

## 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However, FS firms are struggling with outdated legacy platforms and IT architectures which are hampering their ability to grow and innovate.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.

### Leading business advisers

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.

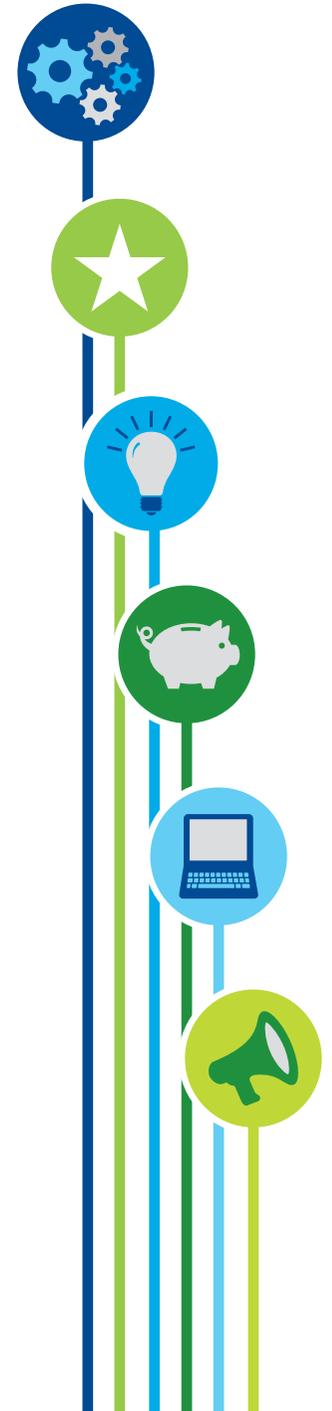
So it is clear there are strong interrelationships between the Financial Services and Technology industries, and the resulting FinTech sector will be key to growth for both. Despite this, there is a real sense that connectivity between indigenous FinTech companies and multi-national FS firms based in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



## Talent

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 at 2nd and 3rd level is critical and needs to remain a high priority focus. The UK has made a more aggressive attempt at tackling the issue of IT Talent by introducing computer programming at 2nd Level Education making it a mandatory subject for 5-16 year old students. The UK also made 2014 'The Year of Code' to create awareness of the opportunities for people to get involved in programming. In addition the Deloitte 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 – compared to banking which achieved third place.

## Innovation

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 have been specific successes for example, the establishment of research and development hubs primarily driven by EU and national incentives. The fostering of an innovative mind-set at a national level to create the right conditions for innovation, investment, collaboration activities and hubs is imperative. Deloitte has recently taken a step to assist clients with innovation by opening the latest global "Greenhouse" in its Dublin offices. The space is an interactive, visually immersive environment created to stimulate innovative ideation and development.

## Investment

According to the IDA, high-tech companies account for 90% of VC investment in Ireland but only 3-10% out of an average of €400m has been invested in FinTech companies over the last 3 years. Therefore, giving companies the opportunity to avail of significant untapped VC potential in this sector.

## Cyber

Cyber security is becoming a critical issue in FS. The upsurge in security incidents and the resulting media coverage has driven growth in the market for cybersecurity solutions and technologies. It has also helped unleash a flood of investment in companies that provide cybersecurity software, solutions and services including R&D investment. During the first six months of 2014, VC firms invested \$894 million in US cybersecurity start-ups, almost the same amount invested in all of 2013.

The large number of FinTech and FS firms already represented in Ireland provides a level of 'critical mass', with the **potential to position Ireland as a Cyber Centre of Excellence, acting as the engine for policy formation, investment, skills development and operations throughout Europe.**

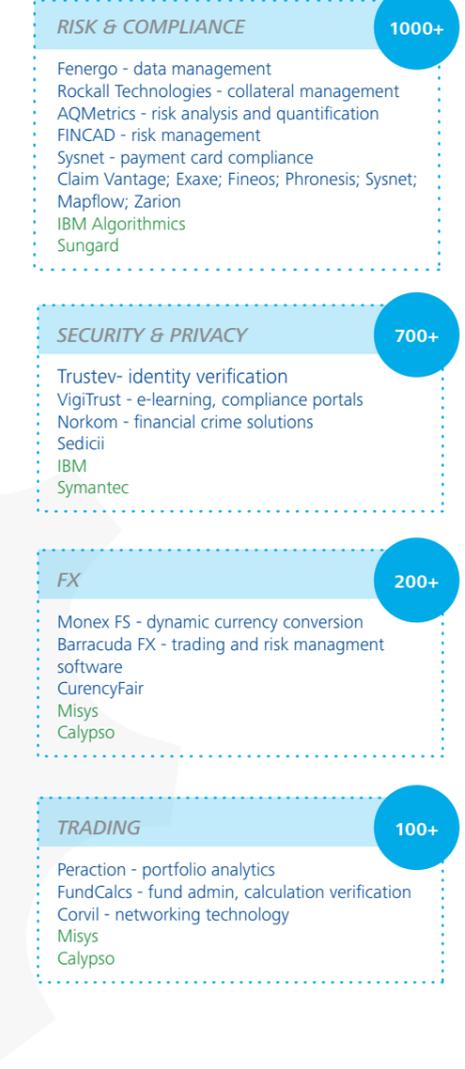
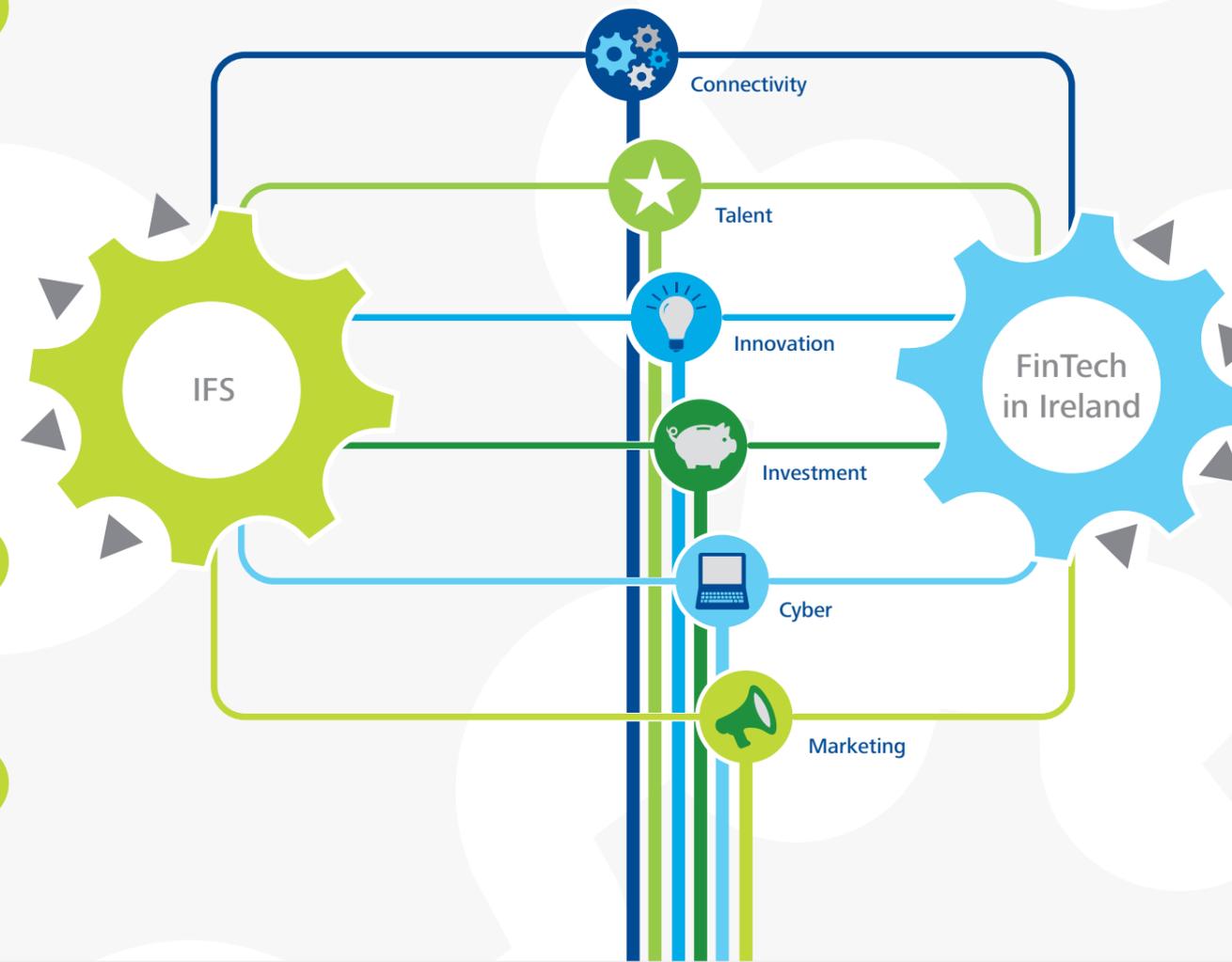
## FS Current Situation

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.



● Examples of indigenous FinTech Firms  
● Examples of established Global Firms



## Marketing

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.

## About Deloitte

Our Consulting capability has 350+ professionals covering Strategy and Operations, Technology Integration, Enterprise Applications, Human Capital, Finance Transformation and Analytics service lines across industry groupings.

Our Financial Services practice comprises over 500 professionals with specific expertise across Banking, Insurance, Investment Management and FinTech. The team has a strong focus on project execution to deliver business transformation.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/ie/about](http://www.deloitte.com/ie/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

With nearly 2,000 people in Ireland, Deloitte provide audit, tax, consulting, and corporate finance to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. With over 210,000 professionals globally, Deloitte is committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, Deloitte Global Services Limited, Deloitte Global Services Holdings Limited, the Deloitte Touche Tohmatsu Verein, any of their member firms, or any of the foregoing's affiliates (collectively the "Deloitte Network") are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2015 Deloitte & Touche. All rights reserved

## Contacts



### David Dalton, Partner

Head of Financial Services

T: +353 1 417 4801  
E: [ddalton@deloitte.ie](mailto:ddalton@deloitte.ie)



### Harry Goddard, Partner

Head of Technology, Consulting

T: +353 1 417 2589  
E: [hgoddard@deloitte.ie](mailto:hgoddard@deloitte.ie)



### Warren Marmion, Director

Financial Services, Consulting

T: +353 1 417 2550  
E: [wmarmion@deloitte.ie](mailto:wmarmion@deloitte.ie)



### Karl Hanlon, Senior Manager

Technology, Consulting

T: +353 1 417 3131  
E: [kahanlon@deloitte.ie](mailto:kahanlon@deloitte.ie)

