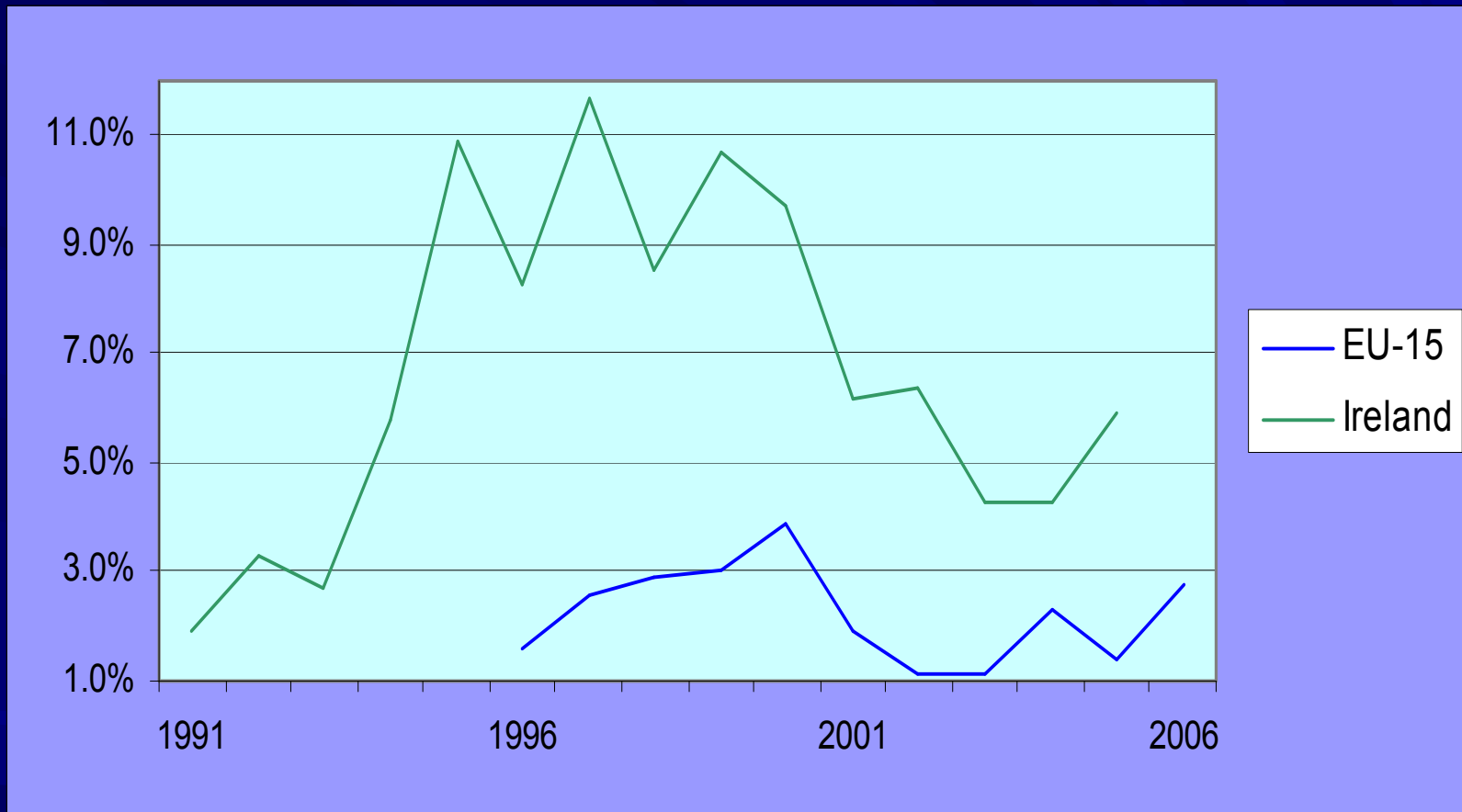
■ Future of the International Financial Services Industry

- “Building on Success”

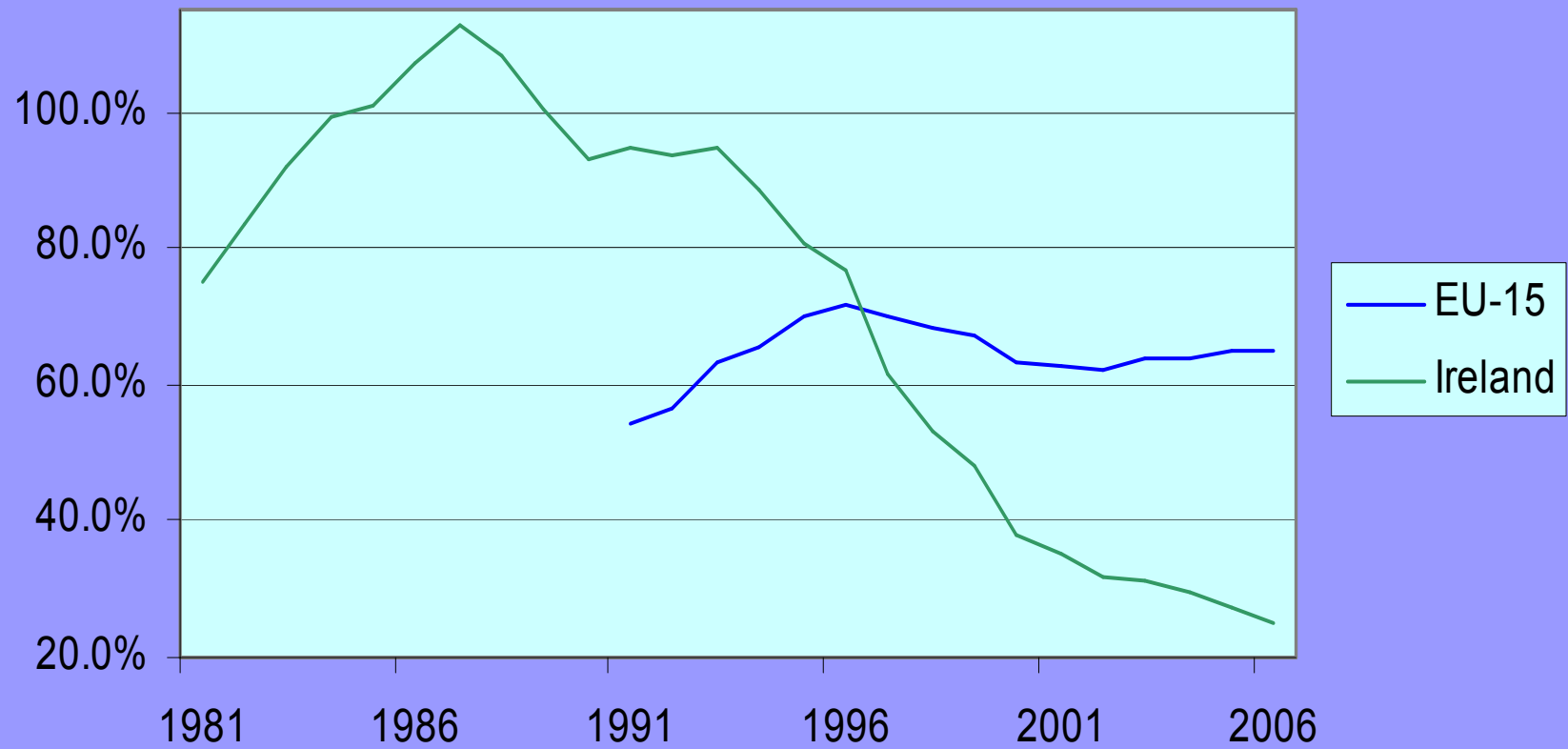
The Irish economy in 1987

- Unemployment was over 16%
- Inflation had averaged about 10½ % per annum in the preceding 10 years
- Emigration at highest level since 1950s
- Budget Deficit was about 10% of GNP
- National Debt/GNP ratio was about 120%

Real Growth Rates 1991-2006



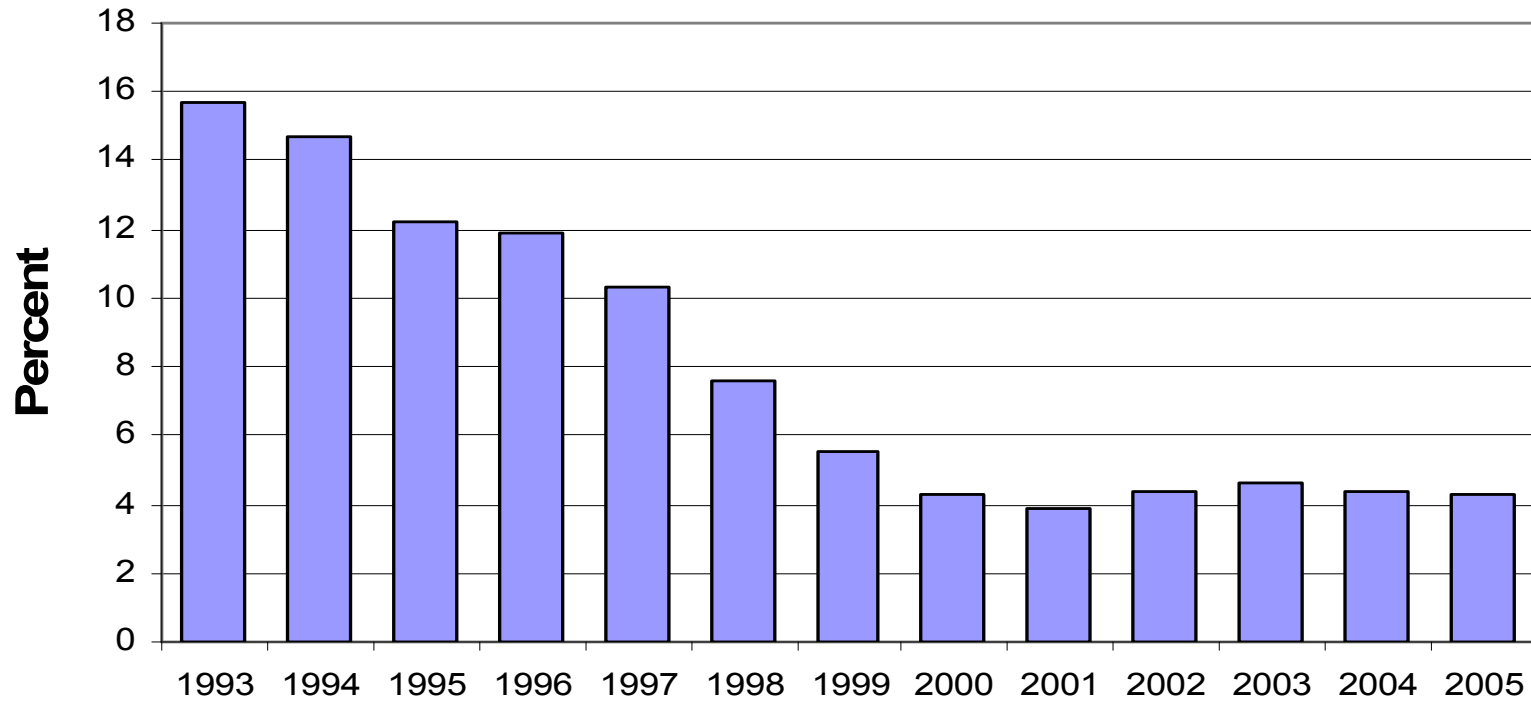
Debt Ratio 1981-2006



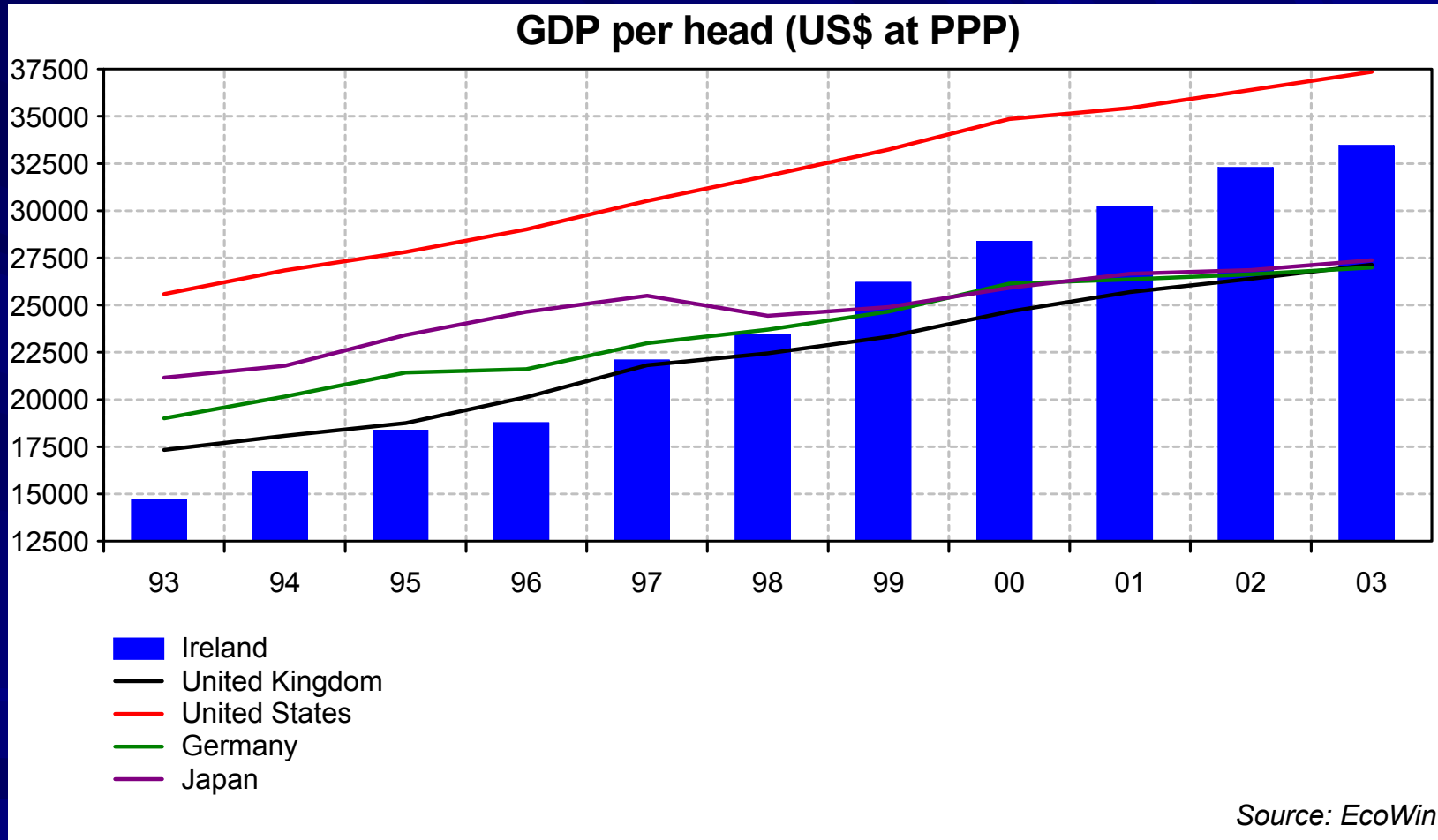
Source EU AMECO Database (Calculated using components)

Falling Unemployment

Ireland Unemployment (%)



Rising Incomes



Quick Transition?

“The poorest of the rich”....The Economist (1987)



10 Years Later



“Europe’s Shining Light”....The Economist (1997)

Reasons for Success

- Prudent Management of the Public Finances since the 1980s
- “Outward Oriented” Economic Policies from the early 1960s
- Social Partnership fostering industrial stability
- Tax Reforms
- Increase in the labour supply and labour productivity
- EU Membership
- Investment in Education and Skills

EU Membership

- Macro economic stability from late 1980s
- Reform of the public finance system
- Integration into the global economy
- Foreign direct investment
- Investment in education and infrastructure
- Promoted competition and market liberalisation

Imperatives for a Small Country

- Outward orientation
- Fiscal, economic and industrial relations stability
- Focus on education and skills
- Infrastructural investment
- Excellent communication between business and government

International Financial Services Centre (IFSC)

- Established by the Government in 1987
- Regime approved by the European Commission under EU state aid rules
- European Commission reviews approval - 1998 and,
 - Agreement reached on phasing out IFSC gradually
 - No new entrants from 2000 and special tax regime ended on 1 January 2006
- IFSC companies now absorbed into general tax system

High-quality Employment

- Over 22,000 people directly employed in international financial services at end-2006
- 3,000 net new jobs created in 2006
- Substantial indirect employment created since 1987 – over 3,000

High-quality Operations

- Over 1,100 operations in banking, fund and treasury management, dealing and brokerage, financial activities and insurance
- Over half of the world's top 50 banks located here (29)
- International bank assets currently estimated at around €450 billion
- Close to €1.4 trillion in assets under management in Ireland

IFSC – A Definite Success

- *Global Financial Centres Index March 2008* shows Ireland 13th in the ratings – up from 22nd and ahead of Paris
- *GFCI Sept 2007* – Dublin ranked among the top 5 European financial centres by global respondents
- Ireland a significant global player in **niche markets** – no.1 for alternative investment funds and no.2 to the UK for money market funds

Financial Services in the Irish Economy

- 1/3rd of Irish service exports
- Just under 10% of GDP
- 60,000 directly employed (total labour force of 2.2 million)
- Over €1.1 billion paid in corporation taxes – about 17% of total corporation tax

Main Incentives

- Not just tax regime.....
 - Strong and stable economy, low risk
 - Calibre of the work-force
 - Good telecommunications and support services infrastructure
 - Excellent business environment
 - An EU base
 - Low cost base (not these days though!)
 - Excellent communication between business and government; partnership approach

General Tax Policy

- Business friendly tax policy
- Long tradition of low corporate tax rates for business
- Low rates for personal taxes since 1987
- Some tweaking of the tax system each year
- EU Code of Conduct, OECD Member State

Other Important Points

- Regulatory environment
- Tax Treaty network
- Very much on-shore

Partnership Approach

- Access to Government for industry
 - Listens
 - Provides certainty
 - Manages disappointment
- Single-mindedness, clarity as to the goal
- Political commitment

Clearing House Group

- Prime Minister's Office chairs a 6-weekly meeting of industry reps and public servants
- Monthly working group meetings
- Input from all interested parties
 - Department of Finance/ Revenue Commissioners
 - The Financial Regulator
 - Industrial Development Authority
 - Department of Enterprise, Trade and Employment
 - Key Industry Players

“Building on Success”

■ Key elements

- Flexible & Sound Regulatory Environment
- Attractive Legislative & Fiscal Environment
- Expertise in Markets
- World Class Skills, Education & Training
- Product Development, Innovation/R & D

■ <http://www.taoiseach.gov.ie/index.asp?locID=181&docID=2871>

To conclude...

- Stable economic environment
- Business friendly environment
 - Tax, regulatory, corporate law etc.
- Partnership approach
- Self belief
- And hard work!

Thank You!