Key facts
about the UK as an international financial centre 2022
About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We 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 12% of the UK's total economic output and employs over 2.2 million people, with two thirds of these jobs outside London. It is UK's largest net exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It is also the largest taxpayer, and 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.
Key facts about the UK as an international financial centre

The UK’s trade surplus in financial and related professional services is £81bn.

The UK has 38% of the global total of foreign-exchange turnover.

Over 342 active sustainable bonds were listed on the LSE from over 100 issuers in 2021, which have raised around £104bn.

Around twice as many US dollars are traded in the UK as in the US.

333 foreign companies were listed on the London Stock Exchange (LSE) as of September 2022.

The LSE had a 3% share of global equity market capitalisation as of Oct 2022.

The UK’s equity market capitalisation was 108.6% of its GDP at the end of 2021.

The UK private equity market is the most developed in the world outside the US. UK private equity funds invested £29.5bn, the largest amount in Europe, in 2021.

There were 1,600 FinTech companies in the UK and the UK FinTech sector registered record investment of £27.6bn as of 2021.

The UK-based Islamic banks’ assets represent 85% of total European Islamic banking assets (excluding Turkey); around £5.5bn in 2021.

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Foreword

January is traditionally a time to consider how the year ahead might unfold. Although our annual ‘Key facts about the UK as an international financial centre’ report makes no attempt to prognosticate, the timing of our research allows us to reflect on the implications of being at yet another watershed economic moment.

No sooner had the UK (and other countries) come through the worst of the economic disruption wrought by the Covid-19 pandemic than a new economic shock was triggered by the conflict in Ukraine, severe dislocation in global energy markets, and an intensification of inflationary pressures. 2023 will see the UK suffer a “significant [economic] slowdown” (as the IMF described it in its latest World Economic Outlook). The global economy appears to be entering an entirely new phase, with the ongoing normalisation of monetary policy after more than a decade of near-zero interest rates and shifts in global value chains, among other factors, creating macro conditions completely unlike those experienced in recent memory. The financial and related professional services industry will need to rise to the challenge of operating in this fundamentally changed world.

Fortunately, the UK-based industry has proven itself to be both resilient and adaptable. It also remains a key source of UK competitiveness internationally. The financial services trade surplus totalled £87.2bn (equivalent to £63.7bn) in 2021, keeping the UK in pole position among net exporters of such services. Among large economies, the UK has one of the highest equity market capitalisations relative to GDP (108%). It has a globally leading FinTech sector, and plays a critical role in a number of specialist areas of financial services such as green finance and Islamic finance. Moreover, the UK retains the leading share of trading in many international financial markets, such as foreign exchange trading and cross-border bank lending. Although this strong position cannot be taken for granted, these industry strengths, complemented by the strengths of the related professional services of legal, accounting and management consulting, will help the UK weather the coming economic storm. Our latest economic research quantifies some of these strengths, allowing market participants and policymakers to better appreciate the scale of the UK’s advantage as well as identify the UK’s main competitors in various market segments.

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 to highlight a number of measures and markets that demonstrate the UK’s role as an international financial centre.
- TheCityUK estimates the UK’s trade surplus in financial and related professional services to be $110.9bn (£81bn). The magnitude of exports relative to imports indicates that the industry is highly competitive globally.
- The UK maintains a globally leading share of a number of financial markets; for example, it had 15% of the global total of cross-border bank lending in the second quarter of 2022. London is a centre for foreign banks, with around 180 foreign banks or branches in the city.
- Around twice as many US dollars are traded on the foreign exchange market in the UK than in the US. Overall, the UK has 38.1% 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.
- London’s importance as a centre for global equity trading is illustrated by the 333 foreign companies listed on the London Stock Exchange (LSE) as of September 2022 – more than on Euronext, but less than on the Nasdaq and New York Stock Exchange.
- The UK has one of the highest equity market capitalisations in relation to GDP among the largest countries –108.6% at the end of 2021. The LSE had a had a 3.0% share of global equity market capitalisation as of October 2022 (compared with 3.1% as of October 2021).
- London is the world’s second-largest centre for hedge fund management, after New York. The UK had around £350bn ($480bn) in assets under management (around 10% of global assets) in the hedge fund sector in 2021.
- The UK private equity market is the most developed in the world outside the US. UK private equity funds invested $37.8bn (equivalent to £29.5bn), the largest amount in Europe, in 2021.
- 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 is considered to have the second-best FinTech ecosystem globally, after San Francisco, and as one of the sector leaders, it offers a wealth of talent and expertise. As of 2021, there were 1,600 FinTech companies in the UK, and this number is projected to double by 2030. The UK FinTech sector registered record investment of £27.6bn (equivalent to $38bn) in 2021, seven times more than in 2020.
- The UK is the largest legal services market in Europe and is second only to the US globally. It accounts for a third of Western European legal services fee revenue and around 5% of global legal services fee revenue.
- A range of UK-based organisations provides education and training in financial and related professional services internationally. Three UK universities are part of the global top 10 higher-level institutions specialised in Accounting and Finance courses.
The 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 a strategic national asset for the UK. The UK’s financial and related professional services industry employs 2.2m people across the country, two thirds outside London; generates large tax revenues; and contributes to a major trade surplus in services. It has also secured striking levels of inward investment to the UK, helping to fund businesses across the country, and positioned the UK as a key hub for strategic, forward-looking industries like technology and life sciences.

The leading net exporter of financial services across the world

The UK’s financial services trade surplus totalled $87.2bn (equivalent to £63.7bn) in 2021—slightly higher than that of the US ($85.6bn)1; 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, the industry total figure climbs to around $110.9bn (equivalent to £81bn).2

Figure 1: Largest global net exporters of financial services, $bn, 2021
Source: TheCityUK calculations based on UNCTAD data

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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).

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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 language, rule of law and culture are important components of a competitive offering, they do not 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.

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

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>US</th>
<th>Canada</th>
<th>France</th>
<th>Germany</th>
<th>Switzerland</th>
<th>Singapore</th>
<th>Japan</th>
<th>China</th>
<th>Hong Kong</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-border bank lending (Q2 2022)</td>
<td>15.0%</td>
<td>9.3%</td>
<td>3.4%</td>
<td>11.8%</td>
<td>9.3%</td>
<td>2.5%</td>
<td>2.3%</td>
<td>11.6%</td>
<td>4.3%</td>
<td>4.9%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Foreign exchange turnover (Apr 2022)</td>
<td>38.1%</td>
<td>19.4%</td>
<td>1.7%</td>
<td>2.2%</td>
<td>1.9%</td>
<td>3.6%</td>
<td>9.4%</td>
<td>4.4%</td>
<td>1.6%</td>
<td>7.0%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Interest rates OTC derivatives turnover (Apr 2022)</td>
<td>45.5%</td>
<td>29.3%</td>
<td>1.2%</td>
<td>3.5%</td>
<td>4.7%</td>
<td>0.3%</td>
<td>2.7%</td>
<td>0.9%</td>
<td>0.2%</td>
<td>5.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Insurance premiums (end-2021)</td>
<td>5.8%</td>
<td>39.6%</td>
<td>2.4%</td>
<td>4.3%</td>
<td>4.0%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>5.9%</td>
<td>10.1%</td>
<td>1.1%</td>
<td>25.4%</td>
</tr>
<tr>
<td>International debt securities outstanding (Q1 2022)</td>
<td>12.0%</td>
<td>8.7%</td>
<td>4.0%</td>
<td>5.1%</td>
<td>4.8%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>1.9%</td>
<td>0.9%</td>
<td>1.3%</td>
<td>60.1%</td>
</tr>
</tbody>
</table>

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

Source: TheCityUK calculations based on International Monetary Fund data

One of the top-ranked 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 Index, a widely accepted source for ranking financial centres globally, London currently ranks second as an international financial services centre, after New York. Similarly, the UK ranks second, after the US, in the Global Financial Centres Index published by New Financial. London’s role as a hub is based in large part on the co-location of banking, insurance, fund management, securities, derivatives, foreign exchange expertise, and skilled labour, along with its developed market infrastructure and clusters of related professional services (legal, accounting and management consulting) excellence.

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 Hong Kong, Shanghai, Singapore and Tokyo have evolved into well-developed global and regional hubs with deep and broad markets.

Additionally, there are a few relatively broad but smaller international markets such as Frankfurt, Seoul and Washington DC, as well as a number of global specialist markets, such as Dublin and Luxembourg. A well-targeted specialist or regional offer can bring success for emerging international financial centres as they seek to develop niches or provide a particular set of products.

Banking indicators of the UK’s strong international position include:

**Size of the industry:** UK banking sector assets totalled $12.4tn (£9.8tn) at the end of the third quarter of 2022, the fifth largest in the world and the second largest in Europe, just behind France ($12.6tn), and ahead of Germany ($11.8tn) and Italy ($4.3tn); for more information, see Figure 6. Around 46% of UK banks’ assets are denominated in sterling; the remainder are foreign currency based.

**Figure 6:** Largest banking centres’ assets, $bn, Q3 2022

<table>
<thead>
<tr>
<th>Banking centre</th>
<th>Largest banking centres’ assets, $bn, Q3 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>China*</td>
<td>61,705</td>
</tr>
<tr>
<td>US</td>
<td>22,746</td>
</tr>
<tr>
<td>Japan*</td>
<td>12,405</td>
</tr>
<tr>
<td>France</td>
<td>12,642</td>
</tr>
<tr>
<td>UK</td>
<td>12,392</td>
</tr>
<tr>
<td>Germany</td>
<td>11,772</td>
</tr>
<tr>
<td>Italy</td>
<td>4,315</td>
</tr>
</tbody>
</table>

* Measured as of Q2 2022

The CityUK estimates based on Association of Foreign Banks data, (October 2022), available at: http://www.foreignbanks.org.uk/
Key facts about the UK as an international financial centre 2022

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 the latest available data from the Bank for International Settlements (BIS), the UK accounted for 38% of global foreign exchange trading in April 2022, well ahead of the US (19%), Singapore (9%), Hong Kong (7%) and Japan (4%); for more information see Figure 8. The bulk of the UK’s daily turnover averaging $3.8trn (equivalent to £2.9trn) in April 2022 was transacted in London. Around twice as many US dollars are traded on the foreign exchange market in the UK than in the US.13 London is also a global leader in offshore renminbi trading, and remains the biggest renminbi foreign exchange centre and the second largest payments centre outside of Greater China. London accounted for 39.4% of total offshore renminbi transactions in June 2022, up 2.6% from June 2021.14

Insurance

The UK insurance industry is the largest in Europe and fourth largest in the world, with around $399bn (equivalent to £291bn) in premiums in 2021 (Figure 9).15 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 around $3.9trn (equivalent to £2.8trn) in assets under management in 2021.15
- In 2020 (latest available data) the UK was also the third largest source of insurance funds in Europe, with $2trn (equivalent to £1.6trn) in assets under management; France had $2.9trn (equivalent to £2.3trn) and Germany had $2.3trn (equivalent to £1.8trn).

Figure 7: International bank lending and borrowing, % share, Q2 2022
Source: TheCityUK calculations based on Bank for International Settlements data

<table>
<thead>
<tr>
<th>Country</th>
<th>Lending</th>
<th>Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>France</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Japan</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Germany</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>United States</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>China</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td>Switzerland</td>
<td>3%</td>
<td>3%</td>
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<tr>
<td>Singapore</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Spain</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Italy</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Australia</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Others</td>
<td>15%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Figure 8: Foreign exchange trading, % share, April 2022
Source: TheCityUK calculations based on Bank for International Settlements data

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 average annual premium growth of 5.5% over 2011-21, reaching around £35.7bn (equivalent to $49bn) in 2021 (Figure 10).


Figure 9: Largest insurance markets, $bn, 2021
Source: Swiss Re Institute 2021

Figure 10: London company market’s premium, £bn
Source: International Underwriting Association of London

The London Market is a separate part of the UK insurance and reinsurance sector based in central London. The London Market consists mostly of general insurance and reinsurance and predominantly involves high exposure risks. According to the latest data provided by this market-wide body, London remains the largest insurance and reinsurance hub globally, accounting for $84bn (equivalent to £61.3bn) of global gross written premiums in 2020—equivalent to 7.6% of total global gross written premiums. The London market comprised 24% of the City’s GDP, contributing £39bn (equivalent to $53.4bn) to the UK economy in 2020.18 In addition, London is the global centre for complex risks, with a 42% market share of specialty risk classes. In 2020, 68% of the London Market’s business came from companies outside the UK and Ireland, based on gross premiums by insured location.20 Moreover, the UK’s commercial insurance and reinsurance markets lead the world in providing specialty commercial insurance, taking on the most difficult and sophisticated risks.21


**'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 £39.2bn (equivalent to $53.7bn) in 2021. Average annual growth of Lloyd’s gross premiums has been 4% over the past five years.22
### Equity and bond markets

#### Equity markets

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

- The 333 foreign companies listed on the LSE as of September 2022, behind Nasdaq-US (877), Vienna Stock Exchange (795) and the New York Stock Exchange (591), but ahead of the Singapore Exchange (227), Euronext (255) and Hong Kong Exchanges and Clearing (182). For more information see Figure 11.
- During 2022, 45 companies raised capital through new issues and IPOs equivalent to £1.6bn (equivalent to $2bn).
- Its 3.0% share of global equity market capitalisation as of October 2022 (although this was down from 3.1% as of October 2021).
- The UK having one of the highest equity market capitalisation in relation to GDP of the largest countries – 108.6% at the end of 2021.
- The Alternative Investment Market (AIM), a sub-market of the LSE, supports smaller growth firms to raise capital through the equity market. Since 1995, over 3,900 companies have been listed on the AIM. These companies are from 79 countries, raising £130bn since then. In 2021, AIM delivered over half (53%) of European growth market funding.

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#### 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 the first quarter of 2022, totalling around $3.3trn (equivalent to £2.5trn), equivalent to 12% of the global total. Eurobonds accounted for 45.5% of this.

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29 BIS, ‘C1: Summary of debt securities outstanding’, (24 August 2020), available at: https://www.bis.org/statistics/c1stat.xls?m=6%7C33%7C615
Pension fund assets: UK pension assets accounted for 6.8% of global pension assets in 2021, which was well ahead of other European countries. At 124.1%, the UK’s pension assets-to-GDP ratio was among the highest in the world in that year.32

Mutual funds: in the second quarter of 2022, $1.8tn (£2.3tn) were managed by UK mutual funds,33 one of the highest amounts globally, and the fifth highest in Europe after Luxembourg, Ireland, Germany and France.

Insurance funds: in 2020 (latest available data), the UK insurance industry had the third largest funds under management after the US and Japan.

Hedge funds
London is the world’s second-largest centre for hedge fund management, after New York. The UK had around £350bn ($480bn)34 in assets under management (around 10% of global assets) in the hedge fund sector in 2021. 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, the world leader, whose private equity sector invested $1.2trn (equivalent to around £903bn) in 2021.35 UK private equity funds invested £37.8bn (equivalent to £29.5bn), the largest amount in Europe, in 2021. The UK private equity industry invested £141bn (equivalent to £102.9bn) in 6,461 firms worldwide between 2018 and 2021. The UK private equity industry invested in 1,876 firms in 2021 alone.36

Target companies based in the UK received £33.3bn in that year (Figure 13).37 London is the largest European centre for the management of private equity investments and funds.

Hedge funds

| US | 35,011 | 7,932 | 28,457 |
| Japan | 3,683 | 4,023 | 1,944 |
| UK | 3,858 | 3,069 | 1,832 |
| France | 154 | 977 | 2,128 |
| Canada* | 3,420 | - | 1,633 |
| Others | 10,449 | 19,099 | 23,917 |
| Total | 56,575 | 35,100 | 58,911 |

*Total insurance assets 2020 is not available for Canada.

35 TheCityUK calculations based on Barclays Hedge data, ‘Hedge fund industry assets under management’, (October 2022), available at: https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-industry-assets-under-management/

39 TheCityUK calculations based on Invest Europe data.
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, the latest data available from the Bank for International Settlements indicate that the UK had a 45.5% share of trading in OTC interest-rate derivatives in April 2022. The US is the only other major location for OTC interest-rate derivatives trading, with 29.3% of trading (Figure 14).^39

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.


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 2021 was 17m ounces (worth £30.6bn, equivalent to £22.3bn). The average daily volume of silver cleared was 233m ounces (£5.9bn, equivalent to £4.3bn). London is also a leading centre for energy brokers operating in energy and carbon markets.40

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. According to TheCityUK’s analysis based on data from Refinitiv, UK issuance of green bonds—by far the largest segment of green finance—grew from $1.1bn (equivalent to £0.7bn) in 2012 to $37.4bn (equivalent to £27.3bn) in 2021. Over the past decade, the inaugural green gilt issues in 2021 accounted for one-third of the UK’s total green bond issuance. Globally, green equity is much less well-developed than green debt, but over 2012-21, 28 UK investors invested in the green private equity market in 20 UK companies and 8 foreign companies.

International comparisons of green financial market activity generally reflect the level of overall financial market activity. For example, the US and China—the world’s two largest economies and both with extremely large financial markets—dominate green finance markets by virtue of the sheer scale of their financing offerings. Global markets shares of green finance segments may or may not, therefore, tell us anything about countries’ green finance offerings specifically. However, on this measure the UK accounted for 5% of global green bond issuance over 2012-21 cumulatively (Figure 15). It also represented 1.2% of global green private equity investment by investee country, and 2.2% of global green private investment by investor country.42

Figure 15: Green bond issuance by country, % of global total, 2012-21
Source: TheCityUK analysis based on data from Refinitiv Workspace

The LSE’s dedicated Sustainable Bond Market (SBM) replaced its Green Bond Segment in October 2019. It is the first major exchange to launch a dedicated segment for green bonds. The SBM includes green, sustainability and social bonds. There were more than 342 active sustainable bonds listed on the LSE from over 100 issuers in 2021, which have raised around £104bn (equivalent to $142.5bn). 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.43

According to the London Stock Exchange (LSE), London is a global hub for ‘green funds’—investment funds that provide exposure to technologies and projects across wind, solar, energy storage and efficiency, and other renewable infrastructure assets. Green investment funds represent nearly one-third of the total of the Green Economy Mark cohort and are the biggest constituent sector. Their market capitalisation has grown by 76% over 2019-21. Likewise, there are almost 300 Environmental, Social and Governance (ESG) exchange-traded funds (ETFs) listed on the LSE.44

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. Moreover, the UK is a Western leader in supporting infrastructure and environment for Islamic finance. Services in the UK are offered by financial intermediaries, asset managers, insurance providers and international law, accountancy, and consultancy firms.

In 2021, UK-based Islamic banks’ assets were $7.5bn (equivalent to £5.5bn). The UK made up just 0.3% of global Islamic banking assets, but it stands out as comprising 85% of total European Islamic banking assets, with the most Islamic banking assets of any single European country (excluding Turkey). In addition, there have been a handful of UK sukuk listings – a £500m (equivalent to $648.9m) sovereign sukuk in 2021, and two vaccine-focused sukuk by the International Finance Facility for Immunisation.45 The LSE has become a global hub for sukuk listings. As of September 2022, 68 sukuk were listed on the LSE, with over $50bn (equivalent to £36.5bn) raised.

As one of the largest insurance markets in the world, and the leading global centre for wholesale insurance and reinsurance, the UK also has the potential to support the growth of takful.46 The Islamic Insurance Association of London was launched in 2015 with the objective creating a representative international body to ensure that the insurance industry plays a full role in the development of the Islamic finance industry and its regulation, promoting the provision and capacity for Shariah-compliant insurance.

45 Sukuk: financial certificate that complies with Shariah, representing an ownership interest in assets generating a cash flow – similar to a bond in Western finance.
46 Takful: a type of insurance system that complies with Shariah, in which money is pooled and invested.
Furthermore, the UK is one of the largest markets in the world for fund management. This has been one of the key reasons why many Islamic finance institutions have chosen the UK as their base of operations and are searching for market prospects. The total AuM of UK-based Islamic funds was $19.6bn (equivalent to £14.3bn) in 2021, corresponding to 37 active funds. 47

The UK was ranked fifth in the 2021 Global Islamic Finance FinTech (GIFT) index, with a score of 50. It is the first Western country to have created an ecosystem supportive of Islamic FinTech. By the end of 2021 there were 68 Islamic FinTechs in Europe, and 45 of these were headquartered in the UK. For more information see Figure 16. 48

Figure 16: Top 10 countries by GIFT Index scores, 2021
Source: Global Islamic FinTech Report 2022

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 considered to have the second-best FinTech ecosystem globally, after San Francisco 49, and as one of the sector leaders, it offers a wealth of talent and expertise; around 76,500 people are employed in this sector. This, combined with a network of FinTech centres throughout the rest of 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.

As of 2021, there were 1,600 FinTech companies in the UK, and this number is projected to double by 2030. 50 According to KPMG, the UK FinTech sector registered record investment of £2.7bn (equivalent to $38bn) in 2021, seven times more than in 2020. 51 In 2021 the UK produced 12 new FinTech unicorns 52, becoming the second-ranked country, after the US, in the creation of this kind of company. 53 The UK attracts a significant amount of FinTech investment (Figure 17) 54, 55, indeed, the UK is the centre of European FinTech investment, with UK FinTechs attracting more funding than their counterparts across Europe, the Middle East, and Africa (EMEA).

Figure 17: Total FinTech investment activity in the UK, deal value, $bn
Source: TheCityUK calculations based on KPMG data

52 Unicorns: Start-ups valued at $1bn or more.
In 2021, five out of the ten largest fintech deals in the EMEA region were completed in the UK, including J.P. Morgan’s acquisition of Nutmeg for £731m (equivalent to $1,001m) and Visa’s acquisition of CurrencyCloud for £688m (equivalent to $942m). In 2021, 601 M&A, private equity and venture capital fintech deals were finalised in the UK, up 27% from 470 in 2020.\textsuperscript{56} Approximately 31 deals in the UK were identified as ‘mega’ deals (deals over £100m), of which the majority were over £200m (equivalent to £146m).\textsuperscript{57} The three largest were Revolut’s £571m (equivalent to €421m) funding round, Monzo’s £374m (equivalent to £273m) and checkout.com’s £333m round (equivalent to 243m); in 2020, only nine mega deals were registered.\textsuperscript{58}

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.

The latest available research from Menon Economics, a consultancy, ranks London as the third leading maritime capital in the world by five measurements: shipping, finance and law, maritime technology, ports and logistics, and attractiveness and competitiveness (Figure 18). Notably, London is second ranked in the ‘finance and law’ and ‘attractiveness and competitiveness’ metrics, a testament to its particular strength in financial and related professional services.\textsuperscript{59}

**Figure 18:** Leading maritime capitals of the world, 2022

Source: Menon Economics

<table>
<thead>
<tr>
<th>Overall rank</th>
<th>Shipping</th>
<th>Finance and law</th>
<th>Maritime technology</th>
<th>Ports and logistics</th>
<th>Attractiveness and competitiveness</th>
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\textsuperscript{56} Ibid.


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 UK government published a National Infrastructure Strategy in 2020, where it set out its goal to deliver an infrastructure revolution to put the UK on the path to the net zero carbon emissions by 2025, and to encourage private investment in UK infrastructure by increasing policy certainty and stability.\textsuperscript{60} (The investment targets set out in the Strategy were reaffirmed in the Autumn Statement of November 2022.) Additionally, the UK Infrastructure Bank was established in June 2021 with the objective of providing finance to the private sector and local government for infrastructure projects. The Bank had invested in eight deals worth around £760m, and mobilised over £4.5bn of private capital, as of August 2022.\textsuperscript{61}

However, the Bank alone cannot finance the whole of UK infrastructure investment; its £12bn in capital and £10bn guarantees only makes up a small proportion of the overall financing required. The private sector has played, and will continue to play, a vital role. 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.\textsuperscript{62} 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.
The role of London and the UK as a global provider of professional services

Legal services

The UK is the largest legal services market in Europe and is second only to the US globally. It accounts for a third of Western European legal services fee revenue and around 5% of global legal services fee revenue ($713bn in 2021, equivalent to £520.5bn). The UK is home to a wide range of international law firms with more than 200 foreign law firms from around 40 jurisdictions now operating in the country and all of the world’s top 40 law firms having an office in London. Five of the 20 largest law firms, based on number of lawyers in 2020/21, have their main base of operations in the UK, and five of the top 20 revenue generating law firms are based in the UK. The largest international law firms in London have between 45% and 65% of their lawyers abroad, and many other London-based firms have between 10% and 20% of lawyers overseas.63 Net exports of UK legal services stood at £5.4bn (equivalent to $7.4bn) in 2021.64

The UK’s position in legal services is helped by the international prestige of English common law, which forms the basis of the legal systems for some 27% of the world’s 320 jurisdictions (American common law is by contrast used by around 20% of the world’s jurisdictions). Meanwhile, the UK’s reputation as the leading centre for international dispute resolution is a strong driver for commercial parties to frequently opt for their contracts to be governed by English law.

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 £1.6bn (equivalent to $2.2bn) in 2021.65

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 £20.6bn (equivalent to $28.2bn) in 2021.66

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. Indeed, in 2020/21 there were 605,130 non-UK students in UK universities, representing, 22% of the total student population in 2020/21, according to the latest data available from Universities UK International.67 In relation to the QS ranking 202268, three UK universities are part of the global top 10 higher-level institutions specialised in Accounting and Finance courses, and seven UK universities lead the top 10 higher-level institutions with a great reputation in Accounting and Finance courses in Europe.69

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.70 UK Finance also runs its own training workshops on various topics, such as compliance, risk management and presentation skills for practitioners.71 A number of sustainable finance-related initiatives have also been launched in recent years. The Green Finance Institute runs a Green Finance Education Charter that aims to equip finance professionals with the knowledge, skills and attitudes needed to accurately assess climate-related risk and opportunities; it also aims to help incorporate sustainable finance principles and practices in the financial and professional services sector.72 The Chartered Banker Institute also offers a certificate in Green and Sustainable Finance that aims to increase the learner’s knowledge of climate change and its impact, climate risk, the evolution of green products and services in different sectors, and the role of the financial sector in supporting the transition to a low-carbon world.73

The Financial Services Skills Commission is the independent, non-partisan, member led body, representing the UK financial services sector on skills. Representing 32 firms, employing over 300,000 people in 2020/21, the Commission works with members to increase and diversify the supply of skills in the sector.74

65 Ibid.
66 Ibid.
68 The QS World University Rankings by Subject are based upon academic reputation, employer reputation and research impact.
72 Green Finance Institute, ‘Green Finance Education Charter’, available at: https://www.greenfinanceinstitute.co.uk/green-finance-education-charter/
74 Financial Services Skills Commission, available at: https://financialservicesskills.org/about-us/
Meanwhile, 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 390,000 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.75


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### Our international programme

TheCityUK’s international strategy seeks to deliver on the objective of making the UK the world’s leading international financial centre (IFC) within five years of its launch in 2021. Achieving this objective will require industry, government and regulators in the UK to work together to strengthen the UK’s international competitiveness and seek to:

**Make the UK’s IFC more open and competitive by:**
- Strengthening capital markets by adopting the recommendations of Lord Hill’s review
- Boosting inward investment by amending the tax regime and clarifying investment screening rules
- Attracting global talent through streamlining visa processes
- Adopting a dynamic, agile approach to regulation

**Grow the UK’s share of key global financial and related professional services opportunities by:**
- Liberalising trade with developed and emerging markets
- Concluding regulatory agreements that support services trade
- Securing recognition overseas for UK qualifications and improving labour mobility

**Build new global markets around future demand, so making the UK:**
- A global hub for financial and professional services data and technology
- A world-leader in global sustainability finance markets
- The leading gateway for international investment
- A global centre for risk management and risk advisory services

The strategy sets out several policy recommendations that can help the UK become the world’s leading international financial centre, and TheCityUK is monitoring industry’s success in delivering on those objectives via a tracker and set of metrics. Strategy delivery will involve progress across all areas of the industry’s international engagement, which covers the following:

**Multilateral trade and investment policy:** Through our Liberalisation of Trade in Services (LOTIS) Expert Advisory Group we work to reduce global trade and investment barriers and strengthen the rules-based global trading system. TheCityUK works with a range of intergovernmental organisations, overseas businesses and partner alliances, including at bodies such as the WTO and OECD, to shape more integrated global services markets.
Bilateral trade and investment policy: Through our country and region-specific Market Advisory Groups (MAGs) and the India-UK Financial Partnership (IUkFP), we build financial and related professional services ties between the UK and its key trading partners in the developed and developing world. Our groups provide a platform for industry to advocate for policies that will boost trade and investment with the US, Europe, Japan, China, India, ASEAN, Eurasia, Middle East and Africa. They also provide a forum for the UK-based industry to deepen co-operation with its key international business partners, including on key future looking issues such as sustainable finance and digital governance. We also work closely with HM Treasury to foster closer regulatory cooperation with key counterparts, including serving as industry partners in key bilateral milestones such as the Economic and Financial Dialogues with China and India, as well as the Financial Dialogues with Japan and Singapore.

Regulatory coherence: Some of the biggest trade barriers affecting financial and related professional services businesses are regulatory in nature. All of TheCityUK’s international workstreams seek to foster more global regulatory coherence, including, for example, through seeking more financial services deference agreements, greater scope for the mutual recognition of professional qualifications, and more globally consistent rules around green finance disclosure standards. TheCityUK is currently conducting policy work to explore how the UK might deepen international regulatory coherence via a more extensive use of bilateral regulatory agreements structured around regulatory deference.

Sector specific advocacy: Through our Sector Advisory Groups – including our Legal Services Group and our Islamic Finance Group, we focus on ensuring the continued international competitiveness of the UK’s offering in these sectors and promoting UK expertise.

Sources of information

Association of Foreign Banks
Bank for International Settlements
Bank of England
Barclay Hedge
British Private Equity & Venture Capital Association
Cambridge Institute of Islamic Finance
Chartered Banker Institute
Centre for Finance, Technology and Entrepreneurship
City of London Corporation
Edbiz Consulting
Financial Reporting Council
Financial Services Skills Commissions
Green Finance Institute
HM Treasury
Imperial College Business School
Innovate Finance
Institution of Civil Engineers
Insurance Europe
International Monetary Fund
International Underwriting Association of London
Invest Europe
Investment Association
Investment Company Institute

KPMG
Lloyd’s of London
London Bullion Market Association
London Market Group
London Stock Exchange
Menon Economics
National Infrastructure Commission
New Financial
Office for National Statistics
PitchBook
PwC
QS Top Universities
Securities Industry and Financial Markets Association
Swiss Re Institute
TheCityUK
UK Finance
UNCTAD
Universities UK International
US International Trade Administration
Willis Towers Watson
World Federation of Exchanges
Z/Yen