

**British Irish Chamber of Commerce Submission to the
Consultation Process on the development of a new strategy
for
Ireland's International Financial Services Sector**



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Background and Context

The [British Irish Chamber of Commerce](#) (the Chamber), the only organisation representing business activities with interests across the two islands of Britain and Ireland, welcomes the opportunity to make a submission on the development of a new strategy for Ireland's International Financial Services sector. Deriving from its extensive financial and professional services membership, the Chamber's financial services activities are led by its Financial Services Committee (the Committee). This Committee covers a wide spectrum of financial and professional services activities and its members include participants of the IFS Industry Advisory Committee (IAC) and the Strategic Advisory Group (SAG). The goals of this Committee are:

1. To maintain Ireland and Britain's place as one of the most hospitable regions in the world for the Financial Services sector.
2. In the light of the 'leave' vote following on from the UK Referendum on EU Membership, to identify the key policy issues that are impacting and will continue to impact on the sector.
3. To engage with the Chamber's key stakeholders across the two islands from relevant agencies and government departments, regulators, consumers and industry at large, to advance the views of our committee members in influencing policy, improving markets and supply chains and assisting our members grow their business base.
4. To improve the Chamber's capacity to engage with the wider Financial Services sector.
5. To advise the Chamber on the formulation of policy at an Irish, British and EU level.

Over the past year, the Committee has been committed to a proactive and constructive approach in proposing clear, nuanced and evidence-based proposals to the challenges and opportunities that Brexit has presented to the sector. Recently the Committee has:

- Partnered with the City of London on a financial services seminar in the Guildhall, London.
- Held an *In-Camera* dialogue with Minister D'Arcy and prospective UK firms that are considering a base in Ireland post-Brexit.
- Organised a roundtable interaction with Jeremy Browne, Special Representative for the City of London Corporation in the European Union.
- Met with the Deputy Director for EU Strategy on financial services and the senior policy advisor in the Financial Services Group in HM Treasury to discuss the UK Government's financial services proposition to the EU.

In addition to these Committee specific interactions, the Chamber produced the 'Greater Dublin's Greater Than Ever' initiative, which presented key facts relating to the attractiveness of Dublin for investment in areas such as financial services and regulation.

This submission is derived from the aforementioned interactions and supplemented with expert analysis and input from the Committee. It is designed around 4 key pillars:

1. Legal & Regulatory Framework,
2. Tax Environment,
3. Synergies between the Tech and Financial Services sectors,
4. Promotion of Ireland by UK based Irish financial services workers.

1. Legal & Regulatory Framework

- The Committee recommends the introduction of an **'Annual Financial Services Act'**. Adopting such legislation will ensure that the Financial Services Act is modified where necessary on an annual basis to ensure that the legislation remains appropriate for the sector's needs and requirements.
- The regulator for the financial services sector, the Central Bank of Ireland (CBI) is a tried and tested regulator, which is deeply embedded in the EU's supervisory and regulatory system. Its rules-based, cautious, prudent and predictable approach to regulation has given it a positive reputation throughout Europe. Many financial services firms have already complimented the CBI on its clear and transparent authorisation process. However, the Chamber has heard some frustrations amongst prospective firms considering locating to Ireland regarding the current process. It is important that regulators are closely engaged with emerging developments amongst external stakeholders and the circumstances to which they arise and are therefore equipped with the information necessary to respond to such developments. Accordingly, the Committee is **recommending the establishment of an appropriate framework that will enable constructive engagement with external stakeholders.**
- Once the UK formally leaves the European Union, Ireland will become the largest Common Law jurisdiction in the EU. As Common Law is the preferred governing law for a significant proportion of cross border commercial contracts, Ireland will be placed at a strategic advantage over other jurisdictions. As per the proposal by the Bar of Ireland/Law Society of Ireland ['Promoting Ireland as a leading centre globally for international legal services'](#), the Chamber is of the view that the Government should commit to reform and modernise the existing courts and legal system and where appropriate invest in additional resources **to ensure that the system is sufficiently resourced to take advantage of this opportunity.** By developing Ireland as a hub for international legal services it will augment Ireland's offering as a preferred jurisdiction for financial service providers.

2. The Tax Environment

Ireland needs to be strategic in developing a competitive tax environment that can effectively respond to the opportunities and challenges that are emerging post-Brexit. In the case of the financial services sector, a high tax burden may discourage an employee from moving to Ireland, while a high capital gains tax burden on business may discourage a firm from re-locating to Ireland or an entrepreneur from setting up an enterprise. Taxation is a key policy lever that the Government can use to support the Irish financial services sector. In its Pre-Budget submission, the Chamber outlined proposals to address the uncompetitive nature of the Irish tax system with suggestions including reducing the marginal rate of taxation, reforming the Special Assignee Relief Programme (SARP) and making the capital gains tax more competitive.

Specifically, the Chamber recommended:

Marginal Rate of Taxation

- The Government should announce a time-line to be implemented over a series of budgets to increase the entry point to the higher rate and marginal rate of taxation.

The Special Assignee Relief Programme (SARP)

Due to constraints within the criteria, take-up of this scheme remains quite low. Chamber recommendations include:

- Increase the rate of relief to 40%,
- Reduce the earnings threshold,
- Include the USC and PRSI,
- Remove restrictions on dual-tax residents,
- Extend the certification period of a 'relevant employee' from 30 days to 90 days,
- Increase qualifying period from 5 to 10 years,
- Open SARP to new hires.

Capital Gains Tax

- The Government should outline a roadmap to reduce Ireland's headline Capital Gains Tax (CGT) to pre-crisis levels. The Irish rate of 33% is the third highest in the OECD and is 5% higher than the UK's,
- A reduced CGT should be introduced for entrepreneurs engaged in innovation activities to recognise the distinction between speculative gains and innovative investments,
- The entrepreneur relief lifetime cap should be lifted to €15 million and should cover external investors.

3. Develop the Synergies between the Irish Tech and Financial Services sectors

The advancement and integration of technology into financial services has been a significant disrupter for the sector. Fintech for example has changed how everyday financial services are carried out from banking and payments to insurance and asset management. This has been beneficial to new entrants into the financial services market but also to traditional financial service providers who have embraced the technological advancement of the sector to expand beyond their traditional reach. Today Ireland stands as a European leader in both ICT and financial services, a position that continues to grow in stature as Ireland is placed in a unique position as a gateway to Europe and North America post-Brexit. The Chamber recommends that Ireland promote and leverage the synergies between these sectors to ensure the optimum level of cross fertilisation which will allow Ireland to become a leader in areas such as design operation and the servicing of platform-based solutions to name just two examples.

4. Promotion of Ireland by UK based Irish Financial Services Workers.

Under IFS 2020 Strategic Priority 1 was to 'Promote Ireland as a Location for International Financial Services & world class innovative products & services'. It set out to achieve this by utilising the full apparatus of state agencies to put forward a compelling proposition to potential international investors. The Chamber acknowledges the progress that has been made in this regard and commends the effort made by state agencies and the Irish embassy network. As part of the next strategy the Chamber proposes the development of a 'reach out' programme for the thousands of British based Irish people working in the UK financial services sector. These workers have experience of the UK and Irish financial services sector and understand the intricacies of both. They are a valuable untapped resource for the promotion of the Irish financial services sector and therefore a concerted effort should be made to engage with them.