

Scotland's Financial Services Strategy

May 2021





Foreword

Scotland's dynamic financial and professional services industry continues to play a vital role in the support and development of the economy together with sustaining more than 160,000 jobs. It's therefore important the sector has a strategy designed by the industry, for the industry, which clearly articulates the key strategic areas of focus the sector will collaborate on to deliver a positive impact and contribution to society. The impact on society has always been important to financial services but given we are yet to see the real consequences of Covid-19 on the economy, businesses, people and communities it's more important than ever that we come together to support Scotland and the UK's recovery.

Over the last few months, I have been leading an exercise to develop a 2021 - 2025 strategy for the sector. This exercise has allowed all of our members to be fully engaged in shaping what you see in this document. I have been delighted with the high level of engagement from all areas of the sector and broad support for the focus of the strategy.

The overall aim of the strategy is to ensure the climate and landscape in Scotland and the UK continues to allow the sector to grow, both organically and inorganically, and be competitive on the global stage. We have an opportunity, with this strategy, to attract more inward investment, be recognised internationally as a centre of expertise for green finance and to grow employment in the sector by 2025. With the support of our excellent professional services and increasingly valuable fintech sector, financial services in Scotland is well placed to thrive as the global economy recovers from the current crisis. The sector can also be the driving force behind the economic recovery here in Scotland while also playing a vital role in the wider societal recovery that we will undoubtedly go through.

At the heart of this work has been a very clear purpose; that the industry will have a positive impact on our society. Whether this is in the substantial investment required to deliver a net zero economy, our role in economic recovery post-Covid, supporting customers to ensure they have access to the financial services system they need for their position in life, or driving the skills and inclusion agenda within the sector, the industry is committed to delivering against its purpose.

We can and will make a positive impact on our society.

To deliver this strategy, it's important the sector has a clear and strong voice. Scottish Financial Enterprise (SFE) is that 'voice' however given the ambition for the sector its vital it rises to the challenge. This is why SFE now has a clear vision: *'To be the most respected and influential business group in Scotland and the UK'*.

By delivering against this vision, SFE will be the voice of the industry. SFE will facilitate collaboration across the sector to a level not previously experienced and it will establish deep relationships with other business groups in Scotland, the UK and globally that will support the development and growth of the sector.

I strongly believe the financial and professional services industry is very well placed to be successful not only in Scotland but also the UK and internationally. This strategy will not only help secure the sector's future, it will support its growth and development while also having a positive impact on society.

Sandy Begbie CBE

Chief Executive Officer, Scottish Financial Enterprise

Financial Services in Scotland



For the **seventh consecutive year** (2019), Scotland attracted the most financial services foreign direct investment outside of London¹



21st



81st

Edinburgh (21st) & Glasgow (81st) both ranked in the Global Financial Centres Index²

Scotland has a long and distinguished history in financial services, with recognised strengths in banking, asset management, life and pensions and insurance. Proximity to London, as one of the foremost global financial centres, has been a factor in driving ongoing inward investment, which when combined with the rich heritage of leading institutions and the emergence of a thriving fintech cluster, has firmly established Scotland as a leading financial centre.

In an increasingly competitive landscape, it is essential that past performance is leveraged as a catalyst for the future, with no room for complacency. The quality of life and affordability are assets to be nurtured, but it is apparent that trading on 'place' alone will not be sufficient to sustain a leading edge in global financial markets where there is robust competition for talent and investment. Innovation, collaboration and strategic partnerships will all be required to develop the future narrative for the industry.

Financial services chooses to be outward looking and whilst there is a local impact for employees and customers, both personal and commercial, the influence of the sector reaches beyond borders, which are increasingly being transcended by digitisation. Connectivity and collaboration, as well as the international reach of investment managers, create the opportunity for the sector to deliver far greater impact. Seizing the opportunity requires clarity of purpose and a focused ambition that clearly positions the industry and its assets to evolve the reputation and brand of Scottish financial services.

The societal impact of the sector, in the context of the current macroeconomic environment, is increasingly important. It is too early to define the long term impacts of the coronavirus pandemic, but it is clear that the economic shock and rise in inequality will have far reaching consequences.

¹:[EY UK Attractiveness Report for Financial Services 2020](#)
²:[Global Financial Centres Index, March 2021](#)

Financial Services in Scotland



Biggest sectoral contributor to Scotland's economy

£13.0 billion

or 9.4% of GVA³



Scotland is responsible for

11%

of the UK's responsible investing market, outpacing its **7% share** of the conventional market⁴



90,000

Scottish businesses have received more than **£3.4bn** from the UK Government backed coronavirus loans facilitated by banks⁵

There is also the urgent need to address the climate crisis and the transition to net zero, which requires innovative and long-term capital funding. When combined with the ongoing challenges of financial and digital exclusion, as well as the embedding of changes arising as a result of Brexit, there are multiple significant macroeconomic factors that must be simultaneously considered.

These factors create a unique opportunity for the sector to collaborate and align, thus ensuring that the necessary financial resources needed to underpin a sustainable economic recovery are also aligned with the transition to a net zero economy. Some economic sectors may not be viable in the longer term, or at least not without significant transition costs, hence the innovative deployment of long term capital from across the insurance and asset management industry into sustainable projects is fundamentally important. This level of sustainable investment can also underpin greater understanding within society as to the benefits that financial services can provide.

The importance and value of financial services to the customer is often misunderstood or understated, yet the importance of the sector in supporting people's long term financial health and wellbeing is clear. An ability to build trust and demonstrate qualities of integrity and care are essential, whilst there is a collective imperative for an increase in financial literacy and inclusion that is compounded by the current advice gap. Auto-enrolment means it is increasingly likely that customers could hold a product with an institution for many decades, thus the transparent recognition of long-term sustainability and the evolution of customer needs, underpinned by trust and credibility, shapes the role of the industry in broader society.

People management; from recruitment to retention, and development and upskilling, has been a key driver of sustained growth in high quality employment. The strength of academia, aligned with the concentration of global financial entities, has enabled the sector to flourish and create rewarding employment opportunities for people.

³: [Enabling Growth Across the UK 2019, The CityUK](#)

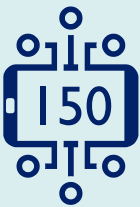
⁴: [Investment Management Survey 2019-20, The IA](#)

⁵: [UK Government](#)

Financial Services in Scotland



Scotland is home to over



FinTech companies



160,000

people directly employed in financial services in Scotland

Digital transformation, changing customer expectations and the emergence of fintech have combined to disrupt more traditional aspects of the sector. When combined with an increased focus on inclusion and diversity, this necessitates a continued investment in the skills that will create future opportunities, but also sustain the current expertise employed within financial services.

Recent examples of successful innovation, via focused investment, include the leadership of FinTech Scotland in establishing an internationally recognised ‘cluster’ and the creation of the Global Open Finance Centre of Excellence, which creates the opportunity to define the future for open banking. These examples must be leveraged and replicated to support the global ambition of the sector, whilst continuing to develop the profile and narrative of the industry, in those areas where strategic leadership can derive sustained benefit.

Financial services requires stability and trust within regulatory, fiscal, legislative and political frameworks to enable long term investment decisions for the sector to thrive.

The sector has benefitted from operating within a regulatory framework that is both robust and internationally respected, whilst it has shown the necessary agility to respond to the known impacts of Brexit and the government funding schemes, emerging during the coronavirus pandemic. Whilst acknowledging that the full impact of Brexit on the UK, and Scotland specifically, may not yet be fully understood; this strategy has been developed by the industry on the assumption that regulatory, fiscal, legislative and political frameworks remain stable.

Scotland is uniquely placed to be successful in continuing to attract investment and financial services firms to be based here. We have a competitive cost base, a pipeline of talent, a high quality further/higher education system and an excellent quality of life. As the world adapts to a post-Covid environment, Scotland and our financial services sector have a real opportunity to continue to be an attractive location for domestic and global businesses.

Scotland's financial services landscape

Scotland is home to more than 5,700 financial and professional services businesses employing 160,000 people

Investment Management



Banking



Insurance & Long-Term Savings



Professional Services



Key Partners



Support services

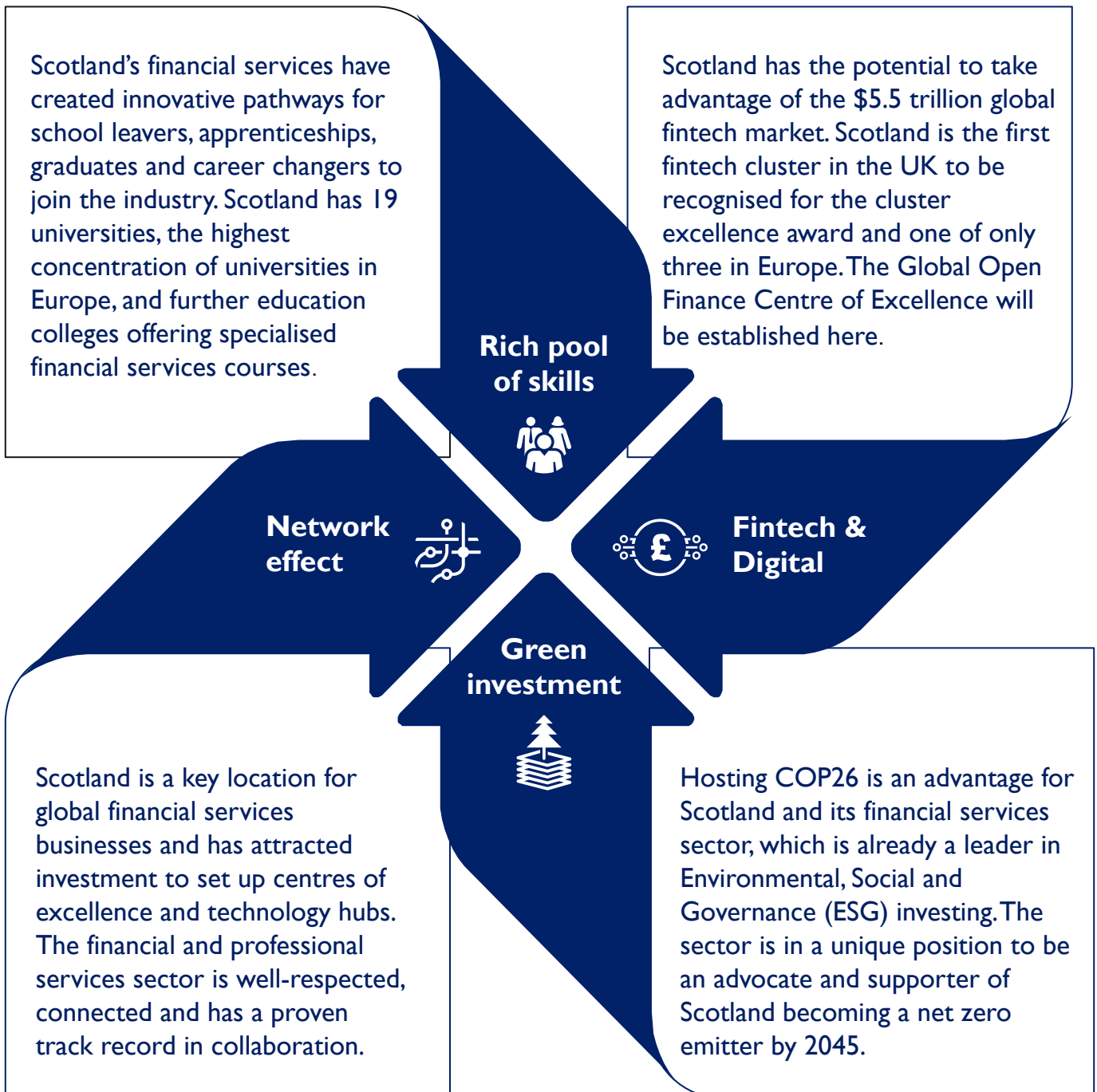


Technology



*Scottish Financial Enterprise members and key partners

Key sectoral opportunities



Strategic framework

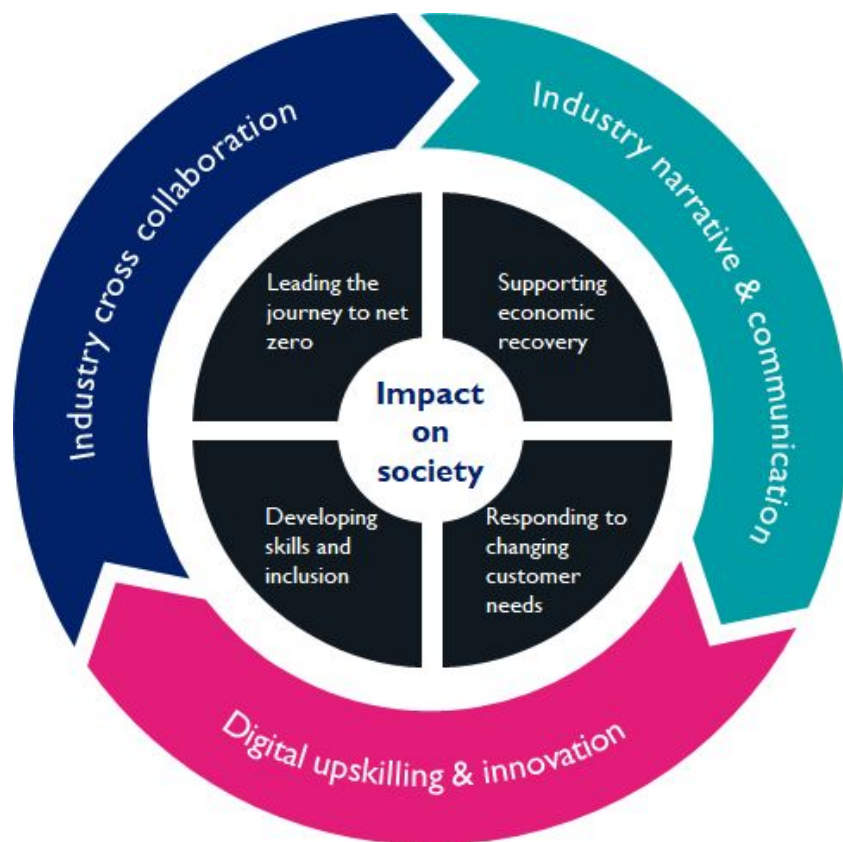
Overview

Scotland’s financial services industry has a strong global presence. To sustain and build on this global position, the industry will focus on its societal purpose, maximising its positive societal impact through leading and driving four priority areas:

- Leading the journey to net zero;
- Supporting economic recovery;
- Responding to changing customer needs; and
- Developing skills and inclusion.

All four need to be successful to deliver a sustained and positive impact on society. They will be facilitated by actions taken around digital upskilling and innovation, a consistent industry narrative and communication and close industry cross-collaboration.

Sustained action to focus on the societal impact of financial services in Scotland will, in turn, ensure that the industry remains healthy, growing and with enhanced global impact.



Aim - *‘To have a positive impact on our customers, communities, colleagues and wider society that reflects our central role in Scotland’s recovery and economy.’*



Leading the journey to net zero

Aim: To inspire global leadership in green finance and support the Scottish economy to achieve net zero

Why: Financial services must play a key role in leading by example to facilitate the transition to net zero in order to mitigate the generational challenge to global economies and society presented by climate change.

Scotland is uniquely placed to align expertise in sustainable investing, with the experience of the energy industry and the country's natural assets; hence the opportunity to seize the initiative to create world leading green finance.

What:

- Role model behaviours by ensuring that financial services reflects on its own impact and leads by example.
- Facilitate work with the energy industry to finance decarbonisation and lead in transition financing.
- Align long term capital pools with green projects to facilitate innovative investment opportunities.
- Promote the expansion and regulation of green finance products, creating borrowing and investing opportunities.
- Lead the way for transparent disclosure on climate risk and aligning the data requirements and standards across the industry.
- Act as a bridge between wider industry and Scotland's natural resources to finance carbon offsetting opportunities.



Supporting economic recovery

Aim: To facilitate the immediate and sustainable recovery of the Scottish economy following the coronavirus pandemic

Why: A strong financial services sector is imperative to the financing of the recovery required in light of the unprecedented shock to economic output arising from the coronavirus pandemic.

Relative to other industrial sectors, financial services has continued to operate and this has increased its relative value to the Scottish economy.

The whole sector must now combine to utilise its strength, expertise and capital to finance the restart of the economic recovery, in a sustainable way, as soon as possible.

What:

- Work together across the sector to assess the *'Recapitalisation of the Economy'* report and consider whether there are specific goals and actions the sector can commit to collectively without compromising competition rules.
- Communicate how the industry has supported the financial resilience of the economy during the pandemic, as well as to how the sector will be part of the economic recovery to educate stakeholders as to the critical role of the industry to our economy.
- Collaborate across financial services to develop innovative financing models that align investment with businesses and sectors which can provide sustained economic growth.



Responding to changing customer needs

Aim: To deliver innovative and inclusive products and services to meet the evolving needs of all customers

Why: Long-term financial health and wellbeing is centred around the provision of appropriate products and services that are trusted and understood by all customers to ensure genuine financial inclusion.

Customer needs and demographics are evolving, with a rapid acceleration towards digital transactions and interactions, combining with an increase in the 'advice gap'. Innovation must provide products and services that are meaningful to a new generation of customers, whilst also ensuring that all customers can continue to be connected to the financial services ecosystem, in support of inclusion for all.

What:

- Facilitate a continued focus on serving vulnerable customers, ensuring inclusion and fairness for the changing customer base of financial services in Scotland.
- Create a sector led plan to help ensure the needs of all potential customers, in all demographics are met, with a focus on digital literacy and financial inclusion.
- Encourage members to respond to customer demands for innovation and increased access to digital financial services.
- Enable innovation, through collecting and sharing data and analysis on customer demographics and demands.



Developing skills & inclusion

Aim: To enable financial services firms to recruit, develop and retain diverse, high performing skills within the industry

Why: To maximise the potential opportunity of financial services in Scotland, the sector must attract the best people from all backgrounds and invest in them throughout their careers. This will ensure skills remain relevant and are retained within the sector, while also enabling people to aspire to fulfilling leadership roles in Scotland.

What:

- Promote upskilling/reskilling of the current talent base with fresh skills to keep up with changing demands through their careers.
- Improve diversity and inclusion by educating young people about the opportunities of working in financial services and broaden the pathways into the sector.
- Support flexible and hybrid working within the industry to attract new roles and appeal to a wider and more inclusive skills base.
- Take a leading role in driving inflows of people and skills into Scotland through:
 - Emphasising the career opportunities and existing financial services talent base; and
 - Highlighting the developed academic networks and the pre-existing links with the sector.



Enablers of Success

Industry Cross Collaboration

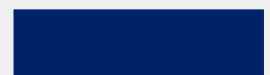
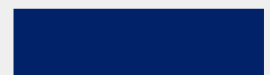
- Utilise the position of SFE as a fulcrum to enhance the connectivity and collaboration between firms located in Scotland; whilst leveraging these networks to partner with globally significant financial services hubs.
- Encourage working together between established corporates, fintechs and academia, as well as government and regulatory bodies, to strengthen the benefits of the ecosystem.

Industry Narrative & Communication

- Develop a clear and compelling narrative; articulating what the financial services sector does in Scotland and how this benefits the wider economy and society as a whole.
- Increase the education of the wider public about the beneficial role the industry and financial products play throughout the financial life cycle of a consumer.
- Profile exceptional role models, individuals or businesses, within the financial services community.

Digital and Data Upskilling & Innovation

- Increase digital and data literacy and innovation within the financial services sector and across wider society, including schools and universities.
- Encourage further partnerships between fintechs and more established members to allow for innovation while receiving non-financial support.



In delivering the aims - SFE will be, in collaboration with its members:



Leading on climate & environment

- Engage across the sector to understand and define what our ambition for 'global leadership in green finance' would look like for Scotland's financial services.
- Facilitate the education and knowledge development of the sector in Scotland.

Outcomes

- We will have established Scotland as a recognised global centre of expertise in green finance and products.
- We will have raised the knowledge and skill level across the industry and influence the broader academic sector to recognise the importance of green finance.



Developing skills & inclusion

- Develop an industry leading skills, education and qualifications platform that ensures the sector has the necessary skills to continue to succeed in the future.
- Provide sector-wide leadership on diversity and inclusion and establish initiatives that attract people into our industry from a broad range of backgrounds.

Outcomes

- We will have established an industry leading skills platform through the effective engagement with academia, key agencies and partners, that allows the sector to secure the necessary talent for its future requirements.
- The sector will be recognised both internally and externally as a more inclusive place to work.



Supporting economic recovery

- Facilitate collaboration across the sector to ensure there is a collective response to the economic recovery where there is a clear value in doing so for customers.
- Act as the ‘voice of the industry’ and lead the engagement with government and other key stakeholders to ensure there is a good understanding of the value the sector is contributing to the recovery.

Outcomes

- We will have a cross sector high-level strategy and plan that clearly articulates how the sector will come together to support the economic recovery.
- We will be have a clear communication and engagement plan that provides the sector with strong and influential voice.



Changing customer needs

- Facilitate the collaboration on the development of a sector-wide plan focused on financial inclusion and education to ensure all customers are able to be connected to the financial system.

Outcomes

- We will have a financial services system that allows every citizen and business of Scotland to connect and access appropriate services.
- We will have a cross-sector financial education strategy that delivers a measurable improvement in the financial awareness of young people



*Philip Grant
Chair, Scottish
Financial
Enterprise*

“Scotland’s financial and professional services sector will play a key role in achieving a fair, green and inclusive recovery. I firmly believe collaboration across our industry can make a positive difference to people’s lives and the communities in which we live. This demands our absolute focus, now more than ever.

This strategy reflects the accelerated geopolitical and macroeconomic changes the industry is experiencing and identifies the priorities that will allow us to navigate them. It is very much a strategy for a global industry which aims to have truly local and meaningful impact.

As the voice of the industry, SFE will facilitate increased collaboration across the sector, the wider business community, and government to secure economic recovery whilst simultaneously having a positive long-term impact on society.”



*Milly Dent
Chair, Scottish
Financial
Enterprise
Young
Professionals*

“SFE Young Professionals are excited to support this strategy which clearly prioritises societal impact at its heart. Young people have been disproportionately impacted by the pandemic and I’m pleased to see a real focus on skills and inclusion.

We are on the cusp of change and I know young people are keen to make a positive difference to their customers, communities and the climate. Creating a more inclusive, welcoming and innovative sector will also help attract people from all backgrounds, which can only be a good thing for our businesses and society more broadly.”