KEEP – MAKING IT WORK

A review of the new KEEP scheme for SMEs

Abstract

In 1958, the greatest Irish person of the last century, Dr. T.K. Whittaker had a vision. It was a vision to bring Ireland out of its self-imposed isolation and create an Irish economy that was global in outlook and global in welcome. In this, the sixtieth year since that visionary document, it is time for a new vision. One that continues to embrace our global outlook and welcome to global firms, but that is visionary in its outlook and strategic thinking for our indigenous businesses at the heart of our nation and its economy.

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Table of Contents

Introduction 2

Why Employee Share Ownership? 2

Key Employee Engagement Scheme - KEEP 3

Reasons why KEEP in its current format will not work for large numbers of SMEs 3

Obstacle 1: Excluded Activities 3

Obstacle 2: The limits imposed on the value of share options offered 5

Why it is critical to remove these challenges 7

KEEP is critical as a growth tool – viewed through employment and Gross Value Added 7

Case Study 1: Cambrist 8

Case Study 2: Sedicii 8

Case Study 3: Assure Hedge 8

Case Study 4: FundRecs 8

Case Study 5: TrustEv 8

Case Study 6: WeSavvy 8

Companies want to implement and use the new KEEP scheme 9

Case Study 1: Cambrist 9

Case Study 2: Sedicii 9

Case Study 3: Assure Hedge 9

Case Study 4: FundRecs 10

Case Study 5: TrustEv 10

Case Study 6: WeSavvy 10

Conclusion 11

1. Include all Fintech and Insurtech SMEs 12

2. Remove all monetary limits applied to the scheme 12

Appendices 14

Appendix 1 14

Appendix 2 14

Appendix 3 – Participants in this report 15

Introduction

The Irish ProShare Association (IPSA) welcomes the introduction of the Key Employee Engagement Programme and wishes to respond on behalf of its members[1].

IPSA represents organisations across Ireland which are employee owned or transitioning to some form of employee ownership. We are a non-profit, independent, voluntary organisation that works in close partnership with our members to champion, promote and provide insight into the business case for employee ownership and Employee Financial Involvement (EFI), most notably through employee share-ownership.

Employee Financial Involvement can be a visionary economic development for Ireland. Our ambition is to create and develop a broader awareness of employee financial involvement and ownership as a business model in its own right, and even more so, to succeed in getting Government to champion the model as an arm of economic stability into the future.

While Ireland has been successful in attracting large multinational companies, many indigenous companies, particularly start-ups, micro and small enterprises are often struggling to attract staff as they cannot match the compensation packages of some of the world's most valuable companies. We see employee financial involvement and share based remuneration as an essential tool to assist such companies in recruiting and retaining key employees and in contributing to the continued success of our growing economy.

Why Employee Share Ownership?

Ireland's economy needs to become more productive and to compete even more effectively in global markets. This is especially relevant now as we stand one year out from Brexit, the lowering of corporation tax in the U.S and calls for a consolidated corporate tax base across Europe.

One policy lever that can make a strong, proven contribution to this agenda and provide security for Irish indigenous firms in the years ahead is the use of tax efficient employee share ownership schemes.

Employee share ownership schemes at their best, as evidenced in the UK and elsewhere, incontestably help companies become more successful, and play a role in lifting levels of overall economic productivity and profitability. Their role in helping indigenous companies attract and retain talented employees and improving the well-being of employees is a key part of this added value.

A recent survey by ProShare UK and IPSA members Yorkshire Building Society found that 52% of all respondents wanted to participate in employee share ownership plans to own shares in the company that they worked in[2]. Common responses to why they valued participation included “skin in the game”, “I like the idea of being a part owner of the business I work in”, and, “Participating in the Share Incentive Plans[3] does make me more likely to stay with my employer”.

It is a no-brainer that we all value something more if we own it. Feeling and being financially part of the business for which we work drives our engagement and our determination to ensure that business continues

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[1] A list of our members, and those represented on our Executive Council can be found in the appendices at the end of this document.

[2] Attitudes to Employee Share Ownership, ProShare UK, January 2018 http://proshare.libf.ac.uk/docs/default-source/default-document-library/'attitudes-to-employee-share-ownership'.pdf?sfvrsn=0

[3] Approved Profit Share Schemes and Save As You Earn schemes in Ireland

to succeed and progress. With business success and progress everyone benefits – employee, employer, exchequer and society.

Key Employee Engagement Scheme - KEEP

It is laudable that the Key Employee Engagement Scheme (KEEP) was conceived with the objective to provide a tax efficient tool to enable SMEs in Ireland to compete to recruit and retain the key employees that they need to achieve their growth potential.

As per the CSO's Business In Ireland 2015 publication, SMEs employ 69% of the workforce in Ireland and generate 47.8% of total Turnover in the business economy.

Within these figures, what stands out are the following facts:

- 70,379 micro enterprises, that is firms employing less than 10 people, are Irish owned
- Micro enterprises accounted for 92.2% of all enterprises in 2015
- Micro enterprises accounted for almost 28% of persons engaged and had the highest number of enterprises
- 47,955 small enterprises, that is firms employing between 10 – 49 people, are Irish owned
- Small Enterprises accounted for 6.4% of all enterprises in 2015
- Small enterprises accounted for almost 22% of persons engaged.

Yet, despite their large presence and capacity to employ a large swathe of the workforce, micro and small enterprises generated only 28.7% of Gross Value Added in the Business Economy in 2015. It can be argued that the reason behind this is the following:

(a) an inability to recruit and retain the key employees they need to grow

which consequently leads to

(b) a high enterprise death rate among micro and small firms.

KEEP is intended we believe to address these issues. To enable growth in our SME population a support a higher incidence of survival rate among new enterprises. However, the KEEP Scheme as published in Finance Act 2017, is to all intents and purposes too restrictive in its application to achieve the objective for which it was conceived for the clear majority of micro and small businesses in Ireland.

Reasons why KEEP in its current format will not work for large numbers of SMEs

Obstacle 1: Excluded Activities

Of concern here is the exclusion of all businesses that carry out some form of financial activities as per the definition in section 488 of the Taxes Consolidation Act 1997. This section reads,

"financial activities" means the provision of, ***and all matters relating to the provision of, financing or refinancing facilities by any means which involves****, or has an effect equivalent to, the extension of credit*[4]*;*

[4] Taxes Consolidation Act, 1997 (Number 39 of 1997)

This interpretation would in its current form we feel exclude all FinTech and InsurTech firms currently in Ireland, in particular the wording, '*…and all matters relating to the provision of…*'. We base this interpretation on that of the Central Bank of Ireland. In its explainer titled, "What is FinTech and how is it changing financial products?" [5], the CBI defined FinTech and by extension InsurTech as follows:

> *"The word "fintech" is simply a combination of the words "financial" and "technology". It describes the use of technology to **deliver**[6] financial services and products to consumers. This could be in the areas of banking, insurance, investing – anything that relates to finance."*

IPSA, along with others, understands '*…and all matters relating to the provision of, financing or refinancing facilities by any means …*' in section 488 of TCA97 to be interpreted as "*the use of technology to deliver financial services and products to consumers.*", and as such therefore excludes all FinTech and InsurTech micro, small and medium firms currently looking to use the KEEP scheme to recruit and retain key employees to grow their business.

The exclusion of FinTech and InsurTech – which are **delivery platforms** for those providing financial services such as the extension of credit, insurance and even savings products – needs reconsideration. Currently as per the NACE2 categorisation used by both the CSO and EuroStat, FinTech and InsurTech do not fall under the category of financial services[7].

The FinTech and InsurTech firms we spoke to told us,

"Cambrist is a fast-growing Fintech company with the opportunity to bring jobs and meaningful income tax revenue into Ireland. That said, we are discriminated against in the current KEEP regulations and unable to extend the programme to our team. *Jacob Claflin – CEO & Founder Cambrist*

"KEEP as it is currently written, is extremely broad in its scope. By nature of its definition of financial services companies, this may exclude our company from being able to consider it. Yet, we are much broader in our application that just financial services. We are a genuine startup that happens to have an application that is targeted at the financial services sector with employees in many locations around the world.
Rob Leslie – CEO & Founder Sedicii

"Assure Hedge is a Fintech company providing protection against the currency fluctuations that can destroy businesses. This is classed as a financial activity and as such is excluded in the Finance Act 2017 for KEEP. This alone excludes us as a company and therefore does not add any value to ESO for current or future employees.
Barry McCarthy, CEO & Founder Assure Hedge

"Fund Recs was founded in 2013 when the company founders were approached by a large bank to develop a new reconciliation platform for its Fund Administration unit. We therefore see ourselves as a FinTech company. If our services is also seen as a financial activity as per the wording in Section 488 of TCA97, then we would be an excluded category and it will not work for us. We'd need clarification on this.
Alan Meaney, CEO & Co-Founder Fund Recs

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[5] https://www.centralbank.ie/consumer-hub/explainers/what-is-fintech-and-how-is-it-changing-financial-products accessed 30th January 2018
[6] Emphasis IPSA
[7] http://www.cso.ie/px/u/NACECoder/NaceItems/6201.asp http://www.cso.ie/px/u/NACECoder/NaceItems/6209.asp

"The KEEP scheme in general is an encouraging step to support start-ups but putting restrictions, limits, exceptions on the scheme significantly takes away the appeal. As we are a FinTech company it is unclear whether we can participate due to restrictions around financial services.
Stephen Fanning, COO & 4th Employee TrustEv

"WeSavvy is a digital insurance platform that enables Insurers, Bancassurers, Agents/Brokers and other Financial Services Providers to engage more effectively with Policyholders. Through the combination of Big Data and IoT, WeSavvy brings telematics, effective analytics and innovative risk management to the Life & Health insurance industry. Therefore, as an entity engaged in financial activities our business will be precluded from benefitting from the allowances available to other businesses covered under KEEP in its current form. *Hesus Inoma, CEO & Founder WeSavvy*

Obstacle 2: The limits imposed on the value of share options offered

1. *"…the total market value of the issued but unexercised qualifying share options of the company does not exceed €3,000,000*[8]
2. *"...the total market value of all shares, in respect of which qualifying share options have been granted by the qualifying company to an employee or director, does not exceed—*
   - *(i) €100,000 in any one year of assessment,*
   - *(ii) €250,000 in any 3 consecutive years of assessment, or*
   - *(iii) 50 per cent of the annual emoluments of the qualifying individual in the year of assessment in which the qualifying share option is granted,*

The above limits will for most start-ups and micro/small enterprises exclude them from utilising a KEEP scheme. The reasons for this are based around funding that most start-ups and micro firms acquire from Venture Capital and Angel Investors. A basic example given by Alan Meaney, CEO and co-Founder of FundRecs illustrates this.

"Most companies in high growth start-ups will grow their valuation above €30 million as they receive follow on rounds of funding. Restricting the scheme to €3 million will mean companies that are valued at greater than €30 million during later funding rounds will be limited in providing the normal c.10%[9] employee share option pool. You may end up in situations where funding valuations are impacted by KEEP restrictions which would effectively be the tail wagging the dog!

Also, the 50% of annual salary restriction also puts barriers in place. For example, if we are to raise our next round of funding at a valuation of €8 million and want to employ a VP of Global Sales to scale the company on a salary of €80k, the most that person can be issued on the current restriction is €40k worth of options or 0.5% of the nominal valuation of the company. Normal market rates for a person in this role are an option allocation based on a salary multiple of 0.7x - 2.0x, well above the cap of 0.5x in KEEP.

[8] Finance Act 2017. Source: https://data.oireachtas.ie/ie/oireachtas/act/2017/41/eng@/a4117.pdf
[9] Please see Appendix 2 at the end of this document for source of this figure

In addition, based on the recommended figures from Balderton Capital (again see Appendix 2), future rounds of funding for start-ups and/or micro to small companies would in all certainty eliminate KEEP as an option for recruiting and retaining key employees to progress and grow the company further. This is illustrated further by CEO and founder of Cambrist, Jacob Claflin,

> "We have a long-term goal to double the size of our business and our share value year-on-year for the foreseeable future. We also want to enable all Cambrist team-members to participate in our equity growth. With those points in mind, the €3million total annual value of any un-exercised shares means that the KEEP programme can only be applied to our team while we remain a small business, with a market cap not exceeding €25million to €30million (given our intent for up to 15% of our shares to be issued as employee incentive equity.)

It is a point further emphasised by Rob Leslile, CEO and founder of Sedicii,

> "The construction of the scheme seems to be designed specifically to stop a company from becoming big and successful. Surely as a country we want more big and successful indigenous companies in the country creating employment, paying taxes and driving growth and opportunity? To create conditions that act as blockages to the attainment of these objectives is self-defeating. Within the start-up community, you succeed, or you fail, and there are a lot more failures than successes. Ensuring there are as many successes as possible should be a primary objective for government.

and by Barry McCarthy, CEO and founder of Assure Hedge,

> "As our core offering is the services of FX hedging, we know our potential turnover of notional value could easily exceed €10m which is the definition of a small enterprise, and even (at times) the €50m which is the definition of a medium enterprise.

Stephen Fanning, Chief Operations Officer of TrustEv and one of its first employees told us that,

> "Putting a cap on the size of the company is hard to fathom, it's like putting a cap on success or saying to a sales person they won't be rewarded if they exceed their target. Most ambitious tech start-ups strive for global growth and are looking for a value more than €30m with a 10%+ ESOP so any scheme should not put a limit on that success. If KEEP in its current format had been around at our Series A Funding time we would have been ineligible, yet we needed to continue to attract and retain talent with share option grants. In our opinion if the intent with the limits is to exclude already established large global companies from abusing KEEP, then we are sure that there are better ways of doing it than capping the value of a company that has grown from Ireland and exceeds the €3m unexercised qualifying share options cap.
>
> In addition, capping options to percentages of salaries does not make sense. In our case we took salary reductions to join TrustEv and often the initial share option grant might not be worth a high percentage of salary. But as the company increases in value after Series A/Series B funding then an increased level of reward for senior management or top talent would not be unusual. In fact, it would be expected for the risk individuals have taken to join and grow an early stage start up.

Why it is critical to remove these challenges

We canvassed several companies that describe their services as falling under the banner of FinTech or InsurTech. Currently these companies employ between them almost 100 people, contributing approximately €5.9 million GVA to the Irish economy.

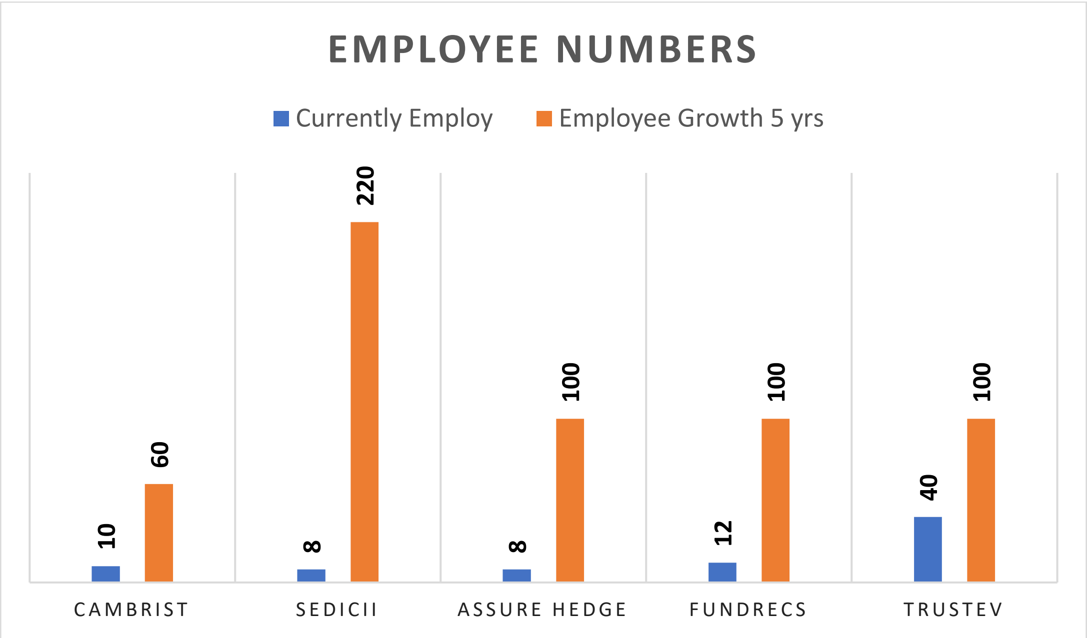
Each company we spoke to stressed that the KEEP scheme was ***critical*** not only to their future growth, but also to the future growth of all start-ups/micro/small enterprises in Ireland.

Given the Government's own warning that nearly two-thirds of tax receipts in 2017 came from a small number of firms paying in excess of €10 million annually, and that this highlights the potential exposure to idiosyncratic or form-specific shocks[10], it places even greater urgency on the need to bolster and solidly support our growing SME and start-up community.

A well-structured KEEP scheme will **diversify** our corporate tax sources and **increase** income tax returns through employment growth and enterprise sustainability. Diversification is of the utmost importance for our recovered growing economy in the shadow of Brexit, increased calls for CCCTB[11] across EU member states and the recent decrease in corporation tax rates in the US, and the incentives there to for multinationals to repatriate jobs and revenue to that jurisdiction[12][13].

KEEP is critical as a growth tool – viewed through employment and Gross Value Added[14]

The companies that we spoke to all agree that a properly functioning KEEP scheme is critical to their growth plans. We asked therefore for each company to tell us of their employee growth plans for the next 5 years. The chart below outlines this powerfully;



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[10] http://www.finance.gov.ie/wp-content/uploads/2018/01/180109-end-year-taxation-report.pdf
[11] https://www.independent.ie/business/brexit/shakeup-of-eu-tax-rules-a-more-serious-threat-to-ireland-than-brexit-36130545.html
[12] https://www.independent.ie/business/irish/fallout-from-trumps-us-tax-reforms-is-a-reality-irish-business-must-grasp-36392306.html
[13] https://home.kpmg.com/ie/en/home/insights/2017/12/us-tax-reform-agreement-reached-bill.html
[14] GVA represents the value of the goods and services produced in the Irish business economy. A simple measure of productivity is to analyse GVA by the number of persons engaged.
Source:http://www.cso.ie/en/releasesandpublications/ep/p-bii/bii2015/bpi/

Case Study 1: Cambrist

Expect a 500% increase in headcount by 2023. Using CSO figures, predicted GVA from Cambrist employees will rise from €703,790 per person employed[15] to €3,105,660 by 2023.

Case Study 2: Sedicii

Expect c. 2700% increase in headcount by 2023. Using CSO figures, predicted GVA from Sedicii employees will rise from €563,032 per person employed to €11,387,420 by 2023.

Case Study 3: Assure Hedge

Expect a 1150% increase in headcount by 2023. Using CSO figures, predicted GVA from Assure Hedge employees will rise from €563,032 per person employed to €5,176,100 by 2023.

Case Study 4: FundRecs

Expect a 733% increase in headcount by 2023. Using CSO figures, predicted GVA from FundRecs employees will rise from €844,548 per person employed to €5,176,100 by 2023.

Case Study 5: TrustEv

Expect a 150% increase in headcount by 2023. Using CSO figures, predicted GVA from TrustEv employees will rise from €2,815,160 per person employed to €5,176,100 by 2023.

Case Study 6: WeSavvy

Expect a 733% increase in headcount by 2023. Using CSO figures, predicted GVA from WeSavvy employees will rise from €422,274 per person employed to €2,588,050 by 2023.

[15] According to CSO data Irish owned micro enterprises report GVA of €70,379 per person engaged and Irish owned medium enterprises report GVA of €51,761 per person engaged. The discrepancy between the two is explained by the fact that micro enterprises covers enterprises with less than 10 persons engaged. This also includes enterprises that officially have no persons engaged assigned to them, but in some cases have significant economic value.

Companies want to implement and use the new KEEP scheme

Against this backdrop however there is a keen sense that start-ups want to use the KEEP scheme, so we asked them why.

Case Study 1: Cambrist

Equity participation by Cambrist employees and advisors is a key part of to our start-up strategy, for the following key reasons:

- Can preserve cash during our early boot-strapping years by recruiting and retaining talented people at below market salary levels.
- Incentivize team-members to stay with the business longer-term.
- Focus everyone on maximizing investor/shareholder value.

The KEEP scheme is clearly a step in the right direction by Ireland, as it's very important that the investment our employees make in us (i.e. their time and energy at below market rates) is rewarded with a lower tax burden.

Case Study 2: Sedicii

Our company is built on a platform that requires using the latest technologies such as, cryptography, block chains, cloud computing, artificial intelligence. Consequently, we are massively constrained by the availability of key talent. For this reason, our business is global in nature as that is where the talent is. In addition, the people we want to hire are in very high demand and know their value. Basic salaries, which can be very high to begin with, do not excite these people.

We need more to incentivise them. Equity compensation programs are a great way to do this as the value directly changes with the quality of the product these people create which in turn drives more value and the cycle continues. Hence having a tool that allows the attraction of the best people and to be able to retain and reward them long term is of critical importance to us.

Case Study 3: Assure Hedge

The Corporate Governance Code, 'the code', states that levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully.

We believe the same should apply for employees in a company, particularly an innovative company that is starting out and trying to make a difference. This should absolutely be the case for a FinTech company that is starting out and hoping to protect Irish businesses from fallouts such as Brexit.

To make this happen the company needs to attract, retain and motivate top talent, in an extremely competitive employment market with minimal resources at hand. Because of this it is imperative that Assure Hedge have tools which will incentivise employees. For us this is equity in a format such as KEEP. By only having the ability to incentivise employees with salary and not equity in a company it places the future of the company in jeopardy as there is no longer a motivation to join a company where job security does not exist and unapproved share schemes accrue a crippling tax bill.

Case Study 4: FundRecs

We want to use KEEP to help us attract, retain and reward key employees **using equity in lieu of available cashflow.**

Case Study 5: TrustEv

Tech Start-ups need to take high risks and get funding early and grow rapidly with a limited cash runway. They need to attract highly talented individuals with a lot of ambition, but they don't have the funds to justify their salary packages.

> **All 10 of our initial employees joined on salaries lower than previous roles and we could only entice these individuals by offering an equity holding via an ESOP plan. The most consistent questions we got asked from new joiners was 'do you have an ESOP and what would my stock options be?'**

Many of our early employees realised quickly that the risk reward of joining a start-up was even greater than they thought when they understood the implications of the fact that they could have tax liabilities on exercising their options and with an exit event. This has made it difficult to attract and retain top talent particularly in the most difficult early years when our salary package was below market. Any incentives therefore that reduce the risk/cost of joining start-ups can help attract and retain top talent domestically and abroad.

> **Having a reduced tax rate or not having a tax liability on exercising can help attract & retain key employees which ultimately will lead to more start-up successes and make Ireland a more attractive location for talent. Even the recognition that the government support start-ups and is prepared to have a different tax rate for share options in SMEs can motivate and entice talent to get involved.**

Case Study 6: WeSavvy

Within our industry (FinTech (InsurTech)) in Ireland it is difficult to attract and retain the world class employees that are necessary to deliver on our ambitious and innovative growth plans for the next 3 financial years. Significant development and design work is essential for any FinTech new entrant in its initial stages before any product or service is launched to market and the Company can turn a profit. For this, passionate bought-in, key talent is necessary to work hard and stay motivated when the company is not yet earning a profit. But unfortunately, the high risk that naturally comes with a new business does not offer the stability and high earning opportunities that larger players in the market can offer.

> **Share options are the next best tool available to FinTech start-ups to help attract and retain those passionate talented and energetic employees that are needed to deliver innovation and disruption in those initial stages.**

Conclusion

There are numerous strategic benefits to awarding shares to employees which support both a commercial and a wider economic/social rationale for incentivising staff to take shares in the company in which they work. Research has shown that employee ownership enhances corporate performance, staff wellbeing, reduces absenteeism, fosters longer-term thinking and improves the social and economic sustainability of the organisation even through recessionary times[16]. These benefits are particularly strong when share awards go beyond providing remuneration and are used to support employee engagement and wider involvement in how a business is run.

The European Commission's 2017 Consultation Paper on FinTech describes "FinTech" as,

> "*… technology-enabled innovation in financial services, regardless of the nature or size of the provider of the services. Non-disruptive FinTech triggers incremental innovation and increases efficiency, often in mature markets, whereas disruptive FinTech results in more radical breakthroughs that can create completely new markets*."[17]

It could be argued that given the European Commission itself commissioned a report into FinTech, they view FinTech as a key driver of the Commission's own objective to promote a more entrepreneurial culture and create supportive environment for SMEs[18].

Ireland's inadvertent exclusion therefore of this innovative and positive disrupter would appear to run contrary to the European Commission's vision for SME growth in across the current twenty-seven member states.

In 2017 another Sweden EU State Aid Approval for a similar scheme to Ireland's KEEP. In their submission the Swedish Government made a point to highlight their FinTech industry, saying,

> "Many of the companies that are considered most innovative pursue activities relating to financial services in the broadest sense, such as FinTech company(ies). This may be for example technology development of payment services or alternative financing solutions. The investigation (*this is referring to the Swedish Consultation process carried out on Tax Reduction of Employee Share Options*) establishes that this type of activity (*FinTech/InsurTech*) is not covered by the exemption, unless the business of the company mainly involves banking or financing. The Government makes the same assessment as the investigation.[19]

The Fintech & Payments Association of Ireland (FPAI) estimate that in Ireland there are approximately 40,000 people employed within financial services, and a further 100,000-plus working within technology. According

[16] https://www.cass.city.ac.uk/__data/assets/pdf_file/0011/208010/Cass-EOB-research-Press-Release-2014.pdf
[17] See https://ec.europa. eu/info/sites/info/files/2017-fintech-consultationdocument_en_0.pdf
[18] Communication from the Commission to the European Parliament, the Council, the European economic and social Committee and the Committee of the Regions, Entrepreneurship 2020 Action Plan, Reigniting the entrepreneurial spirit in Europe, COM (2012) 795 final of 9.1.2013
[19] Tax reduction of employee share options – Sweden: Budget 2018 Bill – January 2018 (this is a direct translation of the Swedish legislation)

to the IDA and Enterprise Ireland, approximately 8,800 people were employed in FinTech in Ireland at the end of 2015, a rise of 7 per cent on a year before and 40 per cent up on 2008[20].

The Government's own IFS 2020 strategy for the financial sector is targeting the sector for growth in the coming years, noting that the

> **"thriving tech start-up scene, combined with established research centres, creates what is an internationally recognised ecosystem for Fintech research, development and innovation. As a result, Ireland is uniquely positioned to become a leading global centre for fintech investment, where global multinationals can develop and implement their innovation strategies, while Irish-owned start-ups continue to scale up and succeed in global markets."**[21]

Global fintech investment more than doubled quarter over quarter in Q2 2017 to US $8.4 billion, up from US$3.6 billion in Q1 2017. In Europe, FinTech investment more than doubled in Q2 2017 with over €2bn invested in the quarter. The raises the question **can Ireland with Brexit now only a year away, and with greater pressure coming globally on our corporate tax rate, afford to ignore the ability to increase growth in this crucial growth sector?**

Based on our conversations with the start-up companies here, firms working out of start-up hubs in Dublin and Cork, and to our members, we submit the following recommendations to overcome the challenges raised by the two key issues addressed in this paper:

1. Include all Fintech and Insurtech SMEs

FinTech and InsurTech **cannot** be excluded from KEEP.

A way to insure their inclusion is to **issue a Revenue Guide on KEEP** which follows the same interpretation as the Revenue Guide for The Employment and Investment Incentive (EII) Relief for Investment in Corporate Trades Part 16-00-10 where is states that an excluded trading activity is ***"Financing Activities"*** which is very different interpretation to ***"Financial Activities"***.

In our opinion this interpretation would allow FinTech and InsurTech forms to participate in KEEP immediately and does not need legislative change for this to happen.

Later in Finance Act 2018 a more robust definition of FinTech and InsurTech could be written into legislation using the NACE 2 Codes 6201 and 6209 definitions.

2. Remove all monetary limits applied to the scheme

It is well understood that more start-ups fail than succeed. Consequently, we believe there are no risks to the exchequer if the following limits were removed from the legislation:

1. *"…the total market value of the issued but unexercised qualifying share options of the company does not exceed €3,000,000*[22]
2. *"...the total market value of all shares, in respect of which qualifying share options have been granted by the qualifying company to an employee or director, does not exceed—*
   (i) €100,000 in any one year of assessment,
   (ii) €250,000 in any 3 consecutive years of assessment, or

[20] https://www.irishtimes.com/special-reports/innovation-in-fintech/ireland-is-well-placed-to-ride-the-fintech-wave-1.3140832
[21] ibid
[22] Finance Act 2017. Source: https://data.oireachtas.ie/ie/oireachtas/act/2017/41/eng@/a4117.pdf

(iii) *50 per cent of the annual emoluments of the qualifying individual in the year of assessment in which the qualifying share option is granted,*

By removing all limits currently hindering the effective operation of KEEP, not just for FinTech and InsurTech, but for all start-up firms that rely on funding from all sources to grow, Government is firmly recognising the importance of structurally and robustly supporting our indigenous start-ups, micro, small and medium enterprises in an increasingly globalised and technological reliant world.

In 1958, the greatest Irish person of the last century, Dr. T.K. Whittaker had a vision. It was a vision to bring Ireland out of its self-imposed isolation and create an Irish economy that was global in outlook and global in welcome. This vision has served Ireland well since the publication of the Programme for Economic Development. It's strategic vision for Ireland's economic future has ensured we have punched above our weight economically, culturally and socially on the world stage for the last fifty-nine years.

In this, the sixtieth year since that visionary document, it is time for a new vision. One that continues to embrace our global outlook and welcome to global firms, but that is visionary in its outlook and strategic thinking for our indigenous businesses at the heart of our nation and its economy.

We believe KEEP is the start of this vision, and that together we can create a strong, innovative and positively disruptive economic foundation for Ireland's economic and social future for the next sixty years. We believe this Government is up to accepting this challenge – we at IPSA, certainly are.

Appendices

Appendix 1

IPSA Members as of 31st January 2018 provide an estimated 145,000 jobs in Ireland and turnover based on 2016 accounts of an estimated €170bn.

Smurfit Kappa Group plc	ShareGift UK	Renishaw	Each & Other Limited
Pfizer Pharmaceuticals	Alkermez	Solium Capital UK Ltd	ESB
Perrigo Company plc	EY	Stelfox	FundRecs
Kingspan Group plc	Numis Securities	Yorkshire Building Society	Eversheds
CPL Resources plc	Atlantic Industries	Bord Gais	Global Shares
PWC	A&L Goodbody	KBC Bank Ireland plc()	LK Shields
Mercer Limited	McCann FitzGerald	Google Ireland	Allergan
Yahoo!	William Fry	Irish life Group Limited	Cyber Risk Aware
PM Group	Mason Hayes & Curran	Novartis	Crowley Carbon
KPMG	Mazars	Independent Trustee Company	Permanent TSB
Willis Towers Watson	Hostelworld	Dalata Hotel Group	Teamwork.com
MSD	Link Registrars (Ireland)	65Hurls	Deloitte
Ocorian	Computershare Services (Irl)		

Appendix 2

Information is taken from Balderton Capital Guide to Employee Equity 2017. Balderton Capital is a London, UK-based venture capital firm that invests early-stage, primarily in Europe-based technology and Internet start-up companies.

How Big Should an ESOP Pool Be?

How much am I setting aside for my employees in aggregate?

This is an important decision made in conjunction with your investors and with your board.

We recommend growing your ESOP pool size to approximately match the below:

	Seed – Series A	Series B	Series C	Thereafter
Size of employee pool as % of total equity (allocated + unallocated)	7.5-10%	9-12%	12-15%	15%+

» Note: Founder shares are separate from the ESOP pool and should not be included here

» The size of the pool should be reviewed annually in conjunction with hiring plans—financing rounds also offer good opportunities for this

*» **Typically, after any financing round through Series B, a company should aim to have an unallocated pool of ~7.5%. After Series C, the unallocated pool should represent roughly 5%***

It is crucial to remember that while employee equity pools can be expanded over the company's financing journey, the pool should not expand infinitely. For example, once a company becomes public, other incentive programmes (like LTIPs) may be more appropriate.

Appendix 3 – Participants in this report

Cambrist

Cambrist is a proprietary multi-currency processing platform enables card issuers, processors and program managers across the payments landscape (credit, debit, prepaid, virtual and mobile) to optimise the FX rates and margins applied to their customers' international payment transactions.

Jacob Claflin is the is the CEO and Founder of Cambrist. Jacob has nearly 20 years of experience leading businesses in card issuance, acquiring and transaction processing, including multi-currency travel card programs with leading banks and travel industry partners.

Sedicii

Sedicii has developed and patented a technology based on the Zero Knowledge Proof Protocol that eliminates the transmission, storage and exposure of private user data during authentication or identity verification, which reduces identity theft, impersonation and any fraud resulting from the identity theft.

Rob Leslie is the is the CEO and Founder of Sedicii. Rob is qualified electronics engineer with track-record of establishing successful businesses in Europe and Asia. His recent focus is with security / trust-based technologies to address fraud / privacy areas. He has responsibility for product design, planning and implementation, whilst also supporting commercial efforts. Previously he was a founding team member of Dell Japan.

Assure Hedge

Assure Hedge protects against the currency fluctuations that can destroy businesses. Set the worst-case exchange rate, get an instant quote, and benefit from favourable market movements. Assure Hedge is on a mission to provide currency confidence for all by offering businesses the same currency hedging tools as the multinationals use. Based in Dublin, our team's exceptional trading, regulation, and technology experience simplifies the process ensuring it is quick, convenient and secure for our customers.

Barry McCarthy is the is the CEO and Founder of Assure Hedge. Barry founded Assure Hedge after 15 years successful as a financial markets trader. He bought and sold FX, stocks, commodities and derivatives in the Dublin, London, Gibraltar, Chicago and Singapore markets. He has particular expertise in the area of algorithmic trading systems design. He is also an in-demand speaker and educator: he created Ireland's first Diploma in Financial Trading at Independent Colleges Dublin. He holds a BComm and MEconSc; both from University College Dublin.

FundRecs

Fund Recs was founded in 2013 when the company founders were approached by a large bank to develop a new reconciliation platform for its Fund Administration unit. With over 25 years operational and technology experience between them, the team are building a platform to transform how data is managed, processed and leveraged by the Funds Industry. Fund Recs recently launched VELOCITY platform for Fund Administrators empowers Administrators to process valuations faster and with increased oversight.

Alan Meaney is the CEO & co-founder of Fund Recs. Alan has over 10 years' experience in the Fund Administration Industry and studied Business Information Studies at Dublin Institute of Technology. He has taken the insights and pain of doing manual reconciliation's over the years and used his technical knowledge to produce the Fund Recs solution. Alan started his Funds Industry career at HSBC and more recently was Fund Accounting Supervisor at SEI Investments.

TrustEv

Trustev is a real time, online identity verification platform that verifies the true identity of online shoppers; eliminating fraud & increasing revenues for e-commerce merchants. Trustev's award-winning solution addresses multi-billion dollar online fraud losses from businesses at every scale around the globe, empowering retailers to expand and do business in new global markets and safely accept international payments. Named Europe's Top Technology Start-up for 2013 and one of Forbes Hottest Global Start-ups for 2014.

Stephen Fanning is the COO with TrustEv and has responsibility for all aspects of day to day operations of the company from Finance, HR, Customer Service, Onboarding, Legal and day to day operational performance. Stephen joined new TrustEv from a senior management role in large global company. As a 6 month old start-up the company offered Stephen a 50% salary reduction, loss of all benefits (pension, life assurance, health insurance…), loss of 15% annual bonus, loss of a 40% retention bonus plan but in return for his leap of faith he would received 1% stock options for joining a company with no revenue & 6 months runway of cash.

With a mortgage and young family this was a huge leap of faith by Stephen, but he did so for the personal challenges and rewards that come with building something from scratch. He, like the initial six employees, justified his financial risk with the ability to be granted stock options and share in the upside of the company success.

WeSavvy

WeSavvy is a digital insurance platform that enables Insurers, Bancassurers, Agents/Brokers and other Financial Services Providers to engage more effectively with Policyholders. Through the combination of Big Data and IoT, WeSavvy brings telematics, effective analytics and innovative risk management to the Life & Health insurance industry.

Hesus Inoma is the Founder and CEO of WeSavvy. Hesus is a seasoned banking & insurance professional with strong knowledge of and experience in European Bancassurance markets (Life and Non-Life), with a keen interest in improving digitalisation and Customer Experience within financial markets. Prior to founding WeSavvy, Hesus worked with one of the largest banking groups in Europe. Hesus was also the primary Insurance Trainer within the company, providing training to management, staff and clients on insurance and the insurance market in Europe. Hesus has a BA Honours Degree in International Insurance & European Studies from University of Limerick, a Post-Grad. in Financial Services with the University College Dublin and is a Chartered Insurer, Chartered Banker and Qualified Financial Adviser.