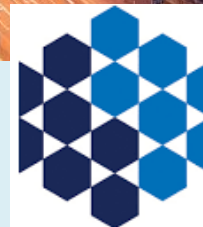


Mapping Northern Ireland's Financial Services Sector



OCO



Department for the
Economy
www.economy-ni.gov.uk

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- The Department for the Economy is working to develop the evidence base to inform the UK's EU Exit negotiations.
- The services sector in NI accounts for about 75% of GVA and 80% of employment. NI sells about £6.5 billion of services outside of the region. Most goes to GB (about two thirds) but we sell around £1.5 billion into the EU, over £1bn of which is across the border in to the Republic of Ireland.
- The financial services sector and related activities in Northern Ireland, have been identified as a key element of economic strategy and a pillar for growth, yet there is limited information to quantify and qualify the landscape of activity.
- In order to fully assess the potential impacts on the financial services sector, the Department required a deeper understanding of the sector, as this information is not publically available.
- The Department commissioned OCO Global to complete a research piece providing analysis on the types of financial services activity which occur in NI, including back office and middle office support service functions in which NI tends to specialise.

The following slides provide a high level overview of the research that was completed by OCO Global.

'Media headlines indicate that Northern Ireland is an attractive location for businesses to base their back office activity, but we needed further evidence to substantiate that'.

Belfast is best for back office, says Allen & Overy

Looking to the future TheCityUK and PwC's Strategy& say Belfast has the potential to grow into a major back-office hub and a specialist centre to further develop traditional financial centres as well as newer digital areas like cyber security.

Centrica planning 700 management and back office job cuts

Belfast could be UK's second fastest-growing financial services centre by 2025

US law firm Baker McKenzie is to expand its Belfast office, creating 150 new posts.

The company, which came to Northern Ireland in 2014 and currently employs 300, said the expansion "underscores our commitment" to the city.

As one of 77 global offices, staff are involved in back office legal work and support roles like IT and marketing.

Project Aim

- OCO Global was commissioned by DfE to conduct a mapping exercise of the Financial Services sector in NI to assist DfE's work to analyse the potential impacts to the FS sector as a result of EU Exit.
- The work has sought to identify the main subsectors present here and compile/categorise the companies that comprise the sector.
- Subsectors and activities have then been supplemented with employment figures, office locations, office functions, etc. This information is summarised at sub sector levels in the following slides (no individual company data is presented here).
- Finally, a representative sample of companies from the various subsectors were interviewed to obtain key insights into NI functions and how these operated in a wider organisational context.

Three Step Methodology

Identify

- Identify main subsectors and develop a company database for this project
- FAME, D&BM, Hoovers and other data sources were used to source companies falling under SIC codes 64.1, 64.3 and 64.9
- Company list was produced

Investigate

- The company list was divided into categories in terms of functions and activities that represented the NI FS sector
- FS sector presented geographically by subsector, showing employment and office numbers

Engage

- A sample company list was formed to represent a mix of indigenous and UK/foreign owned representative firms from across a range of key subsectors
- Engagement with these firms was used to obtain direct employment figures by activity
- Interviews were completed to gauge the representative firms presence in NI, the activities undertaken, markets served, relationship with Ireland, REU , RUK and RoW

The key findings from the report confirmed that the NI Financial Services sector is a key contributor to the local economy in terms of employment and growth.

24,000 employed
in Financial
Services (35,000 when
professional services such as
accountancy, consultancy and
legal services are included)

Contributed **£2.4bn** to
the NI economy last
year.

Growth has outstripped
London, with the NI
sector **growing 6.1%**
between 2016 and 2017

The key sub sectors identified and investigated:
Banking, Insurance, Fintech, Credit Providers,
Outsourced Solutions and Financial Advisors

Sector Breakdown: Identify



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Banking

Largest of FS Sectors in terms of employment and office presence . NI's 4 indigenous 'pillar' banks provide a large level of employment (around 5,000) distributed roughly 50:50 across their large branch networks and back and middle office HQs in Belfast. Range of back office activity from international presence. The continued emergence of digital and remote technologies is reducing demand and requirement for face to face interactions with branch staff. In the coming years branches and front office staff numbers are likely to decline.

Insurance

The Insurance industry in NI is comprised of a number of indigenous, GB based and internationally owned providers. Additionally there are a large number of insurance brokers selling a range of insurance products across health, house, vehicle, business, pet, etc. A relatively new subsector (Insurtech) is also present here with large employment and innovation. The main cluster of employment and branches can be found in Belfast but large Insurtech operations provide significant employment in Londonderry and Strabane.

Fintech & Outsourced Solutions

NI FinTech and Outsourced Solutions – Belfast increasingly finding itself as a home of large multinational firms. NI's Fintech subsector is based primarily in Belfast city centre but significant operations in Newry and Londonderry show large centres of employment. **FinTech** – Invest NI commonly state the number of FinTech companies as being around 80-100 however the majority of these are made of start-ups. In reality there are **15** established companies employing around **5,485**.

Financial Advisors, Mortgage Brokers and Credit Providers

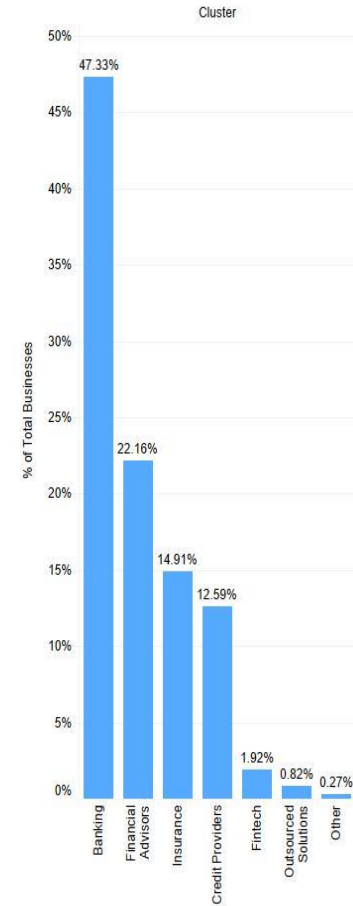
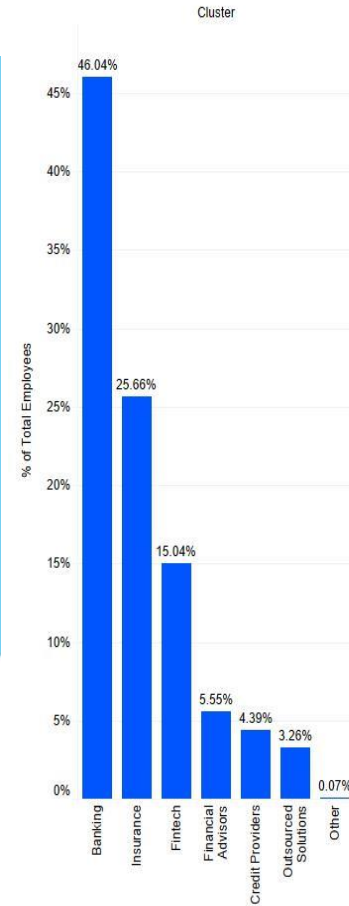
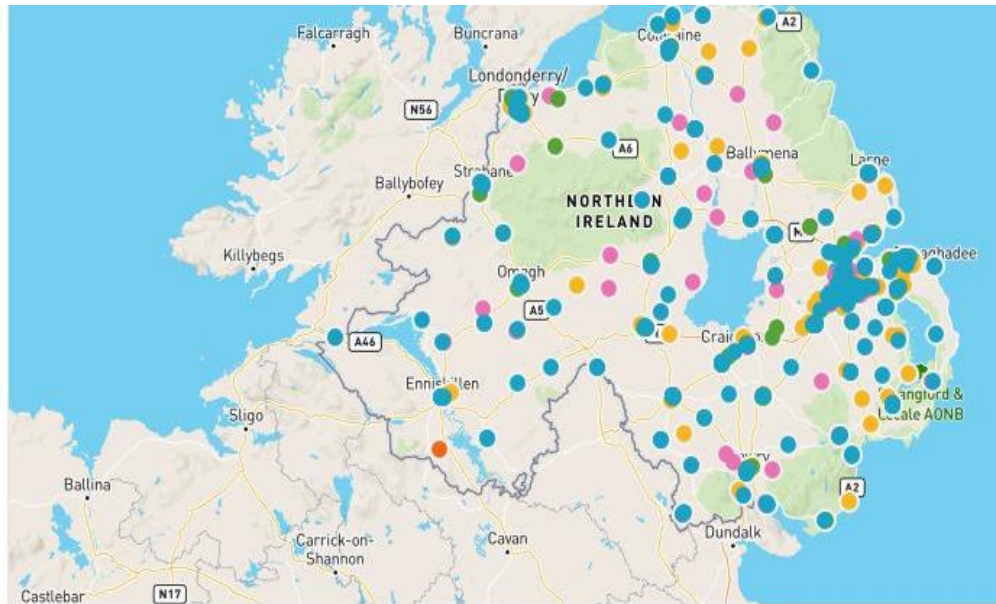
NI is home to a large number of financial advisory and wealth management firms (around 90 firms employing 485 staff). These companies range in size from micro 2-3 people operations to offices of large global companies. Employment activities tend to be split among customer facing advisors and back office admin support staff. Mortgage brokerage is another large subsector in NI with some 40 companies employing around 715. Much like the financial advisor structure, much of the employment is split between customer facing advisors and back office support. Dedicated credit providers employ around 953 in NI across 25 companies. NI has a large network of Credit Unions throughout the province so overall employment by branch is relatively small.

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Source: OCO Global and City UK

Activity Breakdown: Investigate

Findings from the report confirmed that the NI Financial Services sector is a significant contributor to the local economy with a presence spread throughout NI. Banking continues to count for the majority of employment and office locations however the Fintech subsector is responsible for 15% of employment despite having a share of less than 2% of offices.



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Activity Breakdown: Investigate



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Large

Employment Size

Small

Large
Small Companies/Branches

Banking
10,000 staff ----- 355 sites
Indigenous 'pillar' banks
5,000 staff ----- 250 sites

UK and International banks
5,000 staff ----- 88 sites

Insurance
5,600 staff ----- 120 sites
Insurance Tech
2,850 staff ----- 5 sites

Domestic Insurance providers and brokers
1,750 staff ----- 65 sites

UK and international insurance providers and brokers
910 staff ----- 24 sites

Credit Providers
1,665 staff ----- 161 sites
Loans Provider
960 staff ----- 95 sites

Mortgage providers and brokers
725 staff ----- 66 sites

FinTech*
5,485 staff ----- 15 sites

*Significant and well established companies only. InvestNI state a total of 80-100 FinTech companies are thought to be present in NI at any one time but the majority of these are small early stage start-ups.

Outsourced Solutions
705 staff ----- 6 sites

Financial Advisors
485 staff ----- 94 sites

Foreign Exchange
50 staff ----- 9 sites

Banking and insurance continue to be the larger employers however Fintech and Outsourced solutions are growing

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Activity is broken down by three key categories



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Front Office

Primarily client facing roles including; cashiers and financial advisors

Middle Office

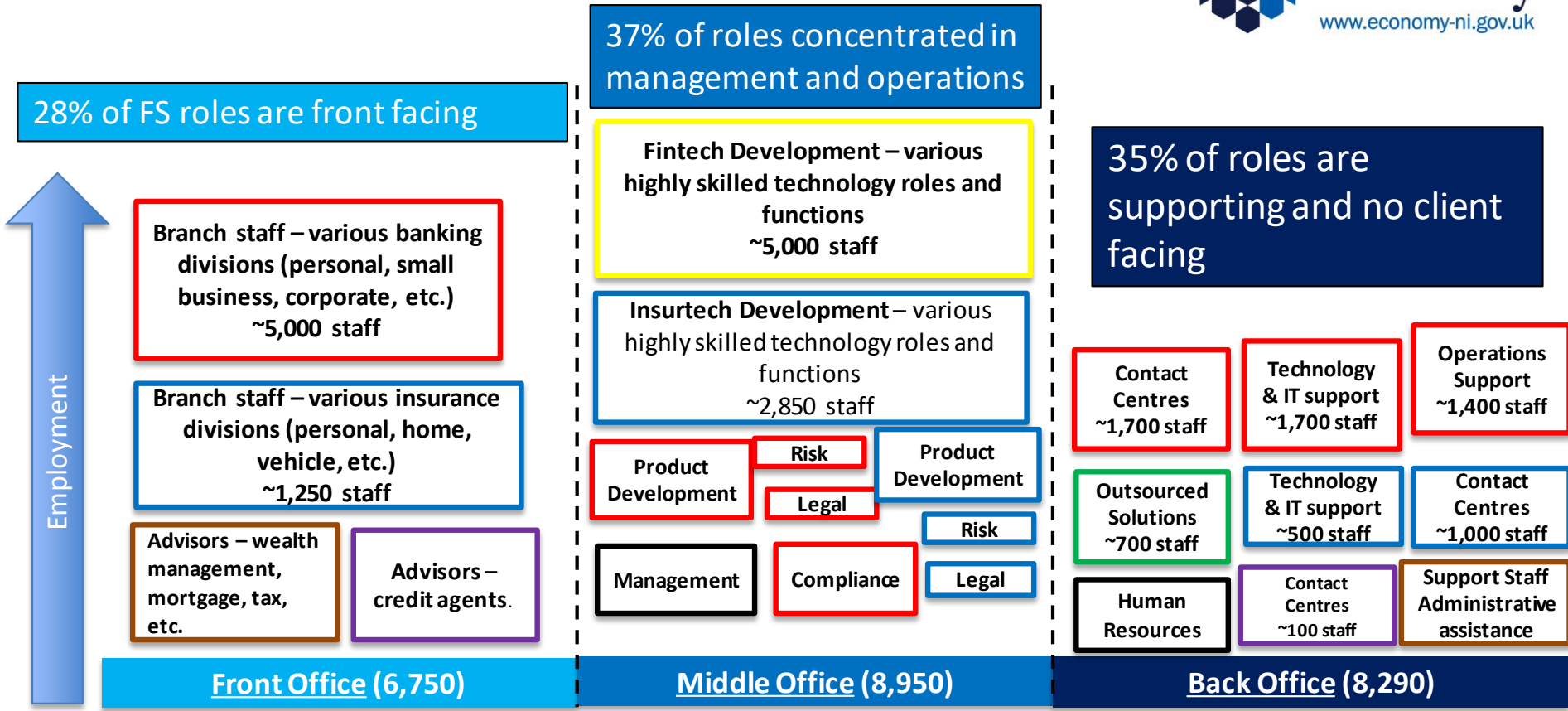
Skilled roles that occur out of sight of customers that are directed towards management and operations including; senior management and risk teams.

Back Office

Supporting roles that assist with customer engagement and company function including; contact centre staff, technology developers and HR.

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Nearly 3/4 FS roles in NI are back / middle office facing



- Banking ●
- Insurance ●
- Outsourced Solutions ●
- All subsectors ●
- Fintech ●
- Credit Providers ●
- Financial Advisors ●

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Deep Dive : Engage

In order to gain a full insight into the sector, OCO conducted 20 in depth interviews with a representative sample of businesses across each of the sub sectors identified. This style of deep dive allowed the team to gain insight into the markets served by businesses and the functions and activities involved in this. The team had particular interest in understanding the Financial Services sector's relationship with the EU market, specifically Ireland. The quotes below have been taken from these interviews and anonymised as appropriate.

“ Dublin costs are making Belfast more attractive. It is possible that Dublin roles will be moved to Belfast as costs continue to rise there.”

“The Belfast centre is at the fore of becoming the central hub for the group with 100 additional staff to be hired by the end 2020.”

“ Activities operated on an all island basis in NI include the legal department and marketing.”

“France, Western Europe and USA are the main markets served”.

“Telephony staff also handle enquires from GB and Ireland customers. Some back office functions in NI serve Ireland.”

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Summary

The financial services sector is of huge importance to Northern Ireland and recent growth has outstripped London (GVA growing by **6.1%** between 2016-17). Throughout the province, around **24,000** people are now employed across a range of specialist subsectors and activities including banking, insurance, FinTech, outsourced solutions, etc. This number increases to **35,000** when finance related professional services are included, contributing **£2.4bn** to the local economy last year.

NI's two main strengths that have facilitated this recent success and growth are digital skills capability and competitive labour costs. These have allowed NI to develop a reputation as a location for **nearshoring** of BMO (back middle office) operations as well being a **global centre of digital excellence** for several large multinationals. London remains the dominant financial hub for the UK but two-thirds of the UK's 2.3million financial services jobs are now located outside of the capital and Belfast has benefitted greatly from this shift over the past decade.

Additionally, NI has historically benefitted from a **strong banking sector** and current employment stands at around 10,000. The 'big 4 Pillar Banks' operate as separate entities between NI and RoI but there is still a great deal of **cross border activity** and the continued **rising costs of Dublin** operations provides **opportunities for NI** to gain additional roles from South of the border.

Summary

Insurance is another key industry, employing around **5,600** throughout the province. A number of indigenous companies located in and focussed solely on Northern Ireland consumers provide employment across a complete spectrum of job types from **front office** representatives (**900 staff**), through to **BMO functions (850 staff)** in marketing, HR, risk, strategy, product development, etc. In addition, a number of mainland UK and European companies also operate a **front office** network of branches (**500 staff**) and **back office** customer support centres (**410 staff**) to serve the local market.

A number of firms have been established here to serve as the global **Insurtech** developers for their parent companies internationally and account for 50% of the industry employment (**2,800**) at sites in Belfast, Londonderry and Strabane. Similarly, an emerging subsector of financial services **outsourced solutions** has recently flourished in NI, building on the lower cost base and high skills availability.

The remainder of the sector is then comprised of a number of financial advisors, mortgage brokers, credit providers, etc. providing a total employment of around **3,200** through a **fragmented network of mostly small firms** serving their local community.

Banking remains the biggest sub-sector for employment in NI but the traditional banking business model is undergoing rapid change as branches and face to face relationship management are rationalised in favour of remote and digital models. NI branch/relationship management numbers have been in steady decline (45 branches closing between 2015-18) and we expect this trend to continue and even increase in line with closures seen in the rest of UK.

The flip side of this is that back office customer service and sales operations will likely increase and NI with existing track record in this area and a low cost offer can likely target further growth. Allied to this, the legislation enabling all-Ireland banking (i.e. serving RoI from NI) offers additional opportunity especially as Dublin capacity reduces and costs rise.

Developing a thorough understanding of the Financial Services Sector in Dublin, and the wider RoI, would be beneficial in identifying and responding to these opportunities for cross border investment attraction. Northern Ireland has had two rising stars in it's FS galaxy in the last decade - FinTech and Outsourced Services. Both offer additional opportunities.

On FinTech, NI has some outstanding 'anchor tenants. This, alongside an increasing stream of indigenous companies and ongoing efforts to ensure a steady stream of talent should position NI for further growth. Notable by its absence is product/technology development for the broader banking sector. And whilst NI has attracted notable recent successes in FDI in a number of technology related sectors (e.g. Cyber) FinTech has arguably been underweight in that regard.

Outsourced Services offers real opportunity again given NI's low cost position and the drive for FS institutions to reduce costs and outsource non-core activities. We have longstanding experience in this area and more recently a business opening up a range of new services into Tier 1 investment banks – with significant opportunity for further growth and to create a cluster here as we have done with Legal Services.

The twin pillars of the proposition here are Technology talent and low cost position, this can give NI the capability to serve a global marketplace and re-orientate from what is still largely a domestic/near shore centre.



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Further Information

For further information regarding this research project, please contact the EU Exit Tradable Services and Investment team at:

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