

KEY FACTS

ABOUT THE UK AS AN INTERNATIONAL FINANCIAL CENTRE 2020



About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. In our 10th anniversary year, we continue to champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK, across Europe and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes over 10% of the UK's total economic output and employs more than 2.3 million people, with two thirds of these jobs outside London. It is the largest tax payer, the biggest exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

CONTENTS

Foreword	6
Executive summary	7
Central role of UK financial and related professional services	8
International financial markets in London and the UK	12
Banking	12
Insurance	13
Equity and bond markets	15
Fund management	16
Derivatives trading	18
Commodities trading	19
The UK's role in specialist financial services	20
Green finance	20
Islamic finance	20
FinTech	21
Maritime business services	22
Infrastructure investment	22
Role of London and the UK as the global provider of professional services	24
Legal services	24
Accounting services	24
Management consultancy	24
Financial services education and training	25
Our international programme	26
Sources of information	28

KEY FACTS ABOUT THE UK AS AN INTERNATIONAL FINANCIAL CENTRE

TRADE SURPLUS IN 2019



UK-BASED FINANCIAL SERVICES **\$77BN**

UK-BASED FINANCIAL AND RELATED PROFESSIONAL SERVICES **\$101.7BN**

LARGEST GLOBAL NET EXPORTERS OF FINANCIAL SERVICES IN 2019

UNITED KINGDOM

 **\$77BN**

UNITED STATES

 **\$60BN**

SWITZERLAND

 **\$23.6BN**

SINGAPORE

 **\$23.1BN**

THE UK IS THE LEADING FOREIGN EXCHANGE MARKET



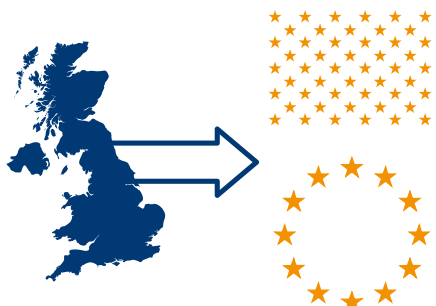
AROUND 2.5 TIMES AS MANY US DOLLARS ARE TRADED IN THE UK AS IN THE US

LONDON IS RANKED AS THE 5TH LEADING MARITIME CAPITAL IN THE WORLD





384 FOREIGN COMPANIES LISTED ON THE LSE AT THE END OF 2019
= 7.1% OF TOTAL GLOBAL FOREIGN-LISTINGS



THE US IS THE LARGEST SINGLE DESTINATION FOR THE UK'S FINANCIAL SERVICES EXPORTS, ACCOUNTING FOR **30.2%** OF TOTAL FINANCIAL SERVICES EXPORTS (2019), WITH THE EU MEMBER STATES ACCOUNTING FOR **34.3%** OF TOTAL SECTOR EXPORTS

RELATED PROFESSIONAL SERVICES*



THE UK LEGAL SECTOR IS THE LARGEST IN EUROPE WITH **£36.8BN** REVENUE

NET EXPORTS FROM UK ACCOUNTING SERVICES TOTALLED **£308M**

IN BUSINESS MANAGEMENT AND MANAGEMENT CONSULTING NET EXPORTS TOTALLED **£13.2BN**

*ALL FIGURES FROM 2019

UK FINTECH

THE UK FINTECH SECTOR GENERATED **£6.6BN** IN REVENUE AND EMPLOYED **76,500** AS OF THE FIRST HALF OF 2020



UK FINTECHS RECEIVED **£20.1M** FROM INVESTORS IN 2019, UP FROM **£15M** IN 2017

GREEN FINANCE



242

SUSTAINABLE BONDS LISTED ON THE LSE

ISLAMIC FINANCE



THE UK IS THE HIGHEST-RANKED EUROPEAN COUNTRY IN THE ISLAMIC FINANCE COUNTRY INDEX (17TH OVERALL)

ASSETS OF UK-BASED INSTITUTIONS OFFERING ISLAMIC FINANCE SERVICES = **£7.3BN**

FOREWORD

In economic terms, 2020 has been a year unlike any other in living memory. Policies introduced to contain the Covid-19 pandemic have had major economic consequences across advanced and emerging economies alike and triggered a collapse in international travel, trade and investment. This report, featuring historical data as usual, does not attempt to assess the impact of the pandemic on UK trade. Instead, it provides evidence of the UK's ongoing position as the world's leading international financial and related professional services centre.

Financial and related professional services is one of the UK's most successful industries, and its international competitiveness allows it to continue to make a strong contribution to the domestic economy. The UK's financial services trade surplus totalled \$77bn (equivalent to £60.3bn) in 2019, making the UK the world's largest net exporter of such services. Moreover, the UK retains the leading share of trading in many international financial markets, such as foreign exchange trading, cross border bank lending and international insurance premium income.

Metrics such as these are a testament to the UK's global competitive advantage in financial services, and this report demonstrates the country's role as the world's most internationally-oriented, full-scale hub for such services. The UK's strength in this area is derived not only from the high volume and value of transactions, but also the breadth of services and expertise available—the 'ecosystem' effect. This ranges from green finance to Islamic finance, and is supported by an extensive network of professional services related to financial services: legal, accounting and consulting. It is also spread throughout the country, not just concentrated in London; just under half of the industry's exports originated in regions and nations outside London.

Financial education and training also features prominently among the UK's offerings in this area, emphasising not only the importance of talent to the industry's competitiveness, but also the industry's own role in continuing to foster and develop that talent. This research is intended to highlight not only the industry's scale—as demonstrated by key data points—but also provide a sense of this scope.

Anjalika Bardalai

Chief Economist & Head of Research, TheCityUK



EXECUTIVE SUMMARY

- The UK is one of the world's leading international financial and related professional services hubs, with London central to this position. This report uses the latest available annual data (2018-19) to highlight a number of measures and markets that demonstrate the UK's role as an international financial centre. As such, it does not attempt to measure the impact of the Covid-19 pandemic on international trade.
- The UK's trade surplus in financial and related professional services is estimated to be \$101.7bn (£79.7bn). The magnitude of exports relative to imports indicates that the industry is highly competitive globally.
- Financial services trade is conducted primarily with other advanced economies. The US is the largest single destination for the UK's financial services exports, accounting for 30.2% of total financial services exports. As a bloc, EU member states accounted for 34.3% of total sector exports.
- The UK maintains a globally leading share of a number of financial markets. For example, it has 15% of the global total of cross-border bank lending. London is a centre for foreign banks, with around 250 foreign banks or branches in the city.
- Around 2.5 times as many dollars are traded in the UK as in the US. Overall, the UK has 43% of the global total of foreign-exchange turnover.
- The UK insurance sector is the biggest in Europe and fourth largest in the world. UK insurance premiums represented around one-quarter of premiums in advanced European economies and 5.8% of global premiums.
- London's importance as a centre for global equity trading is illustrated by the 384 foreign companies listed on the London Stock Exchange (LSE) at the end of 2019, accounting for 7.1% of total global foreign listings. The LSE had a 4.4% share of global equity market capitalisation and 2% of global equity trading by value. The UK's equity market capitalisation-to-GDP ratio is one of the highest among G7 countries, at 148%.
- The UK is one of the largest markets in the world for fund management, behind only the US. UK assets under management totalled a record \$12.6trn (£9.9trn) in 2019, and the sector has a strong international orientation.
- The UK plays a leading role in a number of specialist areas of financial services. Green finance, Islamic finance and maritime financial services are all sectors where the UK has been at the forefront of development.
- London's role as the world's leading international financial hub and the presence of a strong and fast-growing technology sector have helped boost the UK's position as a global FinTech leader. The UK FinTech market generated revenue worth £6.6bn and employed 76,500 people as of the first half of 2020. The average amount of capital UK FinTechs received from investors was £20.1m in 2019, up from £15m in 2017.
- The UK is a major centre for the professional services that support financial services, such as legal, accounting and management consulting. Together, these sectors comprise the financial and related professional services ecosystem that is integral to the UK's global competitiveness.
- The UK legal services sector is the largest in Europe and second largest globally. At £36.8bn, UK legal services revenue accounted for 5% of the global total in 2019.

CENTRAL ROLE OF UK FINANCIAL AND RELATED PROFESSIONAL SERVICES

The UK is a major global hub for international wholesale finance, and as such, the financial and related professional services industry is strategic national asset for the UK. Within the UK, the importance of London is core to its international position, but other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Liverpool, Manchester and Sheffield in England; Cardiff in Wales; and Belfast in Northern Ireland are also important financial centres.



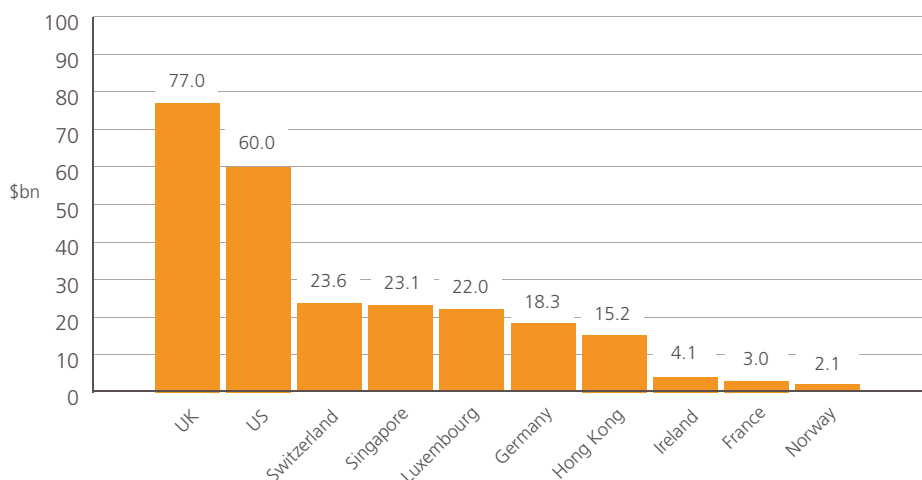
A strong London is good for the economies across the UK, but it is very much a symbiotic relationship. Strong regional and national centres increase the global appeal of London by widening the talent pool and offering growth opportunities for financial and related professional services firms. Indeed, research by TheCityUK shows that just under half of the industry's exports originated in regions and nations outside London.¹

The UK – the leading net exporter of financial services across the world

The UK's financial services trade surplus of \$77bn (equivalent to £60.3bn)² in 2019 was nearly the same as the combined surpluses of the next two leading countries (the US and Switzerland);³ for more information see Figure 1. When the estimated trade surplus for related professional services – legal services, accountancy and management consultancy – is also taken into account, this figure climbs to around \$101.7bn (equivalent to £79.7bn).⁴

Figure 1: Largest global net exporters of financial services, 2019

Source: TheCityUK calculations based on UNCTAD data



1 TheCityUK, 'Exporting from Across Britain: financial and related professional services 2020', (November 2020), available at: <https://www.thecityuk.com/assets/2020/Reports/45688b5f40/Exporting-from-across-Britain-Financial-and-related-professional-services-2020-v2.pdf>

2 All currency conversions in this report have been made using the average annual exchange rate for the relevant year.

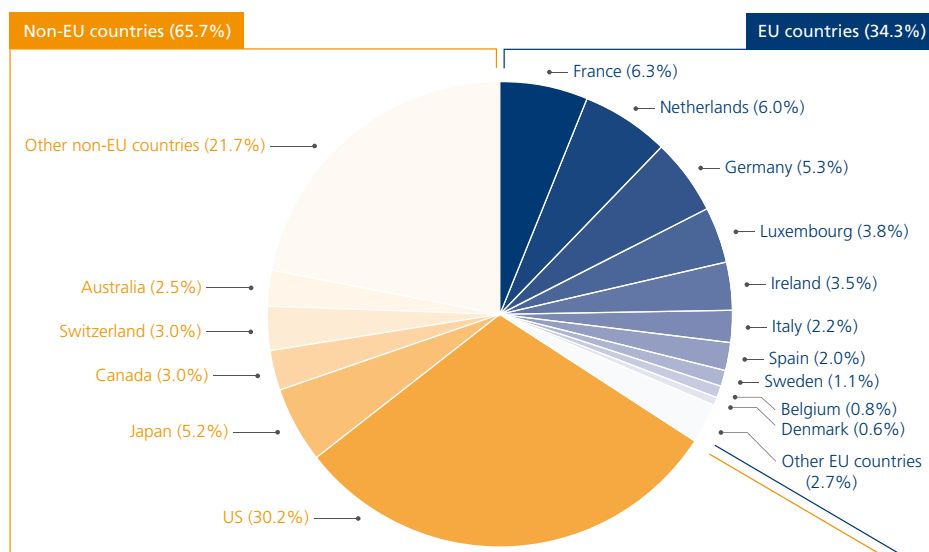
3 TheCityUK calculations based on UNCTAD, 'Data Centre', (October 2020), available at: <http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

4 TheCityUK estimates based on Office for National Statistics, '03 Trade in services, the Pink Book', (30 October 2020), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

The UK's largest trading partners are the US and EU member states. The US and EU combined account for 64.5% of the UK's total financial services exports (Figure 2).⁵

Figure 2: UK financial services exports by major countries, % of world, 2019

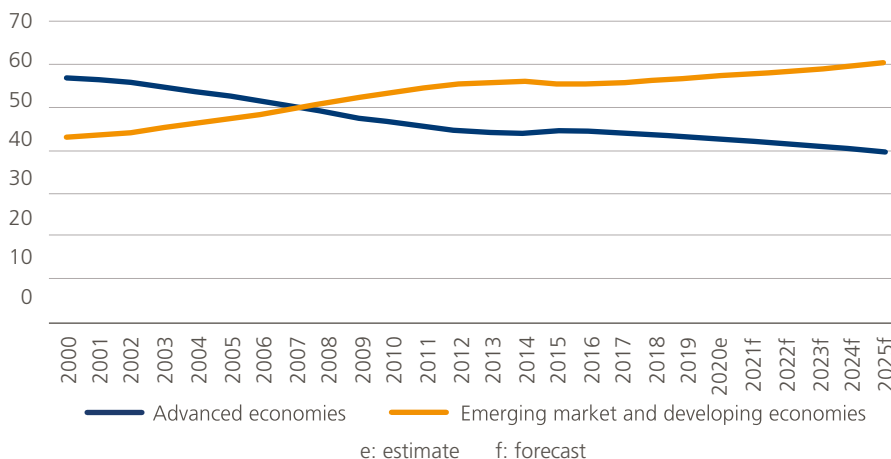
Source: TheCityUK calculations based on ONS data



The UK has a strong record in managing financial and related professional services business from developed economies. Developing economies also require financial services to achieve further progress in industrial development, infrastructure investment, poverty reduction and promotion of financial inclusion. The volume of trade with these countries has significant potential for growth due to the rise in the importance of emerging markets to the global economy (Figure 3).⁶ The UK has been able to support them through its leading role in many international financial markets.

Figure 3: World GDP (based on purchasing power parity) %

Source: TheCityUK calculations based on International Monetary Fund data



5 TheCityUK calculations based on Office for National Statistics, '09 Geographical breakdown of the current account, the Pink Book', (30 October 2020), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/9geographicalbreakdownofthecurrentaccountthepinkbook2016>

6 International Monetary Fund, 'World Economic Outlook Databases', (13 October 2020), available at: <https://www.imf.org/en/Publications/SPROLLS/world-economic-outlook-databases#sort=%40imfdate%20descending>

Rankings of global financial centres

London is generally considered one of only two full-scale international financial services hubs globally—the other being New York. For example, according to Z/Yen's Global Financial Centres Index⁷, a widely accepted source for ranking financial centres globally, London currently ranks second as an international financial services centre.

The co-location of banking, insurance, fund management, securities, derivatives, foreign exchange expertise, and human talent and capacity all combine with market infrastructure to support London.

The number of financial centres conducting international business is growing. While London and New York are long established international financial centres, Asian centres such as Singapore, Hong Kong and Tokyo have evolved into well-developed regional hubs.

At the next level, there are a series of emerging regional hubs, including the likes of Shanghai and Mumbai.

There are also specialist hubs and local centres which have a strong but more limited international footprint, such as Frankfurt, San Francisco, Tel Aviv and Zurich. A well-targeted specialist local or regional offer can bring success for emerging international financial centres as they seek to develop niches or provide a particular set of products. For example, Dublin and Luxembourg have defined their business by successfully pursuing a focused strategy.

Regional and specialist international financial centres have challenged larger ones to be more innovative and to respond to competitive dynamics. Part of the constant challenge to remain competitive comes from a re-definition of the basis of competitive advantage. While factors such as location relative to time zones, language, rule of law and culture are important components of a competitive offering, they no longer tell the full story. Regulatory and supervisory coherence, tax policy, deep pools of talent, and political recognition and support are also part of the mix and may create a differentiated momentum over time. As global trade and investment grows in new directions, international financial centres will adapt to reflect new needs and opportunities.

Working with other financial centres has helped develop the international networks of UK-based firms, allowing them to expand their international business. In return, the UK has provided access to its markets and expertise for overseas companies, and has acted as a template for many developing centres. This is helping to build a stronger and more prosperous global economy.

The World Alliance of International Financial Centres

TheCityUK is a member of the World Alliance of International Financial Centres (WAIFC), a new grouping of international financial centres from both developed and developing countries. The WAIFC provides an important forum through which different international financial centres can exchange insights and best practices, pursue cooperation and explore how international financial centres can best support economic growth.

WAIFC members include international financial centres from Europe, North America, Eurasia, Asia Pacific, the Middle East and Africa. Together, members have worked on a series of projects which explored how international financial centres are facilitating the development of FinTech solutions, green investment and infrastructure projects, funding for SMEs and the role of financial centres in financing the economy.

Since the onset of Covid-19, the WAIFC has begun work on a project to explain how international financial centres can best contribute to a global economic recovery, whether by supporting sustainable growth, SMEs, or by pushing for more regulatory co-operation to remove regulatory barriers to trade and encouraging more international trade and investment. The WAIFC provides an important opportunity to draw together the diverse expertise and capabilities located within IFCs worldwide to promote broader economic development objectives.

⁷ Z/Yen, Long Finance and FS Club, 'The Global Financial Centres Index 28', (25 September 2020), available at: <https://www.longfinance.net/programmes/financial-centre-futures/global-financial-centres-index/>

Figure 4: Financial centre indicators, share by country (%)

Source: TheCityUK calculations based on data from Bank for International Settlements, Willis Towers Watson, Investment Company Institute, Insurance Europe, The General Insurance Association of Japan, The Life Insurance Association of Japan, Insurance Information Institute, International Monetary Fund, Swiss Re

	UK	US	Japan	France	Germany	Singapore	Hong Kong	Others
Cross-border bank lending (Q2 2020)	15	10	13	10	7	2	5	38
Foreign exchange turnover (Apr 2019)	43	17	5	2	1	8	8	17
Interest rate OTC derivatives turnover (Apr 2019)	50	32	2	2	1	2	6	6
Conventional fund management (end-2019)	6	46	7	4	--	--	--	--
Insurance premium (end-2019)	6	39	7	4	4	0	1	38
International debt securities outstanding (Q1 2020)	13	9	2	6	5	1	1	63

Figure 5: UK share of financial markets (%)

Source: TheCityUK calculations based on data from Bank for International Settlements, Willis Towers Watson, Investment Company Institute, Insurance Europe, The General Insurance Association of Japan, The Life Insurance Association of Japan, Insurance Information Institute and International Monetary Fund

	2001	2004	2007	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Cross-border bank lending	19	20	20	18	19	19	17	18	17	16	17	17	16	15
Foreign exchange turnover	32	32	35	37	--	--	41	--	--	37	--	--	43	--
Interest rate OTC derivatives turnover	35	42	44	47	--	--	50	--	--	39	--	--	50	--
Conventional fund management	8	8	9	8	8	8	8	7	7	7	6	6	6	--

* Q2 2020

INTERNATIONAL FINANCIAL MARKETS IN LONDON AND THE UK

Banking

Indicators of the UK's strong international position include:

Size of the industry: UK banking sector assets totalled \$10.2trn (equivalent to £8trn) at the end of 2019, the fifth largest in the world and the second largest in Europe, just behind France (\$11.4trn), and ahead of Germany (\$10trn) and Italy (\$4.3trn); for more information see Figure 6. Around half of UK banks' assets are denominated in sterling; the remainder are foreign-currency based.⁸

Figure 6: Largest banking centres' assets, \$bn, end-2019

Source: National central banks

Banking centre	Bank assets, \$bn, end-2019
China	42,000
US*	18,900
Japan	11,800
France*	11,400
UK	10,200
Germany*	10,000
Italy*	4,300

*Measured as of Q1 2020

Cross-border banking: the UK is the world's largest centre for cross-border banking, with 15% of the outstanding value of international bank lending in the second quarter of 2020. It was also the largest centre for cross-border borrowing (18%); for more information see Figure 7.⁹ London is a centre for foreign banks, with around 250 foreign banks or branches in the city.¹⁰

Figure 7: International bank lending and borrowing, % share, Q2 2020

Source: TheCityUK calculations based on Bank for International Settlements data

Country	Lending	Borrowing
UK	15	18
Japan	13	5
US	10	13
France	10	12
Germany	7	7
Hong Kong	5	4
China	4	5
Netherlands	4	3
Canada	3	2
Switzerland	3	3
Singapore	2	2
Spain	2	1
Luxembourg	2	2
Cayman Islands	2	2
Australia	2	3
Others	17	17

8 TheCityUK calculations based on Bank of England, 'B Monetary financial institutions' balance sheets, income and expenditure', (October 2020), available at: <https://www.bankofengland.co.uk/boeapps/database/index.asp?Travel=NixSTxTBx&levels=2&XNotes=Y&B50507XNode50507.x=15&B50507XNode50507.y=13&C=L9V&C=LB4&Nodes=X50507X50508X50573X50618X50661X50750X50815X50765X50766X50773X50790&SectionRequired=B&HideNums=-1&ExtraInfo=false#BM>

9 TheCityUK calculations based on Bank for International settlements, 'A2: Cross-border positions, by location of reporting bank and sector of counterparty', (20 October 2020), available at: <https://www.bis.org/statistics/bankstats.htm?m=6%7C31%7C69>

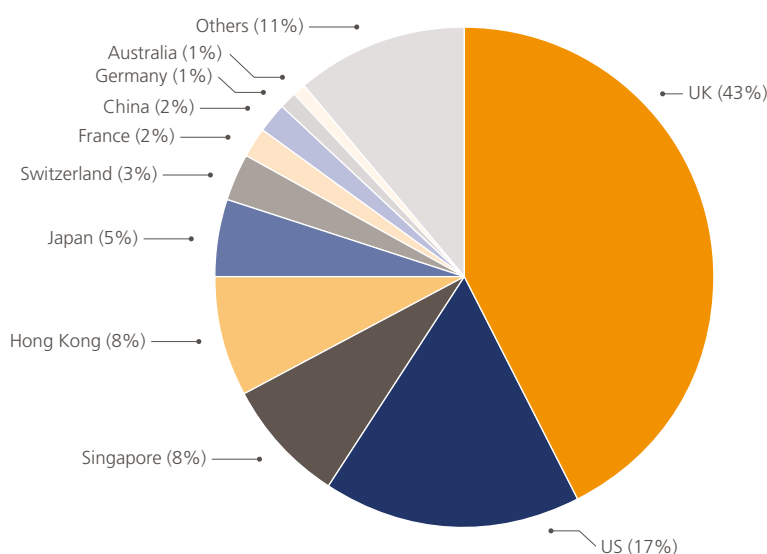
10 TheCityUK estimates based on Association of Foreign Banks, (October 2020), available at: <http://www.foreignbanks.org.uk/>

Private and investment banking: London is one of the most important centres for private and investment banking. Many international banks have their private and investment banking business in the UK, including Bank of America, Credit Suisse, Goldman Sachs, J.P. Morgan, Morgan Stanley, RBC Capital Markets and UBS.

According to data from the Bank for International Settlements, the UK accounted for 43% of global foreign exchange trading in April 2019, well ahead of the US (17%), Singapore (8%), Hong Kong (8%) and Japan (5%); for more information see Figure 8. The bulk of the UK's daily turnover averaging \$3.6trn (equivalent to £2.8trn) in April 2019 was transacted in London. Around 2.5 times as many US dollars are traded on the foreign exchange market in the UK than in the US.¹¹ London is also a global leader in offshore renminbi trading. While London accounted for 37.2% of total offshore renminbi transactions in February 2020, down from 43.3% in November 2019, London remains a global leader in offshore renminbi trading.¹²

Figure 8: Foreign exchange trading, % share, April 2019

Source: TheCityUK calculations based on Bank for International Settlements data



Insurance

The UK insurance industry is the largest in Europe and fourth largest in the world, with \$366bn in premiums in 2019 (Figure 9).¹³ It consists of insurance companies (including the specialist London Market); the Lloyd's market; intermediaries; and various specialist support professions and services.

The UK insurance market's strong international position is indicated by the fact that:

- The UK is the largest source of pension funds in Europe, with \$3.5trn (equivalent to £2.7trn) in assets under management.¹⁴ The country is also the third largest source

¹¹ TheCityUK calculations based on Bank for International Settlements, 'Triennial central bank survey of foreign exchange and over-the-counter (OTC) derivatives markets in 2019: Foreign exchange turnover: D11.2 by country, 1986-2019', (8 December 2019), available at: <https://www.bis.org/statistics/rpx19.htm?m=6%7C381%7C677>

¹² City of London Corporation and People's Bank of China, 'London RMB Business Quarterly: Issue 7', (May 2020), p.7, available at: <https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/London-RMB-Business-Quarterly-May-2020-FV-2-Web.pdf>

¹³ Swiss Re Institute, 'SIGMA No 4/2020: World insurance: riding out the 2020 pandemic storm', (9 July 2020), p.25-30, available at: <https://www.swissre.com/dam/jcr:d50acbcd-ce5c-4ee9-bc60-a3c1e55f8762/sigma-4-2020-en.pdf>

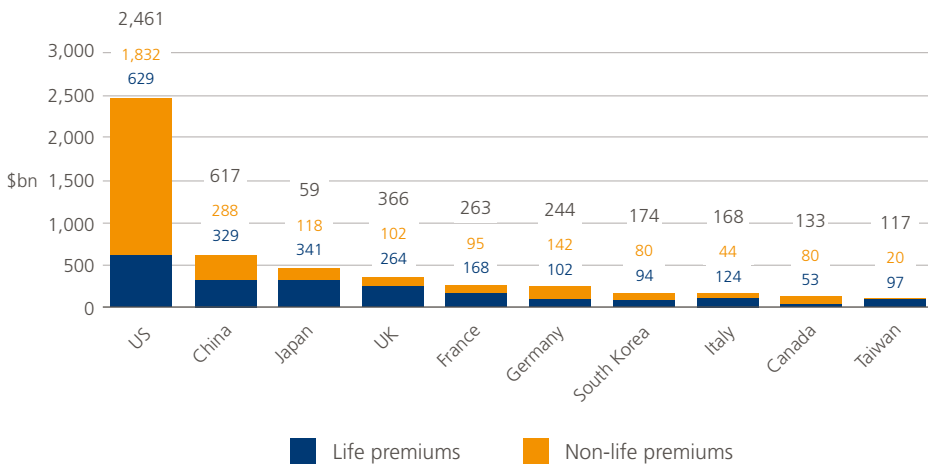
¹⁴ Willis Towers Watson, 'Global Pension Assets Study 2020', (10 February 2020), p.13, available at: <https://www.thinkingaheadinstitute.org/en/Library/Public/Research-and-Ideas/2020/01/Global-Pension-Asset-Study-2020>

of insurance funds in Europe, with \$2.2trn (equivalent to £1.7trn) in assets under management (France has \$2.7trn (equivalent to £2.1trn) and Germany has \$2.2trn (equivalent to £1.7trn)).¹⁵

- UK companies feature prominently in rankings of the world’s largest insurance companies.
- The UK accounted for 5.8% of global premiums and around one-quarter of premiums in advanced European economies in 2019.¹⁶

Figure 9: Largest insurance markets, \$bn, 2019

Source: Swiss Re Institute



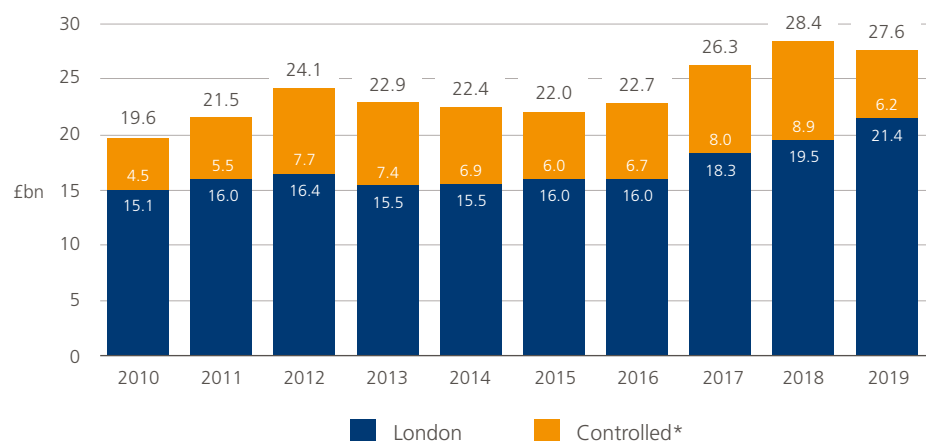
The London Market is a separate part of the UK insurance and reinsurance industry based in central London. The London Market consists mostly of general insurance and reinsurance and predominantly involves high exposure risks.

According to data from the International Underwriting Association of London (IUA, the representative body for insurance and reinsurance firms in London), the London company market—which comprises non-Lloyd’s international and wholesale insurance and reinsurance companies operating in London—saw total annual premium growth of 4.1% over 2010-19, reaching £27.6bn in 2019 (Figure 10).¹⁷

¹⁵ Insurance Europe, 'Insurance Data', (October 2020), available at: <https://www.insuranceeurope.eu/insurancedata>
¹⁶ Swiss Re Institute, 'SIGMA No 4/2020: World insurance: riding out the 2020 pandemic storm', (9 July 2020), p.25-30, available at: <https://www.swissre.com/dam/jcr:d50acbcd-ce5c-4ee9-bc60-a3c1e55f8762/sigma-4-2020-en.pdf>
¹⁷ International Underwriting Association of London, 'London company market statistics report 2020', (October 2020), p.4, available at: https://www.iaa.co.uk/IUA_Member/Publications/London_Company_Market_Statistics_Report.aspx

Figure 10: London company market's premium, £bn

Source: International Underwriting Association of London



*'Controlled' refers to premiums generated outside London, but for London-based insurance companies (i.e. London company market).

Lloyd's of London is a corporate body and marketplace for insurance and reinsurance business in London. Lloyd's gross written premium income reached a record high of £37.5bn (equivalent to \$47.9bn) in 2019. Average annual growth of Lloyd's gross premiums has been 8.1% over the past five years.¹⁸

Equity and bond markets

Equity markets

London's importance as a centre for global equity trading is illustrated by:¹⁹

- The 384 foreign companies listed on the LSE at the end of 2019, accounting for 7.1% of total global foreign listings, behind CEESG in Vienna, Colombo Stock Exchange, Chittagong Stock Exchange (721 each), New York Stock Exchange (NYSE) (505) and Nasdaq (456), and ahead of the Singapore Exchange (257) and the Hong Kong Exchanges and Clearing (177); for more information see Figure 11.
- £4.5bn (equivalent to \$5.8bn) capital raised through new issues and IPOs in 2019.²⁰
- Its 4.4% share of global equity market capitalisation and 2% of global equity trading by value.
- The UK having one of the highest equity market capitalisation in relation to GDP of the largest countries – 148% at the end of 2019.
- The Alternative Investment Market (AIM), a sub-market of the LSE, supports smaller growth firms to raise capital through the equity market. 3,800 companies have been listed on the AIM since the sub-market's inception in 1995. These companies are from 79 countries, raising £117.8bn since then. Sixty percent of capital raised through IPOs and follow-on issuance on European growth markets were from AIM in 2019.²¹

¹⁸ Lloyd's of London, 'Lloyd's statistics 2020 edition', (2 June 2020), p.20, available at: <https://www.lloyds.com/market-resources/data-and-research/statistics-relating-to-lloyds/download-lloyds-statistics>

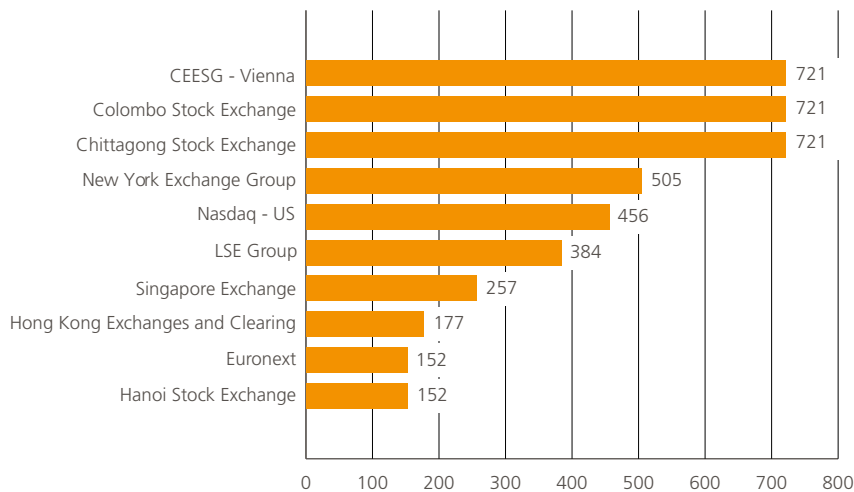
¹⁹ World Federation of Exchanges, 'Market statistics – January 2020', (January 2020), available at: <https://focus.world-exchanges.org/issue/january-2020/market-statistics>

²⁰ London Stock Exchange, 'New issues and IPOs', (October 2020), available at: <https://www.londonstockexchange.com/reports?tab=new-issues-and-ipos>

²¹ London Stock Exchange, 'Celebrating 25 years of AIM: ambition growth resilience', (17 June 2020), p.4 and 16-17, available at: https://docs.londonstockexchange.com/sites/default/files/documents/AIM_25-report_v3.pdf

Figure 11: Number of foreign companies listed, end-2019

Source: World Federation of Exchanges



Bond markets

The UK's substantial domestic market in bonds is complemented by London's continuing role as a major centre for issuance and trading of international bonds. The UK's outstanding value of international bonds was the largest in the world at the end of Q1 2020, totalling around \$3.2trn (equivalent to £2.5trn), equivalent to 12.7% of the global total.²² Eurobonds accounted for 63.4% of this.²³

Fund management

The UK is one of the largest markets in the world for fund management, behind only the US. UK assets under management totalled a record \$12.6trn (£9.9trn) in 2019. The sector has a strong international orientation reflected in the institutional presence of a broad mix of UK and foreign firms; equity and bond investments of 70.7% and 50.2% respectively in overseas markets; and management on behalf of overseas clients of funds totalling \$4.6trn (equivalent to £3.6trn) among The Investment Association (IA) members.²⁴ Some of the key indicators of the UK's international position include:

- **Pension fund assets:** UK pension assets accounted for 7.4% of global pension assets in 2019, which was well ahead of other European countries. At 125.8%, the UK's pension assets-to-GDP ratio was among the highest in the world in that year.²⁵
- **Mutual funds:** \$1.9trn (£1.5trn) is managed by UK mutual funds.²⁶
- **Insurance funds:** the UK insurance industry has the fourth largest funds under management after the US, Japan and France.

22 Bank for International Settlements, 'C1: Summary of debt securities outstanding', (14 September 2020), available at: <https://www.bis.org/statistics/secstats.htm?m=6%7C33%7C615>

23 TheCityUK calculations based on Bank for International Settlements, 'United Kingdom: Debt securities issues and amounts outstanding', (14 September 2020), available at: <https://stats.bis.org/statx/srs/table/c3?c=GB&f=pdf>

24 Investment Association, 'Asset Management in the UK 2019-2020, The Investment Association Annual Survey', (September 2020), p.9, 19, 20 & 104, available at: <https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf>

25 Willis Towers Watson, 'Global Pension Assets Study 2020', (February 2020), p.13, available at: <https://www.thinkingaheadinstitute.org/en/Library/Public/Research-and-Ideas/2020/01/Global-Pension-Asset-Study-2020>

26 Investment Company Institute, 'Supplement: Worldwide Public Table, Second Quarter 2020, Data in US Dollar (xls)', (24 September 2020), available at: <https://www.ici.org/research/stats/worldwide>

Figure 12: Conventional investment management assets, \$bn, end-2019

Sources: Willis Towers Watson, Investment Company Institute, Insurance Europe, The General Insurance Association of Japan, The Life Insurance Association of Japan, Insurance Bureau of Canada, Canadian Life and Health Insurance Association, Insurance Information Institute, International Monetary Fund, PwC

Note: Insurance sector for the UK, France, and the US is based on 2018 data; the sector for Japan is 2019 data; for Canada the property and casualty insurance sector is 2019 data, and the life and health insurance sector is 2018 data; 2019 data for total is estimated by TheCityUK calculations based on PwC data

	Pension funds	Insurance assets	Mutual funds	Total conventional	Share of Total conventional
US	29,196	8,300	25,688	63,184	46%
Japan	3,386	3,932	2,064	9,382	7%
UK	3,451	2,290	1,889	7,630	6%
France	155	2,796	2,202	5,154	4%
Canada	1,924	694	1,413	4,031	3%
Others	8,622	18,448	21,630	48,700	35%
Total	46,734	36,460	54,886	138,080	100%

Hedge funds

London is the world's second-largest centre for hedge fund management, after New York. The UK had \$447bn (£350bn)²⁷ in assets under management (around 14% of global assets)²⁸ in the hedge fund sector in 2019—an increase of 64% over the past five years.²⁹ The UK remains by far the largest centre for hedge funds in Europe. The UK is also the leading centre for hedge fund services such as administration, prime brokerage, custody and auditing.

Private equity

The UK private equity market is the most developed in the world outside the US, whose private equity sector invested \$700bn in 2019.³⁰ UK private equity funds invested \$42.2bn (equivalent to £33bn), the largest amount in Europe, in 2019. Target companies based in the UK received \$25.2bn (equivalent to £19.7bn) in that year (Figure 13).³¹ London is the largest European centre for the management of private equity investments and funds. The UK private equity industry invested \$110.6bn (£86.6bn) in 4,883 firms worldwide between 2016 and 2019.³²

27 Investment Association, 'Asset Management in the UK 2019-2020, The Investment Association Annual Survey', (September 2020), p.19, available at: <https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf>

28 TheCityUK calculations based on Barclay Hedge, 'Hedge fund industry assets under management', (October 2020), available at: <https://www.barcleyhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/>

29 TheCityUK calculations based on Investment Association, 'Asset Management in the UK 2019-2020, The Investment Association Annual Survey' and 'Asset Management in the UK 2014-2015, The Investment Association Annual Survey'

30 American Investment Council, 'Top states & districts', (December 2020), p.2, available at: <https://www.investmentcouncil.org/wp-content/uploads/aic-top-states-and-districts-2019.pdf>

31 TheCityUK calculations based on Invest Europe, 'Investing in Europe: private equity activity 2019', (20 May 2020), p.50 & 54, available at: https://www.investeurope.eu/media/3052/20200512_invest-europe-investing-in-europe_-private-equity-activity-2019-final.pdf

32 TheCityUK calculations based on British Private Equity & Venture Capital Association, 'BVCA Report on Investment Activity 2019', (October 2020), p.19, available at: <https://www.bvca.co.uk/Portals/0/Documents/Research/Industry%20Activity/BVCA-RIA-2019.pdf>

Figure 13: Private equity investments, top 10 European countries, \$bn, 2019

Source: TheCityUK calculations based on Invest Europe data

	Investments (location of the private equity firm)	Investments (location of the portfolio firm)
UK	42.2	25.2
France	21.1	16.0
Germany	14.8	17.1
Spain	5.8	9.5
Italy	5.1	7.8
Netherlands	4.3	7.6
Sweden	3.8	4.3
Luxembourg	2.4	0.3
Norway	1.8	3.0
Belgium	1.8	1.6

Derivatives trading

A derivative is a contract whose value and method of payment and delivery are agreed by two or more parties, and whose value is based on that of an underlying asset. The underlying assets of a derivative include stocks, bonds, commodities and currencies, among others.

The UK is one of the world's leading derivatives centres. For example, Bank for International Settlements data indicate that the UK had a 50.2% share of trading in OTC interest-rate derivatives in 2019. The US is the only other major location for OTC interest-rate derivatives trading, with 32.2% of trading (Figure 14).³³

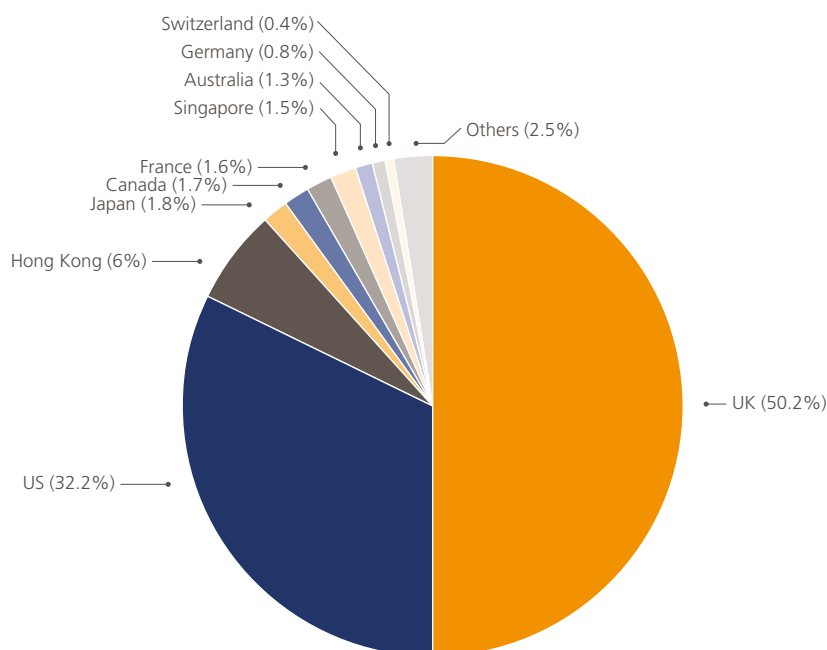
There are a number of derivatives exchanges operating in the UK. For example:

- NYSE Liffe, the leading exchange for trading in short-term euro interest rates contracts. Liffe is part of the Intercontinental Exchange group.
- London Metal Exchange, a major non-ferrous metals exchange.
- ICE Futures Europe, the largest regulated energy futures exchange in Europe, and the second largest in the world. ICE Futures Europe is part of the Intercontinental Exchange group.
- Several derivatives markets hosted by the London Stock Exchange Group, including, for example, for interest-rate futures.

³³ TheCityUK calculations based on Bank for International Settlements, 'OTC interest rate derivatives turnover, D12.2 by country, 1995-2019', (8 December 2019), available at: <https://www.bis.org/statistics/rpfx19.htm?m=6%7C381%7C677>

Figure 14: Location of OTC interest rate derivatives daily average turnover, % share, April 2019

Source: TheCityUK calculations based on Bank for International Settlements data



Commodities trading

The UK is home to a number of international commodity organisations such as the International Coffee Organization, the Grain and Feed Trade Association and International Sugar Organisation. As one of the world's leading international financial centres, London benefits from being the preferred location for many international firms trading in commodities as well as investment banks and other financial institutions that trade in commodities derivatives.

Bullion markets

A large proportion of trading in precious metals takes place on the OTC market in London. The average daily volume of gold cleared at the London Bullion Market Association in 2019 was 20.9m ounces (worth \$30.9bn, equivalent to £24.2bn). The average daily volume of silver cleared was 320.7m ounces (\$5.49bn, equivalent to £4.3bn). London is also a leading centre for energy brokers operating in energy and carbon markets.³⁴

³⁴ London Bullion Market Association, 'Clearing Statistics', (October 2020), available at: <http://www.lbma.org.uk/clearing-statistics>

THE UK'S ROLE IN SPECIALIST FINANCIAL SERVICES

Green finance

Green finance matches sources of funding to new capital and operating expenditures that generate measurable progress towards the achievement of a well-recognised environmental goal.³⁵ According to the latest Global Green Finance Index (the Global Green Finance Index 6) published by Z/Yen in October 2020, London was rated the world's number 3 green finance hub judged by a combination of depth and quality (ranked fourth in depth and third in quality). This put London behind Zurich and Amsterdam and ahead of Luxembourg, Copenhagen, Oslo and Stockholm.³⁶

The LSE's dedicated Sustainable Bond Market (SBM) replaced its Green Bond Segment in October 2019. The SBM includes green, sustainability and social bonds. There were 242 sustainable bonds listed on the LSE as of the second quarter of 2020, which have raised around \$64bn (equivalent to £50bn). The LSE launched the Sustainable Bond Market Advisory Group (SBMAG) in July 2020. The SBMAG is an advisory forum that encourages development of the LSE's Sustainable Bond Market.³⁷

There were also more than 120 green funds and Exchange Traded Funds (ETFs) listed on the LSE as of October 2019.³⁸ According to data from Morningstar, there are 20 green bond open-ended investment companies and unit trusts available in the UK; key players include Allianz, AXA, BNP Paribas, Credit Suisse, iShares, JSS and Mirova.³⁹

Islamic finance

The UK's profile as the leading Western centre for Islamic finance has continued to grow in recent years. Institutions in London and other UK cities have now been providing Islamic finance and related professional services for around 40 years. The Islamic Finance Country Index, published by Edbiz Consulting, ranks the Islamic banking and finance industry of countries globally. The latest (2019) Index ranks the UK 17th out of 48 countries. This puts the UK top in Europe, and first among non-Muslim-majority nations.⁴⁰

Islamic finance assets under management in the UK increased by 27% in 2019. In particular, the value of Islamic funds' assets rose by 41% in that year.⁴¹ TheCityUK estimates that assets of UK-based institutions that offer Islamic finance services totalled \$7.3bn (equivalent to £5.7bn) in 2019.⁴²

There are currently three fully Sharia compliant banks licensed in the UK. TheCityUK estimates that total Sharia-compliant banking assets in the UK were \$5.3bn (equivalent to £4.1bn) in 2019.⁴³ The LSE had issued 66 sukuk, raising \$50bn (equivalent to £39bn), as of October 2020. A total of three Sharia-compliant exchange-traded funds are listed on the LSE.⁴⁴

Several new Islamic finance platforms and institutions were launched in the UK in 2020.

35 TheCityUK and Imperial College Business School, 'Growing green finance', (September 2017), p.7, available at: <https://www.thecityuk.com/assets/2017/Reports-PDF/21ef6f5fef/Growing-Green-Finance.pdf>

36 Z/Yen, 'The Global Green Finance Index 6', (27 October 2020), available at: <https://www.longfinance.net/programmes/financial-centre-futures/global-green-finance-index/ggfi-publications/global-green-finance-index-6/>

37 London Stock Exchange Group, 'Debt capital markets update Q3 2020', (22 October 2020), p.13

38 London Stock Exchange Group, 'London leads the world's sustainable finance ecosystem', (October 2020), available at: <https://www2.lseg.com/sustainablefinance>

39 Morningstar, 'Fund Screener', (October 2020), available at: <https://www.morningstar.co.uk/uk/funds/default.aspx>

40 Edbiz Consulting and Cambridge Institute of Islamic Finance, 'Islamic Finance Country Index 2019', (October 2019), p.50-53, available at: <http://www.gifr.net/publications/gifr2019/ifci.pdf>

41 Salaam Gateway, 'State of the global Islamic economy 2020/21 report', (November 2020), p. 18, available at: <https://www.salaamgateway.com/specialcoverage/SGIE20-21>

42 TheCityUK estimates based on Islamic Financial Services Board, 'Islamic Financial Services Industry Stability Report 2020', (July 2020), p.12

43 Ibid.

44 London Stock Exchange, 'Islamic finance', (October 2020), available at: <https://www.lseg.com/sukuk>

For example, Niyah, an Islamic fintech banking app, was launched in January 2020. Rizq, a Sharia-compliant challenger bank, was established in March 2020. Options, a UK-based pension provider, together with Wahed Invest, a US-based Halal investment specialist, launched a Sharia-compliant pension in August 2020. Qardus, the first UK-based Islamic P2P crowdfunder, was launched in July 2020 for UK and European investors to finance SMEs. Kestrl and Minted, two new Sharia-compliant investment platforms, were launched in the UK in May and September 2020 respectively.⁴⁵

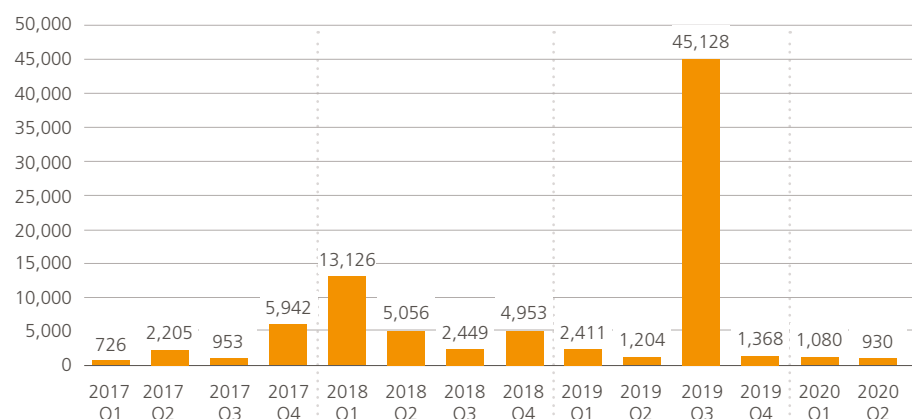
FinTech

FinTech represents the intersection of innovative technology and financial services. The companies in the FinTech sector are generally start-ups founded with the purpose of replacing and challenging traditional financial systems and corporations that are less reliant on software. London is the world's leading international financial hub and offers a wealth of talent and expertise. This, combined with a network of FinTech centres throughout the country, a strong venture capital base, tax breaks for start-ups and hubs such as Tech City, have helped boost the UK's global position as a global FinTech leader.

The UK FinTech market generated revenue worth £6.6bn⁴⁶ and employed 76,500 people as of the first half of 2020.⁴⁷ According to the UK FinTech Census report 2019 from EY, Innovate Finance and HM Treasury, the average amount of capital UK FinTech firms received from investors was £20.1m in 2019, up from £15m in 2017.⁴⁸ The UK attracts a significant amount of FinTech investment (Figure 15). Examples of Fintech firms receiving investment in the UK in the first half of 2020 include Revolut, Checkout.com, Starling Bank and Currency Cloud. Among these deals, Revolut, the largest deal in the UK, received \$500m, ranked as the eighth largest FinTech investment in the world in the first half of 2020.⁴⁹

Figure 15: Total FinTech investment activity (VC, PE and M&A) in the UK, deal value \$m

Source: KPMG



45 Salaam Gateway, 'State of the global Islamic economy 2020/21 report', (November 2020), p.61 & 67, available at: <https://www.salaamgateway.com/specialcoverage/SGIE20-21>

46 TheCityUK and Moscow Innovation Cluster, 'UK-Russia FinTech working group, insights and recommendations', (April 2020), p.4, available at: <https://www.thecityuk.com/assets/2020/Reports/25f21beb0a/UK-Russia-FinTech-Working-Group-insights-and-recommendations.pdf>

47 TheCityUK and PA Consulting, 'Enabling the UK's approach to innovation in financial services', (May 2020), p.10, available at: <https://www.thecityuk.com/assets/2020/Reports/2a57f69ecb/Enhancing-the-UKs-approach-to-innovation-in-financial-services.pdf>

48 EY, Innovate Finance and HM Treasury, 'UK FinTech Census 2019: A snapshot: two years on', (November 2019). p.11 & 15, available at: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/banking-and-capital-markets/uk-fintech-census-2019/ey-uk-fintech-census-2019.pdf

49 KPMG, 'Pulse of FinTech H1 2020', (September 2020), p.11 & 56, available at: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/09/pulse-of-fintech-h1-2020.pdf>

Maritime business services

The UK maritime business services sector provides services to the international shipping industry which, through the movement of cargoes, is vital in enabling the world economy to function. London is the world’s leading centre for the supply of a wide range of financial and related professional services to the international shipping industry including: banking, insurance, shipbroking, legal services, accounting services, ship classification, education and publishing.

Menon Economics, a consultancy, ranks London as the fifth leading maritime capital in the world by five measurements: shipping, finance and law, maritime technology, ports and logistics, and attractiveness and competitiveness (Figure 16). Notably, London holds the top spot in the ‘finance and law’ metric, a testament to its particular strength in financial and related professional services.⁵⁰

Figure 16: Leading maritime capitals of the world, 2019

Source: Menon Economics

	Overall rank	Shipping	Finance and law	Maritime technology	Ports and logistics	Attractiveness and competitiveness
1	Singapore	Singapore	London	Oslo	Singapore	Singapore
2	Hamburg	Athens	New York	London	Rotterdam	Copenhagen
3	Rotterdam	Hamburg	Oslo	Hamburg	Hong Kong	London
4	Hong Kong	Hong Kong	Hong Kong	Busan	Shanghai	Rotterdam
5	London	Shanghai	Singapore	Tokyo	Hamburg	Hamburg

Shipbrokers in the UK operate at the centre of the international shipping business, bringing together ship owners, charterers and other related parties. Shipbrokers are represented by the Baltic Exchange, the world’s only independent source of maritime market information for the trading and settlement of physical and derivatives contracts. Baltic members are also involved in the sale and purchase of over half the world’s new and second hand tonnage.

Infrastructure investment

The private sector plays a vital role in infrastructure investment. The majority of projects in energy, utilities and digital infrastructure, for example, have been financed privately. Nearly 50% of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest £150bn-£190bn in infrastructure in the UK in the next decade.⁵¹ More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

50 Menon Economics, ‘The Leading Maritime Capitals of the World 2019’, (10 April 2019), p.5, available at: <https://www.menon.no/leading-maritime-capitals-of-the-world-report-2019/?lang=en>

51 HM Treasury, ‘National Infrastructure Strategy’, (25 November 2020), available at: <https://www.gov.uk/government/publications/national-infrastructure-strategy>

The UK government published a new National Infrastructure Strategy in November 2020, which commits £27bn of funding to economic infrastructure investment in 2021/22. The strategy is also explicit about the need to encourage private investment in infrastructure by giving investors clarity about government policy. November 2020 therefore also saw the announcement of the establishment of a new UK infrastructure bank “to co-invest alongside the private sector in infrastructure projects”.⁵² The over-arching aims of the infrastructure investment supported by the new bank will be around post-pandemic economic recovery, reducing regional economic inequality, and meeting the UK’s goal of net-zero carbon emissions by 2050.

⁵² Ibid.

ROLE OF LONDON AND THE UK AS A GLOBAL PROVIDER OF PROFESSIONAL SERVICES

Legal services

The UK is renowned as the leading global centre for international legal services and dispute resolution, and a vital hub for legal training and education.

At £36.8bn, UK legal services revenue accounted for 5% of the global total in 2019. The UK remains the dominant legal market in Europe and ranks second only to the US globally. The UK allows virtually unrestricted market access for foreign law firms, and more than 200 foreign law firms from around 40 jurisdictions operate in the UK.

The popularity of English law helps drive the UK's commanding position in legal services. English law is the most widely-used legal system, covering 27% of the world's 320 legal jurisdictions. English law is by some distance the most widely-used foreign law in fast-growing Asian markets. Moreover, businesses across the globe choose to structure commercial contracts under English law so that they can benefit from the UK's outstanding reputation as the leading hub for international dispute resolution, whether for litigation, arbitration or mediation. Many of the world's most successful law firms are headquartered in London. Four of the 20 largest Global 100 law firms, based on number of lawyers in 2019/20, have their main base of operations in the UK. In terms of revenue, UK-based firms also held four of the top 20 places.

The largest international law firms in London have between 45% and 65% of their lawyers based outside the UK, and many other London-based firms have between 10% and 20% of lawyers overseas. There are more than 10,000 practicing solicitors from England and Wales located abroad, a figure which has risen 80% in the past decade.

Accounting services

The UK occupies a key position in the delivery of accounting services worldwide, with many of the largest global firms headquartered here. For example, all of the 'Big Four' accounting firms—Deloitte, EY, KPMG and PwC—have offices and businesses in the UK. Net exports from UK accounting services totalled £308m (equivalent to \$393m) in 2019.⁵³

Management consultancy

Management consulting has been one of the fastest growing industries in the UK in recent years. A key feature of management consultancy in the UK is the concentration of activity among a few large and medium-sized international firms at one end of the scale, and a large number of specialist smaller firms which have specific expertise or skills at the other end.

The UK is a significant exporter of management consulting services. According to the Office for National Statistics, which uses a wider sector definition than TheCityUK does, business management and management consulting net exports totalled £13.2bn (equivalent to \$16.8bn) in 2019.⁵⁴

⁵³ Office for National Statistics, '03 Trade in services, the Pink Book', (30 October 2020), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

⁵⁴ Ibid.

Financial services education and training

A range of UK-based organisations provides education and training in financial and related professional services internationally.

Universities and business schools have a key role in attracting foreign students to the UK. 485,645 non-UK students (or 20.7% of all higher-education students) were studying at the tertiary level in the UK in 2018/19, according to data from Universities UK International.⁵⁵

Specialised training services are offered by a variety of providers including exchanges, specialist training firms and industry associations. For example, the LSE offers its training and academy to support market participants.⁵⁶ UK Finance also runs its own training workshops on various topics, such as compliance, risk management and presentation skills for practitioners.⁵⁷

UK-based professional institutions play a key role in the development of accounting skills throughout the world. For example, according to data from the Financial Reporting Council, there are over 370,000 members in seven main accountancy bodies in the UK and the Republic of Ireland. These qualifications represent a global standard, as well as providing a training ground for the next generation of business leaders.⁵⁸

⁵⁵ Universities UK International, 'International facts and figures 2020', (8 October 2020), p.4, available at: <https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Documents/International/2020/International-Facts-and-Figures-2020.pdf>

⁵⁶ London Stock Exchange Group, 'Training with academy', (November 2020), available at: <https://www.lseg.com/markets-products-and-services/business-services/academy>

⁵⁷ UK Finance, 'Training', (November 2020), available at: <https://www.ukfinance.org.uk/training/>

⁵⁸ Financial Reporting Council, 'Key Facts and Trends in the Accountancy Profession', (October 2020), p.3, available at: <https://www.frc.org.uk/getattachment/0f7be411-fb89-4afc-8e8c-281529cf76fc/Key-Facts-and-Trends-2020.pdf>

OUR INTERNATIONAL PROGRAMME

TheCityUK works to maintain and improve UK international competitiveness by supporting market opportunities through an extensive programme of work on trade and investment policy.

We engage in international initiatives promoting open markets in financial and related professional services through a dialogue of confidence with regulators, governments and industry bodies in the UK and internationally. We contribute to our industry's input into the government's programme of agreements with the UK's trade partners, negotiations in the World Trade Organization, and other trade and investment policy initiatives. We are a leading contributor to global regulatory coherence initiatives.

Our international policy work is split into activity focussed on specific geographies alongside a thematic programme of work.

Thematic focus

Trade and investment policy: Through our Liberalisation of Trade in Services (LOTIS) Committee we work to reduce trade and investment barriers affecting the industry. We regularly engage with the most senior policymakers and regulators across the international community. TheCityUK's involvement in the B20, the Global Services Coalition, the European Services Forum and the WTO's and OECD's outreach programmes on liberalisation of trade in services are all examples of our working closely with intergovernmental organisations, overseas businesses and partner alliances to pursue the trade and investment agenda.

Regulatory coherence: Promotion of global regulatory coherence and cooperation between regulators is a key focus, in the interest of minimising frictions impeding open markets.

Islamic finance: Through our Islamic Finance Sectoral Advisory Group we provide thought leadership on the direction of policy and activity relating to members' interests in Islamic finance. Our workstream also encourages the use of Islamic financial structures for inward investment and project finance, and promotes the expertise of UK practitioners through our programme of international engagement.

Legal services: Our Legal Services Sectoral Advisory Group focuses on ensuring the continued competitiveness of the UK legal services sector and promoting the use of UK legal services and the value of English law to the wider ecosystem on the international stage.

Geographical work

We are undertaking major work on the scope and shape of trade and investment relations for the industry's international markets as the UK embarks on a new era as an independent trading nation. We run a range of market advisory groups which help drive this project. These groups focus on improving trade and investment policy, promoting regulatory coherence, highlighting public and private partnerships, identifying investment opportunities, and supporting a programme of international inbound and outbound visits of senior decision makers designed to further our policy objectives and build networks for our members. Specific activity is outlined below:

US: Our US Market Advisory Group (MAG) provides thought leadership and sets the strategic objectives for our US market activity. It drives key projects that have the potential to create new and lasting opportunities for developing bilateral dialogue and business. We set out detailed proposals on the bilateral trade and investment as well as the regulatory coherence agenda to achieve a more integrated transatlantic market in financial and related professional services. Our policy programme is supported by our proactive engagement with key stakeholders in both the UK and US and by our founding role in the British American Finance Alliance (BAFA) which brings together over 20 business representative organisations across both markets.

China: We work with policymakers in the UK and China to highlight the UK as a global centre for financial and related professional services, the best place to raise capital and a prime destination for inward investment. The China MAG also helps frame the strategic priorities for our industry with respect to the Chinese market and is run jointly with the China-Britain Business Council (CBBC) and the City of London Corporation. This group progresses practical initiatives to strengthen engagement with China under a number of thematic workstreams, and feeds into a collaborative private-public sector UK approach through the UK-China Economic and Financial Dialogue (EFD) between the Chancellor of the Exchequer and the Chinese Vice Premier. The China MAG works closely with the Chinese financial sector to provide business support for the EFD through the accompanying UK-China Financial Services Summit. Areas of focus include FinTech, sustainable finance, capital markets, the Belt and Road Initiative, pensions and insurance, supply chain finance and supporting the global post-Covid recovery.

India: We work to develop policy to enhance trade and investment ties between the UK and India. We run the UK secretariat for the India-UK Financial Partnership (IUKFP), which was launched by the Chancellor of the Exchequer and the Finance Minister of India in 2014. At the Ministers' request, we and our Indian partner, Kotak Mahindra Bank, have published policy papers with recommendations for action on a number of areas aligned to India's development priorities. These include development of the corporate bond market, pensions, infrastructure funding, insolvency practice, financial inclusion, reinsurance, corporate governance, green finance and internationalisation of the rupee. Recommendations from these papers have been well received by governments and regulators in both countries and a number have already been adopted.

The IUKFP received a renewed mandate from the Chancellor and the Finance Minister at the UK-India EFD in October 2020. Future papers will cover FinTech and data, recommendations to develop GIFT City into a global services hub, cross-border trade and investment, corporate bonds and new capital market instruments, and sustainable finance in the drive to COP26.

Japan: Our Japan MAG works with policymakers and businesses to influence policy and identify opportunities to deepen the trade and investment relationship between the UK and Japan. Over the past year we have been closely engaged on the UK-Japan Comprehensive Economic Partnership Agreement as negotiations progressed, providing the industry's views to the UK government on key areas of the trade agreement such as regulatory cooperation in financial services, data and digital trade, mobility and investment. The MAG supports the UK-Japan Financial Dialogue through the organisation of a business roundtable alongside the meeting and by providing industry feedback that helps inform the government-to-government discussions.

Switzerland: The work of our Switzerland MAG provides thought leadership on the direction of TheCityUK's policy and activity relating to the financial and related professional services industry, and on the direction in which the industry would like key areas of policy and activity to progress with regard to Switzerland. The three overarching priorities for the group are: an ambitious future UK-Swiss financial and related professional services relationship which will enhance bilateral business opportunities; deepening institutional, regulatory and supervisory cooperation; and closer coordination on multilateral engagement and global standards. Recently the Switzerland MAG has been working closely with the Swiss financial and related professional services industry to clearly outline industry's views on a blueprint for an ambitious future relationship based on a mutual recognition agreement. This agreement will show that it is possible to achieve genuinely fluid cross-border trade in financial services, while recognising and respecting that different jurisdictions can achieve the same outcomes in different ways.

Eurasia and Turkey: We work to develop policy to enhance trade and investment ties between the UK and growing markets in Eurasia. The Eurasia MAG supports the development of emerging regional and international financial centres in the region, notably in Kazakhstan, where we have worked closely with the new Astana International Financial Centre, and in Uzbekistan, where we have helped authorities develop ideas around the formation of an International Financial Centre in Tashkent. We continue to work with industry experts, governments and regulators in markets such as Kazakhstan, Russia, Turkey and Uzbekistan to help shape high quality regulation and standards and to promote regional and international cooperation and economic growth.

ASEAN: Our ASEAN MAG works to set the strategic priorities of UK-based financial and related professional services firms' engagement in the Southeast Asia region. The MAG has provided industry priorities to the UK government in its trade policy reviews with Indonesia and Thailand, and outlined key asks for an enhanced financial services partnership with Singapore. The group has developed policy around infrastructure financing, capital markets development, Islamic finance, and insurance and reinsurance in Southeast Asia. It has also previously supported the UK-Singapore Financial Dialogue by convening a business roundtable alongside the government-to-government discussions and has held a roundtable with Capital Markets Malaysia on sustainable investment in collaboration with the Islamic Finance Sector Advisory Group.

Non-priority markets: While the above reflect TheCityUK's priority markets, our international work continues to have global coverage. We retain dedicated resource to monitor and respond to industry priorities in regions such as Middle East and North Africa, Sub-Saharan Africa, Latin America and Australasia. Although these markets do not have market advisory groups, we have set up task-and-finish groups as and when necessary to address specific issues or government consultations on future relations with them. Recent examples include on Australia and New Zealand, where the Legal Services Group, in particular, led TheCityUK's input into the UK's positioning in the ongoing trade talks.

SOURCES OF INFORMATION

American Investment Council

Association of Foreign Banks

Bank for International Settlements

Bank of England

Barclay Hedge

British Private Equity & Venture Capital Association

Cambridge Institute of Islamic Finance

City of London Corporation

Edbiz Consulting

EY

Financial Reporting Council

FS Club

General Insurance Association of Japan

HM Treasury

Imperial College Business School

Infrastructure and Projects Authority

Innovate Finance

Insurance Europe

Insurance Information Institute

International Monetary Fund

International Underwriting Association of London

Invest Europe

Investment Association

Investment Company Institute

Ipsos

Islamic Financial Services Board

KPMG

Law Society of England and Wales

Life Insurance Association of Japan

Lloyd's

London Bullion Market Association

London Stock Exchange

Long Finance

Menon Economics

Morningstar

Moscow Innovation Cluster

Office for National Statistics

PA Consulting

People's Bank of China

PwC

Salaam Gateway

Swiss Re Institute

TheCityUK

UK Finance

UNCTAD

Universities UK International

Willis Towers Watson

World Federation of Exchanges

Z/Yen

TheCityUK Research:

For content enquiries, further information about our work or to comment on our programme/reports, please contact:

Anjalika Bardalai, Chief Economist and Head of Research

anjalika.bardalai@thecityuk.com

+44 (0)20 3696 0111

Mingjie Tang, CFA, Senior Executive, Economic Research

mingjie.tang@thecityuk.com

+44 (0)20 3696 0149

TheCityUK | THE FIRST 10 YEARS

TheCityUK, Fitzwilliam House, 10 St Mary Axe, London, EC3A 8BF

www.thecityuk.com

MEMBERSHIP

To find out more about TheCityUK and the benefits of membership visit

www.thecityuk.com or email us at membership@thecityuk.com

This report is based upon material in TheCityUK's possession or supplied to us from reputable sources, which we believe to be reliable. Whilst every effort has been made to ensure its accuracy, we cannot offer any guarantee that factual errors may not have occurred. Neither TheCityUK nor any officer or employee thereof accepts any liability or responsibility for any direct or indirect damage, consequential or other loss suffered by reason of inaccuracy or incorrectness. This publication is provided to you for information purposes and is not intended as an offer or solicitation for the purchase or sale of any financial instrument, or as the provision of financial advice. Copyright protection exists in this publication and it may not be produced or published in any other format by any person, for any purpose without the prior permission of the original data owner/publisher and/or TheCityUK.

© Copyright December 2020