Minutes of the IFS2020 Joint Committee (JC) Meeting

9.00am, 10 December 2018
Room 308, Department of the Taoiseach

Attendance

Public Sector High Level Implementation Committee (HLIC): Minister of State Michael D'Arcy (Chair); Paul Ryan (D/FIN); Mary Clare O'Sullivan (D/Taoiseach for Martin Fraser); Felix O'Kane (D/BEI for Dr. Orlaigh Quinn); Kathleen Gavin (D/ES for Seán Ó Foghlú); Eamonn McKee (D/FAT for Niall Burgess); Kieran Donoghue (IDA Ireland for Martin Shanahan); Niall O'Donnellan (Enterprise Ireland for Julie Sinnamon).

IFS Industry Advisory Committee (IAC): Ruth McCarthy (Fexco); Deirdre O'Connor (International Member); Barrie O'Connell (KPMG); David Swan (SMBC Aviation Capital); Roy Parker (McCann Fitzgerald); Tadhg Young (State Street); Victoria Brown (Aberdeen Standard Investments); Declan Lynch (Elavon); Gary Conroy (TransferMate); Olwyn Alexander (PwC); Derek Kehoe (BNP Paribas); Richard Bryce (Rockall Technologies).

JC Secretariat: Karen Cullen (D/FIN) **IAC Secretariat:** Kevin Thompson (Insurance Ireland);

In attendance: Michael Hodson, James O'Sullivan, Eoin McManus (Central Bank); Graham Swarbrigg, Susan O'Reilly, Padraig Kelly, Cathal Kelly (D/Fin); Anthony Maloney, (D/FAT); Keith Kelly (D/Taoiseach); Joanne Tobin (D/ES); Maeve McConnon, Justin Sullivan (IDA); Enda McDonnell, Brendan McCormack, (Enterprise Ireland); Barry Harrington (Special Advisor to Minister D'Arcy).

Apologies: Martin Fraser (D/Taoiseach); Niall Burgess (D/FAT); Seán Ó Foghlú (D/ES); Orlaigh Quinn (D/BEI); Julie Sinnamon (Enterprise Ireland); Aidan Holton (SCOR Re); Teresa O'Flynn (Blackrock); Zdenek Turek (Citigroup); Niamh Sweeney (Facebook); Joe Duffy (BNY Mellon);

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Opening Remarks

Minister D'Arcy convened the 15th IFS2020 Joint Committee meeting and noted apologies.

Update from the agencies

K. Donoghue (IDA Ireland) and N. O'Donnellan (Enterprise Ireland) provided an update on investments and developments from the agencies. K. Donoghue (IDA Ireland) updated on IDA investments saying it had been an excellent year with twice the normal run rate. He said that this provided a good foundation for jobs figures but that these would not be available until the new year. N. O'Donnellan (Enterprise Ireland) noted a number of significant announcements by Enterprise Ireland clients in 2018 and said that EI had exceeded their start-ups target. He indicated that there would be job growth but that the jobs figures were not yet available.

Update from the international member

D. O'Connor (International member) said that there was significant change coming, particularly in the asset management sector. She said the winners were investing in people, processes and tech. She said that onboarding clients was a challenge for asset managers and that this was a

space where fintech companies could help. She said that she believed the diaspora could make an even greater contribution and she suggested that they be given more encouragement to get more involved. She highlighted automation as an area to be explored noting that 30% of asset managers staff were back-office staff checking the work of service providers and that human error was an operational risk which could damage the firm's reputation. She highlighted a strong focus on ESG (Environment, Social, Governance) and that alternatives are where the growth is and that this growth will double over the next decade. She said there were good returns in real estate and that private equity was very competitive. She said aircraft leasing was not as competitive as other sectors and stated that there was a lot pressure on hedge fund fees.

T. Young (State Street) said that asset managers need to put their products in the right legislative and regulatory environment and that Ireland was behind Luxembourg in this regard. He stated that a flexible environment is needed to respond to challenges and welcomed the recent Central Bank of Ireland outsourcing paper.

The Minister of State thanked them for their contributions and suggested that the IAC have a special meeting on these matters early in the new year.

European Financial Forum 2019

K. Donoghue (IDA Ireland) informed the group that preparation was well advanced for the 2019 EFF with a number of high-level speakers confirmed. He said that they were currently finalising panels and that they had seen strong registration from international delegates. P. Ryan (D/FIN) invited the group to feed in any suggestions or topics they wished to see covered at the EFF.

Communications, Promotion and Marketing

E. McKee (D/FAT) reported on the work of the communications sub-group saying that they continued to meet regularly and that the messaging deck had been updated and work was ongoing on the IFS brochure. He highlighted that the IFS Ireland website needed more attention. He then updated the group on the work of the Embassies in Vietnam, Indonesia in addition to Martin Shanahan's trip to Japan and Gov. Lane's trip to Singapore.

K. Thompson (Insurance Ireland) updated on the promotional work of the IAC noting Insurance Ireland's event in London in November.

Feedback from foreign investors

K. Donoghue (IDA Ireland) said that IDA received feedback from the following sources:-

1. bilateral engagement with existing clients and investors,
2. wrap up meetings involving various technical teams, this can take two or three days,
3. over three years the IDA do a client survey, the most recent survey was carried out in 2017

He said that they had received positive feedback particularly in relation to the flexibility of the labour force and the quality of the education system. He said that they had received some concerns from potential investors about the housing supply and the level of personal taxation. Overall, he said that Ireland was viewed as an attractive proposition for investors, noting some of the significant investments made over the past few years. He praised the work of the

Central Bank, and pointed out that investors said they had been asked some insightful questions, however some had raised concerns about the Key Facts Document (KFD) process. He drew attention to the fact that Ireland's competitors have their strengths and weaknesses also.

G. Conroy (TransferMate) asked if Enterprise Ireland had a similar report on companies who had chosen other locations. N. O'Donnellan (Enterprise Ireland) said that fintech was seeing an upsurge in interest, particularly in asset management solutions, and that EI continued to build relationships internally and externally.

R. Bryce (Rockall Technologies) highlighted that there was not enough material on Venture/Private Equity, particularly for start-ups, mentioned in the draft successor document.

Consideration of draft Q4 Progress Report and outstanding items

N. O'Donnellan (Enterprise Ireland) updated on delayed measure no. 10 (Promoting regional locations for second-site operations). He said that one regional showcase had been held in the Waterford Institute of Technology. However the second IFS showcase had been deferred until 2019 due to the number of important regional events and roadshows ongoing during Q4, particularly in response to Brexit.

He pointed out that EI had been promoting the regions throughout 2018 as part of their day-to-day business.

K. Gavin (D/ES) noted that a programme had been sourced for measure #37 (Develop and deliver a programme that addresses the specialised educational requirements relating to alternative investment structures) but that there was not enough interest to run the course currently. She advised that this course would remain available in 2019.

(K. Thompson (IAC Secretariat) provided an update on delayed measure #7 (Host an event in London to highlight the many advantages Ireland has for carrying on international insurance-related activities), saying that the event in London had been held in November. He also updated on measure #9 (Insurance Ireland to update its Jurisdictional Promotion Brochure produced in partnership with IDA under the title "Ireland for Insurance"), saying that the promotional brochure was complete and had been launched at the European Insurance Forum in Dublin in October.

The Minister of State updated on measure #13 (Ireland as a global location for private equity funds management) saying that the Investment Limited Partnership legislation had been drafted and DFIN were currently awaiting observations on the draft. O. Alexander (PwC) said that industry were very keen to have the legislation passed but that it needs to be fit for purpose.

P. Ryan then updated on Measure no. 42 (Update on developments in relation to financial markets infrastructure) noting that the European Commission had confirmed their intention of adopting an equivalence decision for CSDs and that DFIN continued to monitor long-term solutions in this space.

UK Exit from the European Union

P. Ryan (D/FIN) updated on the work of the public sector financial services sub-group on Brexit (M#1), noting that they continued to meet regularly. He also welcomed the meetings with industry on EU files under Measure 15.

E. McKee (D/FAT) said that this was a big week for the UK exit from the EU, noting the proposed UK Cabinet vote on the Withdrawal Agreement scheduled for the following day. The Minister of State noted the European Court of Justice ruling that the UK can unilaterally revoke Article 50 if they wish to ahead of 29th March 2019.

K. Thompson (Insurance Ireland) raised the idea of an Industry Advisory Board for the Central Bank of Ireland, drawing on international best practice while respecting the independence of the CBI, to improve dialogue between industry and the CBI as the second phase of Brexit begins.

New IFS Strategy

P. Ryan (D/FIN) thanked the group for all their engagement on the drafting of a new IFS strategy and noted that the draft had been circulated to members. Members discussed the draft strategy highlighting some of the following points:

- the importance of identifying where the skills needs are
- upskilling mid-career was very important
- tech talent was needed in particular noting a drop in students studying computer science
- an Industry Advisory Board for the Central Bank of Ireland be introduced
- mentoring within firms in both directions i.e. old to young, young to old, could have benefits.
- global rankings were influential with decision-makers
- more connections were needed with the FAANGs tech companies (Facebook, Amazon, Apple Netflix and Google)
- outsourcing as a metric to show Ireland's move up the value chain
- a central theme of welcoming and business-friendly should be pushed
- increased labour market participation and increased messaging of Ireland's attractiveness
- disruption should be highlighted more in the strategy
- technology should become a larger part of the second level school curriculum particularly at transition year level and industry could play a significant part in this
- the importance of realising that decision makers change over time and the importance of identifying future decision makers

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Meeting concludes