



Shape the future
with confidence

Building a Better Financial Services Ireland: Accelerate to Elevate

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The better the question. The better the answer. The better the world works.

Contents

Overview



Foreword

The Financial Services (FS) sector has long been a cornerstone of Ireland's economic growth, playing a pivotal role in shaping the country's global reputation. Ireland's standing as a respected international financial hub did not arise by chance. It was built on bold decisions made in the mid-1980s, when forward-thinking policies and strategic investments laid the foundation for what would become the International Financial Services Centre. These early efforts required vision and leadership, combining corporation tax incentives, the creation of a special economic zone, government initiatives, private investment and extensive public-private collaboration to ignite the sector's growth.

Today, Ireland's FS industry is a vital contributor to our economy. With over 8,800 companies employing more than 120,000, the sector generates €6.8 billion annually in tax revenues, underscoring its significance. More importantly, there is a strong sense of optimism about the future, with a large percentage of industry leaders expecting the sector to grow significantly in the coming years.

At the same time, we must acknowledge the broader global challenges we face. Economic uncertainty and geopolitical tensions are impacting markets worldwide. A growing emphasis on sustainability and climate action is reshaping policies and investments, while rapid technological advancements are transforming how businesses operate, particularly in the digital and renewable sectors. Ireland's FS industry must continue to play a critical role in supporting the country's transition to a more sustainable economy, helping to drive climate mitigation strategies and support industries in adapting to environmental changes.

As a gateway to Europe for global financial markets, Ireland is uniquely positioned to capture the next wave of growth; the opportunities are vast. EY has examined key drivers of success in some of the world's fastest-growing financial markets, with a focus on identifying how these factors could be leveraged to fuel further expansion in Ireland.

To sustain our growth trajectory and solidify Ireland's competitive advantage in a rapidly evolving global economy we must be proactive. It is essential to reinforce the strengths that have historically set us apart, while also embracing new opportunities in areas such as sustainability, digital transformation, and financial innovation.

Our latest research, which includes insights from in-depth interviews with Irish industry leaders across Banking, Insurance, Wealth and Asset Management and Aviation Finance, highlights several key areas where clear action is needed to ensure the sector's continued success. Policymakers must focus on these strategic priorities to replicate the achievements of the past 30 years, protect our momentum and build an even brighter future for Ireland's FS industry.

The opportunity before us is immense. By acting decisively now, we can further elevate Ireland's position on the global stage and ensure that our FS sector remains a driving force for economic progress in the years ahead. Now is a time for action.



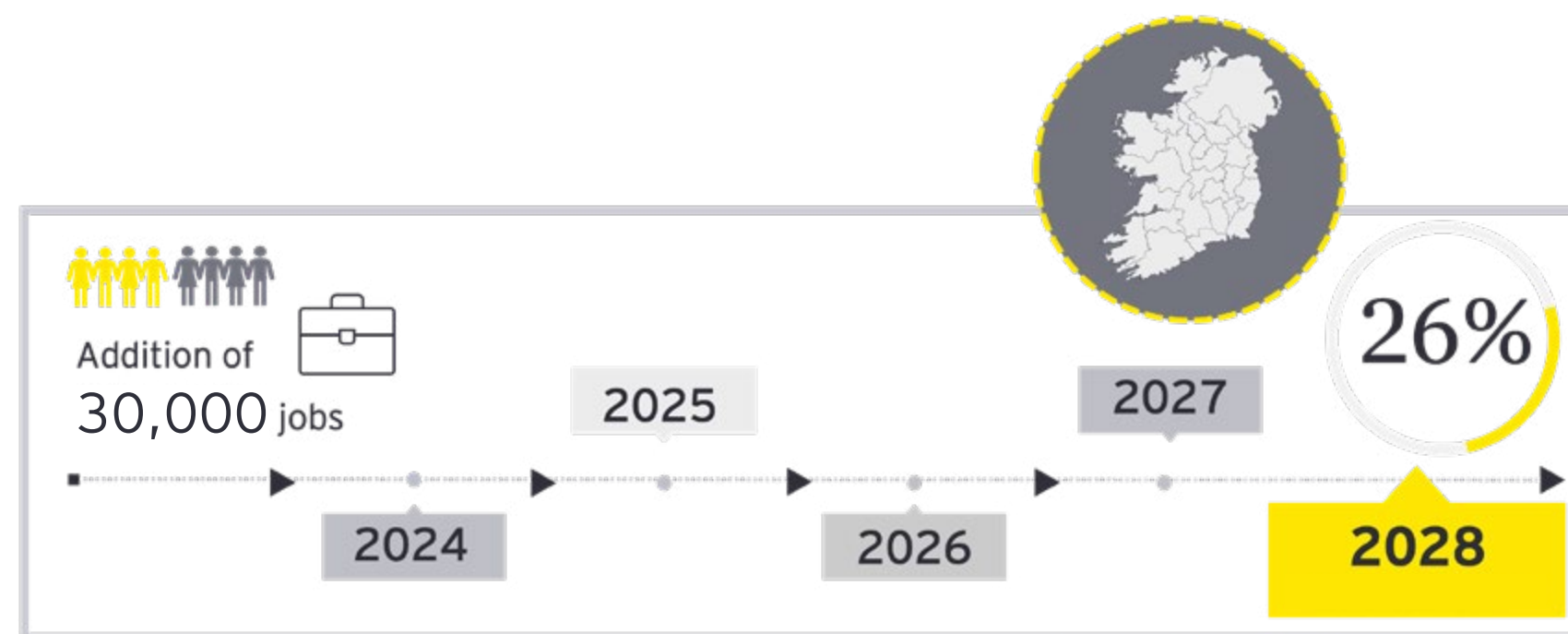
Colin Ryan
Financial Services
Managing Partner
EY Ireland



Executive Summary

In our research, Financial Services Leaders across Ireland highlighted several key factors - including macroeconomic trends, policy, demographics, technology, and regulation - that will shape the future. Substantial gains are in prospect if Ireland can successfully leverage its competitive advantages and overcome barriers to growth in the sector.

Modelling based on Leaders' insights suggests that **Gross Value Added (GVA¹) could increase by 26%** in the years 2024 to 2028, with **employment rising by 34%**, bringing total workforce for the sector to 168,000. Relative to the baseline, such a growth trajectory could add €3.4 billion in GVA and **30,000 jobs** to Ireland's Financial Services sector by the end of the forecast horizon.



Technological Infrastructure and Innovation



92%

When asked about growth drivers for Ireland's financial services sector, 92% of respondents highlighted 'Technology and Innovation' as a crucial catalyst for sector advancement.

Regulatory and Legal Framework



81%

While 81% of leaders consider Ireland's regulatory and legal frameworks vital to the country's future growth trajectory, the leaders had concerns regarding the efficiency of policymaking and legislation in Ireland.

Cross-Border Business and Trade Environment



92%

A strong majority of Financial Services Leaders (92%) view Ireland's cross-border business and trade environment as crucial for future growth, highlighting key advantages such as access to the European single market, proximity to other major European financial centres, and favourable cross-border tax policies relative to international peers.

Demographics and Labour Supply



87%

Although 87% of leaders recognise demographics and labour supply as essential to Ireland's goal of becoming a world-leading financial hub, challenges remain in attracting and retaining top talent due to housing issues and potential skill shortages.

Macroeconomic Fundamentals and Policy



74%

Ireland's stable macroeconomic and policy environment is viewed as a critical growth driver by almost three quarters (74%) of Financial Services Leaders, though bureaucracy, and uncertainty around future corporate tax rates are seen as obstacles to innovation.

¹Gross Value Added (GVA) is the output the financial sector generates minus the cost of goods and services used to create its product and services. Data are expressed in current prices. Modelling work was undertaken by Cebr for EY FS Ireland.

EY's Recommendations for Ireland's Financial Services Sector



Technological Infrastructure and Innovation

Recommendations:

Leverage Ireland's strong technology ecosystem to establish the country as a global leader for digital financial services. Drive innovation by fostering deeper collaboration between government, industry (primarily technology, telecommunications & financial services), and academia, ensuring Ireland is at the forefront of emerging trends. Prioritise advancements in key areas such as Responsible AI, Cybersecurity, Payments, and Sustainable Finance to create a resilient, future-ready financial services sector that will attract global investment and talent.



Regulatory and Legal Framework

Recommendations:

Enhance Ireland's regulatory environment by simplifying and modernising frameworks to support innovation while maintaining market integrity. Encourage initiatives such as the Central Bank of Ireland (CBI) Innovation Hub and promote structured engagement through public-private partnerships, industry secondments, and working groups. Facilitate a balanced approach that aligns regulatory developments with market needs while safeguarding financial stability and consumer protection.



Cross-Border Business and Trade Environment

Recommendations:

Elevate Ireland's international standing by fostering cross-border alliances, exploring trade opportunities, and showcasing the country's strengths in financial services as a platform for broader economic growth. Maintain Ireland's reputation as an open and well-connected hub for business, ensuring strong international relationships while supporting sustainable and responsible market expansion.



Demographics and Labour Supply

Recommendations:

Develop an attractive employment environment by, providing targeted incentives to draw skilled professionals, investing in upskilling initiatives, and enhancing collaboration between government, industry, and academia. Support the development of regional financial services hubs in locations such as Cork and Galway to broaden talent distribution while ensuring a sustainable and highly skilled workforce for the sector's future growth.



Macroeconomic Fundamentals and Policy

Recommendations:

Leverage Ireland's stable position by formulating a targeted government strategy for the development of the FS sector. The Irish government should capitalise on Ireland's advantageous geopolitical position, stable macroeconomic fundamentals, and policy expertise by making significant investments to support a thriving FS sector. A collaborative approach in developing specialised areas of expertise, such as ESG, would elevate Ireland further up the FS value chain, shifting the focus from past achievements to future potential.

Objective and Methodology

How can we better understand the levers to accelerate growth in Ireland's financial services sector?

Identifying the key drivers that will unlock Ireland's growth potential and position the market to capture a significant share of the 6-10% annual global financial services growth forecast² remains a critical challenge for policymakers and industry leaders alike.

There are valuable lessons to be learned from the world's fastest-growing financial services hubs. By examining the factors—or 'accelerants'—that drive the success of these markets, we can create more effective catalysts for growth in Ireland's financial services sector.

To explore this, our study focused on answering four fundamental questions:

1. Which financial services markets are experiencing the fastest growth globally?
2. What common factors contribute to the success of these fast-growing financial services hubs?
3. To what extent do these factors exist within Ireland's financial services sector, and what structural barriers or strategic advantages will influence its potential to become a top-tier global Financial services hub?
4. What actions can Irish financial services stakeholders take to reinforce existing strengths and accelerate future growth across the sector?

What is a Financial Services Hub?

A 'financial services hub' (FS hub) is a city or region recognised as a major centre for financial activities. It's characterised by a favourable regulatory environment, competitive tax policies, skilled workforce, advanced infrastructure, economic and political stability, strategic location, access to capital, a robust legal system, strong international connectivity, and a high quality of life. These factors collectively attract financial institutions and professionals, fostering an ecosystem where financial services can flourish.

Our research identified the fastest growing FS hubs globally, looking deeper into the market conditions and characteristics enabling this growth. We evaluated how the FS sectors contribute to economic growth by examining the GVA, which is the amount of money these sectors generate for the economy, minus the cost of services and goods used to create their products or services. This GVA was then compared to the Gross Domestic Product (GDP).

This comparison helped us understand the finance sector's role in the economy and allows us to compare it across different countries. By focusing on GVA, we get a clearer idea of the financial sector's performance, which can sometimes be hidden if only looking at the overall GDP numbers.

Research methodology

Our in-depth research aimed to inform the key findings and actionable recommendations of this report, which include:

- ▶ A comprehensive analysis of the common success factors across the world's fastest-growing financial services hubs.
- ▶ Detailed qualitative analysis of Ireland's financial services sector, its historical context, and both its past and forecasted economic performance.
- ▶ Insights gathered from over 140 Financial Services Leaders across Ireland through a purpose-built survey.
- ▶ In-depth interviews with CEOs across Ireland's FS sector.

²Source: Businesswire 'Global Financial Services Market Outlook 2021 - 2030'



The background image shows the Giant's Causeway, a natural rock formation of interlocking basalt columns, extending into the sea. The columns are arranged in a long, narrow path that tapers towards the horizon. The water is a deep blue, and the sky is a mix of orange and grey, suggesting a sunset or sunrise. The overall scene is dramatic and scenic.

Research Approach

The EY 5-Accelerant Framework

Technological Infrastructure & Innovation



This dimension reflects the criticality of a robust and forward-thinking technological ecosystem, characterised by partnership and collaboration between the financial sector and governmental bodies. It underscores the importance of fostering innovation as a cornerstone for competitive differentiation and sectoral advancement.

Demographics & Labour Supply



A demographic profile skewed towards a working-age, university-educated populace, coupled with strategic talent development initiatives, ensures a resilient and skilled labour force. This factor emphasises the significance of human capital as a fundamental asset in sustaining and propelling an FS sector's growth trajectory.

Cross-Border Business & Trade Environment



The ease of capital flows and the presence of a tax regime that is conducive to international competitiveness are indicative of a market's openness and its ability to attract and retain global investment. This element highlights the necessity of a liberalised trade environment that can serve as a catalyst for cross-border financial activities.

Macroeconomic Fundamentals & Policy



Underpinning the framework is the stability of macroeconomic indicators and the presence of sound policy-making that collectively ensure a conducive environment for sectoral growth. This reflects the imperative of economic stability as a bedrock for investor confidence and sustained sectoral expansion.

Regulatory & Legal Framework



The final pillar involves the establishment of robust legal structures, the absence of prohibitive capital requirements for new business formation, and the implementation of balanced labour market policies. This underscores the role of regulation as both a safeguard and a facilitator of sectoral prosperity.

In order to understand the factors impacting the rise of newer, emerging financial services hubs, we explored the drivers of accelerated growth of financial services across some of today's fastest-growing markets over the past decade.

When looking at the top ten fastest growing FS markets globally, we identified 5 factors that were consistently observed as drivers of growth within each of these markets. The EY 5-Accelerant Framework, serves as a strategic lens through which we have analysed the growth dynamics of Ireland's financial services sector, benchmarking it against the performance of the 10 most rapidly expanding FS markets.

The background of the slide is a nighttime photograph of a modern cityscape. A prominent feature is a large, curved building with a glass facade, illuminated with blue and white lights, which is reflected in a body of water in the foreground. Other buildings and city lights are visible in the background under a dark blue sky.

Global Financial Services Hub

Ireland's rise as a Financial Services Hub

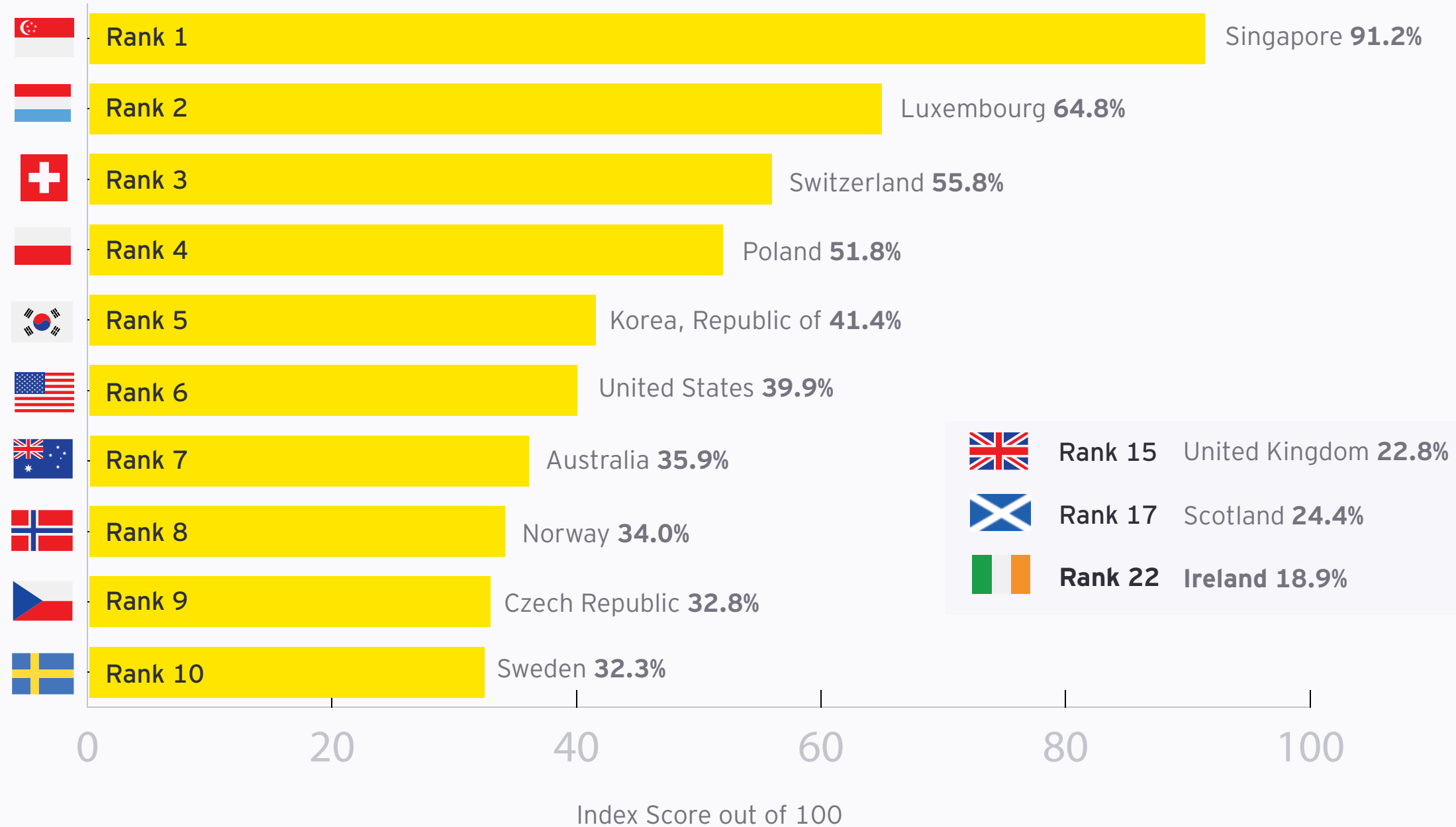
Ireland's financial services sector has seen remarkable growth in less than three decades, with GVA increasing from euro 4.1 billion in 1995 to euro 23.8 billion in 2023.

But international competition is intense and while Ireland had an advantage over countries like Poland and Sweden in 2000, this has been eroded.

In contrast, Luxembourg and Switzerland have maintained strong positions, consistently leading in the value their financial sectors add to their economies.

Snapshot of fast-growing developed market financial services hubs

Sample-wide fastest growing developed market FS Hubs (adj for size of FS Industry, indexed)



Source: OCED, World Bank, Centre for Economics and Business Research (Cebr) analysis



A scenic landscape photograph of a coastline at sunset. On the left, there are high, dark, layered cliffs overlooking a small beach. The ocean is in the middle ground, with waves breaking against the shore. A prominent rock formation stands in the water. The sky is filled with dramatic, dark clouds, with a bright glow from the setting sun on the right side, casting a warm orange and yellow light across the scene. In the foreground, there is a grassy hillside that slopes down towards the beach.

The EY 5-Accelerant Framework

5.1 Technological Infrastructure & Innovation



Harnessing Innovation:
Technology as the driving force behind FS transformation

In brief

- ▶ 92% of Irish FS Leaders view Ireland's technological infrastructure and innovation capabilities as the sector's most significant advantage relative to international peers, underpinned by the strength of its fintech ecosystem, availability of skilled talent, and robust digital infrastructure.
- ▶ Multilateral collaboration underpins the approach to technology and innovation in the world's fastest-growing financial services hubs.
- ▶ Survey respondents view the presence of tech disruptors, the adoption of digital technologies and the threat of cybersecurity attacks and data breaches as the sector's most significant tech headwinds.
- ▶ Key stakeholders interviewed highlight the potential of formalising cross-sector collaboration.

Ireland's ranking versus leading financial services hubs

Ireland ranks 7th for Technological Infrastructure & Innovation under EY's 5-Accelerant Framework, buoyed by the level of collaboration between universities and industries taking place in the market. Yet Ireland lags behind fast-growing Singapore and Switzerland, which rank 4th and 1st respectively, by some margin in terms of R&D expenditure, access to broadband from home, and ICT development more broadly.

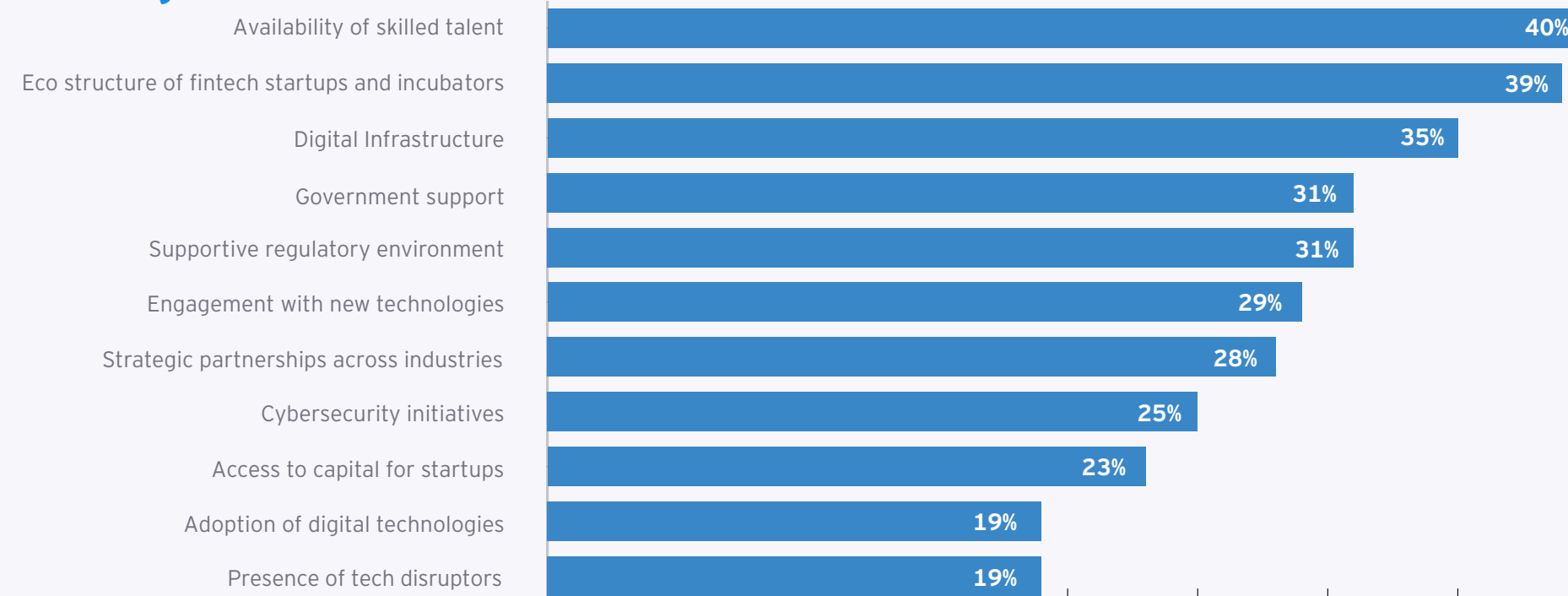
Best practice in leading hubs

From a policy perspective, Singapore established a national plan (IT2000) to become an 'intelligent island' which has subsequently become the 'Smart Nation Initiative' (2015). Leveraging public/private partnerships, this multilateral initiative aimed to create an advanced nationwide information infrastructure connecting computers in nearly every home, school, and workplace. In 2022, this contributed \$106b to Singapore's GDP (17.3%) which was an increase from \$58b (13%) in 2017.

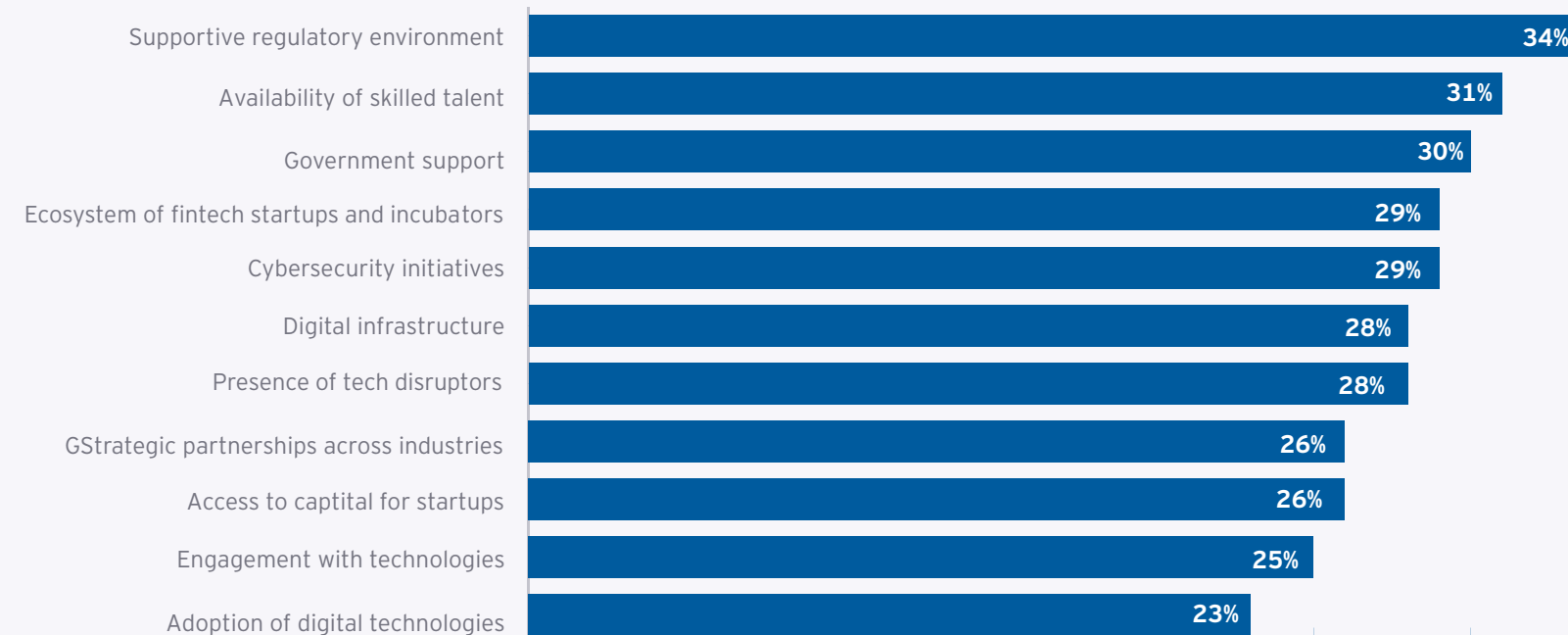
Switzerland has attracted a high volume of tech companies through its innovation-friendly policies and high R&D investment, which create an environment that fosters research and stimulates growth via Innosuisse, the Swiss Innovation agency. This has led Switzerland to maintain its 1st place ranking on the Global Innovation Index (GII) for the past 13 years.

Survey Results: Advantages & Disadvantages of Technological Infrastructure and Innovation in Ireland relative to other countries

Advantages



Disadvantages



5.1 Technological Infrastructure & Innovation

Ireland's technology headwinds

Respondents highlighted concerns around the threat of cybersecurity attacks and data breaches, with 10% viewing cybersecurity attacks as a disadvantage and 4% expressing similar concerns about data breaches. Attacks of this kind have grown more prevalent in recent years and can carry significant cost; in 2023, IBM estimated the average cost of a breach at US\$4.45m.³

View from Ireland's Financial Services Leaders

Key stakeholders from the market focused on the need to harness Ireland's technology ecosystem more effectively to support the growth trajectory of the innovation landscape, highlighting the mutual benefits of enhancing cross-sectoral collaboration between big tech and financial services.



There is no mechanism that brings banks, telecommunications companies, and government agencies together in a really collaborative, systematic way.



Susan Russell
Chief Executive Officer,
Retail Ireland, Bank of Ireland



We have a strong...well-educated... English-speaking workforce. And we have invested in the educational systems to ensure that we have a good understanding of financial services and the skill sets that are required. Increasingly, we as firms are taking on more and more technologists, and again because we have the ICT sector here, that's an important supply stream for us as well.



Ann Prendergast
Head of EMEA, State Street

³IBM, 'Cost of a Data Breach Report 2023'

5.1 Technological Infrastructure & Innovation



EY recommends the following actions:

Fostering Technological Innovation: Leveraging Ireland's unique position as a global technology hub to build the foundation for an innovation digital FS economy.

- ▶ Establish fintech R&D hubs: Department of Enterprise, Trade and Employment (DETE) and Enterprise Ireland to establish cross-sector collaboration amongst technology firms, government, academia and FS firms to leverage existing tech/R&D capabilities focusing on key areas of specialism. Initial focus should be on 1) Payments/Real Time Payments, 2) Responsible AI, 3) Trust & Cyber Security, 4) Digital Identity, 5) RegTech and 6) Sustainable Finance. This should consider geographic clustering and further expansion of financial services outside the larger Dublin area.
- ▶ Develop structured incentives to drive collaboration between FS and technology firms focusing on key problem areas. Funding or tax incentives could focus on particular areas of specialism. The mechanisms should drive capability and resources toward key areas that will deliver sustainable competitive advantage to the Irish FS sector.
- ▶ Foster an integrated partnership between industries, regulators and the public sector. This should be an empowered structure that can accelerate alignment of regulatory and innovation principles.

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We have a huge team working in technology because this is the future of banking; first in terms of safety and security, second in terms of customer experience and customer expectations, and third, in terms of decision making, which is becoming increasingly digitally-driven.



Colin Hunt
Chief Executive Officer,
AIB

5.2 Demographics & Labour Supply

Empowering the strength of Ireland's domestic talent pool as future leaders of the FS Industry

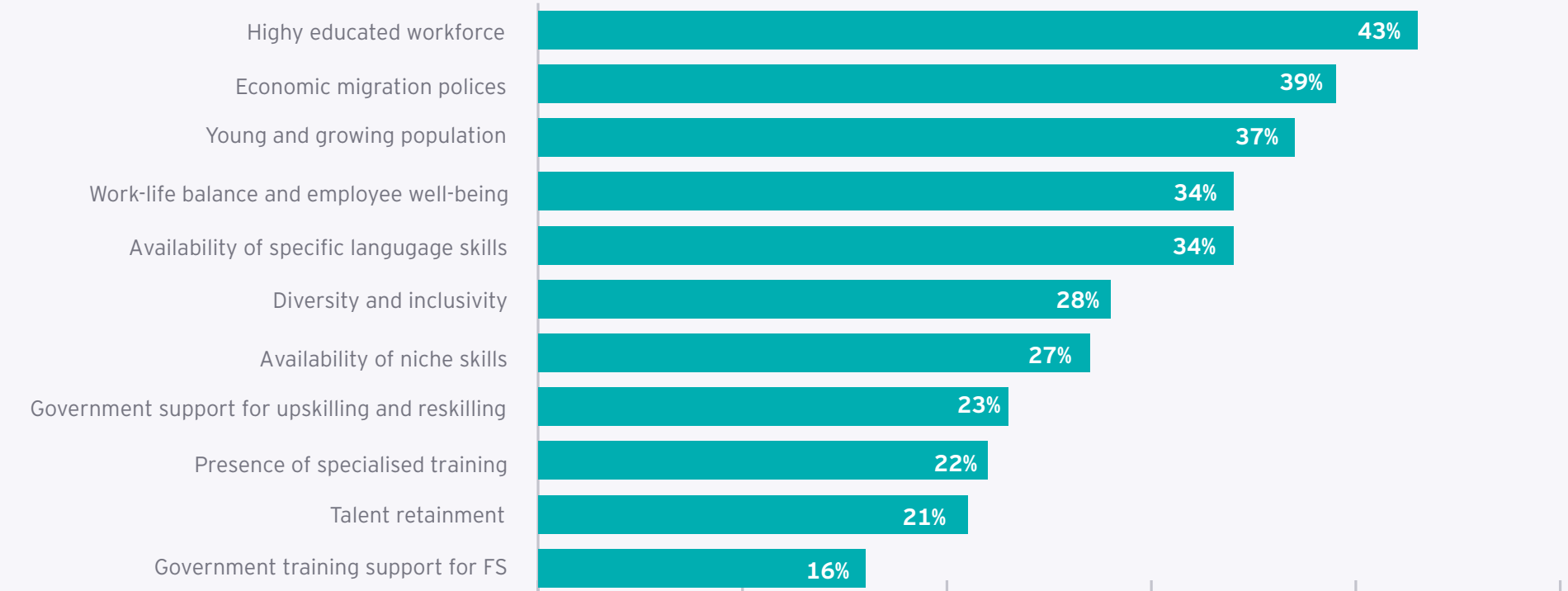
In brief

- ▶ The strength of Ireland's domestic talent pool is viewed as a core driver of advantage for the sector relative to international peers, but there is work to be done to attract and retain top talent, with major headwinds presented by housing, remuneration, Ireland's high personal tax burden and the potential for skill shortages.
- ▶ Leading financial services hubs use targeted policy interventions to achieve specific outcomes, from driving greater gender balance across the workforce and implementing a central agency to support an innovation economy, to supporting government-backed housing programmes.
- ▶ Survey respondents view talent attraction and retention, alongside housing affordability, at the forefront of Ireland's demographic challenges.
- ▶ Key stakeholders from the market focused on the combined impact of demographics, housing supply and cost-of-living constraints on the market's growth prospects.

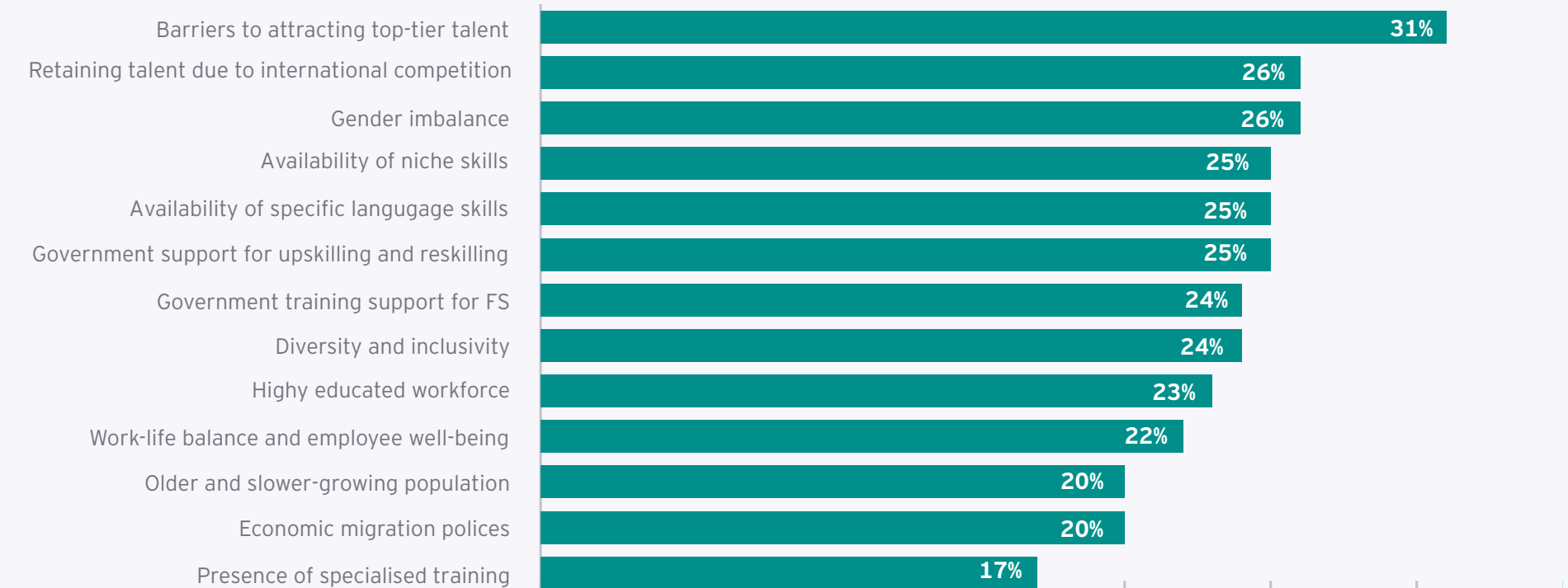


Survey Results: Advantages & Disadvantages of Demographics & Labour Supply in Ireland relative to other countries

Advantages



Disadvantages



5.2 Demographics & Labour Supply

Best practice in leading hubs

- ▶ Sweden grew its female labour force participation rate from 76% in 2010 to 81% in 2022 by improving access to childcare (government subsidies, tax deductions and employer contributions); enhanced parental leave policies and a strong commitment to gender equality in the workplace.
- ▶ Switzerland offers various support programs to upskill and invest in coaching services provided by organisations including Innosuisse - the Swiss Innovation Agency.
- ▶ The Singaporean government provides SkillsFuture Credits to all citizens aged 25 and above, which can be used to pay for courses and training programs. Employers also benefit from the Skills Development Levy, where a portion of the levy is used to fund training programs and offset training costs through the Skills Development Fund (SDF).
- ▶ The Housing & Development Board (HDB) of Singapore has been responsible for planning and constructing public housing since the 1960s. Today, more than 80% of the country's population lives in HDB flats.
- ▶ South Korea has one of the most advanced fibre-optic networks globally, with speeds often exceeding 1 Gbps for residential connections. A competitive market and the government's strong support for infrastructure development have helped maintain its leadership in this area.

View from Ireland's Financial Services Leaders

Ireland's demographic tailwinds

87% of leaders view Demographics & Labour Supply as an important lever to Ireland's future standing as a world-leading financial hub. More than a fifth of Financial Services Leaders view Ireland's highly educated workforce as a key advantage.

Economic migration policies are viewed as an advantage by (19% net) of leaders, while (17% net) regard Ireland's young, growing population as an important advantage, evidencing the inter-connected nature of quantity and quality of talent, the range of skills available across the talent pool and the need for specific policy interventions to support talent supply over the long term.

Ireland's demographic headwinds

Barriers to attracting top-tier talent relative to other markets are front of mind for FS leaders, with 31% of respondents deeming it to be the most significant disadvantage relative to other countries.

Retaining talent and government support for education and training programmes related to financial services are also seen to be buffeting Ireland's advantage, highlighting the need for targeted talent interventions, employee incentives and specialised training.

32% cited housing affordability as a significant disadvantage. Equally, 33% of FS leaders considered the cost of living and doing business in Ireland as a disadvantage.

According to the OECD, Ireland's rent prices have risen by 54% since 2015 - above the rate of any G7 market over this period. The structural supply and demand challenge has been exacerbated by the post-Covid-19 cost of living crisis, explaining the pronounced focus on housing and cost of living by FS leaders.

Susan Russell, Chief Executive Officer, Retail Ireland, Bank of Ireland

Highlighted the very positive impact of the Irish Government's First Home Scheme, a joint venture between the State and three of Ireland's retail banking majors, to provide equity to first time buyers, and the scope for further initiatives in this vein.

“

The ability to borrow equity from a joint venture between the State and the retail banking sector has been very successful in terms of bridging the affordability gap for first-time buyers and should support the supply of new homes aimed at first-time buyers.



Susan Russell
Chief Executive Officer,
Retail Ireland,
Bank of Ireland

5.2 Demographics & Labour Supply



EY recommends the following actions:

Addressing Talent & Workforce Challenges:

Re-imagining Ireland's resourcing of the FS sector's evolving capability requirement. Focus on areas where Ireland wants to move up the value chain (for example in sustainable finance and responsible AI) through the following:

- ▶ **Incentivise talent attraction:** Introduce targeted incentives to attract the right talent now to accelerate our position in high-growth areas.
- ▶ **Upskill existing workforce:** Implement training programmes to advance current talent in emerging financial services areas.
- ▶ **Collaborate on education:** Government, industry, and universities to create a talent-focused approach in education.
- ▶ **Expand high-skilled hubs:** Encourage development of FS hubs in cities like Cork and Galway, where housing affordability supports workforce distribution.

View from Ireland's Financial Services Leaders

Key stakeholders from the market focused on the intertwined nature of demographics, housing supply and cost of living constraints and their combined impact on the market's growth prospects.



Our talent ecosystem has been critical to our success over the last 20 years. Focused investment in academic partnerships, identification of critical 'hot spot' skills, strategic incentives to attract international and returning talent and addressing infrastructural constraints are all critical to securing the future of our sector.



Colin Ryan

Financial Services
Managing Partner
EY Ireland

5.3 Cross-Border Business & Trade Environment

In brief

- ▶ Ireland's position within the EU single market confers a powerful advantage on the sector. While 92% of leaders view this factor as important to Ireland's future as a world-leading FS hub, they see opportunities to address specific regulatory challenges and strengthen the sector's global alliances.
- ▶ The world's fastest-growing financial services hubs have rolled out a range of specialised vehicles and incentive programmes targeting specific sub sectors, from private equity to aviation finance.
- ▶ Survey respondents cite the complexity of navigating different regulatory regimes, tax laws and overly stringent regulations.
- ▶ Key stakeholders highlight Ireland's opportunity to market itself as the gateway to Europe, and the need for policy consistency in attracting and maintaining long-term investors.

Ireland's ranking versus leading financial services hubs

- ▶ Ireland ranks 3rd for Cross-Border Business & Trade, under EY's 5-Accelerant Framework, boosted by its 6th place ranking globally, in terms of trade as a % of GDP, and top 25 position across the Global Competitiveness Index, net inflows of foreign direct investment (FDI) and Ease of Doing Business Index.
- ▶ Sweden and Luxembourg rank 1st and 2nd respectively, both outperforming Ireland on 3 of the 5 metrics used, most notably the World Bank's Trade Openness Indicator.

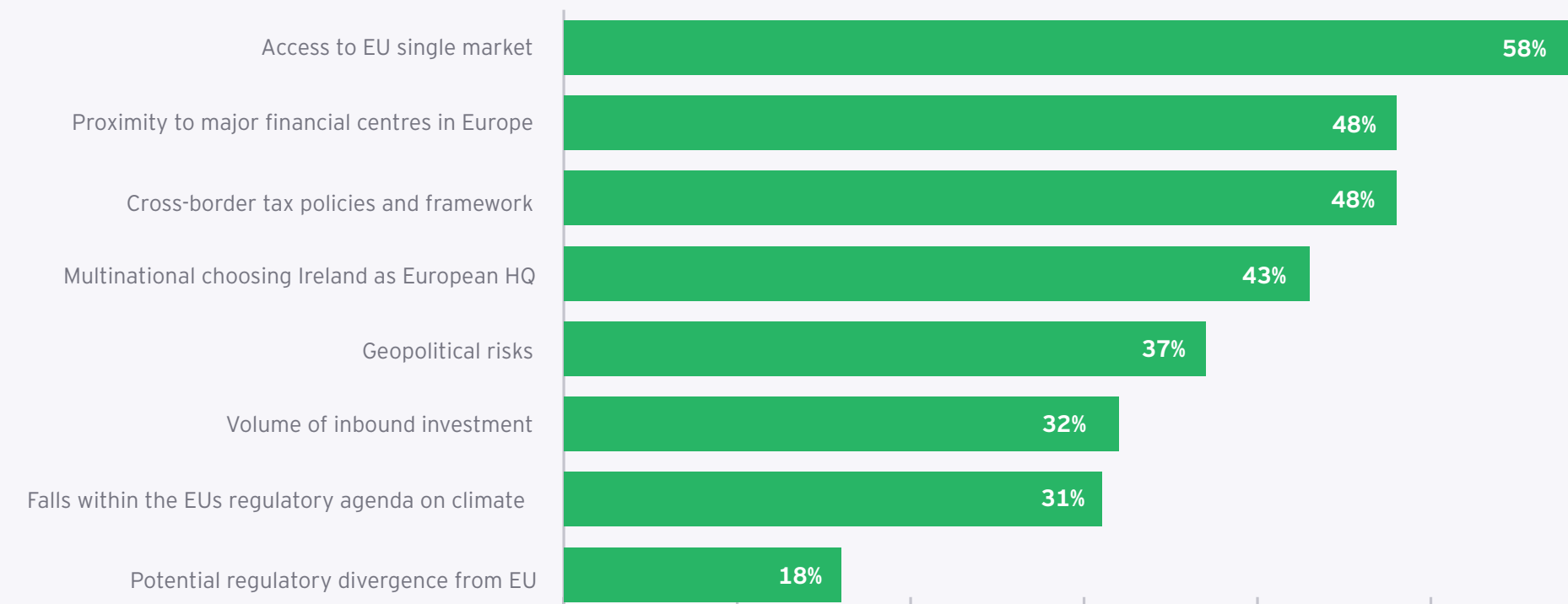
Best practice in leading hubs

- ▶ Luxembourg has created specialised financial vehicles, such as the Société d'Investissement en Capital à Risque (SICAR) and the Société de Participations Financières (SOPARFI), which are tailored to the needs of international investors and private equity firms.
- ▶ Singapore's government has rolled out a range of incentives to promote economic activities. The Singaporean Finance and Treasury Centre (FTC) Incentive encourages companies to build treasury management capabilities, using Singapore as a base. Within the Aviation Finance sector specifically, Singapore's Aircraft Leasing Scheme (ALS) and Aircraft Investment Manager (AIM) Incentive seek to incentivise companies to develop aircraft leasing capabilities, supporting the growth of Singapore's leasing industry.

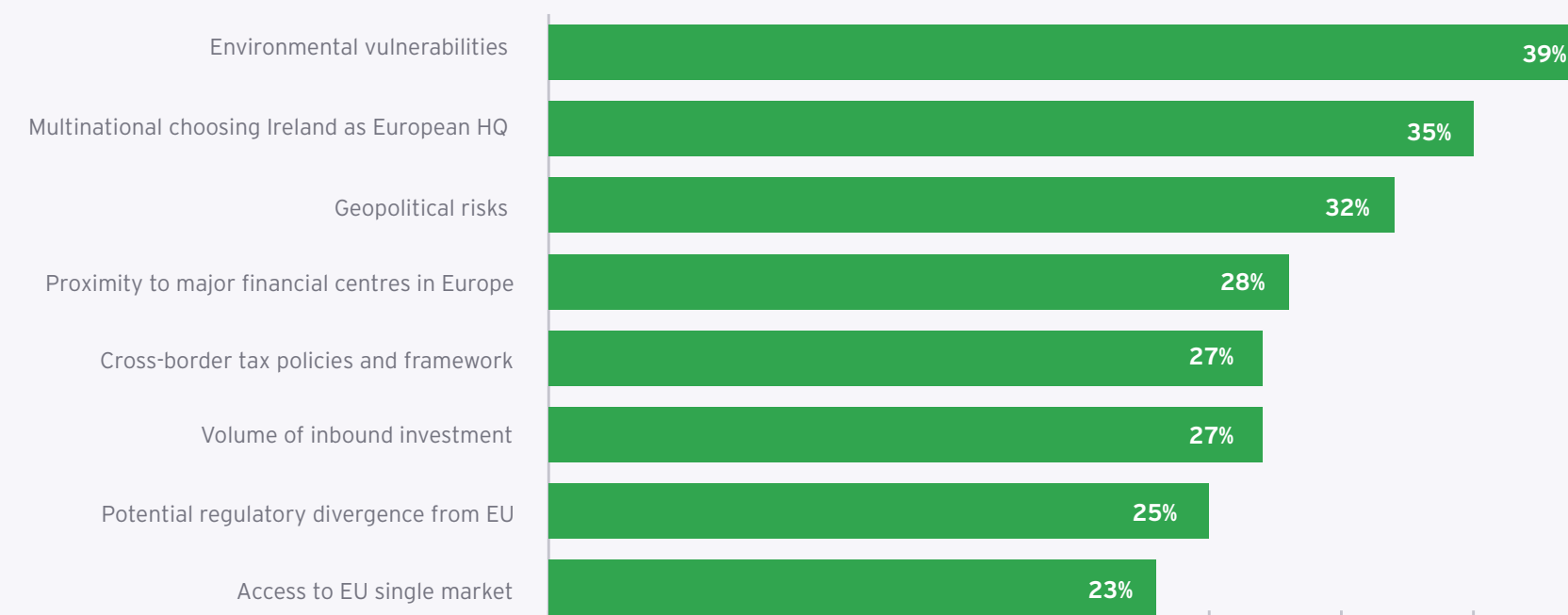


Survey Results: Advantages & Disadvantages of Cross-Border Business Trade & Environment in Ireland relative to other countries

Advantages



Disadvantages



5.3

Cross-Border Business & Trade Environment

View from Ireland's Financial Services Leaders

More than nine in ten (92%) leaders view Ireland's Cross-Border Business and Trade Environment as key to Ireland's future as a world-leading financial services hub.

The advantage conferred by Ireland's global trade and cross-border business environment is the most cited driver of growth in relation to leaders' own businesses; 27% cite it as a pivotal accelerant - more so than any other.

Single market access/proximity to EU

Single market access is most important to small businesses, viewed as an advantage by 92% (net) of leaders across firms with under 50 employees, and 77% (net) of those with a turnover of over €50 million.

Proximity to major European financial centres is an advantage for 20% (net) of respondents, rising to 56% (net) of those running businesses with a turnover of over €50 million.

Beneficial cross-border tax policies were also viewed as a relative advantage by 20% (net) of respondents.

Key stakeholders highlight Ireland's opportunity to market itself as the gateway to Europe, and the need for policy consistency in attracting and maintaining long-term investors.

“

We sit almost as a bridge between America and Europe, in terms of movement of business, trade, and capital.



Colin Hunt
Chief Executive Officer,
AIB

5.3 Cross-Border Business & Trade Environment



EY recommends the following actions:

Promoting Ireland globally through cross-border alliances-
Leverage Ireland's stability and track record to continue developing Ireland as a global FS brand and sanctuary to the US, UK and beyond.

► **Development of Ireland's FS brand internationally**

Enhance the focus on Ireland as a pivotal European and global capital markets integrator, highlighting the role it plays in the international funds market, the volume of international FS organisations located here, and its specialised products and interconnectedness with other industries. Position Ireland's FS sector as a foundational enabler across key industries and capabilities - payments, funds tokenisation, aviation finance, sustainable finance - reinforcing that Ireland is "open for business".

► **Create targeted capability corridors**

Strengthen Ireland's FS connections by establishing "capability corridors" that facilitate resource and knowledge exchange with strategically aligned nations. Develop cross-border alliances to support the seamless exchange of capabilities, FS products, and skilled resources in high-demand areas.

► **Influence policy to enhance export**

Extend the reach of Ireland's FS services through broadening the network of relationships, memberships and free trade agreements, e.g. broadening relationship through Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), empowering companies to scale globally and sustain growth in new markets.

► **Investment initiatives**

Offer financing solutions and investor protection policies to support international expansion of Irish FS companies and maintain 12.5% corporate tax rate for companies with revenue < €750 million to encourage growth.



5.4 Regulatory & Legal Framework

Establishing Ireland as an innovation regulator in financial services, by fostering a collaborative approach to shaping future regulatory frameworks

In brief

- ▶ Ireland's legal and regulatory environment has been a major driver of past growth, but leaders view a lack of efficiency of policymaking and legislation as a disadvantage to the market.
- ▶ FS leaders regard Ireland's ability to balance its best-in-class legal and regulatory frameworks with policy interventions to foster innovation, as well as its ability to navigate incoming changes to taxation policy, as key to unlocking future growth for the sector.
- ▶ The world's fastest-growing financial services hubs are adopting an innovation-led approach to regulation and policy setting.
- ▶ While the stability and flexibility of the common law system is viewed as a strong advantage for the Irish market, survey respondents view the efficiency of policymaking and legislation, and the scope of regulatory intervention as headwinds to the sector's growth.
- ▶ Key stakeholders emphasise the struggle that start-ups face if they require any kind of regulatory license and the challenges that regulatory divergence presents to operations across multiple jurisdictions.

Ireland's ranking versus leading financial services hubs

- ▶ Ireland ranks 5th for Regulatory & Legal Frameworks under the EY 5-Accelerant Framework, underpinned by a strong 10th-place ranking in the World Justice Project's Rule of Law Index.
- ▶ Switzerland ranks in the top 3 in three out of five of our index metrics, while Norway ranks in the top 10 across four.
- ▶ The trade-off between regulation and innovation is a delicate balance. While Ireland is highly regarded in terms of Regulatory Quality (11th), our research paints the market's regulatory backdrop as overly onerous and 'gold-plated', creating barriers to entry and increasing the cost and complexity of bringing new products or services to market.

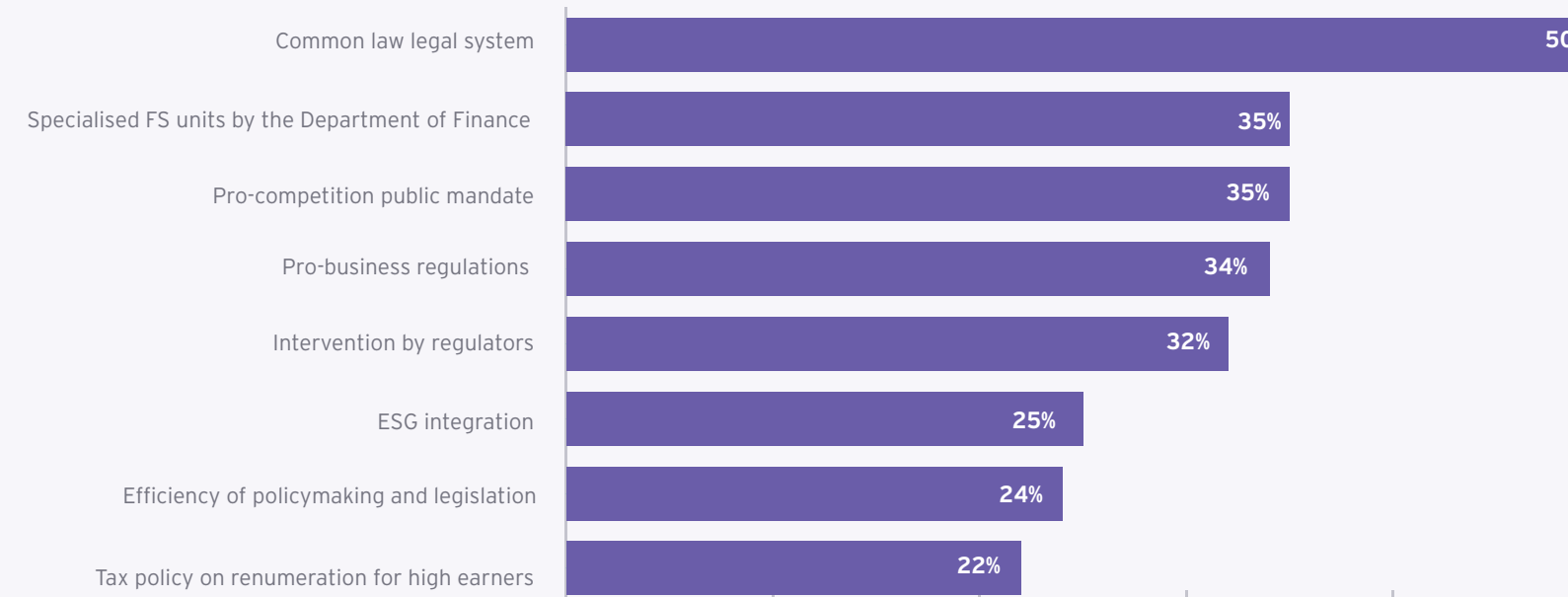
Best practice in leading hubs

- ▶ Switzerland is the third best performer on the Organisation for Economic Cooperation and Development (OCED) Infrastructure Governance Index (IGI) on stakeholder participation, with its policymaking built on the fundamental principal of direct democracy, where citizens and stakeholders engage in decision making to improve the design, implementation, and public acceptance of policies, infrastructure and services.
- ▶ The UK has recognised the benefit that innovation can have for consumers and markets by introducing innovation hubs and regulatory sandboxes for their fintech sector, which has attracted significant venture capital. Subsequently, fintech now accounts for 30% of all venture capital funding, amounting to over \$40 billion, and comprising over 2,500 fintech's - securing the UK's place in 2nd on the Global fintech Rankings Index.

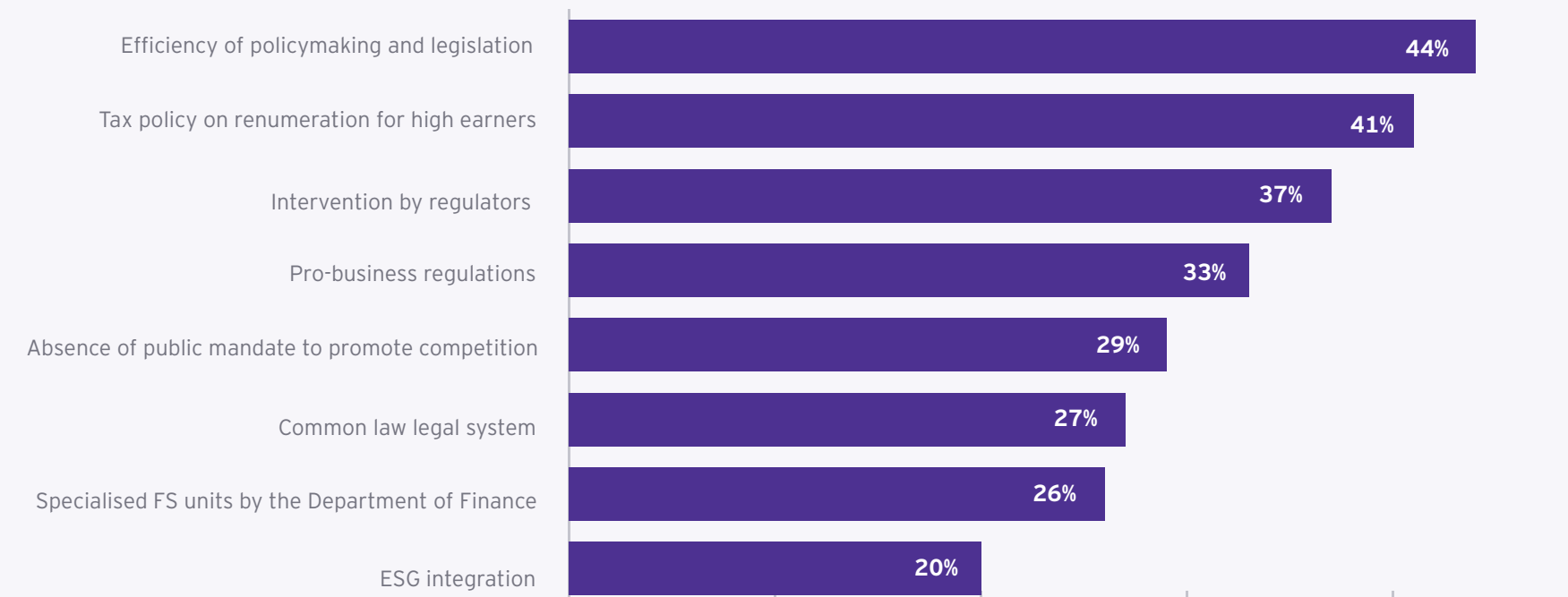
Survey Results: Advantages & Disadvantages of Regulatory & Legal Frameworks in Ireland relative to other countries



Advantages



Disadvantages



5.4 Regulatory & Legal Framework

View from Ireland's Financial Services Leaders

Ireland's regulatory and legal tailwinds

81% regard Ireland's regulatory and legal frameworks as key to its future standing on the global stage.

Ireland's common law legal system, and the stability it provides, is viewed as an important advantage by nearly a quarter of respondents.

Ireland's regulatory headwinds

While the stability and flexibility of the common law system compared with its civil equivalent is viewed as a strong advantage for the Irish market, 20% (net) of respondents view the efficiency of policymaking and legislation as a disadvantage to the market.

5% (net) of respondents view interventions by regulators as a headwind to the sector, while 12% (net) regard regulatory and legal barriers as key impediments to business growth.

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We're in a regulated industry and technology is not a regulated industry in the same way. I think where technology companies, particularly start-ups, struggle is if they require any kind of regulatory license. We haven't been set up to make it easy for those start-up technology companies...

Jurisdictions such as Luxembourg or London appear to have a much more joined up effort around the whole technological innovation. In those jurisdictions you've got regulators, you've got participants, you've got fintech companies all coming together and trying to develop an ecosystem.



Ann Prendergast
Head of EMEA, State Street

5.4 Regulatory & Legal Framework



EY recommends the following actions:

Innovate and Regulate-use regulation to stimulate innovation

Leverage and provide active support for and participation in CBI's Innovation Hub Sandbox programme.

- ▶ Establish a collaborative Financial Services AI and Cyber Working Group, co-chaired across Public and Private sector, inviting participation from key stakeholders including government, regulator, financial services industry groups including both Trad-Fi and Cyber firms, academia, consulting firms and tech experts.
- ▶ With the support of relevant industry representative bodies, develop a multi-year secondment programme to encourage FS professionals to work in public sector roles and vice versa, with minimum secondment periods and opportunities awarded to high-achieving individuals, supported by a mentor programme throughout the secondment period.

“

The EU's decisions on sustainability and climate change are significant. The level of reporting and regulatory measurement is going to change how people do business, and this is going to have unintended consequences, which could lead to lower growth, or people choosing different locations.



Andy Cronin
Chief Executive Officer,
Avolon

5.5 Macroeconomic Fundamentals & Policy



Macroeconomic Strategies: Sustaining Growth in a Dynamic World

In brief

- ▶ Nearly three quarters (74%) of FS leaders view Ireland's macro and policy backdrop as an important driver of the sector's future growth.
- ▶ The bureaucracy of policy making in the market is viewed as a headwind to innovation, while uncertainty over the future corporation tax environment remains a key focus.
- ▶ The world's fastest-growing financial services hubs are characterised by coordinated backing and investment for start-ups and innovation.
- ▶ Key stakeholders focus in on the opportunity for policy levers to support domestic growth and innovation at a moment of change in Ireland's demographics and market needs.

Ireland's ranking versus leading financial services hubs

- ▶ Within the EY 5-Accelerant Framework, Ireland ranks 7th for the Macroeconomic Fundamentals & Policy, ranking ahead of peers including South Korea, Norway and Australia in the World Bank's policy stability index.
- ▶ Ireland's relatively lower ranking across World Bank measures of venture capital availability and the extent to which the market creates an "enabling" environment is of note, particularly when considered alongside a recent OECD report on SME and Entrepreneurship in Ireland.⁴
- ▶ Ireland outperformed expectations in the 2023 Global Innovation Index in terms of innovation activity for its level of development (GDP per capita), ranking 22nd of 132 economies globally, and 14th in Europe.

Best practice in leading hubs

- ▶ Top-ranked Switzerland invests 3.2% of GDP in R&D, providing a range of government supports and backing for start-ups (e.g. Innosuisse), investment in education and funding for research projects, particularly those with commercial potential.
- ▶ Luxembourg provides innovative structuring tools conducive to a VC-friendly ecosystem e.g. white-label vehicles.
- ▶ In terms of sustainability leadership, The Luxembourg Green Exchange (LGX) is the first platform dedicated exclusively to green, social, and sustainable securities.

View from Ireland's Financial Services Leaders

Corporation tax in focus

Ireland's corporation tax policies have been an integral part of its attractiveness and growth as a financial services hub to date, highlighted by 23% (net) of respondents as a driver of advantage over other markets.

The implementation of a 10% rate for the International Financial Services Centre in 1987 was highlighted by key stakeholders as one of the major historical catalysts for the growth of the sector.

The 12.5% flat rate of corporation tax, introduced in 2003, amongst the lowest globally, played a crucial role in attracting multinational companies to Ireland.

However, the implementation of BEPS 2.0, which will introduce a global minimum corporation tax rate of 15% for multinational companies, will erode some of this advantage among the cohort of businesses falling under the scope of Pillar 2 rules.

Macroeconomic fundamentals & policy headwinds

The efficiency of policy-making is perceived as a relative disadvantage by 20% (net) of respondents, rising to 64% (net) among smaller businesses, highlighting the importance of reducing bureaucracy in order to facilitate growth.

- ▶ The market backdrop for supporting technological infrastructure and innovation is viewed as a disadvantage by 3% (net) of respondents, particularly in green finance and sustainable investing.
- ▶ 19% of Financial Services Leaders cited the high cost of upgrading technology as a barrier to growth.
- ▶ Tax policy is a core focus for key stakeholders, with stability viewed as key to mitigating uncertainty about the knock-on impacts of changes to global tax regimes.

⁴ 'SME and Entrepreneurship Policy in Ireland' Report 2019, OECD.

5.5 Macroeconomic Fundamentals & Policy

“

Historically, a 12.5% corporation tax was seen as attractive on a relative basis. Now that's neutralised with the move to 15%, what's important is a consistent government policy around the trajectory of the tax rate and commitments from the government – which they have made – in terms of keeping a competitive corporation tax rate. This is important for long-term investments.



Andy Cronin
Chief Executive Officer,
Avolon

”

We have a significant funds industry in Ireland, but we don't have a lot of retail investor participation in investment markets... This is a huge dislocation for me... We don't have a strong culture of investment.



Ann Prendergast
Head of EMEA, State Street

5.5 Macroeconomic Fundamentals & Policy



EY recommends the following actions:

Leverage Ireland's macroeconomic strength to advance up the value chain: Re-envision the areas of specialisation that Ireland can develop as the foundation for the next wave of growth in the FS sector. This growth is made possible by Ireland's robust macroeconomic position, exceptional policy capabilities, and strong government support in fostering a thriving FS sector. Areas for specialisation include:

- ▶ **ESG:** The COP29 announcement in relation to Article 6 of the Paris Agreement provides an opportunity for Ireland to strategically position itself as a global hub for the operationalisation and implementation of this new international instrument. This should be facilitated through a review of the tax environment for green funds.
- ▶ **Funds Tokenisation:** Leverage the recommendations made in the regulatory environment section by collaboratively establishing a clear regulatory framework and enabling organisations to develop tokenised products, using the enhanced sandbox to experiment with these in a controlled environment.
- ▶ **Payments:** Establish a payments collaboration group between government, industry bodies, payments, tech firms and regulators to invest in state of art tech infrastructure, attract global payment talent, and establish sandbox environment to allow FS and payment/tech firms collaborate in a controlled regulatory sandbox.
- ▶ **Fintech:** Boost access to capital to support product innovation and new entrants across fintech space.
- ▶ **Partnerships:** Develop an investor partnership scheme between government and VCs to provide growth-stage funding to start-ups developing particular products that meet the needs of the FS sector.
- ▶ **Retail Investor Participation:**
 - ▶ Boost investment activities and retail investor participation through focused policies such as the Swiss Financial Services Act (for investor protection).
 - ▶ Develop a financial awareness campaign for retail investors across Ireland to invest in Irish mutual funds.



A stone bridge with multiple arches spans a river at dusk. The bridge is illuminated with warm yellow lights, and the sky is a deep blue with some clouds. The water in the river reflects the lights and the bridge. The background shows a line of trees and a few streetlights.

Banking Perspective

Ireland's Banking Sector: A Foundation for Growth amid Emerging Opportunities and Challenges

Ireland's banking sector has undergone a period of unprecedented change. The impact of the Global Financial Crisis, the contraction in competition in the retail banking market, and the rebuilding of international confidence in Irish financial services are evidenced by the increase in Irish banks' balance sheets (+27%⁵) over the last 10 years.

This growth has been substantially driven by an increasing proportion of European and international lending, which has grown by 94% over the last 10 years, in part driven by strategic decisions taken by banks post Brexit, but also the confidence that markets have in the Irish financial services sector.

This positive trajectory, combined with access to a strong talent pool, a stable regulatory environment and much greater tax transparency, mean that Ireland is uniquely positioned to make a step change to increase the approximately 3% balance sheet Combined Annual Growth Rate (CAGR) over the last 10 years to the [6%] our financial services leaders believe is achievable over the coming years.

To accelerate the sector's momentum as a global financial services hub, and capitalise on these opportunities, however, means that challenges like the banking levy and facilitating talent attraction/retention, impacted by factors such as housing shortages, will need to be addressed.

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Ireland is in a unique position to take a step change in growth in banking, leveraging the fundamentals of the Banking Union, the significant international footprint already on the ground, building credentials as a sustainability centre and in its position as a gateway to Europe.



Danny Buckley

Banking and Capital Markets
Sector Leader, EY Ireland

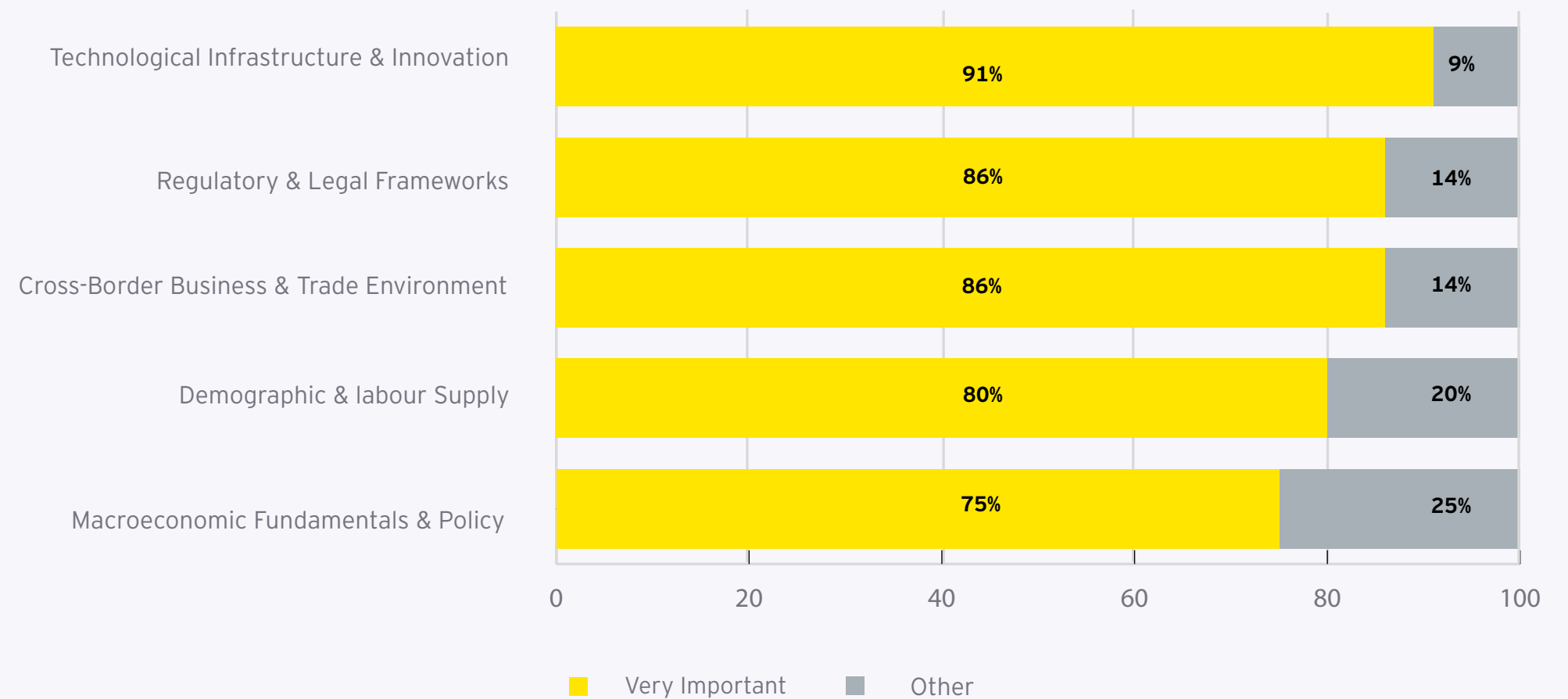
⁵Increase in total assets for Irish Resident Credit Institutions per Central Bank of Ireland statistics



The survey results indicate that, while all of the factors have a high degree of importance, technological infrastructure and

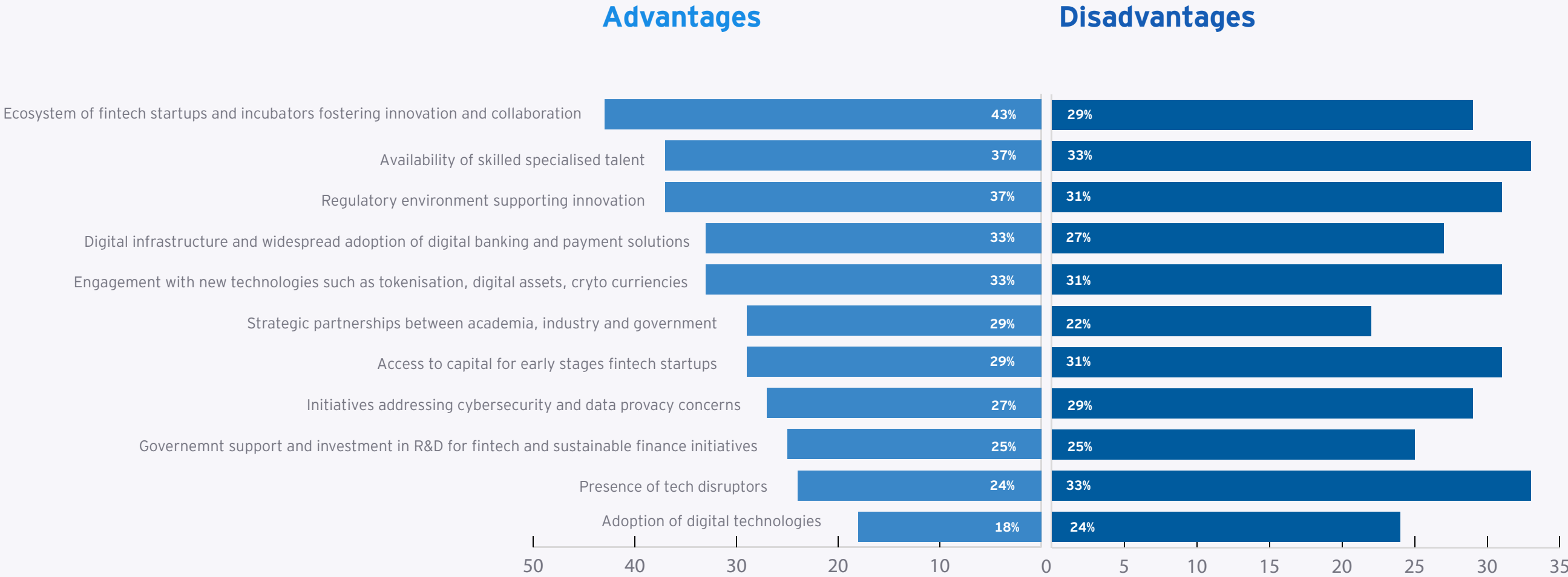
innovation are the most important factor to facilitate the creation of a world leading financial services hub.

Survey Results: Relative importance of factors in facilitating the creation of a world-leading financial services hub





Survey Results: Advantages & Disadvantages of Technological Infrastructure and Innovation in Ireland relative to other countries

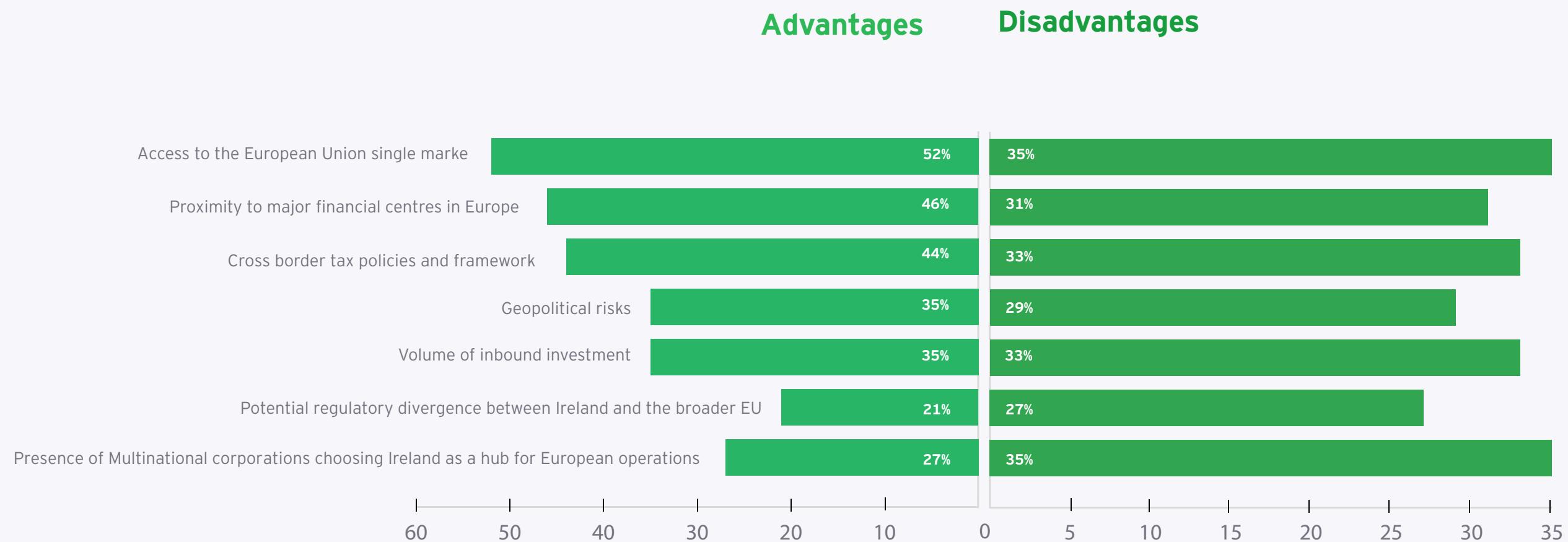


Ireland's stable, common law legal system is seen as the biggest net advantage currently. With regulatory intervention seen as a positive advantage (net +2%).

It is clear from the survey that tax policy for higher earners requires attention to attract and retain senior leadership in Ireland.

Furthermore, given the profound impact of ESG over the coming years, Ireland needs to build on the shoots of activity currently evident in the market to make Ireland a hub for sustainable finance. This is seen as a positive advantage, but further development is necessary. Again, this will need close collaboration between all of the sector's stakeholders with a view to identify the mechanisms to drive this forward.

Survey Results: Advantages & Disadvantages of Cross-Border Business Trade & Environment in Ireland relative to other countries



This accelerant is where Ireland is showing the strongest fundamentals as things stand. With access to the European single market (+17%) a clear advantage, providing a gateway for cross-border trade and reinforcing Ireland's position within the global banking ecosystem.

However, regulatory divergence from the EU is a concern (-6%), which could complicate cross-border business and impact future competitiveness. Similarly, there were concerns raised about the implications of Ireland not achieving its sustainability goals and the implications of this for investment.

Despite some regulatory challenges, the sector is buoyed by a stable tax environment, with cross-border tax policies offering a net advantage (+10%).



Opportunities to foster growth: Collaboration and the green agenda

Collaborative efforts in areas like AML (Anti-Money Laundering) and AI (Artificial Intelligence) are emerging as key strategies for improving efficiency and meeting investor demands. By pooling resources and expertise in these common activities, banks can reduce costs and improve compliance, making them more attractive to investors.

The green finance agenda offers another significant opportunity. Ireland is increasingly positioning itself as a sustainability hub, with 86% of leaders recognising the importance of green finance as a growth area. Banks that quickly integrate environmental, social, and governance (ESG) principles will lead this movement. Early adopters are expected to benefit from regulatory incentives and a stronger investor interest in sustainable projects, particularly in green bonds and infrastructure investments. By supporting the green transition, Ireland is positioning itself as a more investable location, appealing to international investors who are increasingly focused on sustainability.

Addressing Key Challenges: The Banking Levy, Pay Caps and the Cost of Living

While Ireland's banking sector has a strong foundation for growth, several challenges need to be addressed to maintain its competitive edge. The banking levy remains a top concern for industry leaders, who argue that it impacts the sector's ability to attract new entrants and grow sustainably. Reducing or removing the levy could help level the playing field and encourage both new entrants and established players to invest further in the Irish market.

Pay caps, along with high personal taxes, pose significant obstacles to attracting and retaining senior talent. With 38% of respondents highlighting personal taxes as a major disadvantage, there is a clear need to re-evaluate compensation policies to remain competitive with other financial centres like London and Frankfurt.

Finally, the housing crisis and the rising cost of living (-24%) and (-29%), respectively are critical issues that the government must address. Without improvements in housing affordability, Ireland risks losing its ability to retain top talent, which is essential for driving growth in high-value financial services roles.

Conclusion: A path forward for sustainable growth

Ireland's banking sector has a strong bedrock for growth, but to fully capitalise on its potential as a global financial services hub, collaboration, policy reform, and a focus on sustainability are key. By addressing the challenges around the banking levy, pay caps, and housing, in addition to fostering innovation and green finance, Ireland can position itself as a leader in the next phase of global financial services.

Banks that embrace collaboration and sustainability while leveraging Ireland's regulatory and technological strengths are poised to thrive. With strategic action, Ireland's financial services sector can maintain its competitive edge and continue to attract international investment, driving long-term, sustainable growth.

The background image shows a cityscape at dusk or dawn. A large, cylindrical stone tower is the central focus, situated on a riverbank. The sky is a mix of deep blue and purple, with scattered clouds. The city lights are visible in the distance, and their reflections are clearly seen in the calm water of the river. The overall mood is serene and atmospheric.

Insurance Insights

Driving Innovation and Further Collaboration in the Insurance Industry

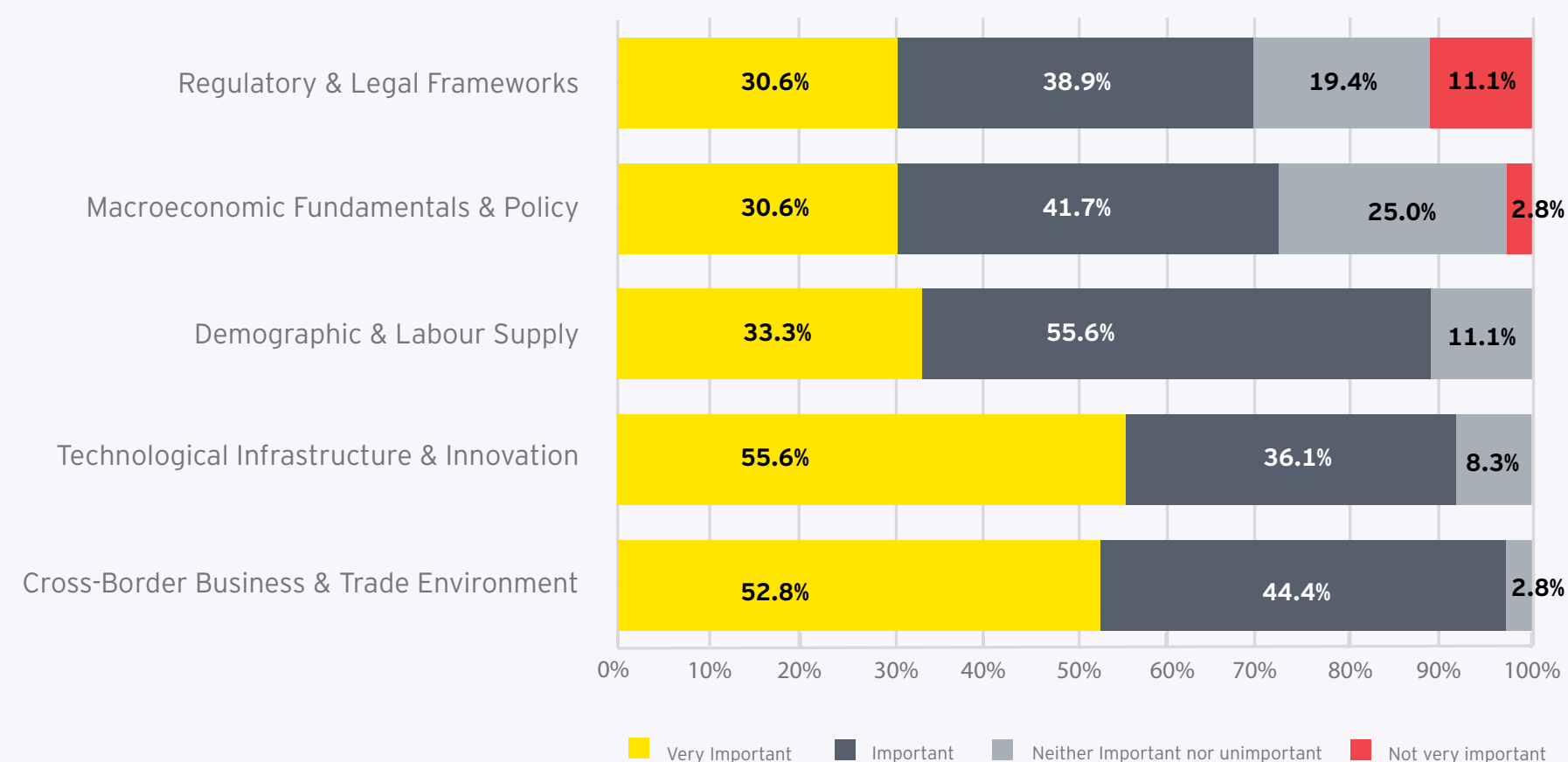
Leaders across Ireland’s Insurance sector regard the market’s Cross-Border Business & Trade Environment as the most important accelerant to the future growth of the sector.

Specifically our international context drives the domestic economy which in turn is the engine for earnings growth within our domestic insurers,

together with being a gateway to Europe and beyond for our international insurance tradeflows.

Whereas the economic context drives tradeflows, the ability to serve those tradeflows, and deliver value to customers, is critically impacted by Technological Infrastructure, Innovation, and Labour Supply.

Survey Results: Relative importance of factors in facilitating the creation of a world-leading financial services hub



An evolving cross-border marketplace

In line with the broader financial services sector, leaders within the insurance sector view access to the European single market as a key source of advantage for the Irish market.

More broadly, however, insurance leaders observe a range of headwinds and tailwinds to Ireland's cross-border business environment, reflecting a marked shift that has already taken place across the sector over recent years.

Headwinds

Between 2009-2023, the number of insurance and reinsurance businesses based in Ireland fell by 39%⁶, with the number of life and non-life companies falling by 42% and 29% respectively over the period. The number of re-insurers declined even more sharply, with a 47% reduction in the number of firms operating in the market.

The drivers behind the falling number of insurance players in Ireland are wide-ranging, encompassing both structural factors, such as the decline of certain market segments (such as Variable Annuity providers) following the Global Financial Crisis (GFC), and macro economic factors, with the low-interest rate environment post-GFC principal among them.

We also observed a decline in earlier ambitions to create truly pan-European life product offerings from the Irish market. This decline is not abating, with an increasingly nationalistic agenda in some markets undermining cross-border opportunities.

Tailwinds

That said, the case for and opportunity in non-life specialty insurance has taken a different path to that observed in cross-border Life markets. In non-life, Ireland has benefited from being among the most-favoured domiciles for the establishment of an EU market presence by UK companies post-Brexit. The companies who have established a presence have grown rapidly, scaling their businesses and benefiting from the momentum in international specialty markets. This success is increasing the network and cluster effect for non-life specialty manufacture in Ireland.

⁶Milliman Report 'Protecting tomorrow: The future of the Irish insurance industry - A report for Insurance Ireland' October 2023



Connectivity is key to unlocking cross-border success.



James Maher
Insurance Sector Leader,
EY Ireland

The growth trajectory for Ireland's domestic insurance players is predicated on the success of Ireland Plc. and is intrinsically linked to the growing wealth of the domestic economy, specifically with the emergence of a wealthy and ageing population for life insurers. Domestically, insurers' net position is positive, with rising operating costs in the market offset by the opportunity for pricing power and increased demand from within the Irish economy.

Beyond re-establishing the case for Ireland's domestic insurance market, the opportunity for action is focused in our international and cross-border business segments. The secular decline in life insurance since the GFC has had an amplified impact in Ireland, where the "cross-border" model has struggled to realise opportunity and is thus at real risk of disappearing altogether. There is a need to reignite and reinvigorate the life insurance sector, which will benefit from rising interest rates, but the sector needs to take a driving role

in reimagining the next generation of life insurance, and lead through product and innovation to get growth back on track.

Critically, we see an opportunity for the life sector to collaborate with asset managers and private equity to develop and hone a new product offering; these synergies are crucial to reinvigorating Ireland's cross-border life sector.

For non-life companies, the opportunity to maintain and grow cross-border commercial, and in particular specialty insurance is really strong and positive; the cluster of competencies in underwriting, finance, risk and capital needs to evolve further across underwriting, technology and product innovation (e.g. cyber resilience), which can benefit from the collocation of MNCs and InsurTech, giving rise to the opportunity for a tech-enabled insurance ecosystem in the Irish market.

Ireland’s digital infrastructure is seen as a greater advantage by insurers versus the financial services sector overall

More than a quarter (27%) of Insurance leaders view digital infrastructure as a relative advantage, significantly above the 7% of leaders across the financial services sector overall, highlighting its critical role in supporting digital transformation and advanced operations across the Insurance arena.

Aligning the ambitions between policymakers and insurance leaders

While government support and investment in R&D for fintech and sustainable finance is viewed as a particular source of advantage for the insurance sector (15% relative to 2% across financial services more broadly), nearly a fifth (18%) of insurance leaders regard the regulatory environment supporting innovation, particularly in areas like green finance and sustainable investing, as a headwind.

Aligning policy and regulation could open the way for significant innovation and growth. Left unaddressed, the international/cross-border market will remain exposed to the risks of contraction, while the domestic market will suffer from constrained product development and, in turn, value for money for customers.

Insurance leaders identified the following factors and policy mechanisms as crucial to the sector’s future growth, highlighting the importance of the perception and reputation of the sector to its future trajectory.



Attractiveness and visibility of Ireland’s insurance sector

The insurance sector must be viewed as an employer of choice in order to attract top talent.



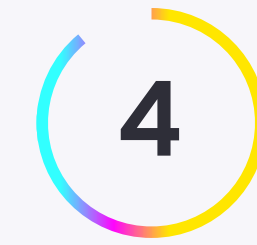
Availability of qualified resources / talent

Leaders identify the role that talent will play in driving the sector forward but face considerable competition when in accessing senior and expert resources, which is further amplifying the short supply of talent, in turn impacting costs and the attractiveness of the sector.



Ireland’s tax framework and international tax policy (e.g. BEPS 2.0)

The prominence of this factor for sector leaders highlights the continued importance of Ireland’s historic tax advantages across sectors.



Changes in technology and technology delivery methods to accelerate transformation into a digital future

There is appetite - and a significant plan - to transform the sector, domestically in the first instance, to embrace a digital future.



Ireland’s legal and regulatory regime

Is a net positive for the sector but requires an accommodative posture and overall regulatory service levels to remain so.

Ireland's insurance sector leaders highlight the opportunity to:



- ▶ Reassess the drivers of cross-border advantage, alongside levers to encourage multinational insurers to build more substantive presence on both life and non-life segments.



- ▶ Re-evaluate the role that Ireland's insurance sector can play in the international sustainable finance market, by expanding the sector's social impact and moving beyond regulation.



- ▶ Assess policy support for innovation in fintech and green finance across the sector.



The observations of our insurance leaders reflect the richness of the composition of the sector in Ireland, with the domestic market benefiting significantly from the growth of the domestic economy through the robust health of our MNC communities. The position for international/cross-border companies is not as clear cut, as the contention for resources in the domestic economy

are not necessarily offset by the international revenue profile. Driving the technology agenda forward can look to mitigate some of these capacity concerns by refocussing attention of the talent, cluster and capabilities of the Irish marketplace. However, these major steps forward are only possible within an accommodative regulatory context.



James Maher
Insurance Sector Leader,
EY Ireland

The background image shows a modern cable-stayed bridge at dusk. The bridge's deck is illuminated with warm, golden lights, and its railings are also lit. The sky is a deep blue with scattered clouds, and the city lights of a town are visible in the distance, reflected in the water below. The overall mood is serene and modern.

Wealth & Asset Management Focus

Exploring Growth Potential in Ireland's Asset Management Sector

The areas of most pressing focus for this sector are:

- ▶ **Regulatory & Legal Frameworks:** Ensuring Ireland has the right products and agility in regulatory decision-making.
- ▶ **Technological Infrastructure & Innovation:** Making more of the clusters of the tech and financial services ecosystems in Ireland to drive cross sector collaboration in order to firmly establish Ireland as an innovative hub for financial services.

Ireland's funds and asset management industry has evolved into a global centre of excellence for Asset Management since the establishment of the IFSC in the 1980s. The initial plan for the IFSC was to serve as a trading hub, however, after Black Tuesday on 19 October, 1987, industry leaders pivoted to alternative financial services businesses, particularly in asset management, in order to build momentum for international financial services business in Ireland. Our strength has always been our ability to pivot and remain agile, and we must continue to build on this in tandem a rapidly evolving market.

Ireland today boasts a well-established asset management ecosystem where global custody banks, third-party fund administrators, asset managers, professional advisors, and fintech companies collaborate seamlessly on a daily basis.

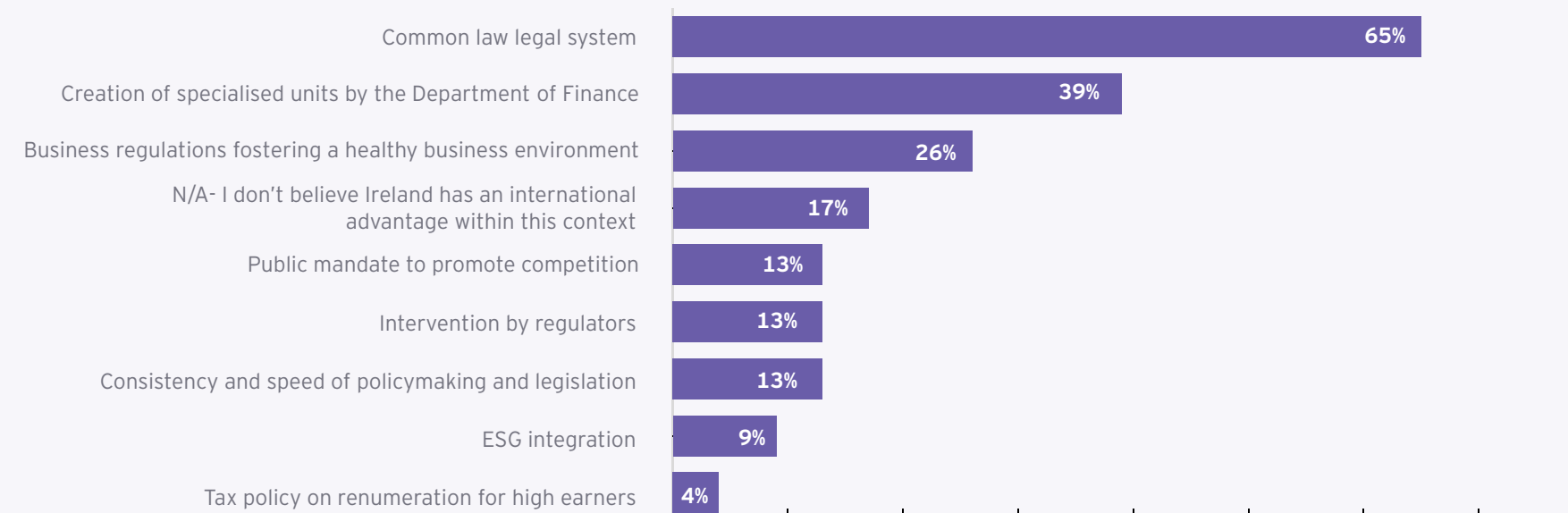
The sector in Ireland is oriented primarily towards international trade, where tax neutrality and certainty for international investors, alongside a common law legal system have been fundamental in achieving this. Ireland has always had a long-standing reputation as a stable and transparent tax jurisdiction, where the consistency and predictability of our tax system are hugely appealing to international investors looking for a reliable domicile for their investment vehicles, supporting global investors and investments. Ireland's tax certainty has been accomplished through an extensive network of double tax treaties with over 70 countries, ensuring that investors are not taxed twice on the same income.

Post Brexit, Ireland is the only English-speaking common law jurisdiction in the EU. Common law is preferred for global cross border trade due to its procedural effectiveness and certainty - with over half of the respondents to our survey (52%) identifying this as an advantage.

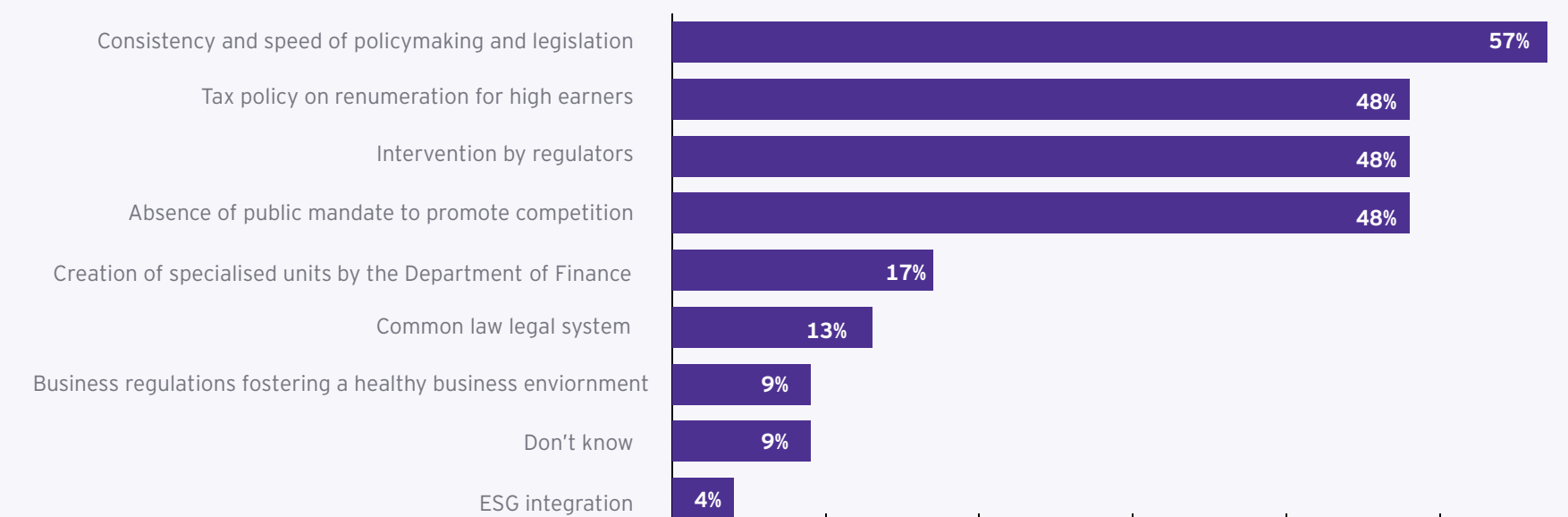
Under EY's 5-Accelerant Framework, transparency and the ease of doing business were identified as key components of fast-growing financial hubs, featuring strongly in our respondents' views. Successive governments have pursued a policy of encouraging global businesses into Ireland through transparent and stable business regulation, tax policy and infrastructure investments.

Survey Results: Advantages & Disadvantages of Regulatory & Legal Frameworks in Ireland relative to other countries

Advantages



Disadvantages



Whilst Ireland has a robust and globally recognised regulatory landscape for asset management businesses and investment funds, leaders across the sector identified certain disadvantages relative to rival jurisdictions.

42% of our respondents pointed to the lack of a clear public mandate to support financial services growth as a disadvantage.

In addition, 57% of our respondents identified the consistency and speed of policy making and legislation as a disadvantage, when compared to international peer jurisdictions.

Finally, 35% of our respondents perceived regulatory efficiency and interventions, such as gold plating, as a competitive disadvantage relative to rival EU jurisdictions.

Ireland's Wealth & Asset Management sector is a cornerstone of our financial services industry, but staying at the forefront requires proactive measures and innovation.

Our strength has been our ability to pivot and remain agile in a rapidly evolving market since the establishment of the IFSC. As we look to the future, leveraging our robust



Lisa Kealy
Markets Leader,
EY Financial
Services Ireland

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technological infrastructure and fostering cross-sector collaboration will be key to maintaining our position as a global centre of excellence for asset management. The convergence of financial services and technology in Ireland presents a unique opportunity to drive growth and innovation, ensuring we remain competitive on the global stage.

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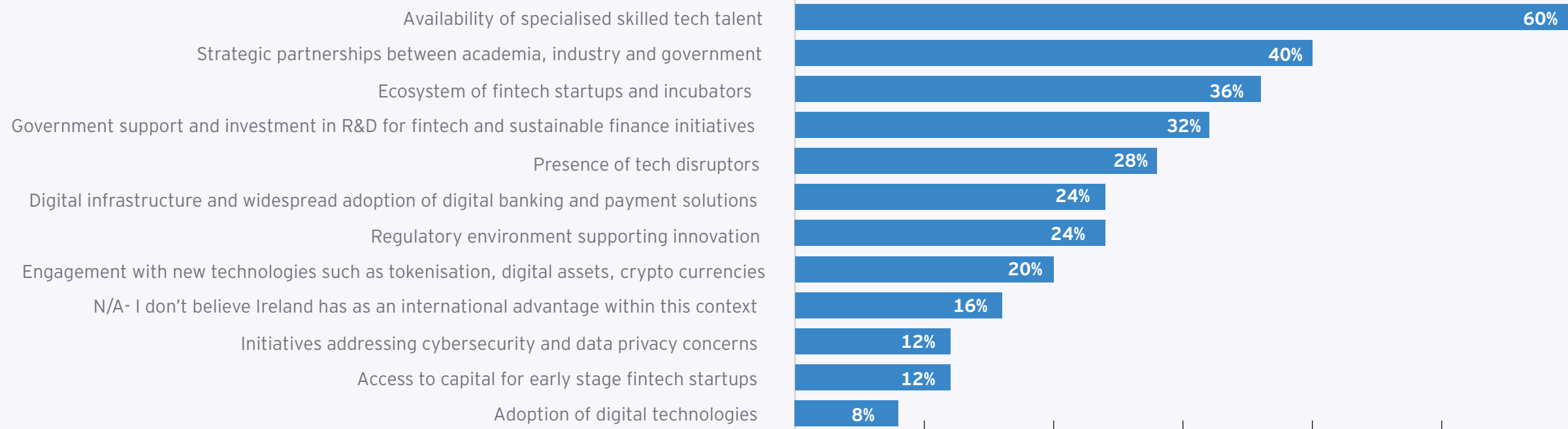
The pace of change across the asset management sector and the coexistence of global technology and financial services business in Ireland, presents a unique opportunity for Ireland to advance its leadership across all facets of asset management. Technology is challenging and disrupting all aspects of the asset management value chain, from operations, to the end client user experience through automation, artificial intelligence, tokenisation and cloud computing. As a result, we can expect to see more change in the coming five years than we have experienced in the past 15.



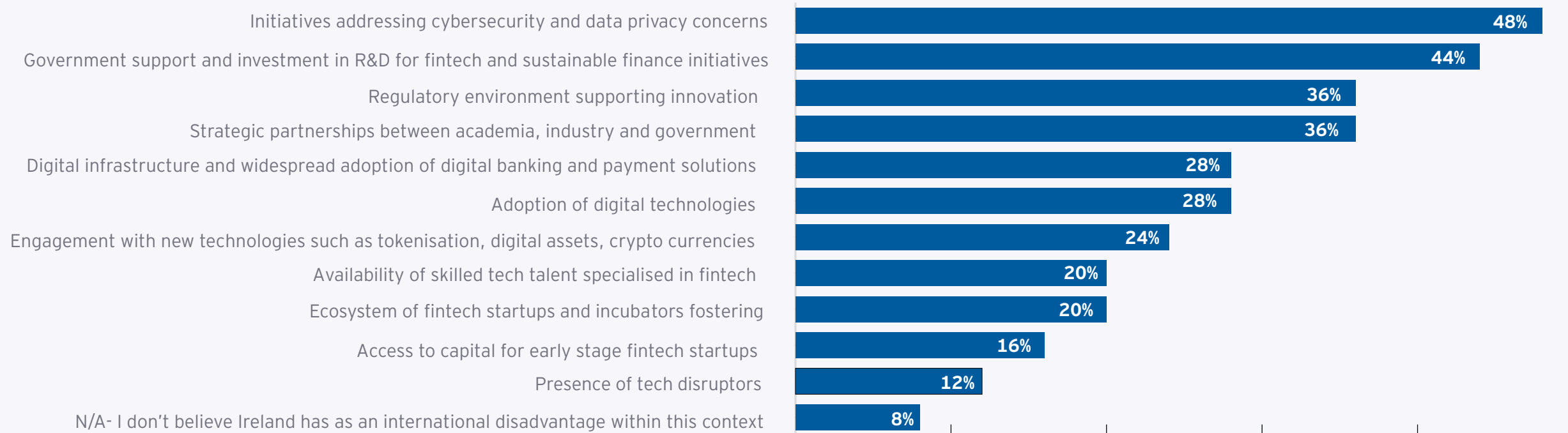
Fergus McNally
Wealth and Asset Management
Sector Leader, EY Ireland

Survey Results: Advantages & Disadvantages of Technological Infrastructure and Innovation in Ireland relative to other countries

Advantages



Disadvantages



Technological Infrastructure and Innovation within Ireland's Asset Management sector

With an abundance of global technology companies in Ireland, many of the desired technology skill sets and experiences to accelerate change already exist here, as cited by 60% of the respondents in our survey. They see the symbiosis of global financial services and technology firms in Ireland as an accelerant that can empower entrepreneurship across asset management, identified as an advantage by 36% of our respondents.

Government support to more formally co-ordinate and foster collaboration would bolster Ireland's reputation as an innovation hub for asset management.

Cyber security and data privacy were identified as key risks and challenges for the sector by 48% of respondents. This is not surprisingly given the international nature of the asset management industry, coupled with the interconnectedness between all facets of the value chain. As a result, several international businesses have established Global Cyber Security Centres in Ireland.

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Looking outwards at Ireland’s fast growing competitors, Ireland’s well educated English speaking workforce confers a natural advantage for our market in an international sector such as asset management. The talent advantage we have is not easy to replicate and requires ongoing collaboration between policy makers, educational bodies and the sector to ensure we continue to continue to remain agile and relevant. Initiatives such as the

Department of Enterprise Trade and Employment’s ‘Skills for International Financial Services – an Assessment of Future Skills Requirements in High Potential Sub-sectors of Ireland’s International Financial Services Sector to 2027’ are of critical importance as we look to the shape of the sector in Ireland over the next decade.



Fergus McNally

Wealth and Asset Management
Sector Leader, EY Ireland

Demographics and labour supply for Ireland’s Asset Management sector

Ireland’s highly educated workforce remains a key advantage relative to international peers. According to 69% of survey respondents, significantly higher than the 43% reading across the broader financial services sector, close coordination on skills mapping will be crucial as we adapt for the next phase of asset management growth.

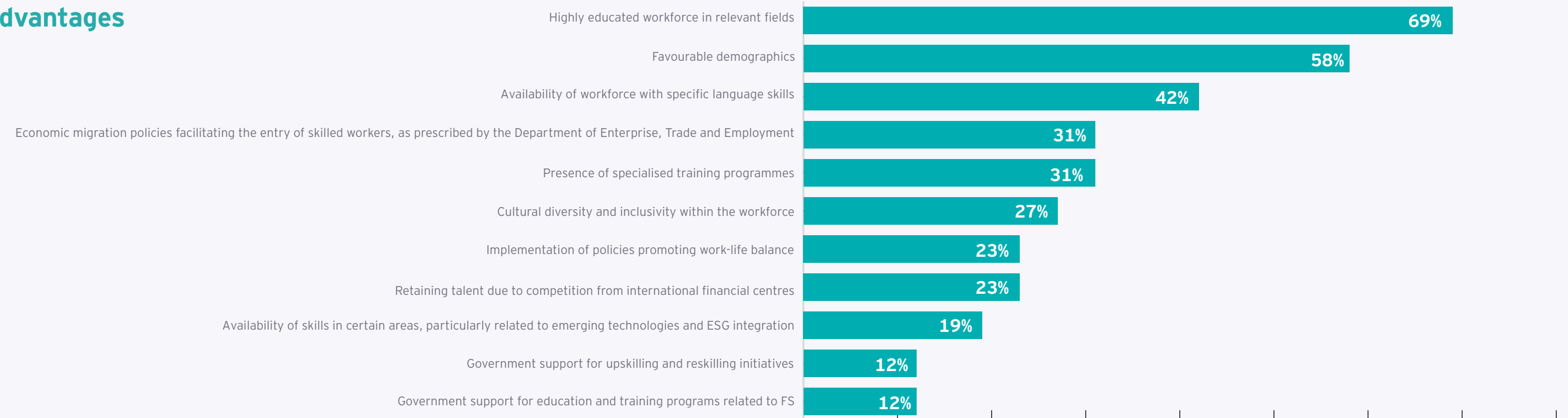
Whilst asset management respondents to the survey identified Ireland’s pool of skilled talent as a significant advantage, they also identified challenges such as the ability to attract and retain top tier talent, which was identified as a relative disadvantage by 42% of our respondents.

The 2024 Indecon survey commissioned by Irish Funds identified that the sector employs 19,519 people across all four provinces of Ireland. Demand for talent has been influenced by the growth and the evolution of the industry in Ireland, where in the five years to October 2024 Assets under Management in Irish domiciled funds have increased by 55% to €4.7 trillion, making Ireland the third largest fund domicile globally. This together with an influx of asset managers establishing their EU Regulated entities in Ireland post Brexit has driven a robust demand for skilled professionals in various roles such as investment management, risk, compliance, technology, middle office and fund administration roles.

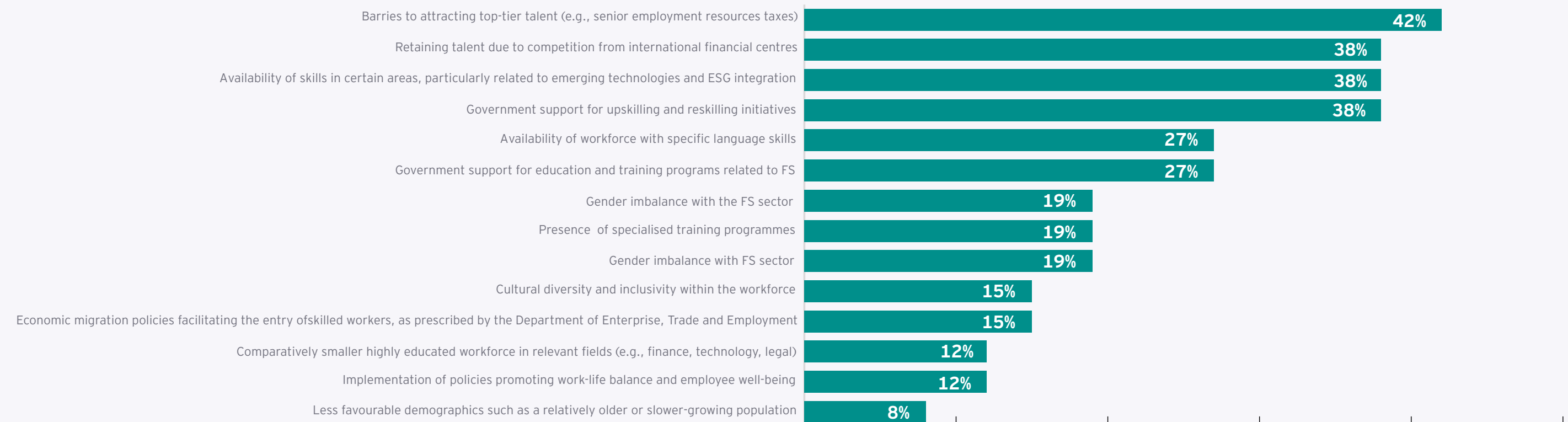
These changes have fueled demand for experience across all levels. Intense competition from rival international financial services centres was identified as a relative disadvantage for Ireland, 38% net, with more competitive personal tax rules being among the reasons to choose other locations over Ireland, again, reinforcing the challenge of attracting and retaining top talent.

Survey Results: Advantages & Disadvantages of Demographics & Labour Supply in Ireland relative to other countries

Advantages



Disadvantages



Key Drivers of Growth for Ireland's Asset Management Sector

Leaders across the asset management sector identified the following factors and policy mechanisms as crucial to the sector's future growth, reinforcing the role that access to talent and regulatory posture will play in harnessing the benefits of Ireland's position as the investment gateway to Europe.

1. The certainty, stability and transparency of Ireland's tax system.
2. Ireland's track record in implementing EU financial services regulation - speed and consistency of implementation are key to maintaining Ireland's attractiveness as a global centre of asset management.
3. Investment fund structures to accommodate global investors and investment strategies, continued product innovation and flexibility within existing structures will be crucial to maintaining Ireland's attractiveness as a global domicile.
4. Ireland's role as an English-speaking, common law gateway to the European single market continues to be a significant incentive for asset management businesses seeking to locate invest or distribute into the European Union.
5. Availability of qualified resources/talent. Leaders' focus on skills and talent reinforces the prominence of human capital in locking in unlocking the sector's growth potential.
6. The Irish government's commitment to the asset management sector through implementation of the recommendations from the Funds Sector 2030 Review. The views of leaders across Ireland's asset management sector highlight the opportunity to formalise government support for fostering collaboration between financial services, technology and academia, bringing the right skill sets together to solve global problems, strengthening the foundations of the next 30 years of asset management activity in Ireland.
7. Protect Ireland's historic talent advantage in the asset management industry by reviewing personal tax policies and rolling out initiatives to support retention and upskilling in key areas such as private markets, risk, sustainable finance and technology.
8. Establishing an interdepartmental resource where collaborative engagement across the sector will help position Ireland's asset management sector for growth.



Ensuring that Ireland remains relevant and ahead, requires an environment and ecosystem in which financial services, technology and academia can bring together the right skill sets to solve global problems. 40% of our respondents identified strategic partnerships between academia, technology and financial services, as a net positive advantage for Ireland the recent creation of the Central Bank of Ireland's Innovation Hub, where the Regulator has established a sandbox for the industry to test new products and technologies, is a tangible step in the right direction.

More resources are needed to bring this firmly to life and strongly present our ambition as a future focused financial services jurisdiction, a view which is also held by 36% net of respondents. There is a strong case for Ireland to take a bolder, faster, more creative approach to the regulatory frameworks underpinning the sector. The market has been slower to market on various fund related products relative to international peers, in part because we have prioritized prudential regulation and the protection of investors over product diversification and proliferation.



Fergus McNally
Wealth and Asset Management
Sector Leader, EY Ireland

The background of the slide is a photograph of a lighthouse situated on a rocky cliff overlooking the ocean. The scene is captured during a sunset or sunrise, with the sky filled with vibrant orange and red clouds. The lighthouse is a white, cylindrical structure with a lantern room on top. The foreground shows the dark, grassy slope of the cliff.

Aviation Finance Outlook

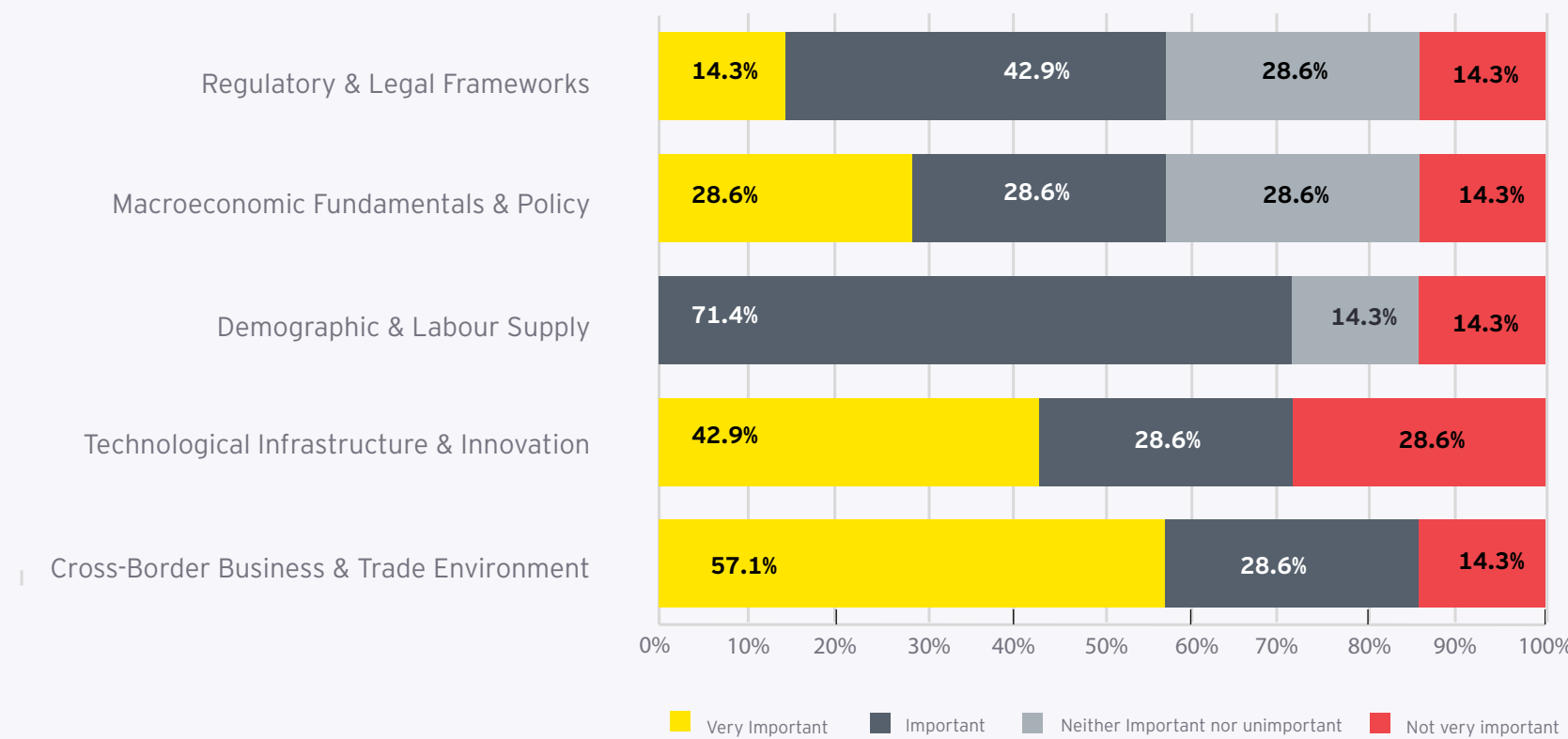
Aviation Finance: Cross-Border Networks can unlock Future Growth

Leaders from across Ireland’s aviation finance sector view the market’s Cross-Border Business & Trade Environment as the most significant factor in supporting the future growth of the sector, followed by Technological Infrastructure & Innovation, and Demographics & Labour Supply.

Over the past 35 years, Ireland has distinguished itself as the global centre of the aviation finance industry, with 14 of the top 15 global aircraft lessors operating within the Irish market.⁷

86% of Aviation Finance Leaders cited Ireland’s tax framework as the most significant factor to the future growth of the sector and its global standing relative to international peers.

Survey Results: Relative importance of factors in facilitating the creation of a world-leading financial services hub



Ireland’s aviation finance sector thrives on its commitment to a stable tax framework, coherent policies, and a deep talent pool. By fostering domestic expertise, ensuring transparent governance, and strengthening cross-border connections, particularly with the US and China, Ireland can sustain its global leadership and attract long-term investment to the sector.



Niamh Tobin
Aviation Finance Sector Leader, EY Ireland

⁷Financial Services Ireland - Ireland’s future through finance

The Evolving Tax Landscape: Securing Ireland's Leadership in Aviation Finance

While Ireland's tax landscape has been a crucial underpin to the sector's growth to date, the impact of this factor will evolve going forwards, as global markets adjust to the impact of global tax frameworks, Pillar 2 of the OECD's Global Anti-Base Erosion Model Rules (BEPS 2.0) principle among them.

Mega economies like China and India, which may ignore global tax policy to some degree, may inevitably pull the tax policy lever to promote the growth of their aviation finance industries as part of wider efforts to attract and secure access to strategically important assets like aircraft.

Over the recent past, FS leaders in Singapore and Hong Kong have led the way in developing tax specific leasing regimes, yet both markets have been more negatively impacted by BEPS 2.0 than Ireland, given the closer alignment of the existing Irish regime with Pillar 2. With the constraints on global governments' ability to alter tax frameworks to incentivise investment, consistency of approach and mitigating uncertainty around policy implementation becomes crucial.

Historically, Ireland and the Department of Finance has been adept at negotiating complex tax law change at an international level (EU and OECD) and this must continue to be a focus of government, supported by close collaboration and engagement with industry and professional bodies.

For entities that fall outside the remit of Pillar 2, encompassing a very large group of taxpayers, Ireland retains a level of discretion around the market's tax framework, though the European Union is pushing for a more harmonised system across Europe, consistent with a common market approach. An ongoing commitment to the 12.5% tax rate remains and the importance of maintaining this position cannot be overstated in light of the possibility of a changing political landscape across Europe and the rest of the world.

Regional leasing hubs are a certainty in the future of aviation finance; maximising the ease and efficiency of capital flows into the Irish market will be crucial to Ireland maintaining its preeminent global position in the sector. Ireland does not have a capital market, but the nature of structured products and the regulatory environment enabled Irish-based structured entities to raise international capital. Prioritising this will continue to yield capital market inflows, both into aviation finance and investment products more broadly.

“

Attractive tax treaties have played, and continue to play, a critical role in the development of Ireland as the leading hub for the global aviation finance industry. Aircraft leasing is a truly global industry and Ireland's successful negotiation of tax treaties with numerous developed markets has been a crucial support to our industry's growth historically, by managing and mitigating cross-border taxes and other obstacles to trade.

Progress on signing new tax treaties with developing and emerging economies has become more difficult, and we see a role for wider EU support of member markets' bilateral cross-border negotiations. In the same vein, cross-border networks with key trade partners is critical, particularly the US and China, where networks must be prioritised.

Closer to home, Irish tax administration of the aviation industry has been complicated by a broader overhaul of tax administration in the Irish market over the recent past. Uncertainties or gaps in the tax law as it applies to leasing take time to resolve at. To capture the global potential of our industry's growth as an alternative asset class, there is a case for more refinement of the tax legislation for alternative assets classes to facilitate cross-border investment from multiple investor locations.



John Hannigan
FS Tax Leader,
EY Ireland



Leaders across the aviation finance sector identified the following factors and policy mechanisms as crucial to the sector’s future growth, highlighting the importance of evolving tax frameworks where possible, while maximising the ease and efficiency of capital flows.

1

Tax framework

The importance of maintaining an ongoing commitment to the 12.5% tax rate for entities falling outside of Pillar 2 cannot be overstated.

2

Stable government

Investors look for consistency and transparency in their environment, enabling better and longer-term decision making. In the aviation finance industry, stability means a consistent and transparent approach to long-term policy development and enactment.

3

Availability of qualified resources and talent

While the sector in Ireland remains attractive to international talent, home-grown talent has been an important driver of the sector to date and will maintain the industry in Ireland into the long term. An industry that relies solely on international labour will be diluted over time. By focusing on local learning and bigger investment by leasing entities in training and development on the job, supported by government and local industry specialists, Ireland’s aviation sector can grow as a domestic industrial power.

4

A coherent and stable fiscal and regulatory policy for the sector

Maximising the ease and efficiency of capital flows into the Irish market will be crucial to Ireland; maintaining its preeminent global position in the sector.

5

US inbound investment

Cross-Border networks with key trade partners, particularly the US and China, are critical, where networks must be prioritised.

EY's Call to Action



EY's Call to Action:

EY commissioned this research to assess the current health and competitiveness of Ireland's financial services sector and to identify the key actions required to ensure it can achieve its growth potential.

Ireland's financial services sector is poised for significant growth, with modelling based on Leaders' insights suggesting that Gross Value Added (GVA) could increase by 26% in the years 2024 to 2028. Achieving this would create up to 30,000 new jobs, expanding the workforce to approximately 168,000.

There is strong consensus across industry stakeholders on the need for collective action to unlock this potential. Key priorities include elevating Ireland's position as a global leader in digital financial services, simplifying and innovating the regulatory environment while maintaining market integrity, enhancing cross-border trade opportunities, developing an attractive employment environment and strengthening Ireland's leadership in sustainable finance through key areas of specialisation.

To achieve this, a collaborative effort is essential, building on Ireland's unique strengths and past successes. By harnessing the strong, close-knit nature of Ireland's financial services sector, we can drive sustainable growth, innovation, and resilience, ensuring the sector remains globally competitive for decades to come.

This is an opportunity to redefine Ireland's role on the global stage, fostering an ecosystem that not only delivers economic prosperity but also creates meaningful value for society. We encourage you to join the conversation, share your perspectives, and engage with the findings.

As we move forward, EY will continue to share insights, facilitate discussions, and work with industry and policymakers to help shape the future of Ireland's financial services sector.

Contact us



Colin Ryan

Financial Services
Managing Partner
EY Ireland



Danny Buckley

Banking and Capital Markets
Sector Leader
EY Ireland



James Maher

Insurance Sector Leader
EY Ireland



Fergus McNally

Wealth and Asset
Management Sector
Leader
EY Ireland



Niamh Tobin

Aviation Finance
Sector Leader
EY Ireland



John Hannigan

FS Tax Leader
EY Ireland



Lisa Kealy

Markets Leader
EY Financial
Services Ireland

Join in the conversation

#BuildingABetterFSIreland #MindsMadeForFS #ShapeTheFutureWithConfidence

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