

Written evidence submitted by FinTech NI Association, relating to the Investment in Northern Ireland inquiry (INI0027)

Background

This response is on behalf of FinTech NI, a not-for-profit industry association made up of a cross section of representatives from the Fintech sector in Northern Ireland. The Association exists to champion the sector and empower participants to succeed on the global stage by acting as the independent voice of the ecosystem in Northern Ireland.

Steps the UK Government can take to encourage investment in Northern Ireland

Formed in 2019, FinTech NI has produced two comprehensive pieces of work that make us well placed to provide evidence to this Inquiry on behalf of the sector. The first, the Northern Ireland FinTech Ecosystem Report 2020, found us to be a leading global location in Financial Technology with a strong pipeline of Foreign Direct Investment, the highest concentration of Fintech employment in the UK, and core strengths in RegTech & Compliance, TradingTech, InsureTech, Cybersecurity, AI and Advanced Analytics.

In 2020, The UK Independent FinTech Strategic Review led by Ron Kalifa OBE identified Northern Ireland as one of ten clusters in the UK producing high growth fintechs and as a region with the most potential for further growth and development. FinTech NI followed this publication by commissioning a Strategy for the Fintech sector in Northern Ireland, a three-year roadmap that will ensure success is made of the Fintech opportunity. We know that over 7,000 people are employed across 74 firms operating in the sector locally, however significant potential for further investment into Northern Ireland lies within the industry which we estimate to be worth £25 million in additional Foreign Direct Investment in the next three years.

Playing to our Strengths – A Global Centre for Secure and Intelligent Regulatory Technologies (G-SIRT)

Located in NI, 'G-SIRT' will be the UK's national institute in Regulatory technology (RegTech), bringing together companies, academics and public bodies to drive world-class research and innovation; to understand and address at pace the real-world, cross-sectoral challenges within RegTech; and ensure the UK is acknowledged as the global hub for innovative and influential leadership in this area.

The G-SIRT proposal is currently being led by Innovation City Belfast. G-SIRT will work alongside other initiatives and industry groups, such as the Centre for Finance Innovation Technology (as proposed by HM Treasury's Kalifa Review) and the FinTech National Network, to strengthen industry collaboration between all nations of the UK, accelerate digital and data driven innovation, and unlock the associated economic benefits.

G-SIRT has received enthusiastic backing from industry, academia and the NI Executive. Alongside Innovation City Belfast, the FinTech NI Association, Invest NI, Digital Catapult NI and Matrix (the science and industry panel) have all backed G-SIRT. The Department for Economy is also fully supportive, particularly in relation to the '10x Vision' for the NI economy and its focus on Fintech as a strategic cluster. A range of Fintech companies, including FinTrU, Datactics, First Derivatives, TP-ICAP, Rapid7, Allstate, MasterCard and Citi have also endorsed the case for G-SIRT, seeing it as a welcome opportunity for further investment and to establish innovation hubs in NI.

Identifying Sectors of Investment and Employment Potential

Currently, Fintech in Northern Ireland is worth an estimated £391.5 million in GVA. Of the companies operating locally, some 36% are established Financial Services or Fintech firms, 23% are startups/scaleups and 41% is from wider technology firms. Significantly, the sector is boosted by the presence of several large US organisations operating locally, which have been attracted to the region via Foreign Direct Investment. Northern Ireland was ranked as the third global Fintech location for the future in 2019/20, and Belfast has been named the world's number one destination globally for Fintech development investment projects.

Significant opportunity for further investment lies within the Fintech sector. The NI FinTech Sector Strategy, produced by our consulting partner Deloitte, identifies opportunity to attract £25 million in additional Foreign Direct Investment to Northern Ireland directly via Fintech in the next three years. The strategy identifies opportunity for 20 additional firms within that time frame and ten new international partnerships. With this comes the potential for the creation of thousands of new job roles in the coming years.

The potential for investment and employment in Fintech in Northern Ireland is evident when the region is modelled on the development of the UK sector as a whole. Latest figures from Innovate Finance reveal a record year for FinTech investment in the UK which exceeded \$11.6bn, a representative 217% increase from 2020. Investment into the regions has also accelerated rapidly, with \$696m invested outside London and the South East in 2021, compared to \$206m in 2020.

The strength of the sector in Northern Ireland is supported by innovation, global connections, and a collaborative community. We have four unique selling points that make us a key sector for investment potential. These are:

- Geographical advantage – an intersection between Europe and the UK with access to international markets such as East Coast US, making us a gateway location across global Financial Services and Fintech markets.
- Supportive and collaborative community – known pathways of support for SMEs via incubators, accelerator programmes, Invest NI and local government.
- Talent, Skills and Education – a structured pipeline of talent and strong Higher and Further Education System which offers specialist Fintech courses that have been developed in partnership with industry.
- Core Expertise and Capabilities – known capability in key areas such as RegTech, Artificial Intelligence and Data Analytics which are continuously built upon through research.

In July 2021, the Financial Conduct Authority (FCA) announced plans to establish a presence in Belfast as part of its national location strategy, marking the first time the FCA has had a permanent presence in Northern Ireland. In these plans, the FCA noted that they are a regulator for the whole of the UK. They also recognised the importance of engagement with devolved administrations and legislatures, noting that the different nations of the UK may have different needs and views. The ability to engage with regulators locally is a positive development for fintechs that are established or considering locating in Northern Ireland and will help drive growth and innovation in this sector.

Investment to address the Skills Gap and Increase Employment Opportunities

The development of the Northern Ireland FinTech Ecosystem Report and FinTech Strategy identified several areas that require focus, and skills and talent is a key element of this work. The high proportion of FinTech employment locally has already created strong links between major employers in the industry and education. However, we know the size and capability of our workforce is critical to continuing the growth of the Fintech footprint in Northern Ireland, as the availability of talent is continually recognised as the primary growth opportunity among stakeholders.

Relationships between schools and local Universities

To address this, the NI FinTech Sector Strategy aims to boost secondary cycling and scaling issues within the talent pool. It sets out to encourage a culture of risk-taking and entrepreneurship, to educate parents to push children towards roles in the FinTech sector, and to raise the profile of the opportunities it presents, which will assist in attracting more overseas talent. The past number of years have seen the emergence of several specialist courses created in partnership between industry and education, for example the Assured Skills Programme and Ulster University's BSc (Hons) in Financial Technology.

In addition, the New Decade New Approach agreement committed the NI Executive to investing strategically to ensure Northern Ireland has the right mix of skills for a thriving economy. The document also set out an ambition to enhance careers advice, curriculums, training and apprenticeships to boost employability levels and support economic growth. There is consensus right across the Fintech ecosystem that demand for talent continues to exceed supply, an issue that is consistent with the wider technology sector in Northern Ireland.

Given the strong links within this jurisdiction to international Financial Services and FinTech markets, access to talent can readily be further enhanced by availing of overseas talent under current and proposed UK business immigration routes. In such circumstances the existing graduate pipeline would further benefit from the attraction of highly skilled talent to this jurisdiction in relation to upskilling and knowledge transfer.

Conclusion

The strong credentials of Northern Ireland's Fintech sector demonstrate the part it has to play in attracting new Foreign Direct Investment. Employing over 7,000 people in highly paid roles, it is a primary example of an economically effective industry. Our research in producing both the 2020 Ecosystem Report and 2021 NI FinTech Sector Strategy displays the significant opportunities in terms of creating thousands more roles, attracting more talented individuals from overseas and ultimately attracting over £25 million in new Foreign Direct Investment. As the Committee seeks to encourage further investment into Northern Ireland, we recommend that it do so with recognition that the region has a Fintech sector on the cusp of huge expansion and with the potential to accelerate economic development.

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