An Roinn Airgeadais
Department of Finance

Minutes of the *Ireland for Finance* Joint Committee

29 March 2021

Online meeting

Attendance

PRESENT

High Level Implementation Committee (HLIC): Minister of State Seán Fleming TD (Chairperson); Michael J McGrath (D/Finance); Emily Whelton (D/Taoiseach); Michael Lonergan (D/Foreign Affairs); Therese Callery (D/Further and Higher Education, Research, Innovation and Science); Jean Carberry (D/Enterprise, Trade and Employment); Kieran Donoghue (IDA Ireland); Dr Carol Gibbons (Enterprise Ireland)

Industry Advisory Committee (IAC): Olwyn Alexander (PwC); Joe Duffy (BNY Mellon); Declan Lynch (Elavon); Ruth McCarthy (Fexco); Barrie O'Connell (Chartered Accountants Ireland); Deirdre O'Connor (International Member); Ann Prendergast (State Street); Andrea Reynolds (Swoop); Cecilia Ronan (Citi); David Swan (SMBC); Tadhg Young (State Street)

HLIC Secretariat: Karen Cullen (D/Finance); ***IAC Secretariat***: Niamh O'Donnellan (Banking and Payments Federation Ireland)

Observer: Gerry Cross (Central Bank of Ireland)

APOLOGIES

Dr Orlaigh Quinn (D/Enterprise, Trade and Employment); Niall Burgess (D/Foreign Affairs); Martin Fraser (D/Taoiseach); Jim Breslin (D/Further and Higher Education, Research, Innovation and Science); Martin Shanahan (IDA); Julie Sinnamon (Enterprise Ireland); Derek Kehoe (BNP Paribas); Teresa O'Flynn (BlackRock)

IN ATTENDANCE

Aidan O'Connor (Special Adviser to Minister Fleming); Mila Sullivan, Justin Sullivan, Cathal Kelly (D/Finance); Lucy Cusack (D/Enterprise, Trade and Employment); James Maher (D/Further and Higher Education, Research, Innovation and Science); Maeve McConnon, Andrew Noonan, Brendan Walsh (IDA Ireland); Enda McDonnell (Enterprise Ireland); Cian Congdon (Central Bank of Ireland); Gavin Purtill (IAC Secretariat).

1 Minutes of previous meeting

The draft minutes of the Joint Committee meeting of 13 January 2021 were approved.

Under 'matters arising', Minister of State Fleming reported that the Investment Limited Partnerships (Amendment) Act 2020 has been fully commenced. G Cross (Central Bank) reported that one authorisation has been issued to date and details have been published on the Central Bank's website.

2 Job numbers update from agencies

Minister of State Fleming asked Dr Gibbons (EI) to convey to the outgoing CEO of Enterprise Ireland, Julie Sinnamon, his thanks for her contributions to the *Ireland for Finance* strategy, and noted that Enterprise Ireland's contribution to the strategy is particularly important for the regional horizontal priority and for the development of the fintech sector.

Dr Gibbons reported that the Temporary Wage Subsidy Scheme, Emergency Wage Subsidy Scheme and the Sustaining Enterprise Fund had helped maintain employment levels. EI has seen a slight drop in numbers employed in its client firms in 2020 because companies are being acquired.

K Donoghue (IDA) reported that the IDA portfolio created 2,585 gross jobs and delivered 912 net jobs in 2020. The IDA delivered 39 investment projects, of which 17 were first-time investors. Significant announcements in 2020 included Mastercard's decision to locate its technology hub for Europe in Dublin, Unum's expansion of its technology centre in Carlow, and Transact Campus's establishment of its technology centre in Limerick.

3 Covid-19 update

Dr Gibbons (EI) reported that the Employment Wage Subsidy Scheme was significant for its client firms.

K Donoghue (IDA) reported that very few of its financial services client firms sought to take advantage of the scheme.

J Carberry (D/ETE) reported that her Department continues to review the portfolio of supports for businesses and is preparing for supports that businesses may need in the recovery. D/ETE is working with the central departments on projects that will be supported by the EU Recovery and Resilience facility.

G Cross (Central Bank) reported that Central Bank continues to monitor the evolving environment, both domestically and across the EU. Therefore, the Central Bank's ongoing engagement with firms is to ensure they are well prepared and that they are measuring and assessing any likely risks. In that context, the European Banking Authority's stress tests,

which are underway, are an important part of understanding what challenges may lie ahead. In addition, a body of work is underway on identifying clearly the lessons that have been learned and acting upon them, particularly in the non-bank finance sector, where lessons were learned in March/April 2020.

N O'Donnellan (IAC) reported that an ongoing challenge for international firms is the question of international staff not being able to get home to see family. (A question that has arisen amongst industry is whether the guidance from the Revenue Commissioners on remote working would be revised in light of the ongoing pandemic and lockdowns for international staff who are working in a foreign country for a long period.)

4 Progress update for Q1 Action Plan 2021

4.1 Overall Progress

Minister of State Fleming reported that ten action measures in the *Ireland for Finance* action plan for 2021, 'Building on Resilience', were due for reporting in Q1. Of these, nine are reported as being 'on track'. The measure that is not on track is number 22, entitled 'Legislative Alignment Summit on Technology, Innovation & Law' but the Department of Further and Higher Education, Research, Innovation and Science advises that the date has now been set for 10 June next. T Callery (D/FHERIS) reported that Skillnet has reported the measure was pushed back to enable the organisers secure the participation of all of the speakers they have identified. Marketing will begin after Easter.

Minister of State Fleming noted that summaries of the following measures which are on track are set out in the draft Progress Update that had been circulated to members of the Joint Committee before the meeting:

- Measure 6: Engage at EU level on sustainable finance developments
- Measure 12: Establish Department of Finance Fintech Group
- Measure 28: Launch the Women in Finance Charter
- Measure 29: Host education and peer events for the 100 Women in Finance NextGen Dublin Committee
- Measure 33: Develop strategic communications plan for *Ireland for Finance*
- Measure 38: Host the European Financial Forum 2021
- Measure 40: Renew industry promotion of *Ireland for Finance*
- Measure 41: Co-ordinate international marketing events and activities
- Measure 42: Organise the annual Enterprise Ireland Inward Buyer Visit

4.2 Women in Finance Charter

N O'Donnellan (IAC Secretariat) reported that the text of the Women in Finance Charter (Measure 28) has been finalised, the industry bodies have endorsed it, a guide is being finalised, and FSI and BPFI are working to launch the Charter in Q2. FSI and BPFI are

working with the Department of Finance and other bodies on managing the Charter and the annual reporting that it will entail.

K Cullen (D/Finance) reported that D/Finance has been asked to contact D/ETE about the feasibility of alignment with Balance for Better Business (the independent business-led review group that was established by the Government to improve gender balance in senior leadership in business in Ireland). Its focus is wider than the financial services sector, and also applies a model that the review group has already developed. Balance for Better Business is considering the Women in Finance Charter and D/Finance will contact FSI/BPFI (leads) when Balance for Better Business responds.

J Carberry (D/ETE) reported that D/ETE welcomes the approach and sees great potential for a joint endeavor between Balance for Better Business and the promoters of the Women in Finance Charter. Although details need to be clarified, D/ETE is open to approaching Balance for Better Business with a proposal.

4.3 Department of Finance Fintech Group

K Cullen (D/Fin) reported on the Department of Finance Fintech Group (Measure 12). One key part of the work of the Group is with the European Commission on policy and legislation. The Commission's Digital Finance Package announced in September 2020 contains a number of legislative proposals. The second key part of the work of the Group will be outreach to industry, and it will need to encompass start-ups and incumbents, to identify needs. The third key focus of the Group is co-ordination across subsectors – investment management, banking, asset management, payments, credit unions, trading, insurance, settlement, sustainable finance, reinsurance, aviation leasing, ratings agencies, etc., to ensure consistency within the Department. This will also entail engagement with other Government bodies: Departments, such as Enterprise, Trade and Employment; Foreign Affairs; Further and Higher Education, Research, Innovation and Science; and agencies such as the IDA and Enterprise Ireland. The immediate priority is to contribute to the work on the development of EU policy and law, and in particular the crypto-assets file and the digital operational resilience file.

Minister of State Fleming reported that he would like to hold an informal meeting (perhaps in May) with firms in the fintech sector, which can inform how the Department's Fintech Group approaches its work. He asked the secretariat to assist the Department to invite relevant executives who are not members of the Joint Committee.

Niamh O'Donnellan reported that the IAC welcomed the measure and offered to assist the Department in arranging a meeting.

4.4 European Financial Forum

Minister of State Fleming said that his view is that the European Financial Forum was a success despite the change of format to an online event.

M McConnon (IDA) reported that the 6th EFF was held on 11 February. The feedback has been positive, and it was important to retain the platform. A total of 1,800 delegates registered, with 1,100 participants on the day. Coverage was achieved in 51 countries and 27 media organisations.

N O'Donnellan (IAC Secretariat) reported that the IAC felt the event was a very powerful one and promoted Ireland globally. Two items of feedback the IAC would offer are, first, to continue to promote the international aspect of the sector, and second, that there could be a reflection on the chairing/hosting of the sessions during the event.

5 Communications, promotion and marketing

5.1 Department of Finance update

J Sullivan (D/Finance) reported that for Q1 2021, the communications priority was the launch of Action Plan 2021. Key messages promoted were: resilience; the transformation in the nature, scale and complexity of that has occurred in the sector in Ireland; ESG and sustainable finance; and the growth in the proportion of those employed in the sector who are based in the regions outside Dublin.

Key events in Q1 were the European Financial Forum and the Asian Financial Forum. Minister Fleming was a keynote speaker at the Asian Financial Forum, and that led to a number of engagements afterwards. Officials spoke (online) at the 'Fintech Talents' event hosted from London and an event to launch the Fintech Ireland's 'Fintech Maps'.

The Sustainable Finance Development Day will be held in Q2, and Irish Funds will have a large online conference in May

5.2 Enterprise Ireland update

Enda McDonnell (EI) reported that Enterprise Ireland held two events around the European Financial Forum. One of these focused on market entry. Two key messages that resonate with customers and potential customers for client companies are the strengths that Irish companies have and the narrative on the collaboration, exemplified through the *Ireland for Finance* strategy. Later this year, Enterprise Ireland will run a 'regtech' campaign, with a particularly in the Asia-Pacific region.

5.3 Update from IDA

K Donoghue (IDA) reported that in 2021 to date IDA has had more than 120 client meetings and nine electronic site visits. IDA is seeing particular interest to comingle technology and finance in Ireland. Following Brexit, IDA is seeing some interest from firms that did not move at the time, and from firms that did move, interest in now scaling up their presence.

6 Update from international member

D O'Connor (International member) reported that uncertainty has declined in recent months. Since early November, value stocks have outperformed growth stocks, small caps have outperformed large caps, and international have outperformed US, reversing multi-year trends. The asset management industry has come through the pandemic relatively well. The themes of sustainability and technology accelerated during the last year and are not expected to abate. Although revenues of asset managers remained intact, the people, the operations, and the technologies were affected by the pandemic.

A significant creation of wealth is foreseen over the next five years, and it is predicted that household assets will rise by $90trillion in the top 25 markets, with the biggest gains coming from emerging markets, including Mexico, Poland, and China. Asset managers are not fully prepared to meet the rising expectations of investors, who are pressing for more customised solutions, wider investments and greater cyber security.

Although the core values of investors will remain the same, their behaviours and product needs will change. They will be more interested in alternative investments like hedge funds. The ILP legislation will be helpful. Irish law firms are spending time with asset managers, notably in New York, educating them on the ILP and how beneficial it would be for them to launch alternative funds in Ireland.

T Young (State Street) reported that Irish Funds and the law firms are running a marketing campaign to promote the use of the ILP following the recent legislative changes, but that competing jurisdictions are responding by drawing attention to 'alternatives' products available in those jurisdictions.

K Cullen (D/Finance) reported that the Department of Finance is aware of the publication by the UK Government of the 'Kalifa Review of UK Fintech'. She reported Ireland has already been doing many of the actions in the Kalifa Report and, for example, in 2016 had a fintech strategy and was one of the first countries to have one.

7 UK exit from the European Union

M McGrath (D/Finance) reported that after the Brexit referendum, one of the issues that had been identified was that Irish securities could not continue to be settled on the London market after the UK left the EU. A substantial body of work was done by the Department of Finance, the Central Bank, private sector stakeholders, and the Department of Enterprise, Trade and Employment, the European Central Bank, and the European Securities and Markets Authority, including a number of pieces of legislation. The system migrated on 15 March with the first full week of settlements the following week. The Irish Stock Exchange and the CSD provider, Euroclear in Belgium, reported that everything went well.

M Lonergan (D/Foreign Affairs) reported that the biggest issue has been the terms of the Northern Ireland Protocol. Ireland's position is that it has been negotiated and agreed, and the onus now is on all parties to make it work. The Government has responded publicly to the unilateral actions taken by the UK Government.

Data on exports and imports with the UK have shown a drop, but so also have the data on trade with the rest of the EU and with the US and the Department of Foreign Affairs's assessment is that it is too soon to be able to distinguish how much of the drop is due to Brexit and how much is due to the Covid-19 pandemic.

He noted that the drop in trade with the UK could not be accounted for by stockpiling that occurred before Brexit came into force.

N O'Donnellan (IAC Secretariat) highlighted the negotiations on a memorandum of understanding (MoU) between the European Union and the UK on financial services and the potential challenge of regulatory competitiveness that may arise.

M McGrath (D/Finance) reported that the text of the EU–UK MoU was agreed on the Friday 26 March 2021. It will be discussed at the Council of the EU's Financial Services Committee on 30 March, and M McGrath attends that committee. The intention is that it will be signed by the end of the month. The MoU will set up a forum for future dialogue.

8 AOB

Minister of State Fleming noted that the dates for the meetings of the Joint Committee for the rest of the year are:

- Monday 28 June,
- Monday 27 September, and
- Monday 6 December.

The Minister of State adjourned the meeting.