Why FinTech collaboration with Financial Services can drive job creation in Ireland

A new strategy for the International Financial Services (IFS), entitled Vision and Targets for International Financial Services (IFS) 2020, was announced by minister Simon Harris in March 2015 aimed at creating 10,000 additional jobs over the next 5 years. A major focus is being placed on driving employment among financial technology (FinTech) companies by encouraging collaboration between Ireland’s IT and Financial Services (FS) sectors.

Happening in parallel and equally impressive, has been the growth of the ICT (Information, Communications and Technology) industry. It employs over 37,000 people in Ireland today and generates €35 billion in exports annually. Its success is in part due to the emergence of the FinTech sector over the last 8-10 years. In Ireland today, there are approx. 5,000 people employed in the direct FinTech industry and we expect this to double by 2020.

However, FS firms are struggling with outdated legacy platforms and IT architectures which are hampering their ability to grow and innovate. Gartner’s Worldwide IT Spending forecast recently suggested that IT spending will increase from $3.5tn to $4.5tn by 2018. This represents a huge opportunity for FinTech companies in Ireland.

FinTech is commonly defined as the application of new technology in financial services to drive innovation and disruptive business models. Deloitte see three distinct participants emerging within FinTech, each with potential to drive significant growth:

1. Disruptors
   Technology companies that innovate and disrupt traditional FS business models, often disintermediating banks (e.g. CurrencyFair)

2. Optimisers
   Technology companies that focus on product innovation, helping FS institutions to optimise their existing businesses, as standardisation emerges across industry segments (e.g. Barracuda FX, Realex)

3. Financial Services Institutions
   Financial Services Institutions that are seeking to embrace technology innovation to support their business for example, Citi Innovation Lab and Aon Center for Innovation and Analytics.

Whilst some FS firms have been cautious about new FinTech start-ups, particularly where they are disrupting traditional business models and competing for customers, we are increasingly seeing a symbiotic relationship developing. FS firms are now collaborating with new innovators through in-house innovation labs and investment funds such as initiatives from Citi and Aon.

The relationship between these participants is also evolving, increasingly moving from competition to collaboration thanks to changes in the International Financial Services industry. As with other industries such as automotive, financial services are starting to integrate different components of the value-chain from specialist providers rather than the traditional build and buy models. New disruptors will also seek to collaborate more closely with FS institutions through APIs due to regulatory requirements and also to maximise cross-selling opportunities.

The key challenge for FinTech in Ireland will be to support both disruptors and optimisers whilst guiding FS institutions to transform their business models and leverage the benefits of both.

So it is clear there are strong interrelationships between the Financial Services and Technology industries, and the resulting FinTech sector will be key to growth for both. Despite this, there is a real sense that connectivity between indigenous FinTech companies and multi-national FS firms based in Ireland could be significantly enhanced.

Taking these factors into account, below we set out 5 important elements which will shape the success of the FinTech sector in Ireland over the next 5-10 years.

**Connectivity**

The government should take steps together with industry partners to build out the connectivity within both industries. It is recognised that the dynamics of large, global FS companies and smaller, indigenous FinTech firms are clearly different and this may have unwittingly created an “awareness gap”. This can be addressed for example locally via co-industry “get connected” type events through to establishment of cross-sector government policies. At a global level we are witnessing investment in FinTech units by several large FS firms, such as Barclays in the UK and Citi in the USA.
FS Current Situation

An overview of International Financial Services in Ireland, with an estimate of employee numbers in each sector.

FinTech in Ireland

An overview of companies operating in Irish FinTech, with an estimate of employees in each domain.

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FinTech in Ireland

As a country of just 4.5m people the search for IT Talent will be an ongoing issue. The Government ICT Skills Action Plan has set targets to meet 74% of industry demands for ICT professionals in Ireland by 2018 by providing an additional 1250 undergraduate ICT places per year in higher education institutions. The education policy put in place however, is critical and necessary to attract a highly skilled workforce.

The UK has made a more aggressive attempt at tackling the issue of IT Talent by introducing computer programming at age 9 and small-scale computer training in a secondary subject for 5-16 year olds. The UK also made 2014 ‘The Year of Code’ to create awareness of the opportunities for people entering programming. In addition the Scottish Talent in Banking Survey (2014) identified the ‘Google factor’ as the reason behind software services being the most popular industry for business undergraduates in Ireland - a company to be aspiring to achieve first place.

Ireland needs to emulate the success of the top FinTech global hubs: London, New York and Berlin as a centre of Innovation and Creativity in the FinTech industry. Clearly there has been some success for example, the establishment of a number of FinTech companies on Wall Street in New York and Berlin. Additionally, launching an initiative aimed at creating a set of criteria to create the right conditions for innovation, investment, collaboration and success. Ireland has recently taken a step to assist clients with innovation by opening the latest global innovation hub.

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Ireland’s success in both industries means it is now one of a small number of recognised global hubs for financial services and technology. However there is a need to accelerate the global marketing and branding of Ireland FS and Ireland FinTech to counteract competition of new countries. For example ‘London & Partners’, the PR company have recently been appointed by Boris Johnson to spearhead London’s campaign as the FinTech capital.

However Ireland’s position as an established FinTech hub together with the legacy “hard” criteria of culture, language, location, time zone, cost and Eurozone makes for a truly compelling proposition unique in the world today.

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