

Understanding the Irish funds industry 'ecosystem'

Describing the “Irish Funds Industry Ecosystem”, the Irish Department of Finance says in its ‘Funds 2030’ report: “The funds and asset management sector is part of an increasingly complex and evolving ecosystem, encompassing activities both inside and outside the regulatory perimeter. Regulations across the globe are diverging, introducing further complexity”.

It presents an infographic (opposite) to describe the present day structure of the regulatory part of the “ecosystem” defined here by the investment products falling inside that regulatory perimeter.

This is an original profile of a jurisdiction – on many measures Europe’s largest – that has evolved in the 2020s to reflect cutting edge developments in global investment – such as the rise of ETFs, and the naturally uneven and patchy evolution of private and public markets in the USA, which remains the world’s dominant and most dynamic capital market.

The scope of the regulated Irish “funds” ecosystem described here is defined in the “Investment Products” cog opposite. It identifies five investment products – namely UCITS, Exchange Traded Funds, Money Market Funds, Alternative Investment Funds, and the ELTIF, all regulated entities under the scope of European Union/ECB regulation.

The total AUM value of these five was €5 trillion in June 2024. This is estimated at approx. 6% of the global total.

The picture describes the interaction of three social groups: 1) Customers and those who distribute investment opportunities to them, depicted in the first two cogs at the top of the graphic, 2) Producers or ‘manufacturers’ of investment product, described here as “Asset Managers” and “Enablers”, and 3) Regulators, representing the state, described here as “The Authorities”.

Unregulated areas fall within the scope of the “Asset Classes”, and this includes private equity, and Structured finance/ securitisation. Structured finance is a major activity in Ireland, the jurisdiction being the largest domicile in the European Union, according to the ECB, of Financial Vehicle Corporations (FCVs), at over €600 billion in AUM (end 2023), in over 1,600 vehicles. Aviation finance – specifically in the form of aircraft leasing is another leading unregulated hub that



operates in parallel with the structured finance industry. The leasing industry is a leading user of services and vehicles (e.g. legal, accounting and tax) used to structure aircraft holdings and assets, although the funds ecosystem itself is estimated by the Irish Central Bank to have little engagement in the aviation sector itself – a 2022 estimate putting a value if just 4% on the total stake of the funds industry in the Irish aviation sector.

Describing the growing complexity of the ecosystem the Government report says: “Traditionally, the funds

industry has consisted of funds and fund service providers who offer a range of services: fund managers (who manage fund schemes), fund administrators (who provide services such as transfer agency, net asset valuations and fund accounting), depositaries (who provide trustee and custodial services), and investment managers (who analyse asset performance and make investment decisions). There are now many more players in the ecosystem, including technology firms and third party management companies.