

Financial Services Advisory Board – 5 December 2016

Deloitte, Castle Terrace, Edinburgh

Present

- Rt Hon. Nicola Sturgeon MSP, First Minister (Chair)
- Jim Pettigrew, SFE Chair (Industry Co-Chair)
- Mr Brown, Cabinet Secretary for Economy, Jobs and Fair Work
- Mr Wheelhouse, Minister for Business, Innovation and Energy
- Philip Grant, Lloyds Banking Group
- Ian Ferguson, Aviva
- Malcolm Buchanan, Royal Bank of Scotland
- Jayne-Anne Gadhia, Virgin Money
- Benny Higgins, Tesco
- Angus MacPherson, Noble and Co
- Barry O'Dwyer, Standard Life
- Jim Lindsay, FiSAB Skills Group

Also in attendance

- Louise Smith, Royal Bank of Scotland
- Kent Mackenzie, Deloitte
- Louise Brett, Deloitte
- Linda Hanna, Scottish Enterprise
- Geoff Aberdeen, Aberdeen Asset Management
- Hugh Edmiston, Edinburgh University

Scottish Government

- Richard Rollison, Deputy Director Innovation, Investment & Industries
- Ian McCall, Head of Financial Services and SME Finance Policy
- Karen Rodger, Policy Lead, Financial Services

Apologies

- Graeme Jones, SFE
- Barry Muir, State Street
- Catherine Burnet, KPMG
- Mary Alexander, Unite
- Christine O'Neill, Brodies
- Fiona McBain, Scottish Friendly
- Anne Richards, M and G
- Professor Timothy O'Shea
- Lena Wilson, Scottish Enterprise

1. Welcome and Introductions (ITEM 1)

- 1.1. The First Minister welcomed members, thanking them for accommodating this extra meeting to allow an update on progress on development of the FinTech strategy.

2. Chairs' remarks: Scottish Government update (ITEM 2)

- 2.1. First Minister noted that there has been a short interval between meetings of the board and that the meeting would focus particularly on the development of Scotland's FinTech strategy.
- 2.2. Keith Brown provided a short update on recent economic performance measures, noting recent forecasts indicate increasing uncertainty resulting from the EU referendum decision.

3. SFE update (ITEM 3)

- 3.1. Jim Pettigrew noted that SFE's membership continues to grow, with particular interest in the new Young Professional Forum.
- 3.2. SFE were due to meet with representatives of the European Financial Services Chairs Advisory Committee (EFSCAC), a group representing the interests of the UK financial services sector, to highlight the views of the Scottish sector ahead of forthcoming negotiations on Brexit.

4. FinTech Strategy (ITEM 4)

- 4.1. First Minister invited Louise Smith, Kent Mackenzie and Louise Brett to update members on progress on development of the Scottish Fintech Strategy.
- 4.2. Louise Smith provided an update on recent activity, with detailed slides provided to members.
- 4.3. Recent sprint development sessions involving stakeholders from across the private and public sector have resulted in broad agreement on the sector's core strengths – our heritage, skills base, and our blossoming FinTech community. Data and cyber-security have been identified as areas where Scotland has particular interest and could be possible priorities for initial development.
 - 4 work streams have been established under the 'pillars' of Profile; Infrastructure & innovation; Talent; and Finance & Support.
 - Good progress has been made on developing an online platform to bring Scotland's fintech community together. The board was given a demonstration of the site which is due for launch Q1 2017.
 - Development is ongoing to establish a permanent physical FinTech space and a larger hub, with an announcement expected in Q1
 - Plans are underway to hold a 'pitch event' focusing on a genuine industry problem.
 - The strategy group are exploring how to secure funding for FinTechs, noting that HMT and DIT are hosting a FinTech conference in April with the aim of attracting VC funding to the UK.
- 4.4. Over the next 12 weeks the strategy group will focus on:
 - Developing the proposition for a physical location
 - Developing a clear marketing and engagement proposition
 - Continuing capability mapping
 - Identifying an 'industry problem' and launching the hackathon.

- 4.5. The board welcomed the progress made and discussed the presentation in detail
- 4.6. The board felt that it would be important as the strategy develops to ensure that Scotland's FinTech sector has a clear identity building on our strengths as distinct from the rest of the UK, while at the same time working in partnership with initiatives across the UK and globally.
- 4.7. The current work on capability mapping would be central to establishing our key message. The strategy group is also examining other FinTech centres to 'benchmark' Scotland's position.
- 4.8. The strategy group agreed that Scotland's FinTech sector should make strong connections with other centres, noting that organisations like TheCityUK have a remit to promote financial services in all parts of the UK, arguing that Scotland plus London is a stronger proposition than Scotland versus London.
- 4.9. The board agreed to establish a formal sub-group, led by Mr Wheelhouse, to fully develop the proposals for a physical hub and to consider the other pillars of the FinTech strategy with focus on immediate actions and next steps and programme governance.

5. EU referendum discussion (ITEM 5)

- 5.1. First Minister noted recent developments on Brexit, in particular the current legal hearings on Article 50, which could have significant implications. There had been no further clarity from UK Government on the UK's future relationship with Europe and the implications for the financial services sector.
- 5.2. The Scottish Government sees continuing single market membership as the best solution for all sectors. It is important to continue to highlight issues of importance to the financial sector in Scotland given the different composition of the sector here and important to highlight any opportunities that may arise as a result of the continued negotiations.
- 5.3. First Minister invited Geoff Aberdeen to update the group on the work of the European Financial Services Chairs Advisory Committee (EFSCAC).
 - EFSCAC are finalizing a paper to be submitted to Treasury on industry issues – these are broadly similar in Scotland but with some nuances given the strength of insurance and asset management sectors.
 - There is a call for Scotland to have permanent representation in trade negotiations on financial services.
 - The industry is keen to see an ordered transition period, noting that smaller companies will be disproportionately affected by any changes to regulation.
 - On access to talent and migration, the Scottish financial services sector is heavily reliant on EU nationals.
 - 'Passporting' is important to the sector and is, in particular, seen as a key attraction for overseas companies and a reason to locate in Scotland.
 - Consideration will have to be given to possible implications on Scots law and requirement for changes as a result of Brexit.
- 5.4. The board discussed the implications of Brexit on the university sector, noting that while uncertainty remains there is a requirement for business to continue.
- 5.5. The board felt that there may have been some softening of rhetoric around Brexit, with increasing reference to a transition period – a move that was welcomed by the sector.
- 5.6. A clearly defined transition period would be important for many sectors, the agricultural sector, for example, would welcome clarity on a transition in funding

and subsidy arrangements.

- 5.7. There is however no clarity at present on what a reasonable transition period might be and whether this can be successfully negotiated with all interested parties. A poorly defined transition could, in itself, increase uncertainty.

6. CONCLUSIONS AND ANY OTHER BUSINESS (ITEM 6)

- 6.1. The First Minister asked for any additional business. The Board raised the topic of the apprenticeship levy, asking whether a decision had been reached on apprenticeship funding
- 6.2. First Minister noted that the Scottish budget would be published later this month and would confirm the Scottish Government's support for skills development, but that the apprenticeship levy would not result in an increase in funding to the Scottish Government.
- 6.3. The First Minister brought the meeting to a close and advised that a date for the next meeting would be notified to members.

**FiSAB Secretariat
December 2016**