

# GETTING THE INFRASTRUCTURE RIGHT for Global Distribution of Irish Funds



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Over the past few decades, Ireland has built a solid reputation as a fund services centre of excellence, with \$4.8trn of global assets under administration across approximately 14,000 individual funds being serviced by Irish Fund Administrators. Over 16,000 professionals work in the Irish fund services industry resulting in a deep and experienced talent pool.

Prescient, a diversified, global financial services group, headquartered in South Africa, selected Ireland to domicile their offshore fund range because of important factors such as a trusted legal system, a conducive time zone, English language and ease of doing business. Importantly the Central Bank of Ireland is a globally respected regulator, recognised by the South African regulator, enabling Irish funds to be registered for distribution to domestic South African investors looking to invest internationally. When looking beyond the domestic market in South Africa – or other African markets – it is critical to understand how to segment the target international investor base. Investors in different countries have varying needs and preferences. It is therefore important to get the structure and fund domicile right. Get it wrong and a lot of management time and expense has been wasted.

## OPPORTUNITIES AND CHALLENGES

In common with some other European Union (EU) fund domiciles, Irish regulated UCITS (Undertakings for Collective Investment in Transferable Securities) funds and Alternative Investment Funds (AIFs - regulated under AIFMD – the Alternative Investment Fund Managers Directive) have a number of benefits and can form part of the solution to global distribution for African fund managers and those focusing on Africa-based investments.

There are many challenges when setting up overseas: upfront and ongoing costs, navigating local regulations, tax, IT infrastructure and office space, to name but a few. Fortunately, Irish Funds, the industry association, has some excellent resources to help new entrants and has worked diligently over the years to ensure that Ireland is well positioned to support a range of international fund houses. As one of the leading fund jurisdictions, it has been proactive in listening to the concerns of the fund management community to deliver solutions to meet their challenges, including the introduction of a bespoke vehicle for funds (the ICAV) and the forthcoming Investment Limited Partnership legislation, due to be published by the end of this month. Furthermore, the service provider and legal community are approachable, responsive and commercially minded.

## CHOOSING A MANCO

Once the fund domicile has been chosen, service providers need to

be selected. All European funds (whether UCITS or AIFs) require a management company (ManCo). In the past, fund houses traditionally performed back office functions in-house but as the trend for parallel fund structures increases, they are starting to turn towards the model of outsourcing in order to consolidate and increase their operational efficiency. This trend was further strengthened by the recent ESMA Opinions and Central Bank guidance on substance.

The Central Bank requires ManCos to have an appropriate level of substance, meaning that suitably qualified and approved professionals need to be present in Ireland to take responsibility for certain key oversight functions in the areas of investment management, fund risk management, operational risk management, regulatory compliance, distribution and capital and financial management.

Typically, investment management and distribution are delegated back to the overseas investment manager, but the ManCo still has the regulatory responsibility for the conduct of its delegates.

To overcome these challenges, Prescient built its business as a platform model, firstly for itself and then for external clients from South Africa and further afield, enabling third party investment managers to launch their own sub-funds under one of the four Prescient umbrella funds. Prescient provides the ManCo, Fund Administration and Transfer Agency services so that clients benefit from an efficient solution at a fraction of the cost of doing it themselves.

This solution appeals both to small and mid-sized investment managers for whom the costs may be prohibitive, as well as appealing to large, institutional investment managers, for whom outsourcing is simply a better business model, accelerating the time to market and avoiding the need to employ full time staff overseas.

## KEY BENEFITS OF IRISH FUNDS

- **Regulatory protection:** A globally recognised regulator, enforcing rules that are designed to protect investors and ensure the fund “does what it says on the tin”.
- **Governance:** Irish independent directors on the fund board ensuring high standards of governance.
- **Depositary Bank:** An EU credit institution with responsibility for the safekeeping of assets under custody, cashflow monitoring and general supervision.
- **Brand appeal:** Funds regulated under AIFMD have strong brand recognition with European investors, whilst UCITS, as one of the most established fund regimes (30 years old this year) has global brand recognition and as a result Irish funds have been distributed to investors in over 90 countries worldwide.