



Financial
Services
Ireland
Ibec

Ireland's future through finance

How the financial services sector
can deliver new growth for Ireland

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“The Irish financial services ecosystem has proven its resilience and competitiveness, reaffirming Ireland as a remarkable place to do business. This is also a natural environment to accelerate innovation and change, which will support Ireland’s post-crisis recovery and future growth.”

Furio Pietribiasi, FSI Chair & CEO, Mediolanum International Funds Ltd

Foreword

The COVID-19 crisis has taken a severe toll on society and the economy. The exemplary response of all in Ireland cannot be overstated as we face continuing adversity at a personal, societal and economic level.

Not alone has the social cost been deep, we are also living through the sharpest compression of economic activity in living memory. Moving through this crisis, it will be important to focus on the financial services sector as a vehicle by which we can rapidly recover and reboot our economy.

Given the resilient response of the financial services sector, this report provides a unique insight into how the sector can become a source of growth for Ireland. Informed by a survey of FSI members, several recommendations are proposed that will enable Ireland to seize the economic opportunity now evident in the financial services sector.

FSI will continue to work collectively and collaboratively with all stakeholders in establishing a bright future that lies ahead of these most difficult times.

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FSI Chair & CEO,
Mediolanum International
Funds Ltd

Cecilia Ronan
FSI Vice Chair & CEO,
Citibank Europe Plc &
Citi Country Officer, Citi Ireland

Paul Sweetman
FSI Director



About Financial Services Ireland

Financial Services Ireland (FSI) is the Ibec association representing the full suite of financial services companies in Ireland. Our 155 members are involved in banking, insurance, fund administration, investment and asset management, corporate treasury, international financial services, aircraft leasing, securitisation and fintech. FSI also runs the International Financial Services (IFS) Apprenticeship and Skillnet programmes.

The association is led by a Board of some of the most senior Irish and European sector executives. FSI's singular objective is that Ireland will be a top 20 global financial centre by 2025. The COVID-19 crisis has reaffirmed this objective.

Underpinning FSI's objective are five goals we must achieve, namely that Ireland becomes:

- + The strongest business environment and best location to tackle future challenges for the sector;**
- + A preeminent global location for diversity and culture;**
- + A global leader for talent and skills in financial services companies;**
- + The global centre for technology and financial services integration, innovation and leadership;**
- + A world-class location for sustainable finance.**

“We have seen the resilience of financial services in Ireland with front line services being maintained and we have digitally innovated to enhance our support of all types of customers.”

Fiona McMahon Director of Compliance, Ulster Bank Ireland DAC

FSI Board



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Vice Chair

CEO, Citibank Europe Plc
& Citi Country Officer,
Citi Ireland



Paul Sweetman
Director

Financial Services Ireland



Declan Bolger

CEO, Irish Life Group



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CCO Ireland, Head
of Corporate Bank –
Investment Bank & Capital
Release Unit Operations
EMEA, Deutsche Bank



Brian Daly

Partner, KPMG



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MD & Ireland Country Executive,
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MD, BlackRock Investment
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Capital



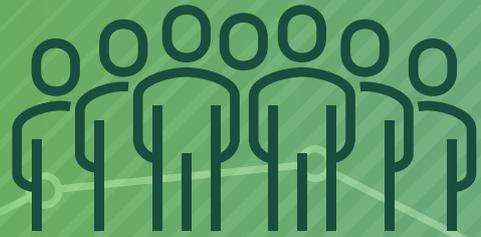
Tadhg Young

Country Head – Ireland, State
Street International (Ireland) Ltd

The sector at a glance

The domestic and international financial services sector

employs over 105,000 people, up 60% on 2004



Ireland is a recognised global fintech hub



Ireland services over €5.2 trillion of assets under administration

14 of the top 15 global aircraft lessors are located here

Ireland is the 3rd largest funds domicile in the world



The insurance sector holds over €300 billion of assets in Ireland and invests €35 billion in Irish infrastructure

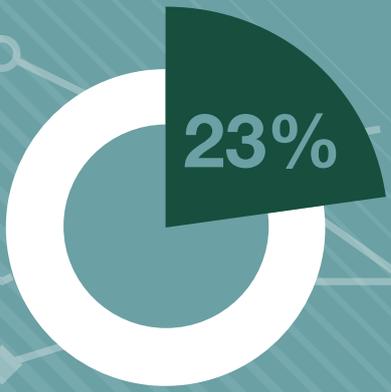
17 of the top 20 global banks are based in Ireland

11 of the top 15 insurance companies have a presence in Ireland



Over 60%
of the world's leased
commercial aircraft
are owned or managed
from Ireland

**The GDP
of the sector
is €19.3
billion**



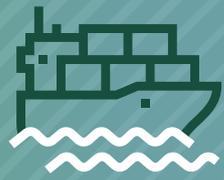
In 2019, the sector
contributed
€2.47 billion in
corporate tax,
23% of Ireland's
total corporate
tax income

Ireland is a global centre of
excellence for listings of

Green and Environment, Social & Governance (ESG) Bonds



Following
graduation,
10% of
working third
level graduates
are employed
in the sector



The sector's
exports are worth
**€11 billion
annually**

**Insurance
companies in
Ireland service
25 million
customers in
110 countries**

63%
of financial
services
companies
are located in
Dublin, with
37% based
outside the
capital



The financial services sector and our economy

The financial services sector in Ireland is already a powerhouse for growth, underpinning and enabling all sectors of our economy.

From 2014 to 2019, the GDP of the sector increased by 30% to €19.3 billion (*Figure 1*) and the corporate tax contribution from financial services companies rose by 137% to €2.47 billion (*Figure 2*). This equates to almost one quarter of Ireland's total 2019 corporate tax income. The full tax contribution of the sector to the exchequer (including income tax, PAYE, etc.) is over €5.5 billion per annum.

There are now more than 9,000 financial services companies operating throughout Ireland, an increase of 36% since 2014 (*Figure 3*). These companies employ over 105,000 people, an increase of 60% from 2004. In addition, many of the 15,000 employees of the professional services firms in Ireland with an accountancy heritage, support the broader financial services sector.

Exemplifying this growth is Ireland's IFS sector, which began with the IFSC. In 1987, the IFSC employed fewer than 100 people in the Dublin docklands. In 2020, the IFS sector employs over 44,000 people across all regions of the country. In fact, total regional employment accounts for almost 20% of the entire financial services sector workforce, with over one third of financial services operations based outside the capital.

Ireland services over €5.2 trillion worth of assets under administration. 11 of the top 15 insurance companies have a presence in Ireland, 17 of the top 20 global banks are based here and 14 of the top 15 global aircraft lessors operate from Ireland. Life insurance corporations based in Ireland currently protect and safeguard over €250 billion, to meet the future insurance claims of their policyholders.

Between 2014 and 2019, the annual growth rate of financial services exports from Ireland was over 13%, with exports now standing at €11 billion per year. Dublin has also remained the most popular EU destination for Brexit related financial services relocations. These impressive statistics represent hard work, high-calibre global leadership, deep generational talent and, a competitive drive to succeed for customers and clients.

Ireland's financial services capabilities are increasingly recognised globally. At the time of FSI's strategy launch in May 2019 - with the objective that by 2025, Ireland will be a top 20 global financial services centre – the Global Financial Centres Index (GFCI), which ranks cities rather than countries, placed Dublin 38th in the world. The 2020 GFCI now ranks Dublin 30th globally. This is a very positive move. It shows that our strategy is working and further growth is possible. However, we must keep our shoulder to the wheel. The World Economic Forum ranks Ireland 42nd on its financial services pillar.

Based on successes to date, we possess the necessary competitive tools to break into the top 20 in each of the above rankings. The sector's response to the COVID-19 crisis only enhances this potential.

Aligned with these macro numbers are essential, every-day supports the financial services sector provides. These supports, thanks to the significant efforts of all employees within the financial services sector, went uninterrupted during the pandemic. As an example, in July 2020, Irish point-of-sale card expenditure topped €5 billion. This was spent on items including groceries, transport, healthcare and education.

In the same period, over €2 billion was spent via ecommerce card transactions, enabling people to spend safely from their homes. There were over 110 million individual debit card transactions in July and 7.7 million ATM transactions. Behind these numbers is an often-overlooked complex series of processes that must be meticulously managed by financial services organisations – just one example of how the sector keeps the fundamentals of our economy moving.

Figure 1:
GDP growth of sector

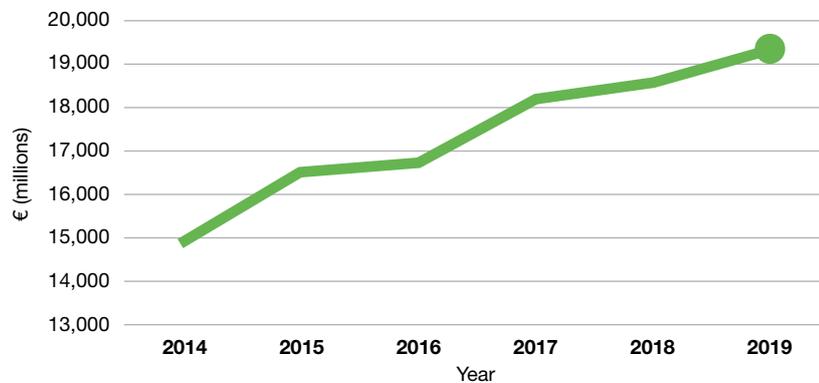


Figure 2:
Corporate tax contribution of sector

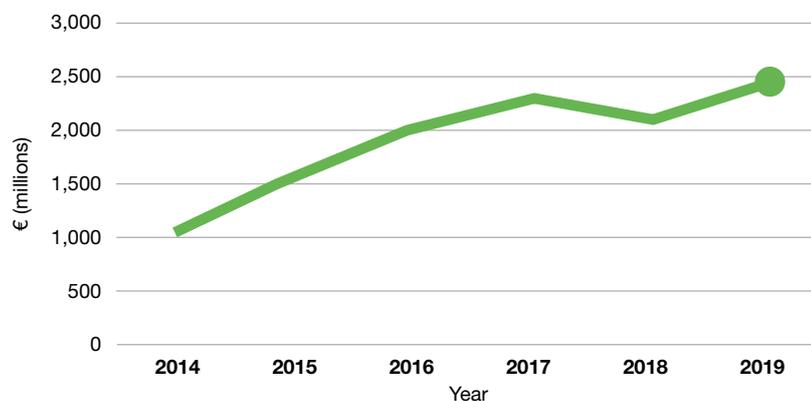
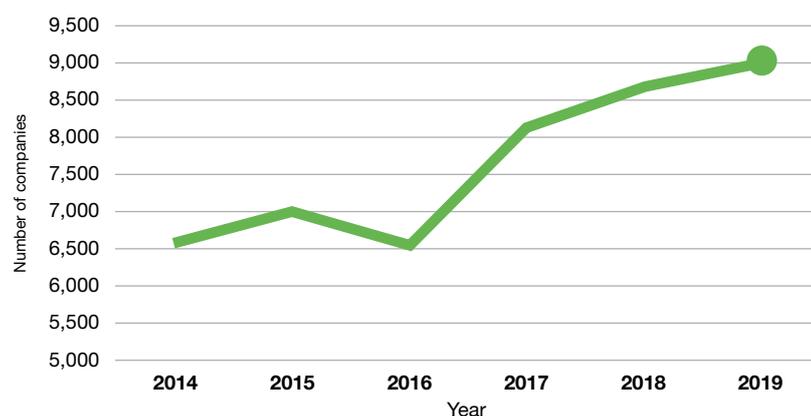


Figure 3:
Growth in number of financial services companies



Impact of COVID-19 on the financial services sector

COVID-19 has markedly impacted the operations of financial services companies. Domestic institutions introduced significant measures to support customers through the crisis, requiring major staff-redeployment and the use of capital reserves. For all financial services companies, the vast majority of employees are working from home and continue to support customers and clients both nationally and globally.

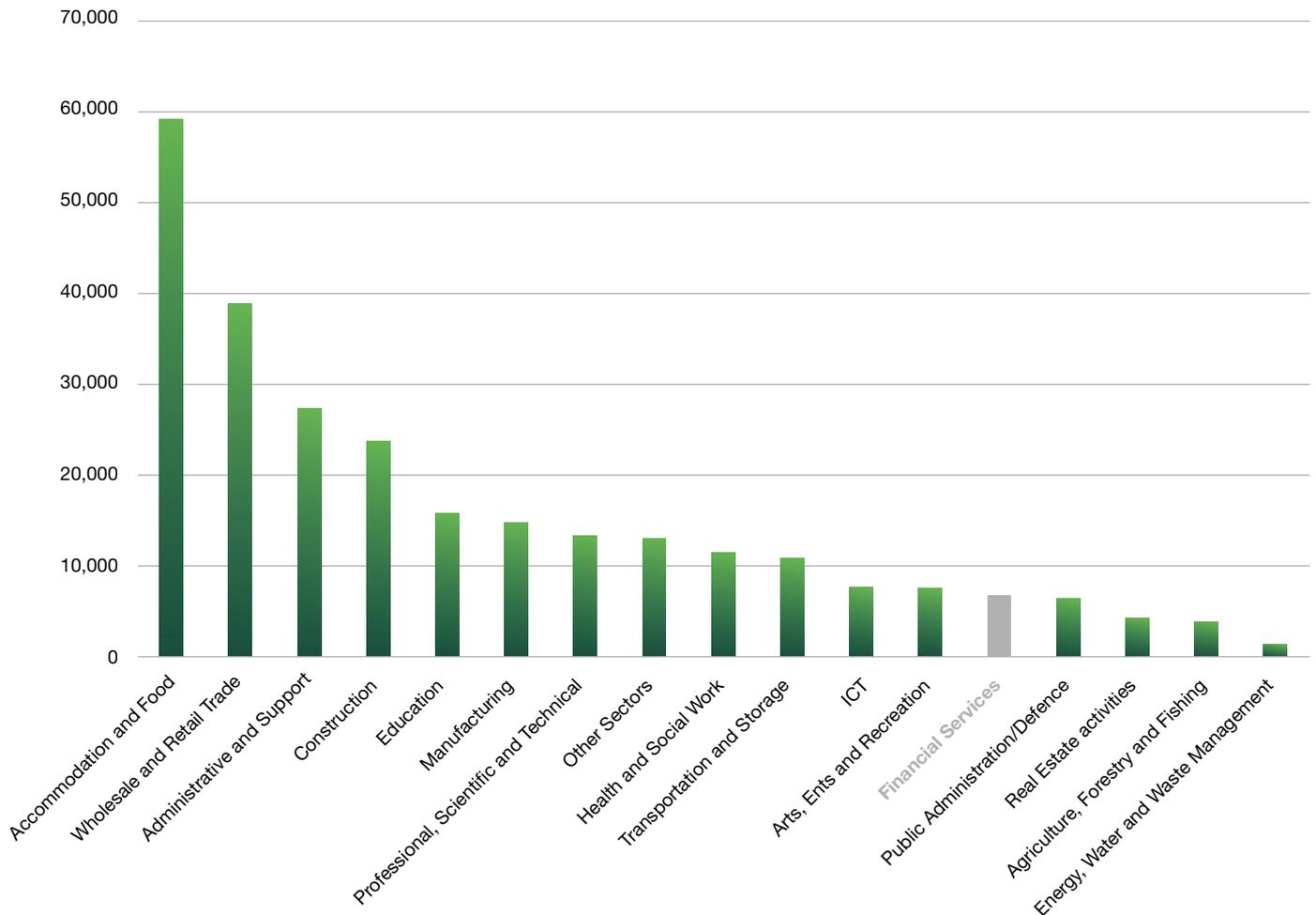
While serious challenges remain, Ireland's financial services sector has shown an exceptional ability to perform on the international stage and act as a crucial economic player in the domestic economy. The sector continues to demonstrate to global peers its resilience, innovation and competitiveness.

With a can-do attitude, the sector has maintained employment, stayed open and remained always-on (*Figure 4*). For those in the international financial services sector, the presence of an Irish operation has sustained many group organisations' capacity to service their clients, enabling payments capability and access to capital markets, while safeguarding assets.

This crisis-resilience presents a significant opportunity. Ireland can enhance its competitiveness as a premier location to attract financial-services focused inward investment, introducing fresh capital and providing additional high-quality employment at a time when needed. If we move quickly and decisively, the financial services sector will be well positioned to secure global market share and bolster the national economy.



Figure 4: Pandemic Unemployment Payment (PUP) recipients by sector as of 4 August 2020



“The Irish financial services industry played a vital role in helping Ireland become a top-tier location of choice for doing business. During the COVID-19 crisis, the sector has proven its competence and competitiveness which are the building blocks for the gains of the future.”

**Cecilia Ronan, FSI Vice Chair & CEO, Citibank Europe Plc
& Citi Country Officer, Citi Ireland**





“A Financial Services Industry of today is no longer a single location single talent type marketplace. Success is no longer a function of being global but is much more dependent on being skilled in very many directions. Ireland’s talent ecosystem is now so wonderfully diverse and is perfectly suited to catapult our contribution to a global financial services industry.”

Joe Duffy, MD & Ireland Country Executive, BNY Mellon

Survey results and insights

To assess the opportunity for growth in the sector, FSI surveyed our 155 members in July and August 2020. There is an overwhelming sense that a new growth opportunity for Ireland now exists. Following the sector's resilient response to COVID-19, of those surveyed 82% believe (Figure 5) Ireland will be an attractive location for financial services focused foreign-direct-investment (FDI). The survey responses detailed in our report show why this opportunity exists and the actions needed to grasp it.

The sector's response to the crisis

99% of companies surveyed stated that from the start of the crisis they remained operational and 'always-on', serving their customers and clients (Figure 6). This shows the remarkable resilience of the sector, underpinned by the excellent approach and support of employees, skilled crisis management planning and the implementation of effective technological solutions.

While this resilience is not unique, for entities based in Ireland, 48% felt that the response of the financial services sector here was better than that of peers in competing jurisdictions (Figure 7).

By itself, the capability to be resilient will not create growth. It must be coupled with a change in strategic investment decisions. This change is happening.

The global financial services sector is reassessing the deployment of its resources to locations that have displayed resilience during the crisis. 84% of survey respondents feel that financial services organisations are now planning operational investments in jurisdictions where crisis resilience is high (Figure 8). This places Ireland in a strong position.

Figure 5:
Will Ireland be an attractive location for financial services FDI, based on the sector's response to COVID-19?

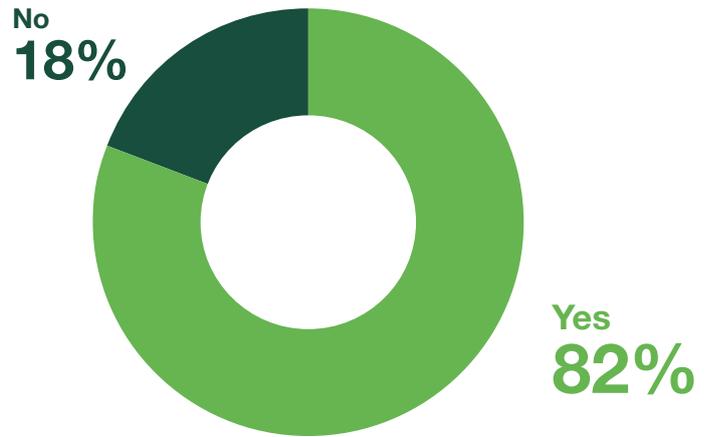


Figure 6:
On the introduction of the Irish Government's COVID-19 restrictions, was your organisation able to respond quickly and remain operational?

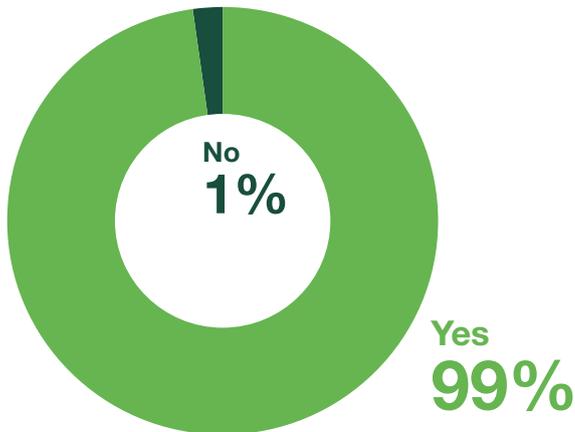


Figure 7:
How has your organisation's resilience compared to peer organisations in competing jurisdictions?

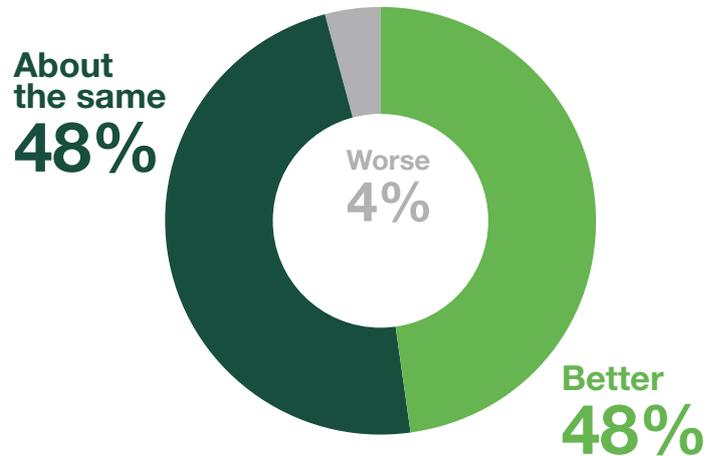


Figure 8:
Are financial services organisations now looking to invest in locations where the sector's resilience is strong?



Empowering growth

The opportunity for growth is clear. If seized, survey respondents ardently endorse the sector's potential to boost economic activity, introduce new capital and create additional high-quality jobs (Figure 9). Given that we will be competing internationally for this investment, Government support is required. With 83% of respondents stating that focus will be needed from the State to secure growth, realising the sector's potential will be a collaborative effort (Figure 10).

Figure 9:
How will seizing the growth opportunity in the sector support the economy?

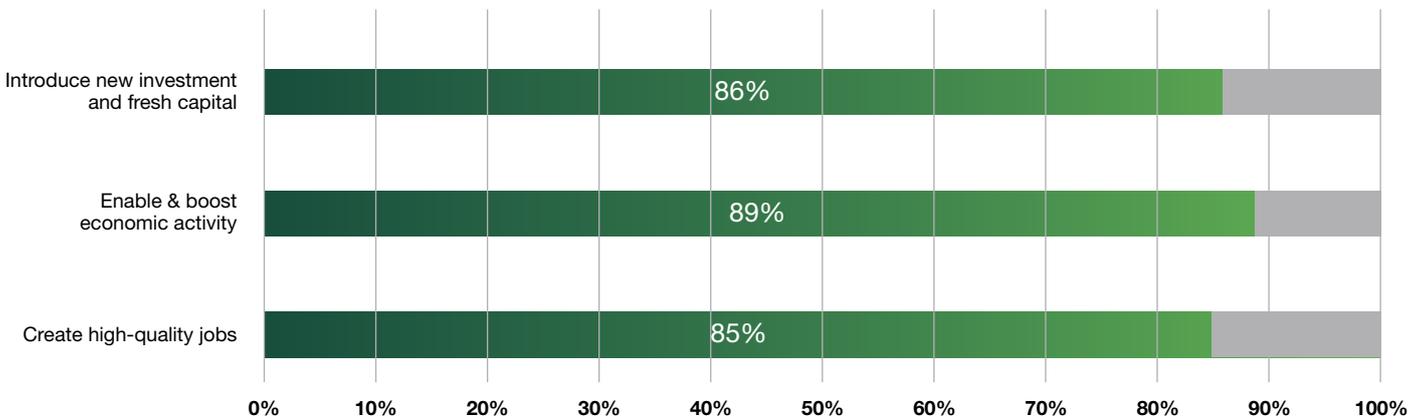
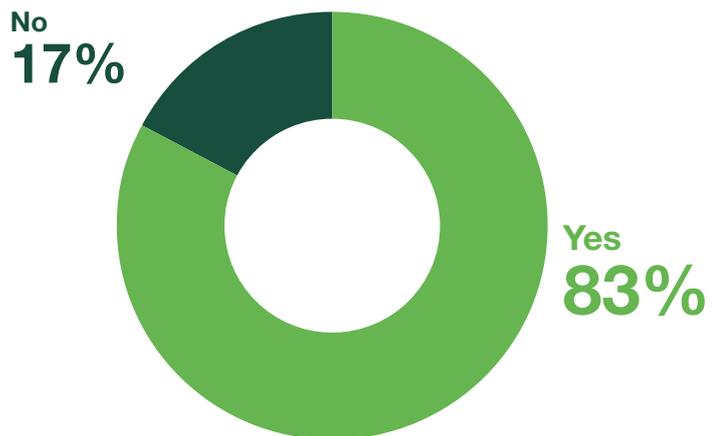


Figure 10:
Are supports and focus required from Government to seize the growth opportunity in the financial services sector?



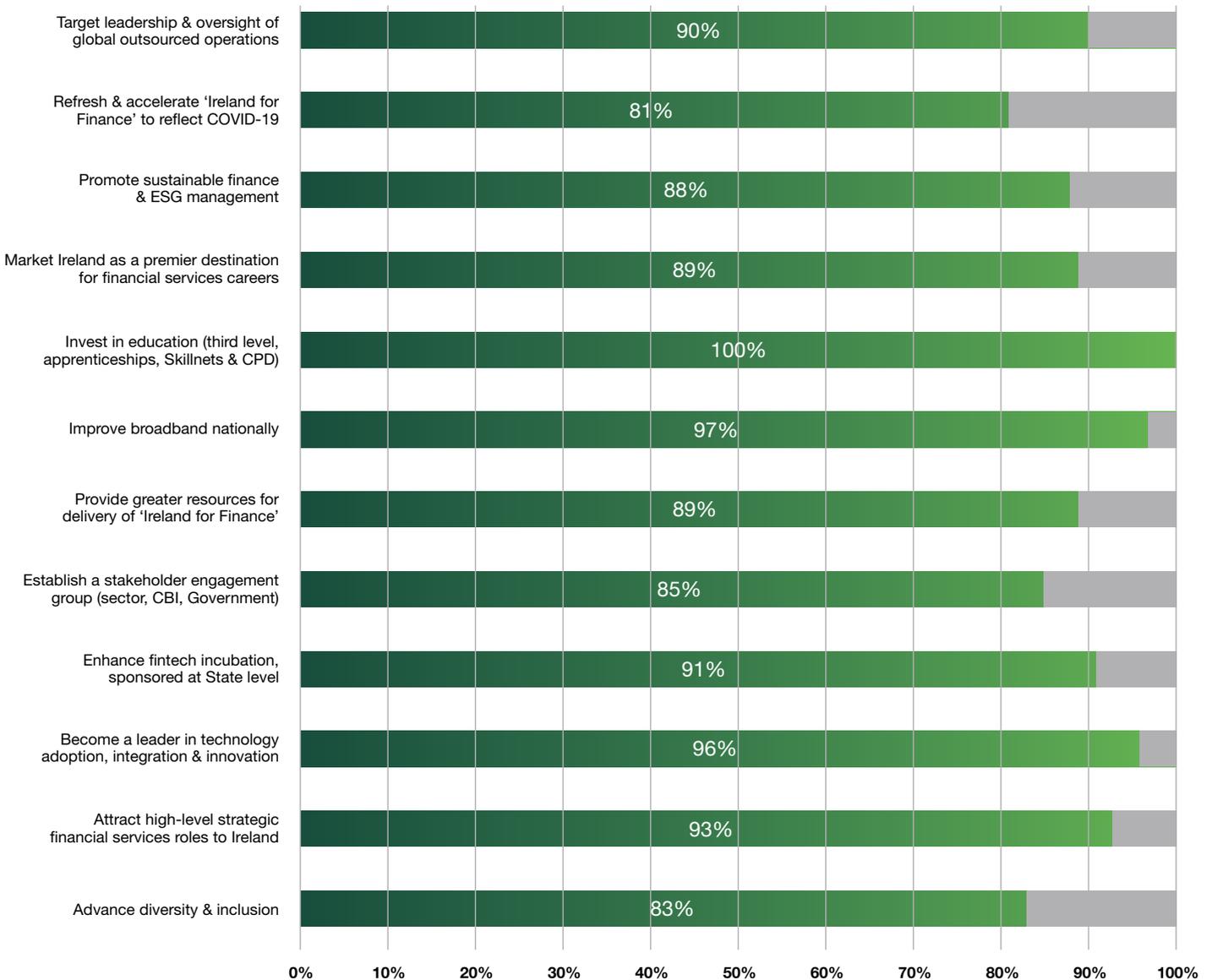
“Ireland as a centre for international financial services activity depends on talent, innovation and resilience to continue to serve clients across the globe. Fostering these key ingredients is critical to success in the future.”

Sinéad Mahon, Country Head – Ireland, Credit Suisse AG Dublin Branch

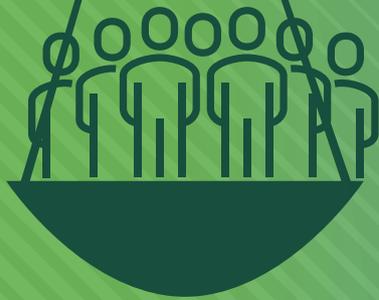
In order to seize the growth opportunity, the recommended actions that received strongest endorsement from members are detailed in *Figure 11*. These recommendations include Government policy actions, technology initiatives, talent & skills measures and business areas to foster.

It should be noted that *Figure 11* highlights members' views on measures and areas of focus specifically to achieve growth. For example, the promotion of diversity & inclusion is wholly recognised by the sector as the right thing to do. However, what the survey results are showing is that not only is diversity & inclusion the right thing to do, but in addition, 83% of respondents believe that advancing diversity & inclusion is one of the top ways to accelerate the sector's growth.

Figure 11:
Areas and measures of focus to seize the growth opportunity in the financial services sector



Regional impact



Over one third of financial services businesses are regionally based

Regional financial services operations employ almost 20% of the sector's workforce

In 1987, the IFSC in Dublin's Docklands employed fewer than 100.

In 2020, the IFS sector employs over 44,000 across the entire country.



“Ireland’s international financial services industry continues to be a place where solutions can be found and opportunities created – our experienced, diverse and creative workforce in the cities and regions will fuel future growth.”

Tadhg Young, Country Head – Ireland, State Street International (Ireland) Ltd

Regulatory environment

Against the backdrop of these recommendations, it is important to reflect on the regulatory environment. Regulatory robustness is crucial for the financial services sector, alongside efficient and fluid engagement between the regulator and those it regulates. This fundamentally influences the success of both the sector and the wider economy. Through the structures of the Central Bank of Ireland (CBI), we have the essential components needed for a positive, robust and effective regulatory ecosystem.

Our members have identified the importance of enhanced regulatory engagement. One recommendation strongly coming through in our member survey is the establishment of a stakeholder engagement group incorporating the sector, regulator and Government. Of those surveyed, 85% would welcome the formation of such a group (*Figure 12*). Stakeholder groups are the norm internationally, present in countries such as Belgium, Luxembourg, the United Kingdom, Spain, the Netherlands and Germany.

The establishment of this group is already an action in the Government's 'Ireland for Finance' strategy. We look forward to working with all stakeholders in getting this structure up and running.

Figure 12:
Should Ireland establish a stakeholder engagement group between the sector, the CBI and Government?



“Continuity of service is essential to operations such as ours which provides services to global businesses across a multiple of time zones. Our response to the pandemic, the speed and effectiveness of our switch to working from home, further underscored the resilience of Ireland’s global financial services operations.”

Mary Campbell, CCO Ireland, Head of Corporate Bank – Investment Bank & Capital Release Unit Operations EMEA, Deutsche Bank

“Financial services in Ireland have adapted quickly and skilfully to the new environment, providing continuity of service, and remaining financially strong for customers in Ireland and across the globe. Ireland now has an opportunity to present itself as an even more attractive base for global financial services companies.”

Declan Bolger, CEO, Irish Life Group

Recommendations

The COVID-19 crisis has taken a devastating socioeconomic toll on the nation, Europe and the world. The impact will be long felt. To emerge from this crisis, it is crucial we focus on the financial services sector as an area where we can boost economic activity quickly and substantially.

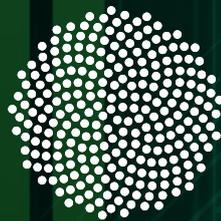
As reflected in this document, the financial services sector has displayed a tremendous resilience throughout the crisis. Coupled with expected redeployment of investment by global financial services players, Ireland is in a strong position to harness this redistribution, creating social and economic growth.

While it is difficult to accurately predict the size of the opportunity, the global financial services market is worth \$25 trillion. Even minor shifts in the global sector's investment towards Ireland will be significant. In order to seize this opportunity, we must move swiftly and decisively on a number of fronts, namely:

- + **Establish the stakeholder engagement group between the sector, Government and CBI.**
- + **Accelerate and refresh the Government strategy 'Ireland for Finance' to reflect the impact of the COVID-19 crisis.**
- + **Allocate greater resources within the Department of Finance to deliver the objectives of 'Ireland for Finance'.**
- + **Market Ireland as a premier location for financial services careers and establish initiatives to attract high-level, strategic financial services talent.**
- + **Boost investment in third level education, continuing professional development (CPD), Skillnets and apprenticeship programmes to develop a pipeline of relevant and needed talent for the sector. A skills needs analysis conducted by the Expert Group on Future Skills Needs should underpin this action.**
- + **Continue the drive to improve national broadband infrastructure.**
- + **Support the rapid development of the fintech sector, reflecting the accelerated move to digital caused by the COVID-19 crisis. Enhance fintech incubation sponsored at the State level.**

- + Establish tactical and strategic initiatives that foster technology adoption and innovation within the financial services sector, making Ireland the leading jurisdiction for technology and financial services integration. Take advantage of Ireland housing the leadership of both sectors in close proximity to one another.
- + Focus on becoming a global leader in the areas of diversity & inclusion, ESG, sustainable finance and the strategic management of outsourcing operations.
- + Enact the Investment Limited Partnerships Bill and the tax review of the European Long-Term Investment Funds Regulation, modernising outmoded legislative barriers to growth.





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