

**The Strategy for the Financial
Services Industry in Scotland**
2006 Annual Report

SUCCESS

People & Infrastructure

Profile

Innovation

The Financial Services Advisory Board (FiSAB) is the custodian and advocate of the *Strategy for the Financial Services Industry in Scotland*.

Current members of FiSAB are:

The Rt Hon Jack McConnell MSP, First Minister of Scotland – **FiSAB Chair**

Nicol Stephen MSP, Deputy First Minister of Scotland

John Campbell – Chairman, Scottish Financial Enterprise (SFE) and Managing Director,
State Street Corporation – **FiSAB Industry Deputy Chair**

Graeme Dickson – Head of Enterprise & Industrial Affairs Group, Scottish Executive

Ian Ferguson – Director of Underwriting (Commercial), Norwich Union

David Fleming – National Officer, Amicus

Martin Gilbert – Chief Executive, Aberdeen Asset Management

Trevor Matthews – Chief Executive Life and Pensions UK & Europe, Standard Life

Jack Perry – Chief Executive, Scottish Enterprise

Lisa Stephenson – Director, Lloyds TSB Scotland

Ben Thomson – Chief Executive, Noble Group

Otto Thoresen – Chief Executive, Aegon UK

Margaret Wallace – Executive Director, Morgan Stanley

Willie Watt – Chief Executive, Martin Currie

Thanks are also given to Sandy Boyle, Amicus; Mike Jones, Lloyds TSB Scotland; Jim McFarlane, Scottish Enterprise Edinburgh and Lothian; Martin Togneri, Scottish Development International; and David Wallace, now of Response Handling Ltd; whose work contributed to this report and who have stepped down from FiSAB during the past year.

The delivery of the Strategy is managed by the Financial Services Implementation Group (FiSIG). FiSIG's membership reflects that of the FiSAB partnership.

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Ministerial Foreword – First Minister of Scotland

Scotland: providing the best environment for success

Financial services is a real Scottish success story. It is one of Scotland's oldest industries, and yet one of our most modern, vibrant and innovative.

Today, the financial services industry makes a vital contribution to the strength of Scotland's economy, to our quality of life and to our growing international reputation as a world class location for business. Almost one out of every 20 jobs in Scotland is directly accounted for by the financial services industry – and the industry has grown by more than 35% in the past five years. Glasgow in particular has seen significant investment in its International Financial Services District.

This is a stunning record of success, and a real tribute to Scotland's leading companies and to those working in the industry. However, such success can never be taken for granted.

Last year, the *Strategy for the Financial Services Industry in Scotland* set out an ambitious vision for an innovative, competitive and thriving financial services industry, backed by world class infrastructure and universally acknowledged as a leader on the global stage.

One year on, these ambitions are within our sights.

Efforts have been stepped up to maintain a supply of people with precisely the right skills for the industry. Financial services is one of the new key priority sectors for Scottish Enterprise. Meanwhile, the introduction of new, innovative qualifications like the Chartered Institute of Bankers in Scotland's Chartered Banker qualification, is ensuring that those in financial services have the backing of a 21st century professional framework.

Elsewhere, Scotland's connectivity with the rest of the world has been dramatically improved by supporting new international air routes. Business Rates poundage has been reduced to create new incentives for business and we have built upon the groundbreaking partnership between businesses, the trade unions and the public sector.

There is much more to do however. That's why we will continue to work with the industry to provide the support it needs to expand and enter into new markets. And why we will ensure that Scotland continues to offer the highly skilled workforce, the infrastructure and the competitive business environment that the industry depends on to thrive.

As Chair of the Financial Services Advisory Board (FiSAB), I am thoroughly committed to driving the Strategy forward. I know that all those involved in FiSAB and the Financial Services Implementation Group share those ambitions and will be equally determined to deliver success. There is no doubt that, by working together, we can ensure that Scotland is home to one of the most vibrant – and profitable – financial services industries in the world.



A handwritten signature in black ink, which appears to read 'Jack McConnell'.

The Right Honourable Jack McConnell MSP, First Minister of Scotland

Industry Foreword – John Campbell

Scotland: taking the lead in financial services

Scotland has a long and successful history in financial services. Today it competes for investment with other financial services centres around the world and must continue to enhance the quality of environment it offers to the industry to maintain its strong track record of success and growth.

From the industry's perspective, all financial services organisations must ensure the best return on their investment and locate where they can be assured of the quality of people, skills, infrastructure and business environment they need to compete successfully for the long term.

Government and the financial services industry in Scotland have taken the lead in creating a unique partnership to ensure Scotland continues to prosper as a prominent international financial services centre. Together with the key public sector bodies and trade unions, we are delivering a strategy focussed on developing and maintaining in Scotland the exemplary business environment necessary for companies to thrive in the global financial services marketplace.

Scotland has been known as an important centre of financial services innovation and expertise for over 300 years and this initiative is helping to ensure its track record goes from strength to strength. It is also helping to ensure Scotland continues to benefit from the substantial contribution the industry makes to the life and economy of this country, not least through the many people we employ, the suppliers we engage, the activities we support, and our global reach.

Scottish Financial Enterprise, on behalf of Scotland's international financial services industry, is very pleased to be working with the Scottish Executive and the other partner organisations and individuals involved. We value the public sector's strong commitment to engaging with us and supporting our aims.

The first year of our joint initiative has seen real progress in areas vital to the industry such as improvements to transport and communications infrastructure, skills development and supply, and the cost and ease of doing business from Scotland. Important foundations have been laid on which we will now build further, working together to the advantage of the financial services industry and the economy of Scotland.



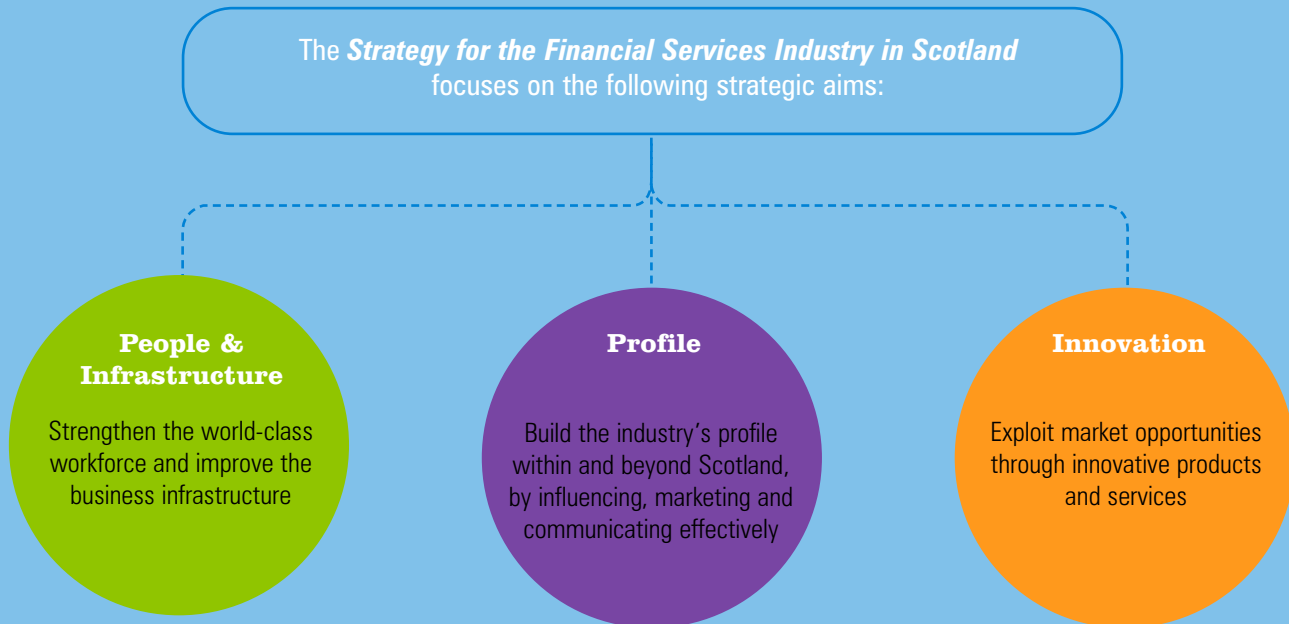
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A handwritten signature in black ink that reads "J. D. Campbell". The signature is fluid and cursive, with a long horizontal stroke at the end.

John Campbell, FiSAB Industry Deputy Chair (and Chairman, Scottish Financial Enterprise and Managing Director, State Street Corporation)

The *Strategy for the Financial Services Industry in Scotland* aims to deliver the vision of:

An innovative, competitive and thriving international financial services industry in Scotland, underpinned by world-class infrastructure and universally recognised as a leader on the global stage.



Effective partnership working across the public and private sectors has delivered progress across all areas.

Overview

Prompted by a shared ambition to build on Scotland's long history of outstanding financial services success, the *Strategy for the Financial Services Industry in Scotland* (the Strategy) is an initiative delivered by a unique partnership between government, the industry and trade unions. It reflects a shared recognition that, to remain a competitive location for investment, Scotland must continue to strengthen the quality of business environment it provides for the industry.

The Financial Services Strategy Group, established in 2003, set out to define the environment which would ensure that Scotland remains home to an innovative, competitive and thriving financial services industry.

The Strategy was a culmination of this work and was launched in March 2005. Chaired at the highest level, by the First Minister of Scotland, a Financial Services Advisory Board (FiSAB), comprising senior figures from the industry, the trade unions, government and other parts of the public sector, was set up to be the custodian and advocate of the Strategy.

This has been a successful first year, with tangible progress towards achieving the vision for the financial services industry in Scotland. The partnership of FiSAB and FiSIG has proved effective, with all partners contributing to achievements across all three strategic aims. The challenge now is to build on this success and maintain momentum into year two and beyond.

This is FiSAB's first Annual Report and it provides:

- ▶ a summary of achievements in the first year of the Strategy
- ▶ comparative data on the strong progress made by the financial services industry in Scotland
- ▶ an outline of plans for year two

Achievements

This section details achievements across all three strategic aims.

● **Achievements: Strengthening the world-class workforce**

Developing Scotland's world-class workforce is essential to sustaining the financial services industry's success. This year, the industry's skills requirements have been addressed and Scotland's future labour market pool enhanced by the following initiatives:

- raising the profile and appeal of the industry among careers advisors and career changers, through familiarisation tours of financial services firms: over 600 people took part, including careers advisors and individuals affected by redundancies in other industries
- introducing 200 pupils and students to the industry – and the skills required to work in it – through e-mentoring initiatives, working with staff from 10 companies
- increasing young people's understanding of the industry, by giving pupils from 75 secondary schools a realistic experience of working in a stock market
- equipping people seeking employment to work in telephone banking, through five courses delivered in partnership with the Chartered Institute of Bankers in Scotland
- supporting workforce development training for 400 employees in the financial services industry
- creating a step change in financial education in Scottish schools, by bringing together 50 teachers and financial services firms from across Scotland at the Financial Education Conference in November 2005
- providing HR professionals with an online database containing a single source of information about 250 financial services education and labour market initiatives in Scotland, spanning all levels from school to senior management
- building the skills of the existing workforce, by supporting trade union members to access learning opportunities

These projects, and the lessons learned from their implementation, have also provided valuable intelligence for developing and refining future initiatives to align even more closely with industry needs.

Stock Market Challenge

Teams from 75 secondary schools across Scotland experienced the theatre and hectic atmosphere of a live trading floor in the 'Stock Market Challenge' in December 2005. Designed to provide an exciting and interactive introduction to financial services careers, the Challenge saw teams buying and selling shares in imaginary companies throughout a virtual week in the life of a stock market.

After taking part, two thirds of participants saw the financial services industry as a potential future career.

Banking on a new career

The Chartered Institute of Bankers in Scotland and Scottish Enterprise helped connect unemployed people with a new career in financial services, with an innovative telephone banking training course. Among the people that benefited from the course was Darren Quigley, 29, who found a job as a customer service adviser with HSBC, after being made redundant from a healthcare company.

Darren says: 'Working in financial services is completely different to what I did before, but the telephone banking course helped me understand what financial services companies are looking for.'

Mhairi MacDougall, Human Resources and Recruitment Manager at HSBC, adds: 'We are delighted to have been involved in the course. Darren impressed us at interview and I am sure that the course will ensure his transition into financial services is a smooth one.'

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Partnership learning at Lloyds TSB

Amicus and Lloyds TSB are piloting a scheme to encourage union members to access learning opportunities at work. Two Union Learning Representatives based at the Atlantic Quay site in Glasgow, work with the company to develop learning opportunities that support members' continuing development and the growth of Lloyds TSB. The pilot will help shape expansion of the scheme to other firms in the industry. Catherine Finlay, Union Learning Representative at Lloyds TSB said, 'I think lifelong learning should be on everyone's agenda not just employees but also employers. It's not only important for staff development but also for staff motivation. I was interested in the role specifically for this reason.'

As well as advising members of learning opportunities, the Union Learning Representatives will host a learning open day later this year, in partnership with a local college.

● **Achievements: Improving the business infrastructure**

Improved transport and communications connectivity are vital for the financial services industry. In the first year of the Strategy, FiSAB and FiSIG used their influence to:

- initiate an investigation into the economic impact of high-speed transport links between Scotland's major metropolitan areas
- prompt improvements in mobile phone coverage on the Glasgow-Edinburgh rail line. Across networks, around 15 new or improved 2G mobile phone mast sites have been delivered commercially by mobile operators as well as a similar number of new 3G sites. More improvements are planned for the coming year

In addition, FiSAB's voice has been an important influence in securing 13 new direct air routes for Scotland, through the Route Development Fund¹. These new routes include Edinburgh – Geneva, one of those identified by Scottish Financial Enterprise as important to Scotland's financial services industry.

The Strategy also highlighted the importance of regulation and planning to the international competitiveness of Scotland's financial services industry. During the past year, the Scottish Executive has listened to the needs of businesses and lowered the costs of operating from Scotland by:

- reducing business rates poundage
- improving the planning system
- delivering changes to the bankruptcy law

Continued success – Morgan Stanley's investment grows

Morgan Stanley, the global financial services firm and a market leader in securities, investment management and credit services, announced in March 2006 that it will create up to 300 high quality jobs in Glasgow. This takes the company's workforce across its sites in Glasgow and nearby Cumbernauld to around 1,800, making Scotland Morgan Stanley's largest base in Europe outside London. Access to a skilled workforce has been crucial to this investment.

David Nicol, Morgan Stanley's Chief Administration Officer in Europe, explains: 'Glasgow is one of the great financial centres of the UK, with a vibrant, dynamic population and economy. We are very pleased to be expanding our presence there, further underlining our commitment to Scotland.'

¹ a fund administered by Scottish Enterprise to support all-year-round new direct scheduled air routes for Scotland

● Achievements: Building the industry's profile

The industry, public sector and trade unions have agreed to work together to raise the profile of Scotland as a leading financial services centre both in Scotland and internationally. FiSAB and FiSIG are the catalyst for this collaboration. Key achievements in the first year include:

- development and delivery of clear, compelling and consistent promotional messages, through improved co-ordination between the public sector and the industry. These messages capitalise on Scotland's exemplary financial education and training provision, to set Scotland apart from the competition
- promotion of the strengths of the industry, and of Scotland as a first-choice location for financial services investment, whenever senior Scottish Executive Ministers and industry leaders meet with foreign contacts
- securing 'priority industry' status for financial services within Scottish Enterprise, Scottish Development International and the Talentscotland² initiative. This ensures that supporting and developing the industry is a key focus for these organisations and this initiative
- measurement of Scotland's international competitiveness as a financial centre, using metrics developed for the Strategy. This baseline measurement will enable the progress and impact of the Strategy to be tracked over time
- groundwork for a Communications Plan, to enhance Scotland's image and identity as an international financial services centre

First Minister opens Heng An Standard Life

The First Minister opened the new Beijing branch of Heng An Standard Life in March 2006. Sandy Crombie, Group Chief Executive, Standard Life said 'The First Minister's presence demonstrated clearly to the Chinese authorities the Scottish Executive's strong commitment to supporting Scottish business overseas and particularly in those markets which will be so important for future long-term business success.'

Promoting the strength of the Scottish financial services industry in Shanghai

During a recent visit to Shanghai, Susan Rice, Chief Executive of Lloyds TSB Scotland, took the opportunity to raise the profile of Scotland as a whole, and of the Scottish financial industry. The highlight of the visit was 'The Future of Retail Banking in China' conference – a high profile event which attracted key executives from banks and financial institutions right across the globe. Susan was invited to give the keynote address. She discussed the Scottish financial services industry and described the intense competition, expertise and ambition that exist here in Scotland.

² a web-based initiative, managed by Scottish Enterprise, which showcases Scotland's priority industries and seeks to match highly-skilled individuals living outside Scotland to Scottish jobs

● Achievements: Supporting innovation

Scotland has long been an innovator in financial services, and innovation continues to be a key source of competitive advantage for financial services firms. *The Innovators*, Scottish Financial Enterprise's new awards initiative launched in 2005, showcased Scotland's continued strength and leadership in financial services innovation. Further year one achievements include:

- creating a detailed picture of the industry's supply network, to enable the development of initiatives to build the capability and capacity of Scottish suppliers
- confirming that the financial services industry in Scotland can satisfy all of its supply needs
- strengthening the Scottish supply base and enhancing its capacity to support the global financial services industry, through new supplier workshops delivered to 34 firms
- a better understanding of the range of innovation activities in the industry, which will inform a more tailored approach to supporting financial services innovation in Scotland
- helping the industry and its suppliers to access public sector innovation funding, through dedicated promotion of the range of relevant initiatives
- mapping the links between the financial services industry and Scotland's leading academics. This has highlighted some strong examples and will inform further work in year two

Developing the supplier network

Technology and software companies heard first-hand insights about supplying the financial services industry, at a Scottish Enterprise supplier workshop. They met leading financial services companies including Bright Grey, HBOS, HSBC, RBS, and Standard Life, and heard from industry innovators such as Jim Spowart. The event also gave financial companies and aspiring suppliers an opportunity to explore the future direction and key drivers of technology in financial services, and to share ideas in one-to-one and open-forum discussion.

Supporting international engagement at Martin Currie

Sector winner of *The Innovators*, 2005, Martin Currie, has a team of investment managers and analysts in Edinburgh and Shanghai focusing exclusively on China. Its formal relationship began in 1997 when Martin Currie formed a joint venture with China Securities Corporation, China's second largest stockbroker. Today Martin Currie is the largest foreign investor in the Chinese domestic 'A' share market.

Martin Currie's Chief Executive, Willie Watt, commented: 'In 1997 we took the far-reaching decision to build a business in China. Over the past nine years we've built one of the world's most experienced and best-resourced China teams. Scottish Enterprise provided us with invaluable market information and introduced us to Scottish Development International's field office in China. These relationships continue to support the development of our China business.'

Clydesdale Bank and Yorkshire Bank – widening access to banking

Banks and building societies sector winner of *The Innovators* 2005, Clydesdale and Yorkshire Banks (part of the National Australia Group) pioneered a cost-effective solution to enable dyslexic and sight-impaired customers to use the banks' Automated Teller Machines (ATMs) independently. Following detailed research of global best-practice and close engagement with customers, the banks developed a revolutionary speaking ATM that uses technology known as "Audio Lead Through" (designed in partnership with Phoenix Interactive and NCR). By simply plugging a set of headphones into the ATM, the user is able to access the full service with the help of an automated voice that guides them through all of the processes. The initiative, a European first, was developed and implemented in Scotland.

University of Edinburgh MSc in Finance and Investment – winner of *The Innovators* 2005

Working in collaboration with Scotland's financial services industry, the University of Edinburgh has developed an innovative new approach to educating the next generation of finance experts and fulfilling the industry's needs for highly skilled and trained staff. Its MSc in Finance and Investment prepares students for a range of finance-related professions, including investment analysis, portfolio management, financial statement analysis and evaluation, corporate finance, product development, client servicing and risk management. A unique approach has been taken to the design and teaching of this trailblazing, high-level degree course, directly involving leading companies, including Aberdeen Asset Management, Baillie Gifford, Citigroup, Martin Currie, RBS, Scottish Widows Investment Partnership, and Standard Life. In its first year, Edinburgh's MSc in Finance and Investment attracted 900 applications from around the world.

Continued success

Scotland has experienced outstanding growth as a financial services centre. Over half of the world's top 20 financial services companies have substantial operations in Scotland, including HBOS and RBS which have their global headquarters here. Added to this, over the past year, other major international companies have significantly increased their operations in Scotland including BNP Paribas, Citigroup, HSBC, Jardine Lloyd Thomson, JP Morgan and Morgan Stanley. This section sets out comparative data on the strong progress made by the financial services industry in Scotland.

Summary

Scotland's financial services industry is one of the fastest growing sectors of the Scottish economy³ and the summary chart shows it performing strongly against UK benchmarks.

Indicator	Performance of the financial services industry in Scotland relative to:		
	Scottish Economy	UK Economy	UK Financial Services
Growth in GDP (1998-2005 Q3)	▲	▲	▲
Growth in employment (2003-04)	▲	▲	▲
Median Earnings (2005)	▲	▲	▼
Growth in Median Earnings (2004-05)	▲	▲	▲
Proportion of the Workforce Educated to Degree Level	▲	▲	▲
Growth in the Proportion of the Workforce Educated to Degree Level (2003-04)	▲	▲	▲

Notes: ▲ denotes that the Financial Services industry in Scotland has outperformed the comparator sector in question (Scottish Economy, UK Economy and UK Financial Services). ▼ indicates that the Financial Services industry in Scotland's performance has been lower than that of its comparators.

Detail and sources for individual measurements are contained in figures 1-5.

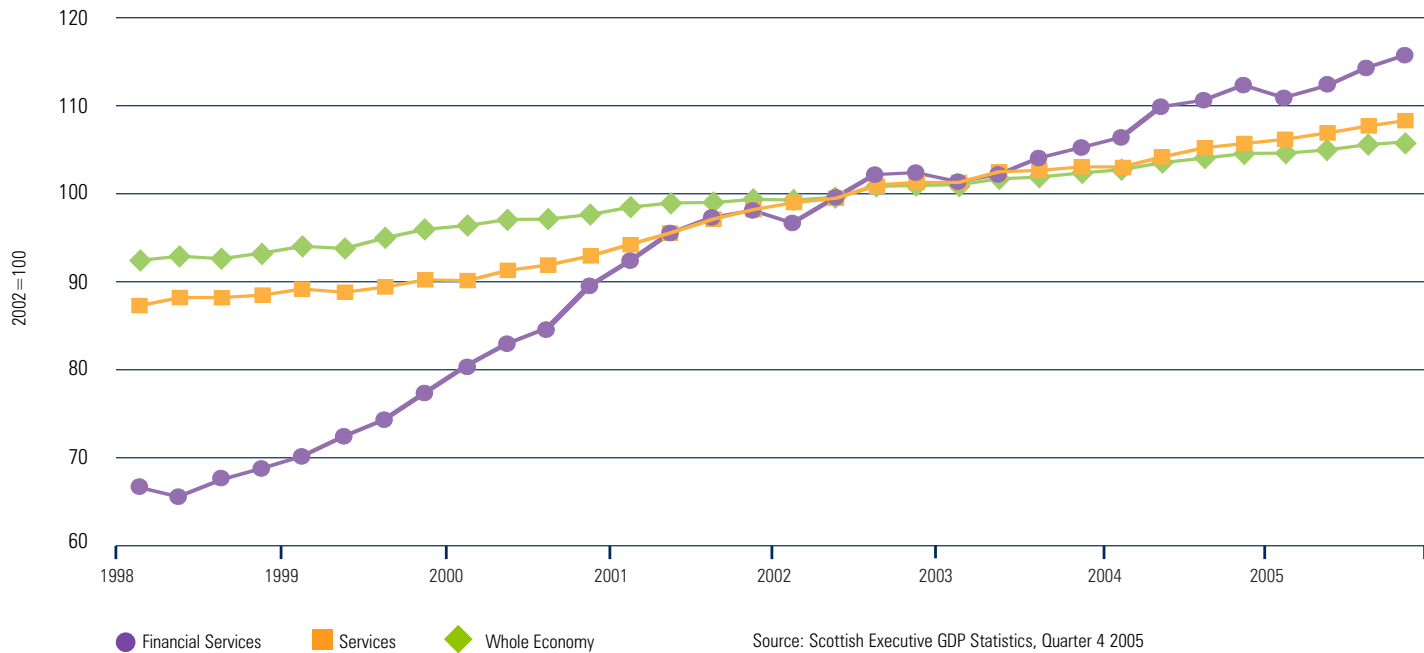
³ along with the communications industry

Contribution to the economy

The financial services industry in Scotland now contributes £6 billion (over 6%) to Scottish Gross Domestic Product (GDP)⁴.

In the last five years (2000 to 2005) the financial services industry in Scotland grew by 36% while the overall Scottish economy grew by 9%. In the same period, the UK financial services industry grew by 15%.

FIGURE 1: GDP Performance in Financial Services 1998-2005



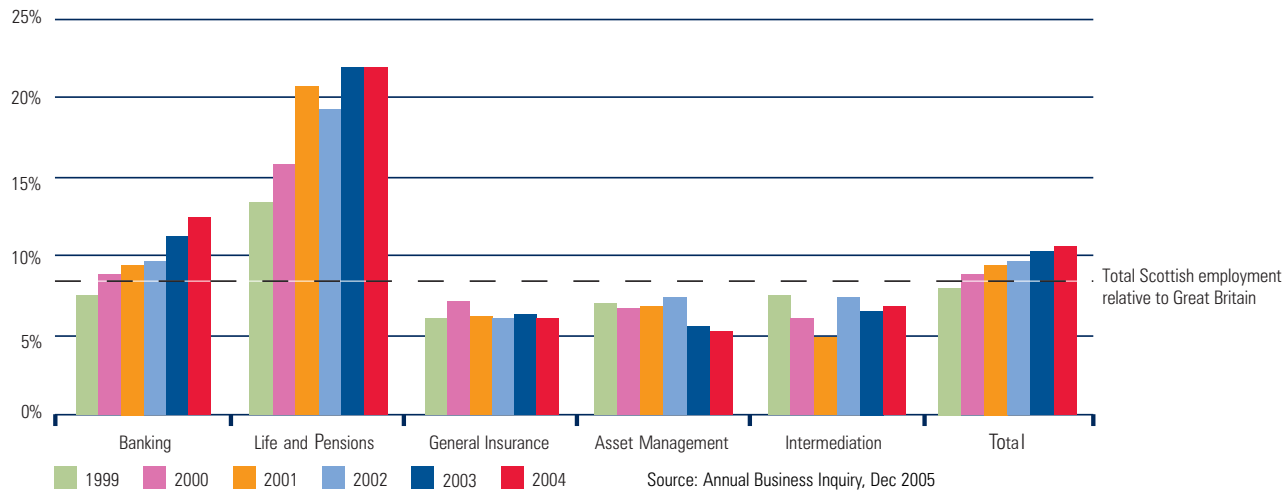
⁴ GDP is measured as Gross Value Added (GVA)

Employment

Employment within Scotland's financial services industry has continued to grow, with overall employment increasing by 3% between 2003 and 2004 despite employment in the British financial services industry falling slightly.

The comparison with the rest of Great Britain in Figure 2 illustrates this for each industry sub-sector.

FIGURE 2: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND RELATIVE TO GREAT BRITAIN BY SUB-SECTOR, 1999 – 2004



Latest figures⁵ show that 113,000 people work directly in the financial services industry in Scotland, equating to almost 5% of the workforce. If indirect employment of around 90,000 is included, the industry accounts for over 9% of Scottish jobs.

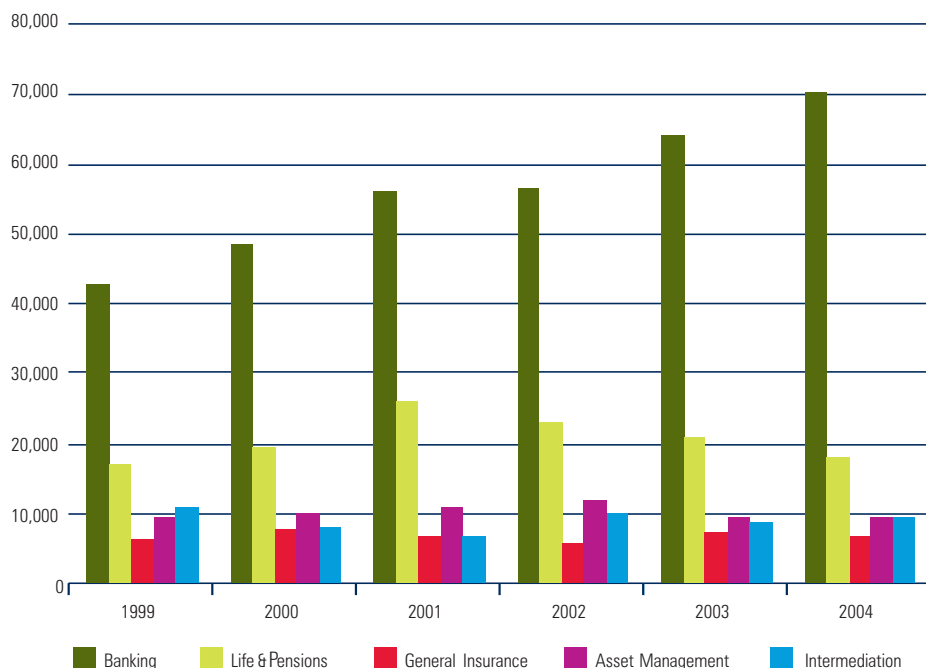
Figure 3 shows absolute employment levels and during the period 2003 to 2004, employment varied across the individual sectors of the industry as follows⁶:

- ▶ banking increased by 9% to 70,000
- ▶ life and Pensions fell from 21,000 to 18,000 while maintaining its UK share
- ▶ general Insurance fell slightly to 6,500
- ▶ asset Management rose slightly to 9,400
- ▶ intermediation saw a slight rise to 9,500

⁵ To end December 2004

⁶ Banking – SIC codes 65.11, 65.12, 65.21, 65.22; Life & Pensions – SIC codes 66.01, 66.02; General Insurance – SIC code 66.03; Asset management & Securities Broking – SIC codes 65.23, 67.11, 67.12, 67.13; Intermediation (the activities of IFAs and insurance agents & brokers) – SIC code 67.20.

FIGURE 3: FINANCIAL SERVICES EMPLOYMENT IN SCOTLAND BY SUB-SECTOR, 1999 – 2004



Source: Annual Business Inquiry, Dec 2005

Scotland is the leading UK financial services centre outside London, with over 10.5% of Britain's financial services workforce. Between 2004 and 2005, median⁷ financial services earnings in Scotland rose by 13.5% to £25,000. During this period median earnings in the rest of Britain's financial services industry increased by 7%, and earnings in the wider Scottish economy remained constant.

FIGURE 4: MEDIAN EARNINGS BY OCCUPATIONAL STRUCTURE

Occupational Structure	Scotland Financial Services		Scotland – All Sectors		GB Financial Services		GB – All Sectors	
	% of sector	Earnings	% of sector	Earnings	% of sector	Earnings	% of sector	Earnings
Managers and Senior Officials	30%	38,000	13%	31,000	35%	45,000	16%	34,000
Associate Professional and Technical	12%	27,000	15%	25,000	15%	33,000	15%	26,000
Administrative and Secretarial and Sales and Customer Service	49%	17,000	21%	16,000	41%	18,000	21%	16,000
Other*	8%	31,000	52%	20,000	9%	36,000	49%	22,000
Total	100%	25,000	100%	21,000	100%	30,000	100%	23,000

*Other includes a wide range of occupations, and in financial services, includes professional occupations such as actuaries and economists.

Source: Annual Survey of Hours and Earnings 2005

⁷ Median earnings is the midpoint of the earnings distribution. This is preferred to average earnings as the latter can be skewed by a small number of high earners.

Qualifications

FIGURE 5: QUALIFICATIONS

Qualification	Scotland Financial Services		UK Financial Services		Scotland – All Sectors	UK – All Sectors
	Number	% of sector	Number	% of sector	% of sector	% of sector
Above NVQ4 – Degree or Higher	31,000	28.3%	313,000	26.5%	19.5%	20.3%
NVQ 4 – Higher Education below degree	18,000	16.2%	81,000	6.8%	15.5%	9.7%
NVQ 3 – A level or Equivalent	33,000	30.7%	325,000	27.5%	29.3%	24.3%
NVQ 2 GCSE A-C or Equivalent	20,000	18.3%	332,000	28.1%	15.6%	22.0%
NVQ 1 and below*	7,000	6.5%	132,000	11.2%	20.0%	23.7%
Total	109,000	100.0%	1,182,000	100.0%	100.0%	100.0%

* This includes other qualifications (professional, vocational and foreign) that are not matched to NVQs

Source: Annual Population Survey 2004 (January - December) (previously called the Labour Force Survey)

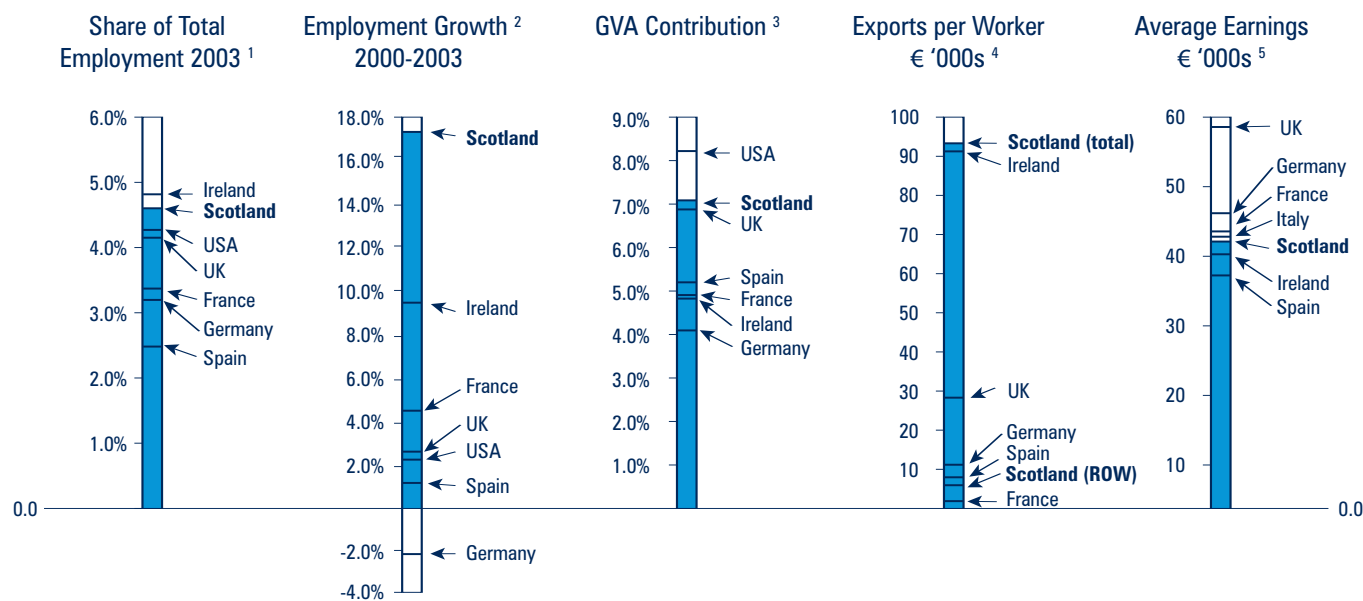
The quality of the workforce within Scotland's financial services industry also continues to increase. The industry has a higher proportion of university-educated workers than either the Scottish economy as a whole or the UK financial services industry. The proportion of workers with degree-level education or above rose from 24% in 2003 to approximately 28% in 2004.

International benchmarking

In 2004, the industry's exports to foreign countries were valued at over £900 million. This represents 5% of total Scottish exports, and almost 20% of total Scottish services exports.

FiSAB and FiSIG recognise the importance of benchmarking Scotland's competitiveness in an international context. Whilst up-to-date analysis will always be constrained by the time delay in collating data from other countries, a range of indicators has been identified. As part of the Strategy, the strength of Scotland's financial services industry will continue to be monitored, tracking trends using the measures outlined in Figure 6.

FIGURE 6: INTERNATIONAL BENCHMARKING – FINANCIAL SERVICES



¹ Financial Services Share of Total Employment, 2003. Sources: Scotland and UK – ABI Employee Analysis; Other Countries – OECD STAN Database Employees (Persons) in Financial Intermediation.

² Growth in Financial Services Employment 2000-2003. Sources: Scotland and UK – ABI Employee Analysis; Other Countries – OECD STAN Database Employees (Persons) in Financial Intermediation.

³ Financial Services Contribution to Total Value Added 2003. Sources: Scotland & UK – Calculated from ONS/Scottish Executive GDP/GVA Index Figures; Other Countries – OECD STAN Database for Industrial Analysis Value Added at Basic Prices for Grand Total & Financial Intermediation.

⁴ Exports Per Worker, 2002 (Euro). Sources: Scotland – Input-Output Tables 2002, ROW denotes Rest of World; All other countries: OECD STAN Database – Value Added at Basic Prices & OECD Statistics on International Trade in Services Volume 1 Detailed Tables by Service Category 1993-2002. Exchange Rates: OECD Annual Exchange Rates. 2002 Exchange Rate Used.

⁵ Annual Average Earnings in Financial Services 2002 (Euro). Sources: Eurostat – Structure of Earnings Survey 2002; Scotland: ASHE 2005. 2002 Exchange Rates used.

Looking to the future: Year two plans

During a successful first year, tangible progress was made towards achieving the vision for the financial services industry in Scotland. The partnership of FiSAB and FiSIG has proved an effective one, with all partners contributing to achievements across all three strategic aims – tackling the issues that are important to the industry, not just those which are easy to address. The challenge now is to build on this success and maintain momentum through into year two and beyond.

Considerable effort was put into research in year one. This was important to provide insight into, and further evidence about, the needs of the industry and to create a strong footing for further action in year two. It has enabled FiSAB and FiSIG to gain a detailed understanding of a range of issues including:

- ▶ the current and future skills requirements of the industry
- ▶ the breadth of the supply network
- ▶ industry links with academia

This section outlines actions for year two across all three strategic aims giving particular priority to skills and labour market issues. Over the year, progress will be monitored against this set of actions and alongside a range of indicators.

● Looking to the future: People and infrastructure

Aims:

- ▶ ensure Scotland offers a labour market which supports an internationally competitive financial services industry, by meeting the industry's current skills requirements and anticipating future requirements
- ▶ raise the financial capability of young people and the wider population in Scotland by building on Scotland's existing lead in this area
- ▶ maintain and improve Scotland's international competitiveness, by ensuring that infrastructure and the policy environment support the needs of the financial services industry and the people who work within it

Specific actions:

1. Improve the skills levels of existing and potential employees, by delivering and continuously improving a range of targeted skills initiatives.
2. Identify the future skills needs of the industry and develop initiatives to meet them, through active contribution to the work of the Financial Services Skills Council.
3. Strengthen the supply of high-calibre individuals to meet the current and future skills needs of the financial services industry through the Fresh Talent and Talentscotland initiatives.
4. Encourage an increased and diversified pool of potential employees for the industry.
5. Enhance the appeal of the industry as a career choice, by helping potential employees understand the industry and recognise the range of career opportunities it offers.
6. Ensure delivery of financial education in schools across Scotland.
7. Continue to support work to deliver financial education beyond the school environment.

8. Support the sustainable competitiveness of the financial services industry, by continuing to deliver a Scottish business-friendly regulatory environment.
9. Address the industry's transport priorities, by using FiSAB's influence to ensure:
 - the National Transport Strategy and transport planning take account of the needs of the financial services industry
 - the Route Development Fund is utilised to create new direct air routes from Scotland to key financial services locations across the globe
 - the earliest possible delivery of EARL and GARL⁸, the new rail routes connecting Edinburgh and Glasgow airports to their city centres
10. Ensure improvements to the transport connectivity between Edinburgh and Glasgow, including rail links, by influencing key stakeholders to build on key transport studies including: the study underway into high speed links between Scotland's major metropolitan areas.
11. Ensure improved communications connectivity for the industry, by influencing the development and application of new technologies to support 'working on the move' between and around Scotland's financial services centres.
12. Ensure that planning decisions enhance the development of the financial services industry, by using FiSAB's voice to influence the National Planning Framework to recognise and support the needs of the industry.



⁸ Edinburgh Airport Rail Link and Glasgow Airport Rail Link.

● Looking to the future: Profile

Aims:

- ▶ build the industry's profile, both at home and abroad by strengthening the "Scottish Voice" and delivering a shared approach to promoting the expertise within Scotland's financial services industry and Scotland as a global financial services centre.
- ▶ ensure that regulation and policy aligns with and supports Scottish objectives, by engaging with and influencing policy makers and industry regulators in the UK and in Europe

Specific actions:

13. Raise the profile of Scotland as an international financial services centre, by developing and delivering a Communications Plan targeted at key audiences in Scotland and around the world.
14. Continue to engage and influence regulators and policy makers, including HM Treasury, the FSA and the EU, by utilising the co-ordinated Scottish Voice of the public sector, private sector and trade unions.



● Looking to the future: Innovation

Aims:

- ensure that the financial services industry based in Scotland is able to maintain competitiveness and exploit market opportunities, by supporting and encouraging industry innovation
- build opportunities for financial services firms to gain competitive advantage from the world-class excellence of Scotland's further and higher education provision
- improve the competitiveness of the Scottish supply network

Specific actions:

15. Encourage and support continuing innovation and best practice within the industry and its supply network in Scotland, by delivering a programme of seminars and events that will bring together leading industry thinkers, experts and academics. This will link with existing initiatives such as Scottish Financial Enterprise's *The Innovators* awards initiative.
16. Foster greater innovation by extending and tailoring promotion of the range of public sector support available to the industry.
17. Develop an understanding of the benefits delivered by existing strong links between the industry and the Scottish and international academic community. This will be used to inform a wider exploration with the industry, and other interested stakeholders, of how the potential benefits of such links might be maximised.
18. Strengthen the capabilities and competitiveness of the Scottish supplier community, by continuing to bring together suppliers and financial services companies. Business support activity with individual companies will complement and enhance this work.





SCOTTISH EXECUTIVE

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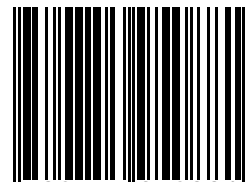
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