

## Ireland plays for high stakes in fintech game

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Frank Murphy's firm Monex is installing its payment software in each of Las Vegas's ATMs

Did you hear the one about the Kerryman installing state-of-the-art of financial technology in ATMs all over Las Vegas? Frank Murphy certainly has. In the past few days, Monex Financial Services, his Killarney-based software firm, closed a deal that will see Monex technology rolled out across the casino capital of the United States.

The ATMs will use Monex dynamic currency conversion software, an innovative software that allows consumers to pay in the currency of their debit or ATM card.

This is not some fluke deal: Monex is now processing 163 million transactions a year, with a total value of €28 billion. All told, it is supporting 65,000 cash dispensers worldwide.

"Business has been great," Murphy said, pointing to a 130 per cent jump in profits to €7.6 million last year from revenues of €96 million.

Business is so good at Monex that a host of blue chip corporations and financial behemoths are sniffing around, looking to either take a slice of the company or buy it outright. Analysts put the company's valuation at north of €100 million.

Banking giant Lloyds was close to buying a 25 per cent stake a few years ago, and is still keen. Lloyds will have competition: Investec, Monex's adviser, is fielding calls from a range of suitors. Murphy is open to a deal, but also happy to retain ownership.

"For something to happen, it has to make sense," said Murphy. "We're in a different position to most companies. We are self-sufficient."

Monex is in a hot space. Financial technology, or fintech, is in vogue right now, with both international banks and low-end consumers looking to ease the burden of financial transactions through tech.

Fintech is a broad church. For some, it applies to the back-end technology that helps banks and financial institutions manage their operations. Increasingly, however, it is being used to describe the consumer-focused tech, along with the lines of Monex.

Either way, the government has prioritised it as an area of growth, believing it can deliver thousands of jobs. The IDA is targeting major international fintech firms, while a host of incubators and accelerator programmes have been launched specifically to drive indigenous fintech start-ups.

So, will fintech be the next big thing in Ireland? Or will, as some critics argue, Ireland's regulatory bureaucracy stifle the grand plan?

### The fintech future

If Colm Lyon so decided, he could retire and live out the rest of his life in luxury. After all, last month he became one of Ireland's richest men when he sold Realex, his online payments firm, for €115 million.

Lyon had resisted the temptation to raise massive external capital, meaning he retained majority ownership of the business. When the sale went through he, along with his wife Niamh, walked away from the sale with about €85 million.

But Lyon is not the retiring sort: next week, he will launch his latest fintech business. As far as he is concerned, it is the perfect time to roll the dice again.

“The fintech community is very vibrant, enthusiastic and active. Traditional banking is going to be very different in the future from what it was in the past. There’s a very big opportunity in the future, so everyone’s trying to figure that out,” he said.

“The beauty about fintech and payments is that you can build yourself a very niche business, and it can be a very large business. You can do something that is almost like a feature, but it becomes a very important part.”

In the future, Lyon said, banks will be far more likely to open up their platforms to developers than they were in the past, and to get other companies to develop apps. “That’s why there’s room for small players and big players,” he said. “If you solve problems for a group of those customers, as you start getting more of the bank’s cut in your app, then you become an acquisition target.”

Lyon and Murphy are not the only indigenous entrepreneurs catching the eye of blue chip suitors. In 2012, Exponent, a British private equity firm, stumped up €170 million to acquire Fintrax, a Galway based current conversion specialist, in a deal that netted €119 million for founder Gerry Barry and his family.

Flexco, the Kerry financial veteran, would arguably be worth more than Monex, Fintrax and Realex combined if its founder, Brian McCarthy, ever decided to sell, while Fineos, Fenergo and CurrencyFair are all Irish fintech companies in expansion mode.

“The ecosystem we have in Ireland is wonderful and very conducive towards start-ups,” said Lyon, who believes that the area can create more and more jobs.

Deloitte has crunched the numbers. Over the next five years, the accountancy firm believes that some 5,000 jobs could be created in Ireland in the fintech industry, a figure that would represent a doubling of employment in the sector.

David Dalton, head of financial services at Deloitte and the author of a recent report on the sector, said the jobs would come from three areas: local start-ups, corporate R&D centres and expansionary US companies looking for a European hub.

“Citi started off a few years ago with 50 people,” he said, adding that it now has 400 people working in fintech in Ireland. Others working in the area, Dalton said, are AON and Deutsche Bank. Dalton argues that fintech can capitalise on the burgeoning growth of the IFSC.

To help the process, a number of initiatives have been created. The National Research Development Centre last year ran a special five-week course for young fintech companies, while Accenture, the international consultancy, runs its FinTech Innovation lab in Dublin in a bid to encourage entrepreneurs in the financial services industry.

“It was an easy decision to bring the programme to Dublin where we are at the intersection of the financial and technology industries with a wealth of talent and experience around us,” said Graham Healy, Accenture’s point man on the programme. “Ireland is home to some of the most exciting examples of technology innovation – the entrepreneurial appetite is very pronounced here which is why our start-up culture is so strong.”

### **Regulatory jitters**

However, many within the industry are worried about the thorny issues of regulation. Last week, it emerged that Coinjar, a hot US fintech company, had opted to establish in London rather than Dublin. Fintech Ireland, a group championing the space, said it raised questions about why so many regulated fintech firms shun Ireland.

“In Ireland, the perception is that the Central Bank is not a great regulator to deal with from the start-up scene, or if you’re moving into the financially regulated space,” said Peter Oakes, who is driving the Fintech Ireland project.

“People feel there’s no clarity around timelines to get regulated. That hurts us in two ways. One, people will drop out and choose another jurisdiction, and two, rumours and stories are going around international financial markets that it’s best to avoid Ireland.”

Oakes’s views on regulation are not easily dismissed. After all, he was recently the director of enforcement at the Central Bank in Dublin, and is now setting up European payments business for a large US institution in London.

“Every jurisdiction in fintech is going to have its own angle, but unless Ireland is out there telling its story, nobody’s going to know about it, and we’re not going to get the business. That’s the real issue,” he said.

“I can count at least six firms that I have spoken to in the last couple of weeks that have told me that, although Ireland was initially on their radar, their experience with the Central Bank or the stories they’ve heard from third parties have led them to another avenue.

“We’re not getting the support from London we used to. There were London law firms that used to recommend Ireland as a place to do business, and now, they’re not doing that because they’re saying that they don’t ‘get’ the Irish regulatory model.”

Oakes is not a lone voice. Lyon also points to the low number of non-banking licences in Ireland. “There are 11 payment institution licences, of which we got one, but if you look at the UK, there’s over 1,000,” he said.

“That’s the concern I would have, that somewhere along the way, the environment we have is not conducive towards regulated entities coming into the market. The industry needs to form a strong association itself that can speak on behalf of the fintech and payment companies in the country at the moment.

“The government needs to speak with one voice as well. If you take the Department of Finance, the Department of the Taoiseach, and the Central Bank, EI and the IDA, one body should be given overall accountability.”

Lyon said he was impressed with the new financial services strategy recently unveiled by the junior finance minister Simon Harris.

“The big thing that policy needs to recognise is that in the future banking services won’t just be provided by banks. It’s really important that they welcome these new players into the system,” he said.