

Speech by the Minister for Enterprise, Trade and Innovation, Batt O’Keeffe TD, at the Financial Services Ireland annual conference in the Four Seasons Hotel, Dublin

Wednesday, April, 21, 2010

Thank you for the opportunity to address you today at your annual conference.

The past two years or more have been a tumultuous period in the financial services sector.

I do not propose to revisit the origins or the impact of the crisis here today.

I do want to say that the Government remains committed to stabilising our domestic banking sector and ensuring a recovery in normal and prudent lending practices while continuing to develop the international financial services segment of the industry here.

This segment has proved remarkably resilient in the face of the global financial crisis which attests to the hard work, dedication and skills of the management and staff in these institutions.

In my new role as Minister for Enterprise, Trade and Innovation, I am devoting considerable time to listening and learning about the challenges and the opportunities facing employment and output in the sectors for which I now have ministerial responsibility including internationally traded financial services.

Together with IDA and Enterprise Ireland, I have already met a number of international and indigenous financial services companies at home and overseas and a clear sectoral agenda is emerging.

The international financial services sector employs about 25,000 people and there are more than 250 significant institutions already operating in Ireland.

Some of the world’s leading companies have made Ireland home.

By any objective measure, we are clearly a leading centre for insurance, funds, asset servicing and aircraft leasing.

This is a significant platform which we are determined to continue to nurture and develop.

The sector has contributed significantly to the Irish economy in recent years and it is a substantial contributor to Ireland’s service exports.

With a partnership approach between industry and Government, Ireland can continue to thrive and grow as an important international player.

The Irish Financial Services Sector enjoys a number of strong features including a broad base of global multinational leaders, dynamic cluster of innovative Irish companies and large pool of people with specific skills and international expertise.

The opportunity that presents to us now is to leverage those strengths to build and support an even greater and broader base of both multinational and indigenous companies.

With a co-ordinated effort by all stakeholders, the international financial services industry has the potential to contribute significantly to growth in output and high level jobs in Ireland and by being a substantial player in the development and innovation of the sector internationally.

Export-led growth underpinned Ireland exceptional economic performance in the 1990s.

Ireland's exports have shown remarkable buoyancy throughout the global economic crisis.

It is export-led growth, combined with improved international competitiveness, that will now drive our economic recovery and development.

Financial services in the internationally traded sector will have a key role to play.

I know that Barry O'Leary of IDA Ireland earlier outlined the strategy we propose to pursue in promoting and developing employment and output in the sector over the next few years.

I will only touch on some aspects of that in these closing remarks.

Apart from direct contacts between the industry and the industrial development agencies, interaction between the Government system and the industry involves a number of stakeholders, notably the Department of Finance, the Department of the Taoiseach, and my own Department interacting through the Clearing House Forum.

I look forward to working closely with these Departments and agencies, as well as my colleagues at Cabinet, to ensure the further development of the financial services sector.

I urge all of you to engage in a constructive dialogue with the agencies of my Department, and through the established inter-Departmental policy co-ordination mechanisms, to identify and capture employment-yielding investment and research and development opportunities in your companies.

The future development of the sector requires a recognition of its diversity and current state of development.

The sector is now very much a national industry with a significant regional footprint - including my home county of Cork - in addition to Dublin and the original IFSC.

The sector comprises both regulated and non-regulated activities, big and small firms, International and Irish-owned, and everything from claims processing to low-latency trading.

All are of value and each has a voice and role in setting an agenda for the future.

I look forward to working to expand the scope of the sector.

Work is under way to assess the prospects of Ireland positioning itself as a centre for 'green finance' and in areas such as pan-European pensions and cyber security.

The industry has a new representative body in the form of the electronic money and payments association.

This is a very welcome development and highlights an opportunity in the expanding payments arena - an aspect naturally aligned with some of our existing sectoral capabilities.

In our 'smart' economy document last year, the Government identified the international financial services industry as having the potential over the medium term to contribute significantly to the growth of output and employment in the Irish economy.

The IFSC continues to be a strong driver of the knowledge economy in Ireland, not only from the point of view of skill-base development but also as a stimulant for high-level research.

I know that the industry is keen to further develop the role of training, research, development and innovation initiatives which are under way.

In terms of training and skills development, I am pleased to see that the Finuas Training work programme is now into its second year.

From a standing start last year, arising out of reports commissioned by the Clearing House Group and the Expert Group on Future Skills Needs, the new programme has delivered some impressive results.

This is testament to the professionalism and dedication of the networks involved - of which the summit network promoted by FSI is the largest - and of Skillnets Ltd which is managing the programme on behalf of my Department.

Some 180 companies are now members of the four networks across the IFS sector.

Last year almost 1,200 trainees participated in tailored training and over 10,000 training days were delivered.

The strategic objectives of Finuas is to upskill current and future employees in the IFS industry and to identify and address any identified skills gaps in what is a high-potential knowledge-based industry.

In doing this, we will help to facilitate an increase in market growth, exports and employment and that the industry continues to make a significant contribution to national economic success.

Research, development and Innovation are areas in which Ireland has significant further potential in internationally traded financial services.

Innovation is key to international competitiveness.

Industry-led research programmes, as well as collaboration between industry and third-level institutions, are two areas of particular focus for State support.

These will continue to be supported by Enterprise Ireland, IDA and Science Foundation Ireland.

Among developments so far is the financial mathematics and computation research cluster, directed by Professor Anthony Brabazon, with collaboration between a number of Irish universities, including UCD, DCU and NUI Maynooth, and financial services industry players including Pioneer Investments.

This cluster received funding of €4.7 million from Science Foundation Ireland last year.

The Competence Centre on Financial Services Governance and Risk Compliance has been approved support by Enterprise Ireland and it is now being established.

Competence centres are a Government initiative that are industry-led and governed.

They provide companies in Ireland with the opportunity to engage in higher-risk longer-term research that will give them a competitive edge in international markets.

The general competitiveness of the Irish economy is a key factor in developing the international financial services industry here.

I know that the IFSC's ranking in the global financial centres index fell significantly between 2008 and 2009.

The Government is anxious to improve our competitiveness across all sectors.

We have seen recent declines and realignment in salary levels in the public and private sectors.

Our energy costs have improved significantly and there has been a significant reduction in office building and rental costs.

Annual inflation remained negative in March, with the consumer price index falling 3.1 per cent year-on-year.

The Harmonised Index of Consumer Prices, which removes the effect of changes in interest rates, shows that prices have fallen 2.4 per cent over the course of the year.

This contrasts with the rest of the euro area which has seen prices increase by 1.5 per cent - an almost 4 per cent divergence in prices in just 12 months.

Consumer prices in Ireland rose in the early years of the last decade, making Ireland one of the most expensive countries in the eurozone.

However the Irish price level relative to its trading partners is now back to levels last seen in 2000 to 2001.

This increased buying power of consumers should alleviate to some extent the impact of wage cuts.

Combined with the decisive Government action to tackle the budget deficit and the passing of the NAMA legislation, I expect that these improvements are likely to result in favourable movements in Ireland's competitiveness ranking in financial services and other sectors.

On the regulatory front, the Government is fully committed to improving the international competitiveness of the IFSC.

Ireland has rapidly developed its law to provide for measures that send a strong signal nationally and internationally of our commitment to working with industry in support of valuable new business opportunities.

Examples from the 2010 Finance Bill include clarification of the tax treatment of UCITS funds and reaffirmation of the commitments to non-Irish fund companies seeking to re-domicile to Ireland.

In framing its response to the financial crisis, the Government has prioritised the need for focused and meaningful reform of our regulatory structures.

Given your discussion here today, I will not now deal at any length with this aspect.

The Government's objectives in this area are to maintain the stability of the financial system, provide for the effective and efficient supervision of financial institutions and markets and safeguard the interests of consumers and investors.

Yesterday in the Dáil, the Minister for Finance opened the Second Stage of the Central Bank Reform Bill 2010 by outlining in greater detail how the Government intends to meet those objectives.

The Government considers that robust regulation is an aid to competition and commerce, rather than something to fear.

It allows for fair and transparent requirements to be applied to all players.

It affords the necessary stability for investment and planning and it ensures that adequate prudential and behavioural standards apply to transactions in the marketplace.

At the same time, in order to further develop employment and output in the international financial services sector, I believe that it is important that regulation continue to be responsive, consultative and timely, as well as objective and effective.

A continued role for cross-government co-ordination and advisory arrangements will be vital in securing these objectives.

I know that the Minister for Finance and his Department have been engaged in consultations with the industry on the Bill and I am sure that this process has been helpful to his deliberations.

Your discussion here today on regulatory issues is a welcome and useful contribution to the deliberative process underpinning the new legislation.

With my colleagues in Government, I look forward to continued dialogue with the industry.

Together, we can continue to develop the contribution of internationally traded financial services to our economy.

In conclusion, I would like to extend my thanks to Financial Services Ireland for its kind invitation.

I wish you all every success now and in the future.

Thank you all very much.

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