

Executive Summary

The Financial Services Industry provides a significant contribution to the Washington State economy. King County is home to the largest concentration of financial services firms contributing much of the State's economic activity in the Industry. The Industry includes private enterprises that engage in accounting, banking, credit and lending services, asset management and insurance activities as well as public sector finance agencies. The Washington Financial Services Industry is composed of 8,500 firms that provided 116,000 jobs and generated \$28 billion in revenues in 2009. Industry activity supported nearly 360,000 jobs and created \$62 billion in revenues throughout the State economy.

The Financial Services Industry also supports direct investment in Washington's innovation economy. Strategic global funding partners, robust middle-market financing enterprises and a burgeoning venture capital community serve as the investment infrastructure that supports all stages of growth in leading industry clusters such as software, aerospace and global health.

Impacts of Washington's Financial Services Cluster span the globe. Local asset management firms managed over \$380 billion in national and international assets in 2010. Washington's investment community is anchored by large regional institutions with strong Northwest roots, as well as the local presence of Wall Street and international enterprises.

A strong and vibrant financial services Industry is vital to the long-term economic health of the State. King County Financial Services Collaborative is a new effort created to ensure the continued success of the firms in the Industry and fully realize its potential.

The King County Financial Services Collaborative is a partnership between economic development organizations, educational institutions, and industry representatives to grow the Industry. The program is managed by enterpriseSeattle, King County's Associate Development Organization, and King County. Additional partners include: Workforce Development Council of Seattle-King County, the University of Washington Michael G. Foster School of Business and Seattle-Northwest Securities Corporation. Additional collaborators include: Washington Economic Development Commission, Prosperity Partnership, Downtown Seattle Association, Bellevue Downtown Association, the Cities of Seattle, Renton, and Bellevue, the Bellevue and Seattle Chambers of Commerce, and private firms in the Industry including Russell Investments, Perkins Coie and Symmetra Financial.

Mission

The mission of the King County Financial Services Collaborative is to foster the economic vitality, long-term growth and global competitiveness of the Financial Services Industry in King County.

Goals

This Collaborative will target six major areas:

1. **Branding the region as an emerging center for the Financial Services Industry.** This will include activities such as:
 - a. Media relations
 - b. Public awareness campaign
 - c. Talent attraction and recruitment
 - d. Financial Services conferences and forums

2. **Ensuring that the region produces a qualified and well educated workforce for a diversity of positions in the Industry.** This will include activities such as:
 - a. Coordinating industry needs with educational and workforce development efforts
 - b. Facilitating internship programs
 - c. Promoting career opportunities in the Industry and highlighting career paths for young people

3. **Educating and advocating for an advantageous tax and regulatory environment for the Industry.** This will include activities such as:
 - a. Providing information to local and State elected officials about the importance of the Industry to our economy and potential effects of proposed legislation and policies
 - b. Making introductions and facilitating connections between Industry leaders and elected officials
 - c. Advocating for the success of the Financial Services Industry in Washington State

4. **Recruiting and expanding financial services firms in the State of Washington.** This will include activities such as:
 - a. Aggressively targeting Financial Services firms located outside of the region and presenting options and opportunities to expand into King County
 - b. Working with local financial services firms and connecting them to potential customers. Implementing a sophisticated “buy local” program to utilize the services of local financial services firms and connecting local firms to resources that will help them grow

5. **Building a cohesive Financial Services Industry within the State of Washington.** This will include activities such as:
 - a. Holding one large-scale annual event for the Industry

- b. Creating opportunities for the Sector to partner on a more regular basis, including networking events and facilitating new partnerships

6. Continuing to develop and support innovative leadership in applying technology and breaking ground with new financial products. This will include activities such as:

- a. Providing innovative solutions to market challenges
- b. Facilitating access to resources and information to support commercialization of intellectual property resulting from the Collaborative
- c. Connecting innovations developed through the University of Washington Michael G. Foster School of Business to opportunities to commercialize products and services

Leadership/Governance

King County Financial Services Collaborative is facilitated by King County and its Associate Development Organization, enterpriseSeattle. Partners to the Collaborative include: Workforce Development Council of Seattle-King County, the University of Washington Michael G. Foster School of Business, enterpriseSeattle, King County, and Seattle-Northwest Securities Corporation.

Additional collaborators include: Washington Economic Development Commission, Prosperity Partnership, Downtown Seattle Association, Bellevue Downtown Association, the Cities of Seattle, Renton, and Bellevue, the Bellevue and Seattle Chambers of Commerce, and private firms in the Financial Services Industry including Russell Investments, Perkins Coie and Symetra Financial.

King County is a diverse and dynamic community with a healthy economy and environment. It is the largest business center in Washington State and the Pacific Northwest. The County will dedicate staff and resources to partner with enterpriseSeattle in the day-to-day operations of the Collaborative.

enterpriseSeattles' expertise lies in providing consulting services, free-of-charge, to individual businesses seeking to establish, expand or relocate to King County and its 39 cities. enterpriseSeattle will manage the recruitment and expansion of financial services firms. enterpriseSeattle will aggressively target financial services firms located outside of the region.

King County and enterpriseSeattle will manage the day-to-day operations and outreach of the Collaborative, and serve as the go-to source for information and coordination. This will include: fielding media inquiries and actively seeking media coverage; engaging in public awareness including the creation and dissemination of publicity materials; recruiting local, regional and national industry conferences and forums; and coordinating and hosting an annual large-scale industry event. These efforts have emerged organically and are already underway. Partnerships with a variety of industry and business entities will provide a robust network of individuals, institutions and firms to promote further collaboration.

The University of Washington Michael G. Foster School of Business will manage aspects of the initiative which create collaboration between the academic and private sectors. The School's national reputation for excellence in academics and in research will continue to attract ambitious students and existing industry leaders from the region and the globe. Once enrolled, students at all levels have access to a rich network of contacts to search for employment, career advancement and internship opportunities. By actively partnering with the private sector to place students in the financial services field, the Michael G. Foster School of Business will promote retention of talent and contribute to a rich pool of qualified workers key to attracting private firms and supporting expansion. Opportunities to commercialize faculty research in innovative products, services and market barriers will be supported through the Collaborative.

The Workforce Development Council of Seattle-King County (WDC) plays an active role in regional workforce development efforts. Through data-driven assessments of local industries, the WDC makes talent pipeline forecasts in the near, mid, and long-term horizon. This information is used to coordinate with institutions of higher education and the private and public sectors to support workforce development efforts including program development, critical training opportunities and highlighting career paths. Financial Services is a priority industry of the WDC which will continue to actively pursue opportunities to promote the workforce needs of these industries.

Participation by private sector firms, including Symetra Financial and Russell Investment Corporation, represented by partner organization Seattle-Northwest Securities Corporation, is fundamental to translating findings and efforts into Industry growth, profitability, competitiveness and collaboration.

Leaders from each of the partner organizations agreed to serve as Chairs on the Financial Services Work Group. The Work Group will identify strengths and weakness of the Industry. The outcomes and recommendations from each work group will be incorporated into a long term strategic plan for growing the Financial Services Industry in the region.

Strengths of the IPZ

The IPZ boasts numerous strengths, including:

- Innovation in products, services and use of technology
- Human Capital
- Infrastructure

Innovation in products, services and use of technology

King County is known for its culture of innovation. Financial services firms confirm that innovation is key to their continued success. A variety of local firms already are known for innovative financial services products and services including:

- **Russell Investments.** In the 1980's, Russell pioneered measurement of money manager success and market segment trends with creation of the Russell Indexes to more accurately measure investment markets

and opportunities. Today, Russell Indexes are used more than all other institutional indexes combined.

- **Microsoft.** Microsoft is breaking new ground in integrating enterprise software systems for Financial Services companies through its new enterprise software system Dynamics. Microsoft is customizing Dynamics to work with Financial Services companies' needs, including banks, securities investments and sales and other segments of the Industry.
- **Sharebuilder.** Now part of ING, Sharebuilder pioneered on-line investing in Exchange Traded Funds (ETFs), which have become an industry standard. Sharebuilder was founded in Bellevue and now has offices in Seattle's Pioneer Square.
- **Guidant Financial Group.** Guidant Financial is a leader and pioneer in self-directed IRAs, real estate IRAs and small business financing through self-directed IRA plans. Guidant serves clients in all fifty states and has structured more 401(k) small business financing plans than any other provider. Guidant is headquartered in Bellevue.
- **Cascadia Equity Leasing.** Cascadia is a real estate finance company that meets the growing demand for an innovative and low risk home financing option delivered through a lease option program. Cascadia enables consumers to choose their home from available for sale products in their local market and finance over a one to five year term. Cascadia utilizes financing resources that consumers have enjoyed for years when leasing automobiles. Cascadia is headquartered in Seattle's South Lake Union neighborhood.
- **Gravity Payments.** Gravity Payments is infusing the Financial Industry with innovations at the nexus of credit transaction processing, accounting, security and software. Gravity Payments processes tens of millions of credit card transactions for small businesses, and is innovating new encryption and point of sale technologies to make transactions safer and faster.

Human Capital

Human capital in King County is one of its most important assets to foster for economic growth. In 2010, King County Financial Services jobs totaled 41,900. The Financial Services Industry requires a diversity of both skilled and entry level workers, according to the Washington State Financial Services Cluster Study. Financial Services firms confirm that recruiting specialized, experienced industry labor is a long-term priority for continued growth. Through the Collaborative, University of Washington Michael G. Foster School of Business, graduates will be connected to career opportunities in the IPZ and will support long-term growth of the Industry. The Workforce Development Council of Seattle-King County is also a key partner to connect local low and mid-skilled candidates with family wage and entry level jobs and a long-term career path in the Industry.

Infrastructure

The IPZ leverages strengths in both financial and technology infrastructure.

Financial infrastructure is comprised of the underlying foundation for the County's financial system. It includes all institutions, information, technologies, rules and standards that enable financial intermediation. King County is known for a culture of accountability which will support and drive the pursuit and application of best practices in the Collaborative's efforts. Additionally, the Federal Reserve Bank of San Francisco has a local presence in its new facility in Renton. The Fed's duties include: conducting the nation's monetary policy, supervising and regulating banking institutions, maintaining the stability of the financial system and providing financial services to depository institutions, the U.S. government, and foreign official institutions.

The IPZ's technology infrastructure strength lies in its integration with and incorporation of local technology innovators and supporting industries and relationships. Collaborating across industries and incorporating technological innovations in financial services products and services is already underway. Additional support and linkages will continue to strengthen the Industry.

Long-term market growth

Washington is rebounding from the national economic crisis and from the loss of many jobs associated with Washington Mutual. Yet JP Morgan Chase's acquisition of WaMu is in line with a history of mergers and acquisitions in the industry, where banks combine to leverage assets and absorb risk.

In addition to the direct job losses from WaMu, the region lost a major bank long-associated with the region, further blemishing the region's image as a home to Financial Services headquarters.

A rebounding momentum exists, however. Russell Investments's move to Seattle, and Chase Bank's absorption of WaMu assets has provided stability and presents an opportunity to propel momentum for growth.

The Financial Services Industry in King County is synergistic with the economy. Financial Services companies invest in emerging industries in the area. In turn, the region's economy is strengthened and presents emerging industries that will require and benefit from additional Financial Services, including capital provision.

Our innovation and vast resources in information technology will continue to present opportunities to innovate for and within the Financial Services Industry. Innovative Financial Services products have and will come from Washington, such as the Russell Indexes, Sharebuilder, Gravity Payments and more. Innovative use of technology applications will continue, including e-commerce technologies at Amazon and other pioneers and enterprise solutions such as Dynamics (a cloud-based CRM product) from Microsoft.

Financial Services executives are committed to collaborate on strategy development to grow the Industry in Washington. enterpriseSeattle and King

County are well-positioned to support this collaboration and work internationally to bring partners to Washington companies.

The long-term growth outlook of King County Financial Services Collaborative is positive, with growth in many of the indicators including number of firms, revenues, gross business income and assets under management. As the region, and the nation, continues to rebound from the economic recession, King County is well-poised to continue the existing growth trajectory.

Entrepreneurial climate in the proposed area

The entrepreneurial climate in the King County Financial Services Collaborative is strong, with new firms, new talent and new investments pursuing core industries. This provides ample opportunity for growth and talent placement in key Financial Services positions and to incubate start-ups.

The Financial Services Industry added 1,520 new establishments statewide from 1995 to 2010, an annual growth rate of 1.3% (cumulative increase of 23%). Accounting firms nearly doubled from 1995 to 2010, adding 1,260 new establishments over this period. Credit and lending activities added 330 new businesses (41% growth), while the financial investing sector added 280 businesses (30% growth).

The investment sub-sector, which includes venture capital activities, is also strong. The financial investing sector experienced the largest revenue gains of any financial sector. Preliminary data indicates that Washington financial investing sector revenues reached a new high of \$5.8 billion in 2010, 19% higher than in 2009. Annual growth from 2009 to 2010 is the third highest percentage gain in the past 15 years. Over the past fifteen years financial investing revenues grew from \$1.5 billion in 1995 to \$5.8 billion in 2010, a 9.6% annual growth rate.

The software sector has received the most venture capital investment of any sector in Washington State. Software companies secured \$3.4 billion in venture capital investment from 1995 through the end of 2010. Washington's larger IT sector, including software, telecommunications, media, networking and IT services secured over half of total statewide venture capital investment. Global health sectors including biotechnology and medical devices and equipment also are among top ranking venture capital investments, securing a total of \$3 billion from 1995 to 2010. Since the recession of 2008, Washington State has secured \$2.1 billion in venture capital investment, averaging \$711 million per year.

There is positive growth shown in the entrepreneurial climate of King County. Indicators show that the area is burgeoning with new firms, investment capital and innovative technologies.

Commercialization plan

This IPZ is unique because it offers growth in the development of new and innovative products and services. The Financial Services Industry's products are broad and ever changing. Virtually every individual and company receives

services or products provided by a company in the Financial Services Industry whether it is for their personal checking account or corporate financing needs.

The IPZ designation will support research and development by the University of Washington Michael G. Foster School of Business and others to collaborate and bring innovative ideas to the market. The IPZ partnership will rely on the strengths of academic research and industry expertise to commercialize new products and services. The University of Washington Michael G. Foster School of Business will contribute to the IPZ's image and profile by bringing world-renowned faculty resources and a strong brand to the partnership.

The commercialization plan must allow flexibility for each subsector of the Industry to flourish, keeping in mind that members of the Industry may be in direct competition with one another. The benefit of the IPZ designation for all members of the Industry is that it raises awareness of the area's local services and firms in order to increase total market share for the Industry locally. It is also meant to raise the area's competitive profile in order to more effectively compete nationally and internationally.

Products

Financial Services include private enterprises engaged in asset management, banking (including retail banking, wholesale banking and investment banking) and insurance services (including life insurance, health insurance and other general insurance products). Public sector agencies provide regulatory oversight and related public finance mechanisms also prevalent in Washington.

Washington State Market size and growth

- Composed of 8,500 firms
- Provided 116,000 jobs
- Generated \$28 billion in revenues in 2009
- Supported 360,000 jobs
- Created \$62 billion in revenues throughout WA State economy
- Grew by 23% from 1995 to 2010

Target markets

- The target markets for financial services products include businesses and consumers at all levels of investment, lending, banking and protection from individuals to large corporations. Anticipated growth in other strong, local industries and companies is expected to fuel this growth.

Market trends

- Many jobs in the Financial Services Industry have been lost in the current downturn, but companies in 2011 are positioned for growth within the region and globally.

Customer profile

The firms within the IPZ boundary draw from a diversity of individual and corporate customers from all incomes and asset profiles. All individuals and companies that use financial services and products are important to supporting the IPZ's Financial Services Industry.

Plan for measuring and reporting

The King County Financial Services Collaborative is committed to measuring and reporting the efforts, successes and areas of improvement for this Industry.

enterpriseSeattle has recently commissioned and published a Financial Services Cluster Study for the State of Washington. This benchmark study provides the foundation for measuring future successes and challenges in growing the sector's employment statistics, assets, number and type of firms, revenues and perceptions from industry leaders. Follow-up analyses and reports on a biennial basis will be crucial for quantifying changes.

By establishing Financial Services Industry Work Groups and Work Group chairs, King County Financial Services Collaborative ensures accountability. This oversight body has a vested interest in keeping momentum strong. This group will create the formal and informal networking opportunities necessary for continued growth and cross-collaboration within the Industry and to fully realize the potential of this emerging cluster.