

IFN

Islamic Finance *news*

The World's Leading Islamic Finance News Provider

2019

ANNUAL GUIDE

Uncertain times and changes ahead for Ireland



Simon O'Neill is a partner at Philip Lee. He can be contacted at soneill@philiplee.ie.

Brexit continues to dominate the discussion in both the UK and Ireland specifically in respect of the remaining Irish border issue. However, Brexit uncertainty does not appear to have dampened investment appetite in the UK from Asia and the GCC where investors still appear to see opportunity in UK real estate.

Review of 2018

With regards to 2018, a number of substantial Brexit-related developments have materialized. Most notably, the doubling of Barclays's Dublin operation from 250 to 500 people at its EU headquarters along with Bank of America Merrill Lynch, asset managers such as Aberdeen Standard Investments and the opening of offices by a number of UK law firms including Pinsent Masons, Simmons & Simmons and Lewis Silkin.

2018 saw the launch in Ireland by Community Finance Ireland (CFI), an existing Irish finance provider to the Irish community and social enterprise sector, of an alternative property finance product designed specifically for the Muslim community. This non-interest bearing structure modeled on a Murabahah structure enables Muslim community groups and social enterprises to acquire property assets to further their social or impact activities in a compliant manner. Designed by commercial law firm Philip Lee specifically for CFI and the Irish market, the product is the first such structure to be made available to the Muslim community in Ireland. Offering finance to community groups of up to EUR500,000 (US\$562,851) up to a seven-year term, the product is capable of being used in conjunction with grants or other assistance offered in the community sector. CFI is currently accepting applications for financial support for this product.

The launch of the CFI product garnered substantial attention in 2018 and we have since received many enquiries from the community, seeking home purchase plans or equivalent Shariah compliant mortgages. However, because the CFI mandate is to support community/social enterprise projects and cannot facilitate home mortgages, there is still no available solution for the 63,000 Irish Muslim community to finance home purchases.

In a significant signal of Ireland's ambition to build a sustainable, low-carbon society, the Irish government announced the issuance of its first sovereign green bond and the publication of a sovereign green bond framework in respect of the allocation of the proceeds to eligible green projects. This has been independently reviewed in compliance with the ICMA's 2018 Green Bond Principles. A further EUR1 billion (US\$1.13 billion) green bond issuance is expected from the National Treasury Management Agency in 2019 on the back of the success of its EUR3 billion (US\$3.38 billion) first issuance in October 2018 which was heavily oversubscribed at a yield of 1.4%.

Preview of 2019

One key theme we see emerging in financial services in 2019 is a focus on culture. Following a report undertaken by the Central Bank of Ireland (CBI) in conjunction with DeNederlandsche Bank in 2018 into the culture existing in each of the five main banks in Ireland, the CBI issued action plans to be implemented by each of the banks to improve their culture. Part of the analysis and recommendations



noted that culture came from the top and needs to permeate everything the bank does in relation to governance, product design, marketing, systems and credit risk.

We expect a lot more focus on banking culture in 2019 as each of the five main banks report back to the CBI on their individual culture action plans. The CBI has brought forward recommendations for an accountability framework similar to the 'Senior Managers Regime' in the UK to the minister of finance. While this will require amending legislation to be brought forward, the CBI has indicated that this is going to remain a high priority and focus in the near term.

Islamic finance offers many lessons in terms of the implementation of a values-based culture into a bank's operations in terms of how it implements Shariah governance processes, internal Shariah audit, product design and oversight and how this permeates all of the activities of an Islamic financial institution's operations. Many of these principles and approaches resonate with the issues and principles referred to in the CBI report.

Conclusion

We continue to work with a variety of interested parties in developing Islamic finance in Ireland. Brexit and other growth opportunities may yet deliver the establishment of Islamic finance by Islamic financial institutions or investors in Ireland. ☺