



The medium term view

The Roundtable panel of this Yearbook edition of the Finance Dublin Funds Monitor (the third edition) provide a compelling analysis of some of the biggest problems facing Asset Management including: how to address ESG, the custodial and regulatory aspects of asset management for cryptocurrencies, the lessons of the pandemic in funds administration as well as topics such as how they are dealing with the hot issues of diversity, inclusion, and sustainability. Their granular responses citing individual corporate solutions across the platforms represented also provide a sharp insight into the work and innovation being undergone in this key cross-section of the Irish and global funds industry.

The Roundtable Contributors are, listed in order of their appearance in this edition: Ross McCann, Head of Fund Services, Alter Domus, Ireland; David Dillon, Director (Ireland), MJ Hudson; Melíosa O’Caoimh, Country Head - Ireland, Northern Trust; Niamh Ryan, Partner, Funds, Simmons & Simmons, Ireland; Tadhg Young, Executive Vice President, County Head – Ireland, State Street; Claire O’Brien, Director, Global Client Coverage at RBC Investor & Treasury Services; Joanne McEnteggart, Managing Director of IQ-EQ Ireland; Frank Talsma, Director, Risk & Investment Analytics, RBC Investor & Treasury Services & Dirk Holz, Director, Head of Private Capital Services at RBC Investor & Treasury Services, Tony Mallozzi, Associate Director, Private Capital Services, RBC Investor & Treasury Services, & Brian Dillon, Partner, Dillon Eustace.

Ireland’s new investment funds product - the ILP

With the emergence of the first ILPs, e.g. Bain’s Bain Capital Special Situations Europe II LP (see *Finance Dublin*, May: "Bain Capital wins race to register first 2021- style ILP "), and other indications, the ILP has got off to a flying start since it was reviewed in our earlier editions of the Funds Monitor. In your view how successful is the new product proving so far?

Ross McCann, Head of Fund Services in Alter Domus, Ireland: To date, there has been a lot of positive conversation and feedback around the ILP and it’s great to see some early new launches as well as

conversions from other products. Our view was that the ILP, complemented by CBI guidance updates on closed-ended funds, would not be a ‘light switch’ event despite pent up demand for such an Irish product. Most market participants with new launch plans for H2 2021 and early 2022 have been digesting industry webinars, publications, etc., and started to make enquiries with their advisors. Natural caution with a new product, and for many a new jurisdiction, means there has been a definite preference to watch the ‘first



Ross McCann

movers’ (and their advisors) establish a path, so it becomes ‘tried, tested, and indeed trusted.’ There is a growing understanding of how the ILP can be structured for different asset and investor strategy types. With this in mind, we expect to see momentum build over time and a significant uptick in activity from early 2022.

David Dillon, Director (Ireland), MJ Hudson: In my view the ILP will, over the medium to long term, put Ireland in a competitive position with other jurisdictions. There are indeed a number of ILPs being established by promoters who are familiar with Ireland as a jurisdiction. I think it will take some time however, before we will be able to catch up with jurisdictions which have had a much longer lead time in establishing a reputation in this area. Additionally, it has been difficult during Covid to market and inform the industry globally of the attractions of the ILP as a vehicle for private equity and other alternative structures.

Melíosa O’Caoimh, Country Head - Ireland, Northern Trust: For many years the industry has lobbied successive governments for the creation of a limited partnership regime in Ireland. We have noted with interest the various debates that surrounded its introduction and welcome its recent inception. We have recently completed the successful launch of our first ILP, are continuing to see significant client interest in the vehicle and have a growing pipeline of work.



Melíosa O’Caoimh

We are seeing continued advocacy and recognition of the potential benefits and uses of this partnership structure. In the 20 years of our presence in Ireland (which we celebrated in 2020), we have seen many new product types brought to market. The key measure of the ILP’s success will be its long-term contribution to the continued development of Ireland’s position as a global-recognised centre of excellence in the support of alternative investments.

Niamh Ryan, Partner, Simmons & Simmons: We are certainly seeing a lot of interest in the ILP from all types of

managers . I think it is a bit early to determine how “successful “ it has proved so far given only a small number have been established but I don’t see any reason why it won’t be a success. As an industry we clearly need to educate and inform the global asset management community about the ILP given it has taken quite a while to get to a point where we have a good partnership vehicle and that delay is our key challenge . Managers are used to setting up their partnership structure in other jurisdictions such as Luxembourg so we need to ensure there is a compelling reason for those managers as well as new managers to consider Ireland for their next fund . A key element in the success of the ILP is the regulator and ensuring that it understands the ILP and the types of strategy it is likely to be used for . So far, the Central Bank has really developed its thinking on ILPs and its understanding of those strategies and a good example of this is its updates to its requirements for closed ended funds which has been a key part of the development of the ILP . We as an industry need to ensure that this positive engagement with the Central Bank continues in the same way so that we can ensure the future success of the ILP.



Niamh Ryan

“We have noted with interest the various debates that surrounded its introduction and welcome its recent inception. We have recently completed the successful launch of our first ILP, are continuing to see significant client interest in the vehicle and have a growing pipeline of work.”

Tadhg Young, Executive Vice President, County Head - Ireland, State Street: We are still in the early stages of adoption of the ILP structure but all the indications are that interest levels are high from both prospective managers and their investors. The ILP structure is almost certainly going to increase the

attractiveness of Ireland to fund managers in the private equity space. They can now benefit from increased flexibility with a more suitable legal structure for private equity products, as well as greater cost efficiency by allowing multiple sub-funds within one structure. The ability to bring products to market more quickly will also be a big attraction. So while we are yet to see success in terms of number of products launched, it is definitely there in terms of interest and plans being made.



Tadhg Young

Should there be a new perspective on cash as an asset class?

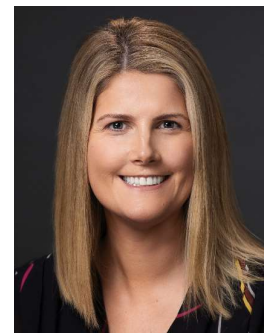
Given the upsurge of investor interest in cryptocurrencies and the increasing reference to them by policymakers, for example, what fund administration issues are likely to arise for fund designers taking a new ‘paradigm’ approach to the treatment of cash in portfolios? Will the rising opportunities for blockchain committed assets, and the prospect of new market structures enable custodians, for example to expand their service offerings?

Tadhg Young, Executive Vice President, County Head - Ireland, State Street: The rise of digital assets requires a fresh look at the definition of money, since new forms of digital cash – stable coin, central bank digital currencies (CBDC) and synthetic CBDC as well as tokenized forms of deposits – bring new challenges, as well as opportunities to the investment management community. There are various novel aspects to these asset types. They can change the risk-reward profile of cash splitting the interest earning capacity from the liquidity value, and they could embed automated workflows in the form of smart contracts and allow for real-time, instant payment solutions. Crypto currencies represent their own challenges with respect to fund administration services. The consensus mechanism of a crypto network may not allow for precise timing of events to be determined. This impacts the control

functions a depository has to provide, such as cash flow monitoring, ensuring trades are executed at appropriate market prices and determining the timing of when ownership is achieved. This will require more dialogue with regulators to ensure that new solutions meet regulatory objectives for the safety of assets. We believe that digital assets will transform financial markets and thus require a strategic response that brings together new technological capabilities, talent that drives innovation and relevant industry partners to build a new ecosystem. Our new business unit, State Street Digital, is dedicated to help our clients navigate this new market paradigm.

“The rise of digital assets requires a fresh look at the definition of money, since new forms of digital cash – stable coin, central bank digital currencies (CBDC) and synthetic CBDC as well as tokenized forms of deposits.”

Claire O’Brien, Director, Client Coverage, RBC Investor & Treasury Services: Since 2019, RBC Investor & Treasury Services (RBC I&TS) has worked with the RBC Global Asset Management Crypto Asset Innovation team to review and develop proof of concept solutions and infrastructure for the processing of digital/crypto assets. This collaboration has allowed us to develop a prototype cold wallet digital/crypto custody solution that when implemented will be able to support an institutional grade crypto custodian.



Claire O'Brien

As part of our research and development process, RBC I&TS continues to monitor the regulatory approach to digital/crypto assets and the overall evolution of the ecosystem to ensure that our solution aligns with RBC’s risk appetite when we enter the market.

Joanne McEnteggart, Managing Director of IQ-EQ Ireland: The emergence of Bitcoin in 2009 was as a

direct result of the massive QE that we saw in the aftermath of the financial crisis- and we're witnessing another, even larger, wave happening right now. Suddenly, the nascent threat of much higher inflation is something that needs to be considered, and we're seeing companies like MicroStrategy and Tesla already diversifying by holding portions of their cash in the form of Bitcoin. Commensurately, there has been a significant upsurge in the number of funds looking at cryptocurrencies as an asset class, which certainly presents both challenges and opportunities in the fund administration space.



Joanne McEnteggart

“Whether a fund’s strategy is entirely crypto asset focused, or merely a cash diversification consideration, the primary challenge will be around custody of those assets. There has been significant development in this space over the last 4 years, with more and more of the ‘tradfi’ institutions developing crypto custodian offerings to complement those custodians that had previously been offering custodial solutions.”

Whether a fund’s strategy is entirely crypto asset focused, or merely a cash diversification consideration, the primary challenge will be around custody of those assets. There has been significant development in this space over the last 4 years, with more and more of the ‘tradfi’ institutions developing crypto custodian offerings to complement those custodians that had previously been offering custodial solutions. This is the single most important dynamic to support the growth of crypto as an asset class and allows for the same rigorous controls and oversight to be applied.

The limited knowledge of the space and lack of experience in servicing these asset classes presents challenges, however. For Fund Administrators, those firms that have embraced it early and built a proven

offering/operating model of expertise around the asset class will be primed to do very well. Given the relative newness of digital assets, fund structuring teams will need to spend a significant amount of time educating investors and having service providers with proven expertise in the space will be crucial to bringing investors on that journey.

David Dillon, Director (Ireland), MJ Hudson: In my humble opinion there is no doubt that cryptocurrencies will establish themselves as a very important asset class. There is still some way to go before the Industry will come to grips with all the issues and indeed risks associated with such a sophisticated asset class. I believe it is crucial that jurisdictions and Regulators ensure that there is a proper understanding of all the implications before Funds investing in cryptocurrencies become common place, which is not to say that such products should not be endorsed and promoted.



David Dillon

ESG

As demand for ESG-driven investing develops and becomes more granular, so too has the number of data providers – each with varying information, reporting components and levels of transparency to support this. This is not without its difficulties, though, as it has created some confusion and subjectivity for investors to assess the magnitude and direction of individual companies’ ESG related issues. Concerned at the numerous ESG methodologies and data sets available, investors have expressed the need for a more transparent and disciplined framework that focuses only on the ESG-related business issues that could impact the financial condition of a company – and ultimately their portfolio’s investment return.

Joanne McEnteggart, Managing Director of IQ-EQ Ireland:

The existing ESG data universe is fraught with quality challenges spanning across materiality, comparability and reliability issues. The data is often neither standardised

nor audited, and its content needs to be interpreted due to the absence of prescribed formats. The EFAMA feedback on the challenges that inhibit the integration of ESG data received from vendors into investment decisions, and complicate the investors compliance are the following:

1. Costs, balance of power and market concentration of data vendors
2. Transparency on methodology and data sources
3. Associating data and ratings with the right entity – data is aggregated at too high level
4. Calibration problems between sectors and E& S & G considerations when simplifying into a single rating
5. Reliability and no limitation statements

Funds will need to understand the context, not just the rating to produce scalable data for disclosures. The Irish Funds seminar on 5 February presented feedback on the availability of SFDR principal adverse impact indicators among vendors data, and the level of vendor consensus on the measurement of the indicator. This highlighted a low level of correlation between vendors in calculating a number of sustainability

“The cost for retrieving and using companies’ public information is high, particularly in relation to ESG information gathering, owing to the lack of consistency and fragmented nature of the information. Information has to be gathered from disparate sources in multiple formats, requiring research through various documents, which makes this process very manual and therefore labour intensive and costly.”

indicators.

The cost for retrieving and using companies’ public information is high, particularly in relation to ESG information gathering, owing to the lack of consistency and fragmented nature of the information. Information has to be gathered from disparate sources in multiple formats, requiring research through various documents, which makes this process very manual and therefore labour intensive and costly.

There is a significant move towards digitalisation however. Digital formats are being mandated elsewhere for financial

statements through the ESEF (European Single Electronic Format) regulation. The ESG data retrieval and reporting process is a key focus at European and local level and the “CleanTech” industry is developing to fill that gap.

Frank Talsma, Director, Risk & Investment Analytics, RBC Investor & Treasury Services: ESG is a complex,

data intensive world where norms do not exist. The main challenge for the industry is tackling ESG in a standardized, transparent and comprehensive way. Each of these three aspects are equally important and challenging.



Frank Talsma

The foundations around ESG investing and monitoring are currently being laid and the industry is rapidly structuring itself as ESG becomes the new norm - yet we are far from a unified framework.

“The EU is acting as a catalyst to handle ESG in a more standardized way and to help fight greenwashing. However, there still remain many challenges such as ensuring we measure the right things and identify the right sources. It is easy to accumulate mass amounts of data in one “ESG lake” but it’s much harder to extract value from it. Strong analytical capabilities will be key.”

At its core, ESG is a massive data challenge and there are still many gaps in terms of data availability and consistency. ESG ratings and metrics give very different results caused by methodological and data input choices and at the moment there is simply not enough reliable data. Through regulatory initiatives like CSDR and industry pressure, companies will need to disclose more reliable data on ESG, which should gradually narrow the gap.

At the moment it is challenging for investors to compare ESG information on an equal basis. This is where the European Union’s regulatory initiatives in particular

SFDR and Taxonomy, aim to provide some relief. The EU is acting as a catalyst to handle ESG in a more standardized way and to help fight greenwashing. However, there still remain many challenges such as ensuring we measure the right things and identify the right sources. It is easy to accumulate mass amounts of data in one “ESG lake” but it’s much harder to extract value from it. Strong analytical capabilities will be key.

Lastly, there is a dual materiality to ESG investing. It is important to measure the impact of ESG on financial performance, but as attitudes are shifting towards impact investment, it should become increasingly important to quantify the contribution (positive or negative) an investment has on environmental and social issues. Answering questions like how a low-carbon fund actually helps reduce emissions will be the next challenge.

Tadhg Young, Executive Vice President, County Head - Ireland, State Street:

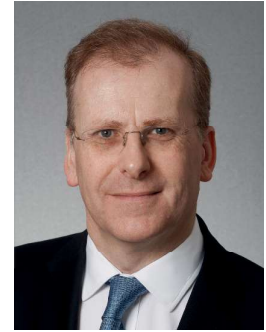
Institutional investors are increasingly focused on aligning their portfolio with ESG criteria. They are looking to invest in companies that truly understand the importance of business resiliency and operations—grounded in the belief that incorporating material ESG factors is important to a company’s long-term performance. To make informed investment decisions, investors demand clear, consistent, comparable and decision-useful disclosure by companies regarding the scale and intensity of sustainability risks posed to their businesses.

This has driven demand for quality ESG data, which is used by investors to complement traditional financial research, to inform the selection of portfolio securities, execute stewardship activities, meet client demand for ESG products and satisfy increasing regulatory scrutiny. In the European Union (EU), the new Sustainable Finance Disclosures Regime encourages transparency and uniformity within financial markets. However, due to the delayed review of corporate sustainability standards, asset owners and their managers cannot rely solely on companies’ public disclosures, hence third party data providers play an important role in collecting ESG data and assigning ratings.

The lack of standardisation and transparency in providers’ data collection and rating methodologies poses a challenge to investors. Regulators in the EU, intend to address this through additional legislative measures. While increased transparency is necessary, it is important to understand that variations in

outputs and methodologies are justified when drawing comparisons across different industries or sectors, given providers adopt

differing concepts of materiality, approaches to data acquisition and estimates, aggregation and weighting. State Street procured extensive ESG datasets to resolve this



Tadhg Young

challenge and support clients in calculating their portfolios’ 2 degrees alignment, carbon earnings at risk and exposure to physical risks arising from climate change.

“ESG is without doubt an important development as a global dynamic, not only in funds but in all aspects of our lives and indeed it is to be welcomed and hopefully embraced by all interested groups both politically and economically. Notwithstanding this, I suspect that it will be some time before it will be possible to fully understand and appreciate investments and their contribution to sustainability and ESG.”

David Dillon, Director (Ireland), MJ

Hudson: ESG is without doubt an important development as a global dynamic, not only in funds but in all aspects of our lives and indeed it is to be welcomed and hopefully embraced by all interested groups both politically and economically. Notwithstanding this, I suspect that it will be some time before it will be possible to fully understand and appreciate investments and their contribution to sustainability and ESG, but you are right when you state that there are a number of data providers developing expertise to achieve a real understanding of such products. Indeed MJ Hudson has within its stable of services an ESG analytics and reporting service. A number of Funds which espouse a commitment to ESG principles do not necessarily live up to their promise when one drills down into underlying investments and products. As information gathering and reporting improves it will be possible to assess ESG strategies.

Innovation and the Central Bank

Ireland has in the past year been the focus on significant innovative funds structures, such as the *Finance Dublin Deals of the Year Awards 2021* Award-winning Franklin Templeton funds (the first Irish-domiciled funds that meet the EU’s climate-friendly Paris-aligned Benchmark (PAB) Regulations), new developments in the active segment of the ETF market (e.g. the award winning The Almalia Sanlam Active Shariah Global Equity UCITS ETF), and the Amundi Redomiciliation, as well as international investments in Irish fund companies, such as Centaur and DMS, and not least the expansions of Finance Dublin Funds Monitor Contributor firms Alter Domus, IQEQ and MJ Hudson. The Central Bank has been challenged in keeping up with these. In your view, how good a job has the Central Bank doing in this respect, and where, given that there is always room for improvement, do you see the Central Bank helping to raise the jurisdiction’s game further to meet the next set of opportunities? Please make reference to any of the above, or other examples that have arisen in your business.

David Dillon, Director (Ireland), MJ Hudson: The Central Bank has invested in expertise, experience, systems and the rest to put it in a strong position to regulate the different

products and developments in the Industry. It would appear from the outside that there is also a significant commitment to research and development in support of this objective. If there is one aspect that I



David Dillon

think might help regulators and participants alike it is a more open discourse between the Industry and the Central Bank. The Central Bank is rightly careful to ensure its independence and in that regard it is somewhat circumspect in its engagement. However, I believe that there is no reason why there should not be a more open dialogue and interaction between the Regulator and those that it regulates. There is very significant expertise and knowledge

which I believe would be helpful in achieving a steeper learning curve.

Joanne McEnteggart, Managing Director of IQ-EQ Ireland: The Central Bank has always strived to remain at the forefront in preparing for and reacting to, regulatory and market developments, and managers and service providers here have always enjoyed a prudent but pragmatic regulatory environment.

However, the Covid-19 Pandemic has reshaped our world, and the financial services sector responded overnight to ensure no disruption of service to clients. Many measures implemented in March 2020 which were thought to be required for an initial period of 2 weeks have now been in place for 18 months, as firms worked to prioritise their immediate financial and operational measures.



Joanne McEnteggart

“If there is one aspect that I think might help regulators and participants alike it is a more open discourse between the Industry and the Central Bank. The Central Bank is rightly careful to ensure its independence and in that regard it is somewhat circumspect in its engagement. However, I believe that there is no reason why there should not be a more open dialogue and interaction between the Regulator and those that it regulates.”

With many financial institutions now primed to change their operating models permanently and embrace the shift towards becoming fully-digital firms, the Central Bank is well placed to embrace this change proactively.

Where firms are seeking to deliver newer technology-driven solutions within the financial market, the Central Bank innovation hub works with firms to achieve the right balance between innovation and financial stability, which essentially, is to

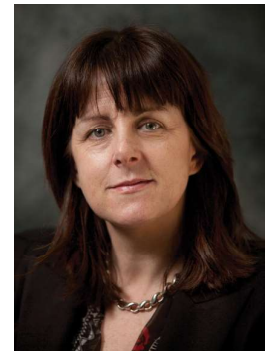
the mutual benefit of both parties.

One further measure which could help the Central Bank remain at the forefront of changes to the local financial landscape is the offering of a regulatory sandbox- a dedicated testing environment set up by a regulator which would allow firms to test innovative products, services or business models within a live setting.

Regulatory sandboxes have proven a popular resource within the UK and Netherlands, and offer firms the opportunity to:

- Test new products and services within a controlled environment
- Have a reduced time-to-market
- Lower costs
- Identify the most appropriate consumer protection safeguards to build into any new products and services
- Allow smaller unauthorised firms to test their proposals before committing to the authorisation process

Meliosa O’Caoimh, Country Head - Ireland, Northern Trust: It is important to note that the Central Bank of Ireland has a primary duty to regulate and supervise various activities within the Irish industry, but it does not have a business development mandate. It is fundamentally the job of our industry to innovate and lead the creation of new products and solutions in a manner attractive to international investors and asset managers



Meliosa O’Caoimh

The Central Bank compares well with any international regulator in terms of its communication and clarity, and the management of its regulatory and supervisory regime. In our experience the success of Ireland’s growth over successive decades is partially attributable to the balance the regulator has been able to strike in this regard.

Niamh Ryan, Partner, Simmons & Simmons: I don’t believe the Central Bank would consider that its mandate is to be innovative but what the industry needs is for the Central Bank to be open to listening to the industry so that we can work collaboratively to develop the jurisdiction. As well as the examples mentioned in the question, good examples of this collaborative approach can be seen

in the development of the ILP and the Central Bank updating its requirements for closed ended funds and the recent establishment of the regime for Depositary of Assets other than Financial Instruments or “DAoFI”, the specialised depositary. The DAoFI is proving to be quite popular for service providers in the alternative space and shows a willingness to develop the alternative side of the industry. I think the next phase of development will be in crypto assets and funds and the Central Bank is obviously key to the development of that asset class in Ireland.

“The Central Bank compares well with any international regulator in terms of its communication and clarity, and the management of its regulatory and supervisory regime. In our experience the success of Ireland’s growth over successive decades is partially attributable to the balance the regulator has been able to strike in this regard.”

The challenge for the Central Bank, as it is for all firms within the industry, is resourcing and having the right staff to understand the questions being posed or applications being made particularly when we come to look at crypto, tech and digitalisation more generally. A willingness to work with industry to understand the sector and develop products will be key to ensuring that we can avail of these opportunities.

Brexit and the Irish asset management industry

In terms of recent trends with regard to the evolution of the EU and UK asset management markets, what observations would you make about the consolidation trends evident in Ireland in this context? (Please feel free to cite developments from within your own organisation in this respect).

Ross McCann, Head of Fund Services in Alter Domus, Ireland: Broadly the trends point to overall market growth through existing and new players but also consolidation due to different factors. As

has been well-publicized, Brexit has driven many UK and international asset managers to turn to Ireland as their solution for the continued management of European funds and ensured access to the single market. In many cases, managers applied for authorisations to top-up their



Ross McCann

existing offices or set up an office from scratch. The third alternative was to look to third-party AIFMs within the market, primarily in Luxembourg or Ireland. As the set-up option proves to be cost-intensive and time-consuming, managers have had to evaluate their future growth plans and assess cost/benefit closely.

Regulatory requirements, including CP86, are contributing to both resource costs and operational risk. It is therefore anticipated that the self-managed route will become less viable to smaller managers. Consequently, there is increasing demand for the already popular third-party super ManCos and other service providers coming in as new market entrants either by way of launch or acquisition.

Taking our own example, we recognised the benefits of having a fully authorized AIFM local to our clients and prospective clients, replicating our successful Luxembourg model. In Alter Domus’ case, this was achieved through a mutually beneficial acquisition of a client-owned AIFM. The primary advantage of this is that when combined with administration and depositary services, it supports a ‘one-stop shop’ service model in Ireland, offering clients synergies and efficiencies as well as added value for their AIFMD compliant funds. The consolidation trend will likely continue as market participants, many backed by large private equity houses, seek to add service lines, geographic spread, and new technology capabilities.

David Dillon, Director (Ireland), MJ Hudson: It has to be the case that the UK will always be a very important jurisdiction in the asset management industry globally and it cannot be the case that the UK will be marginalised as a result of Brexit. Having said that, the relationship between the UK and the EU and indeed other markets is still being ironed out. In my experience, the fears that artificial arrangements would be the order of the day has not materialised. The

UK asset management industry have taken their responsibilities to provide substantive structures to facilitate their continued participation in EU markets seriously. Substantive management company arrangements with proprietary or third party Mancos are being established apace.

Joanne McEnteggart, Managing Director of IQ-EQ Ireland: The Asset Management landscape in Ireland post Brexit remains reasonably fluid and much will depend on how the negotiations on equivalence proceed between the UK and the EU.

“Regulatory requirements, including CP86, are contributing to both resource costs and operational risk. It is therefore anticipated that the self-managed route will become less viable to smaller managers. Consequently, there is increasing demand for the already popular third-party super ManCos and other service providers coming in as new market entrants either by way of launch or acquisition.”

That being said, Ireland has been successful in positioning itself as an attractive location for UK asset managers. Key factors have been the ease of access geographically, the common law regime, the language and the close cultural ties. As a result, Dublin has become the most popular location for financial services firms relocating from London to Europe since the Brexit vote in 2016, including dozens of asset managers. Ireland has had the talent pool necessary to accommodate these new managers, however going forward it is important that the country remains an attractive and competitive location, particularly focusing on the availability of housing and providing a positive regulatory environment.

These relocations have brought the topic of substance to the fore, and with the publication of CP86 we can see the CBI has a keen focus on ensuring key positions within Irish AIFMs are filled with people who have the correct level of experience and expertise. We expect to see a continued focus in this area from the authorities in Ireland and in Europe with further regulatory structure expected.

Brexit will also provide challenges for the industry, with the UK now becoming a

direct competitor in some areas. For example, the FCA recently began a consultation on a new open-ended long-term asset fund (LTAF) which will compete with the Eltif with a view to increasing access for investors to illiquid assets. In addition, there will most likely be challenges for Irish funds when trying to distribute to investors via passport in the UK.

Meliosa O’Caoimh, Country Head - Ireland, Northern Trust: While there will inevitably be debates about equivalence and how the two locations will collaborate and compete going forward, the UK will remain a crucially-important part of our client and investor base.



Meliosa O’Caoimh

It will also be incumbent upon all of us to ensure that Ireland remains a location of choice for domiciling and servicing investment funds with a UK nexus. Over decades our industry has developed an excellent working relationship with its UK counterparts across areas of mutual co-operation, for example audit, management, legal and consulting standards.

“It will also be incumbent upon all of us to ensure that Ireland remains a location of choice for domiciling and servicing investment funds with a UK nexus. Over decades our industry has developed an excellent working relationship with its UK counterparts across areas of mutual co-operation, for example audit, management, legal and consulting standards.”

It remains essential that we continue to develop and nurture this relationship – notwithstanding whatever discussions may be happening at a macro level.

Tadhg Young, Executive Vice President, County Head - Ireland, State Street: Brexit has impacted the Irish asset management industry in two ways. First is a significant increase in the number of new entrants to the Irish market, in particular fund management companies. Second is

increased regulatory scrutiny by European bodies over authorisation policies in member states, particularly in relocating financial services firms. While those new entrants may have an eye on both Brexit and the Central Bank of Ireland’s view on substance and governance, as articulated in CP86, the ultimate impact has been increased demand for high quality personnel to fill these roles.

Overwhelmingly, the consequences for the industry in Ireland has been positive. While “consolidation” in its truest form may not yet be a direct impact of Brexit, growth and expansion certainly are. The Irish funds industry has been very familiar with these trends over the past 20 years and it will continue to satisfy for years to come.

Niamh Ryan, Partner, Simmons & Simmons: The consolidation trends we have seen in Ireland have mainly been focused on the fund management company segment of the market and we would expect this to continue. This is not a surprise given the number of fund managers in the Irish and EU market and the importance of Ireland as a key fund domicile in Europe . Brexit has brought an increased focus on the need for substance in Ireland in respect of funds and their managers which has provided opportunity for some in the market and for others it has been a reason to either consolidate across their group or exit in some cases . The other trend is for service providers like AIFMs or administrators to add to their offering either by acquisition or establishment of a new entity within their group and again I would expect this to continue. In terms of impact on the asset management sector more generally, I don’t think we have seen much consolidation in Ireland as yet because we are still at the stage where those firms which relocated some of their business to Ireland or other EU cities are still working their way through the day to day implications of that . We are not at the end of Brexit and so we will continue to see the impact on the industry and we may see more consolidation in the future . It is really interesting time for Ireland given the number of UK asset management firm which have established a presence here which I think only serves



Niamh Ryan

to deepen and strengthen the financial services sector. It will also be really interesting to see how the UK develops its asset management regime without the EU and how or if it will compete with what we do in Ireland

Technology

A sset servicers are wishing to extend their service offerings beyond traditional back office functionality like custody and fund administration into front office services areas like portfolio data analytics, such as <https://aws.amazon.com/finspace/> (available in Ireland). How are asset servicers delivering a new dimension of service by integrating market-leading technology solutions with deep institutional expertise and high-touch service models? For example, Melanie Pickett, head of front office solutions at Northern Trust said “We must combine a market-leading technology solution with deep expertise and a high-touch service model in order to be most effective for our clients”, on the completion in May or the acquisition of Parilux Investment Technology, LLC.

Meliosa O’Caoimh, Country Head -

“Brexit has impacted the Irish asset management industry in two ways. First is a significant increase in the number of new entrants to the Irish market, in particular fund management companies. Second is increased regulatory scrutiny by European bodies over authorisation policies in member states, particularly in relocating financial services firms.”

Ireland, Northern Trust: Ongoing technology development is vital for us and our clients. Our focus is on being able to provide complete technology solutions seamlessly for our clients across multiple asset classes and jurisdictions.

In order for us to meet and exceed client needs, we focus on using technology to deliver end-to-end solutions such as the seamless, cross-location delivery of the data our clients require to manage their businesses.

We also dedicate resource to refining our thinking as to what the future of our industry looks like – particularly in terms of the skills and talent that will be required

to meet emerging customer needs. To this end, we work with industry bodies and not-for-profit organisations at third-level institutions with a view to helping shape the workforce of the future.

The ability to understand and deliver data-orientated technology solutions will be of fundamental importance as the industry continues to evolve. However, timeless skills such as problem solving, relationship and stakeholder management and clear communication will equally remain key for equipping our industry and clients with a productive workforce.

Claire O'Brien, Director, Client Coverage, RBC Investor & Treasury Services: RBC I&TS has continued to work closely with our clients during the COVID-19 pandemic, supporting a significant volume of investment and divestment transactions along with the launch of new fund entities and strategies for key existing clients and new business. For



Claire O'Brien

- example, over the past year we:
 - Developed a data-driven investment book of records (IBOR) solution in partnership with an award-winning global FinTech firm, InvestCloud. RBC I&TS and InvestCloud will offer a digital cloud solution, which will integrate with our clients' existing technology stack and infrastructure to unlock and utilize the value with their IBOR.

“In more recent times, there has been an explosion in technical add-on services and real time analytics provided not only by very sophisticated administrators especially in the hedge fund space, but also by dedicated specialist companies.”

- Completed the final migration in our Network 2.0 initiative. The program was originally scheduled to be completed in July 2020; however, the onset of COVID-19 in March 2020 resulted in a complex exercise of re-planning to account for the new operating environment. This included pivoting to electronic signatures, work from home

migration planning and lobbying national regulators to adopt paperless transfer processes. Over the course of the program, RBC I&TS migrated over 40 markets to our new network partners and opened 15 new frontier markets, deepening our overall service offering.

- In October 2020, RBC I&TS launched a data visualisation tool in the RBC One portal for our securities lending clients entitled 'SL Portfolio Analytics'. This tool is aimed at providing clients with a centralized view of their securities lending; lendable inventory, on-loan positions, allocated collateral and revenue attribution. The dashboard allows users to view portfolio data at multiple levels, which are customizable to their preference including total portfolio aggregated view (macro level) or at the fund, market, asset-class, security level (micro level).
- Delivered enhancements to RBC I&TS' Shareholder Services application in the RBC One portal to provide our clients with a transparent view of their transfer agency data and the tools to analyze fund flows and conduct effective oversight.

Tadhg Young, Executive Vice President, County Head - Ireland, State Street: The funds management industry in Ireland is facing increasing market turbulence, fee compression and industry consolidation. To stay competitive, they must continuously modernize their operations and offerings, delivering better and more personalized experiences for their clients.



Tadhg Young

They also face evolving demands on leadership roles. As the digital economy matures and new business models emerge, leaders are redefining traditional roles and taking on new responsibilities. As a result, our clients' individual challenges and needs vary widely based on their role.

State Street pioneered the shift from traditional back- and middle-office serving to full front-to-back integrated infrastructure to help institutional investors address these challenges, back in 2018 when we acquired Charles River Development and launched State Street AlphaSM. This front-to-back platform helps institutional investors and wealth managers reimagine growth, and unlock scale and advantage by harmonizing data, technology

and services across the entire investment lifecycle. But what makes it really stand out is its open architecture and interoperability, which integrates market-leading third-party solutions and pairs it with State Street's renowned operational expertise.

David Dillon, Director (Ireland), MJ

Hudson: This is a very significant and important development within the industry. All those years ago, when the industry was in its infancy, service providers comprised a trustee/custodian administrator, lawyers, accountants and very little else. Any specific services which fell outside traditional



David Dillon

mainstream services were accommodated within administration, legal and accounting service providers. In more recent times, there has been an explosion in technical add-on services and real time analytics provided not only by very sophisticated administrators especially in the hedge fund space, but also by dedicated specialist companies. Within the MJ Hudson stable we can claim 5 different specialist service companies. Namely, Clarus Risk which focuses on risk management and reporting automation, Peracs which is a fund performance and analytics provider, Meyler which is an investor relations and analytics business, Amaces which is an FX and custodian bench marking provider as well as a specialist ESG reporting business and finally BIRS which is an independent risk solutions company.

COVID-19 Transition

A year ago, for the 2020 Finance Dublin Yearbook we asked the following question: **“Will the COVID-19 crisis accelerate the already rapid trend towards tech change in the Funds industry and in Custody? In what ways is this evident?”** Twelve months on, with the pandemic thankfully on the wane, how do you and our organisation see this question with the benefit of the hindsight of the past 12 months?

Tadhg Young, Executive Vice President, County Head - Ireland, State Street: It is almost impossible to quantify the direct contribution from the

pandemic itself but undoubtedly the last 18 months has witnessed significant technological change across the finance industry. As well as being tested from an operational and technology resiliency perspective, the industry has witnessed a leap forward in the development and adoption of crypto currencies, digital and tokenised assets.

Both the funds and the enterprise outsource partners like State Street who service them are adapting to ever increasing speed and agility. It was this trend that led us to launch State Street Digital earlier this year. While the exact nature of the innovation to come is unknown, what is certain is that it's those with an eye on the future who will be the ones who succeed long-term.

Claire O'Brien, Director, Client Coverage, RBC Investor & Treasury Services: Last year we noted that the circumstances resulting from COVID-19

will have an immediate and lasting impact and we still feel the same today. The industry was forced to implement efficiencies, automate processes and leverage technology to digitize the client and investor experience and we are quite content with the response and solutions we provided. We think the importance of being accessible and reachable online is more important than ever and will not go away as people and businesses will continue to operate remotely in some capacity.

Although people and firms will be slowly going back to the office in some capacity, we envision there will be a hybrid model with traditional face-to-face interaction, as well as technology type communications such as phone and video calls. COVID-19 has taught us that human connectively is imperative and should not be underestimated and striking the right balance between traditional and embracing "new" ways of communicating is more important than ever.

Melíosa O'Caomh, Country Head - Ireland, Northern Trust: Where the impact of the pandemic has been transformational is in propelling us forward to urgently embrace new ways of

working. It has accelerated the take-up of digital technologies and further digitisation of asset management processes.

We believe the asset management industry is about to undergo a digital transformation in which new technology will equally disrupt both fund manufacturing and distribution. The solutions that have been successfully developed, such as the delivery of more investor information via digital channels, will only help accelerate this process.

As we prepare for the gradual return of our teams to their offices, we are also interested to see how individual behaviour will adapt to today's 'new reality'. Going forward, we expect to build on the flexible working environment that has allowed us to function and excel for our clients throughout the pandemic, based on a core principle that the office remains a central place of work.

Ross McCann, Head of Fund Services in Alter Domus, Ireland: The pandemic had a major impact on the accelerated development and mass adoption of technologies that already existed and were growing in use but at a much slower pace. The pandemic has not halted large tech projects and the roll-out of new technology, but instead required some to reprioritise. On a practical level, some project elements may have been delayed, however such projects are generally managed and undertaken by remote global teams. We have seen no significant delays in the progress of pre-planned and existing projects or the planning of new ones. Some projects, such as roll out of Microsoft Teams, were obviously re-prioritised and accelerated as the pandemic made evident the need for technology that could seamlessly facilitate video calls, webinars, and virtual conferencing. As a result, desk phones are increasingly being phased out.

The pandemic has also driven firms to reassess their cybersecurity to help mitigate the increased risk of cyber-attacks as most of the industry transitioned to remote working. As cybersecurity is an area of our business that we constantly evolve to ensure

protection against increasingly sophisticated threats, we were fortunate to securely and sustainably switch our staff to remote work globally in a very short space of time.

Finally, another major welcomed change brought upon by the pandemic has been the acceleration towards the 'paperless office.' Working from home with limited or no printing facilities has forced firms and employees to adopt electronic practices around document preparation, review, and sharing. Where possible, documents needing execution are now signed using digital rather than wet ink signatures. The technology around this has advanced to become more secure, reliable, and mobile.



Melíosa O'Caomh



Claire O'Brien

Private Markets

Where does your company see developments in the next two years, citing examples from your company's own business strategy. How can these offerings provide value for clients at the end of the distribution chain? Real Estate; Infrastructure; Private Equity; Private Credit/Debt; or/and Other

Ross McCann, Head of Fund Services in Alter Domus, Ireland: Our business strategy for setting up and expanding our presence in Ireland is largely driven by our view that the private asset sector will continue to grow globally, and we believe that Ireland is well-positioned to take a larger share of this growing market. Ireland has recently taken significant strides to capitalise on its potential in this area through the introduction of specialised depositary ("DAoFI"), updated guidance on closed ended funds, and of course, enhanced product offering through the updated Investment Limited Partnership legislation. Through the launch of our fund administration business, subsequent launch of an authorised specialised depositary, and completing an Irish regulated AIFM acquisition, our business is in an ideal position to offer managers all the dedicated services needed for their regulated private asset funds, covering the illiquid asset classes of real estate, private equity and infrastructure, debt/credit, and venture capital.

This is a trend that is increasingly being seen in the sector through existing names and new market entrants. The clear benefits to both managers and investors are a greater choice of service providers, broadening of experience, and deepening of expertise across the market. Market competition

drives service levels and keeps fees competitive. This also means firms cannot stand still with respect to driving operational efficiency and service quality through investment in technology platforms and development. We see real demand for managers and investors in private markets to access and interact with ‘live’ intelligent data which is dedicated to their strategy. We’ve invested significantly in bringing these solutions to our clients with high quality data, personalised report generation, and user-friendly applications as we expect this to be a driving theme across the industry over the coming years.

“Ireland has recently taken significant strides to capitalise on its potential in this area through the introduction of specialised depository (“DAOFI”), updated guidance on closed ended funds, and of course, enhanced product offering through the updated Investment Limited Partnership legislation.”

David Dillon, Director (Ireland), MJ Hudson: This heading is quite correlated to number “6. Technology” and in my view it is the sophistication in technology, straight through processing and the elimination of manual functionality which will be the key driving force. Since my involvement in the Industry which extends to almost 30 years, distribution has always been a critical element of any successful asset management group. How distribution both from approved regulatory structures to actual on-the-ground effectiveness will continue to be essential and I believe we will see dramatic changes in the delivery of distribution channels. No longer will markets be dictated to by large banking groups and their client base. Indeed investors will require more sophisticated supports in how they interact with their investments and in some respects would appear to be prepared to pay for it. Some of the very successful investor platforms in the UK have been key to the



David Dillon

raising of assets by important and niche fund managers.

Dirk Holz, Director and Head of Private Capital Services, RBC Investor & Treasury Services and Tony Mallozzi, Associate Director, Private Capital Services, RBC Investor & Treasury Services: There are a variety of forces impacting the global private asset industry across the world and this is creating increased demand for exposure while driving new requirements for LPs, GPs and the organizations that support them. In particular, we have witnessed an increasing trend for allocation to private assets with a strong assets under management (AUM) growth among different asset classes between 2019 and 2020.



Dirk Holz

According to a Prequin report (Alternatives in 2021), expectations are for a 9.8% annual AUM growth forecast across all alternative assets until 2025. This presents an opportunity for asset servicers with new market entrants and traditional asset managers to create new private assets funds that will require support across middle and back office functions. Additional industry themes that we are witnessing include:

1. Search for yield with asset owners shifting from equities to private assets with the belief that these investments will provide strong returns
2. Growth in direct investments where we continue to see larger asset owners increase their allocation towards direct investments to avoid potentially expensive management fees while gaining control over their investments
3. The increase of private asset adoption has investment committees keenly focused on enhanced oversight to support governance of allocation to non-traditional assets
4. Valuation and pricing of private assets is inefficient and difficult. LPs have expressed a desire for increased accuracy, timeliness and consistency around valuation as it pertains to investment valuation and information dissemination from GPs
5. The asset class continues to see significant and continued growth as it is no longer just an investment for ‘super

plans’, but it is a staple in investment strategies of ‘smaller plans

6. Increased investor and regulatory reporting focus on ESG assets
7. New data driven and disruptive technologies are providing enhanced investor insights and transparent reporting.



Tony Mallozzi

- The private assets technology landscape is evolving rapidly and becoming increasingly important. In order to gain an advantage, firms will need to adapt their business and differentiate their service offerings. RBC IT&S is focused on leveraging technology solutions with a competitive edge to supplement our core technology platform. These solutions will allow for an efficient and scalable operating model to support future growth
8. GPs are assessing the possibility of opening the private asset investment class towards retail investors to foster the growth we have seen over the last 20 years mainly supported by institutional investors
 9. We expect continued interest and demand for private capital strategies (real estate, infrastructure, private equity and private debt) from institutional and retail investors for direct and indirect investment strategies

Ireland as a jurisdiction

Many Managers will be looking at Ireland as a jurisdiction for the first time. What are some of the key considerations they need to look at?

Ross McCann, Head of Fund Services in Alter Domus, Ireland: Most European managers, including those from the UK, will at least be familiar with AIFMD requirements. We are seeing a growing number of North American and Asian managers looking at Europe for the first time, so they are very much reliant on local guidance. This will often come through international connections and referrals or existing global relationships. These managers are often highly unfamiliar with both European and Irish regimes, from

AIFMD to AML, and it is incumbent on local service providers to guide them through this. The first steps will usually be through the legal counsel and tax advisors for structuring and tax considerations. Ireland has an abundance of strong local and international firms in this regard which are highly experienced in supporting



Ross McCann

managers through these initial phases and beyond. They can also assist with service provider introductions, which is a critical decision in terms of selecting partners who provide support through all the fund’s lifecycle stages. They must determine the scope of each provider. Can they obtain all services through a single provider? What level of expertise does the provider have in the asset class? Will service coverage be required in other jurisdictions, for example for SPVs or HoldCos? How much of the structure can be serviced by one provider and where will this be done? While it is recommended that managers have some form of RFP to address these questions and many more, it is also worth having local counsel there to ensure there are relevant questions tailored for both Ireland and the planned structure. They should also avail of introductory conversations with providers as these can be highly informative and raise considerations they may not have considered – local providers are only too happy to talk!

Best opportunities for the funds industry

What in your view might present the greatest opportunity for the Irish funds sector in 2021 and beyond?

Brian Dillon, Partner, Dillon Eustace:

Following legislative change in Ireland at the end of 2020, the Investment Limited Partnership (“ILP”) structure in Ireland offers international investment managers a flexible fund structure suited most particularly to the bespoke investment space including the private equity and real assets sectors. The Key Features and Benefits of the ILP are set out below*:

- The ILP is a Regulated EU AIF
- The ILP is tax transparent for Irish tax purposes
- The ILP offers standard Private Equity/Real Assets fund features including but not limited to:
 - Closed-ended/finite life
 - Capital accounting commitments, capital contributions and drawdowns
 - Excuse and exclude provisions
 - Defaulting investor provisions
 - Distribution waterfalls and carried interest
 - Advisory committees
- Clear statutory provisions around LP limited liability
- An ILP, with an authorised AIFM, can be passported to market to professional investors in the EU. Otherwise, an ILP may be sold in relevant EU Member States under national private placement rules (where available)
- The ILP requires an AIFM but the AIFM can be EU authorised, Irish registered (sub-threshold) or Non-EU, each with differing sales capacities
- The ILP has both Inward and Outward migration capacity
- Real Assets Depository option available
- The ILP can be an umbrella with segregated liability between sub-funds which can lead to significant economies of scale and cost savings, in comparison to similar structures in competing jurisdictions.

I believe that as the funds industry globally and the Central Bank of Ireland become familiar with how the ILP product can be used the ILP will prove to be a huge boost for the financial services sector in Ireland.

* Note [A user-friendly overview of the ILP, designed to provide managers and their legal counsel with an introduction to the Irish construct, is available at www.dilloneustace.com/expertise/practice-areas/asset-management-and-investment-funds/investment-limited-partnership]

The gender agenda

The Central Bank of Ireland has regularly referenced the composition of fund boards - what are your views?

Brian Dillon, Partner, Dillon

Eustace: Yes, in recent years we have certainly seen the Central Bank of Ireland place an increased focus on diversity including gender diversity within funds and regulated entities. The composition of

a fund board will change several times during its lifetime for a variety of reasons including to ensure compliance with the Irish Corporate Governance Code for funds, which while voluntary has been adopted by most funds. There are benefits associated with holding a longer tenure on a fund board such as



Brian Dillon

experience and familiarity with the fund and its operation. However, it is critical that the benefits are balanced with the importance of a rotating board composition to ensure that independent thought and challenge is maintained throughout the lifetime of the fund.

The Central Bank of Ireland has clearly expressed that responsibility for achieving a good balance in terms of diversity sits with the board. During the annual Irish Funds Conference 2021, Derville Rowland stated that “a strong culture and effective decision-making process within firms requires diversity at senior management and board level”.

“Diversity of directors speaks not only to gender but also to age, background, and ethnic diversity and includes diversity in terms of skills, thinking, competencies, experiences, and careers. That said the results of several recent surveys conducted would indicate that gender diversity is perhaps the area in the most need of remedy.”

Diversity of directors speaks not only to gender but also to age, background, and ethnic diversity and includes diversity in terms of skills, thinking, competencies, experiences, and careers. That said the results of several recent surveys conducted would indicate that gender diversity is perhaps the area in the most need of remedy and is perhaps the greatest focus of the Central Bank of Ireland. Funds do of course need to remain cognisant of their responsibility to ensure adequate fitness and probity and due diligence is conducted when appointing new board members.