

Treasury Management in Ireland

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Ireland Overview

Ireland is an island country located near continental Europe and within the European Union.

The unit of currency is the euro (EUR) which is divisible into 100 cents. The Irish punt (IEP) became a denomination of the EUR on January 1, 1999 and will be eliminated as legal tender in 2002. The punt is one of 11 currencies comprising the Euro (EUR) which is freely traded on the foreign exchange market. The locking rate of the EUR to the IEP is EUR 1= IEP 0.787564

The Central Bank of Ireland (CBI) is the central bank and regulates all financial institutions in the country. With the advent of the Euro a key role of the CBI is coordination of the central monetary policy with the European Central Bank. Central bank and other government reporting requirements have minimal impact on cash management activity and the regulatory environment is open.

There are three payment and clearing systems in Ireland that relate to cash and treasury management.

1. High value transactions are handled by the Irish Realtime Interbank Settlement (IRIS). IRIS is a Real Time Gross Settlement (RTGS) system for transactions above EUR 25,000 and is the Irish link to TARGET. It is owned and operated by the Irish Realtime Interbank Settlement Company which uses SWIFT messaging to settle transactions across participant accounts with the CBI.
2. High volume, low value transactions are handled by the Irish Retail Electronic Payments Clearing Company (EPC). Participating banks exchange payment files the value of which are settled daily on a net basis. Settlement is across participant accounts with the CBI. There is no minimum or maximum transaction size for the EPC.
3. Check clearing is handled by the four "associated" banks who clear checks for their customers and act as agents for "non-associated" banks. The clearing banks present the physical checks to each other on a bilateral basis but report the value of the instruments to a central facility which calculates the net settlement amount. This net amount is settled across participant accounts with the CBI. The typical check clearing cycle is three days.

For tax purposes a company is generally considered to be resident in Ireland if it is incorporated in Ireland. Resident companies are taxed on worldwide income. Non resident companies are taxed on Irish source income. The basic rate of tax is 28% on income over IEP 100,000 and 25% on the first IEP 100,000.

Treasury Management

Ireland has capitalized on a well educated English speaking workforce, membership in the EU, and a favorable regulatory regime to establish itself as

Weblinks

Background from the [USCIA](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT WorldTax](#)

Central Bank sites of the [European Central Bank](#) and the [Central Bank of Ireland](#)

Other government sources [Central Statistics Office](#), [EMU Awareness](#), [Dublin Docklands Development Authority](#), [Information on the Irish State](#), and the [Irish Development Authority](#)

General information from [IBIS](#)

Commercial banking websites of [AIB Group](#), [Bank of Ireland](#), [Ulster](#)

a financial center. Established in 1987, the International Financial Services Center (IFSC or Dublin Docks) provides a favorable corporate tax rate - currently 10% - and other benefits for activities carried out on behalf of non-residents. Activities within the IFSC include treasury management, futures and options trading, and fund management. Domestic cash management in Ireland is easily automated and managed and the focus of treasury management in Ireland is on facilitating and managing cross border activity.

All common treasury management techniques are permitted in Ireland; specifically including multilateral netting and notional pooling. Leading/lagging is permitted. The simplicity of domestic cash management makes the primary focus of treasury management the management of cross border activity and the integration of other domestic cash management systems into a treasury center.

Multiple IEP accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice.

Accounts

The basic IEP operating account is referred to as a current account and may be held by resident or non-resident corporations. Interest can be paid on current accounts and overdrafts are permitted subject to mutual agreement with the bank.

Resident and non-resident corporations registered in Ireland may hold accounts in Ireland that are denominated in a large number of currencies including USD, GBP, EUR, and JPY without prior central bank approval.

Interest can be paid on current accounts but more active investment, beginning with an overnight time deposit and extending to the money markets will earn a significantly higher rate of return. Additional short term investment options include short term government and commercial paper.

Overdrafts are permitted, with the amount and rate determined by each bank. Commercial paper and term loans in IEP and other currencies round out the short term financing options. In general, bank finance is the principal source of short term credit.

Payments and Receipts

Cash and checks are the traditional value transfer mechanisms in Ireland. Debit and credit card usage is increasing for retail transactions while IRIS is available for large commercial settlements. Combined with emerging internet payment solutions they should ultimately replace the reliance on these traditional payment mechanisms.

Lockbox type arrangements are permitted but not common business practice given the efficient mail system and use of direct debit collections.

Controlled disbursement is not possible because the check presentment and check clearing settlement times are the same. Functional alternatives are unnecessary because interest is available on idle balances and overdrafts are available to cover short term deficits.

Technology and Marketplace

[BankGroup](#), and [TSB Bank Ireland](#)

Online editions of [Irish Times](#), [The SundayBusiness Post](#), [The Irish News](#), and [FinFacts](#)

Special information [FTI Consulting](#) and [Trade Ireland](#)



[International Treasurer](#)
The Journal of Global Treasury and Financial Management

Electronic banking products including access systems and balance reporting, are available and commonly used. Ireland has more than one million telephone public telephone line of which approximately 70% are connected through digital switches. Bandwidth is readily available and inexpensive.

Financial services in Ireland are regulated by the Central Bank of Ireland, the Department of Finance, and the Department of Enterprise, Trade and Employment. There are four universal banks which are classified as "associated" banks and provide a full range of banking services in addition to administering the Irish check-clearing system. They are the AIB plc, Bank of Ireland, National Irish Bank (owned by National Australia Bank), and Ulster Bank (owned by National Westminster Bank). The four associated banks operate more than 600 branches and account for more than 50% of deposit accounts. Foreign banks - and other financial institutions - are classified as non-associated banks and conduct commercial banking and consumer finance. The major international cash management banks include Bank of America, Chase, Citibank, HSBC, ABN-AMRO, and Deutsche Bank offer commercial banking services in Ireland. An even larger number of offshore banks operate back offices or provide other services in the IFSC. Citibank in particular maintains an extremely large presence. Accordingly, the market is sophisticated and extremely competitive.

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