

No time to lose:

Reasserting UK leadership in financial and related professional services





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 and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes over 11% of the UK's total economic output and employs almost 2.5 million people – with two thirds of these jobs outside London across the country's regions and nations. It is a major contributor to the government tax revenue and the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. 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 manage risk.

About PwC

PwC UK's financial services practice is home to over 5,000 experts who work across our 19 offices with clients in the banking, insurance, asset and wealth management, and real estate sectors. We help Financial Services organisations build trust and turn complexity into competitive advantage. In a sector shaped by rapid technological disruption and regulatory change, we support our clients to drive sustainable growth. With our market-leading scale and reach, we build lasting relationships with clients, supporting them wherever they do business and wherever they seek to grow next.

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About this report

This report is based on insights drawn from interviews and engagement with over 300 senior leaders, including interviews with over 70 Board members and executives. Views, suggestions and ideas were drawn from across the UK’s financial and related professional services industry, functional experts, academics, regulators, government, technology leaders, disruptors, and think tanks. These perspectives have been combined with PwC’s economic modelling and international benchmarking. Together, these create an authoritative assessment of the industry’s challenges and the actions required to secure its future growth and the UK’s continued success as a world-leading international financial centre.

Foreword

The UK's financial and related professional services industry is a strategic national asset. It powers the economy, underpins everyday life for millions of people, and plays a vital role in national security and resilience.

However, with geopolitical volatility, protectionism and global regulatory fragmentation on the rise, alongside seismic technological change and intensifying competition driven by innovation in other financial centres, the industry is at a critical juncture. The difficult truth is that overall industry growth has stalled over the last decade, with industry Gross Value Added (GVA) not keeping pace with growth in the wider economy. While recent progress on the UK's policy and regulatory reform agenda is welcome, the pace, ambition and execution of reform do not yet match the scale or pace of the global competitive challenge. Incremental change will not be sufficient to secure leadership in the decades to come.

In my role, I have been delighted to play my part in one of the most extensive consultations ever undertaken with the financial and related professional services industry and its key stakeholders. The message has been clear: we need more ambition, more pace and decisive, coordinated leadership. Without this, the UK risks steady erosion of its global edge.

However, the upside is considerable if the UK seizes this moment and delivers at pace on the key imperatives outlined in this report – in particular the opportunity to take the global lead in establishing digital wholesale markets of the future where tokenised assets become the default way in which securities and other assets are traded. PwC's

economic modelling suggests that the industry could generate up to £53bn in additional economic output by 2035. This is equivalent to a 1.6% uplift in national GVA beyond the base case, alongside corresponding gains in tax revenues and exports.

“The message has been clear: we need more ambition, more pace and decisive, coordinated leadership”

This uplift would also translate into more jobs across the country, stronger household wealth and financial resilience, better access to capital for small businesses, and faster growth in the sectors that depend on a competitive financial system.

Success depends on clarity, confidence and credibility in delivery. The UK must be clearer – and prouder – about what its financial and related professional services industry delivers: its global reach, its deep expertise, and its ability to drive growth and finance the everyday economy. Despite recent headwinds and subdued growth, the UK remains a place where world-class talent, ideas and capital converge. Reasserting that story at home and abroad will attract investment, inspire the next generation and shape global standards.

The UK cannot afford to be complacent. History shows that globally leading positions, once lost, are difficult to recover. We can act now to ensure this doesn't happen in financial and related professional services. By delivering these imperatives in partnership across government, regulators and the industry, we can ensure that the UK is ready to compete and grow, both now and in the future.

My great thanks go to Darren Ketteringham, Simon Westcott and the teams at PwC and TheCityUK for their rigour and dedication, and to the many members and stakeholders who have engaged so constructively with this work. There is great potential for the UK to continue leading into the future – I hope this report will act as a blueprint for meaningful and urgent action.

Anne Richards DBE

**Chair of the Project Steering Committee
and Chair of TheCityUK Leadership Council**

“There is great potential for the UK to continue leading into the future”



Executive summary

The UK’s financial and related professional services industry is a strategic national asset. Despite recent headwinds, it remains one of the largest and most productive industries in the UK: providing one in every 13 jobs, with two thirds of these outside London. It generates more than 11% of national economic output and contributes £12 in every £100 of tax paid. It also plays a critical role in funding and insuring national priorities across the UK, from infrastructure, defence and energy security to the growth ambitions of households and small businesses across every region and nation. As recognised in the government’s Modern Industrial Strategy, industries of this scale, productivity and international reach will be central to the government’s growth mission.

While the domestic market is important, the industry’s impact is underpinned by its international reach. The UK is the largest net exporter of financial and related professional services in the world. It remains a global leader in areas such as fixed income, currency and commodity trading, specialty insurance, private markets, FinTech, and legal and professional services. This position of leadership has been built on strong pools of domestic skills, openness to global talent and international firms, access to liquid markets, trusted and independent judiciary and regulatory institutions and a strong focus on innovation. These key factors are all underpinned by an open and non-protectionist outlook to the world. The UK has developed a unique, deep cluster of complementary capabilities both in London and across national and regional centres. Clusters across the UK benefit from proximity to London’s global reach, while London relies on the

scale and specialisms distributed across the nations and regions.

However, the hard truth is that overall industry growth has stalled over the last decade and the UK is falling behind other financial centres. The global context in which this industry operates is changing rapidly. Technologies such as artificial intelligence (AI) and distributed ledger technology (DLT) are fundamentally rewiring market infrastructure, giving rise to new tokenised digital asset classes, and the UK must urgently catch up or see its position across the global financial system eroded. Moreover, traditional boundaries between sectors are blurring as financial services, professional services and technology providers converge around shared platforms, data and capital pools.

In contrast to markets that are more domestically focused, the UK’s international outlook enables it to benefit from global opportunities. This brings exposure to changing geopolitical dynamics, protectionist trends, and regulatory fragmentation. Capital and talent can now move faster than ever, increasing the risk that activity migrates to financial centres acting with greater ambition and speed. Competitive advantage across global financial centres is shifting quickly and the gap between the UK and other global financial centres has already narrowed sharply: net export growth has slowed, while output has flatlined and productivity has fallen in real terms since 2014.

If current trends persist, PwC’s economic modelling shows the industry shrinking as a share of the UK economy, with limited growth and declining tax and

export shares. The consequences are clear: fewer jobs, weaker household wealth, and diminished national resilience.

Encouragingly, the focus on growth has recently increased, and recent announcements such as the Wholesale Financial Markets Digital Strategy, the new competitive frameworks for Captives and the Consumer Duty Review represent welcome progress. But more is urgently required if the UK is to stay ahead of global competitors.

Incremental change will not be sufficient to meet the moment the UK now faces. There is now strong alignment between government, regulators and industry, and the UK must seize this window of opportunity to move with even greater ambition and pace. It needs to be clear about its focus and strategic position: an open, internationally connected financial centre that welcomes global firms and talent, and builds deep regulatory and market cooperation with key jurisdictions.

The UK is at a critical juncture. Delivering on the five key imperatives for future competitiveness outlined in this report can change its trajectory. PwC’s economic modelling estimates that the industry could generate up to £53bn in additional economic output by 2035 – equivalent to adding a city almost the size of Edinburgh and Glasgow combined to the UK economy each year. This is equivalent to a 1.6% annual growth rate in industry Gross Value Added (GVA), alongside corresponding gains in tax revenues and exports. This would also help to stimulate the productive investment and sustainable economic

growth the country needs, and support the financial resilience of individuals and households across the UK.

The task right now is to turn ambition into tangible action and with pace. This is the moment for the UK to move fast and to lead where it matters. Delay will create irreversible damage.

To help prioritise where action is most needed, the five imperatives for future competitiveness set out in this report are underpinned by a series of recommendations to ensure their delivery. The extent of progress against these actions will shape whether the UK consolidates its leadership in financial and related professional services or loses ground to faster-moving competitors.



Five imperatives for future competitiveness

If the UK is to be the top choice for global business, it must be one of the easiest and most predictable places in the world to operate, work and invest in.



Section 1:

An industry that strengthens the nation

This section outlines the industry’s importance to everyday life and to the UK’s economic and societal priorities, and highlights the unique features that underpin its scale, reach and impact.

A cornerstone of UK growth and national resilience

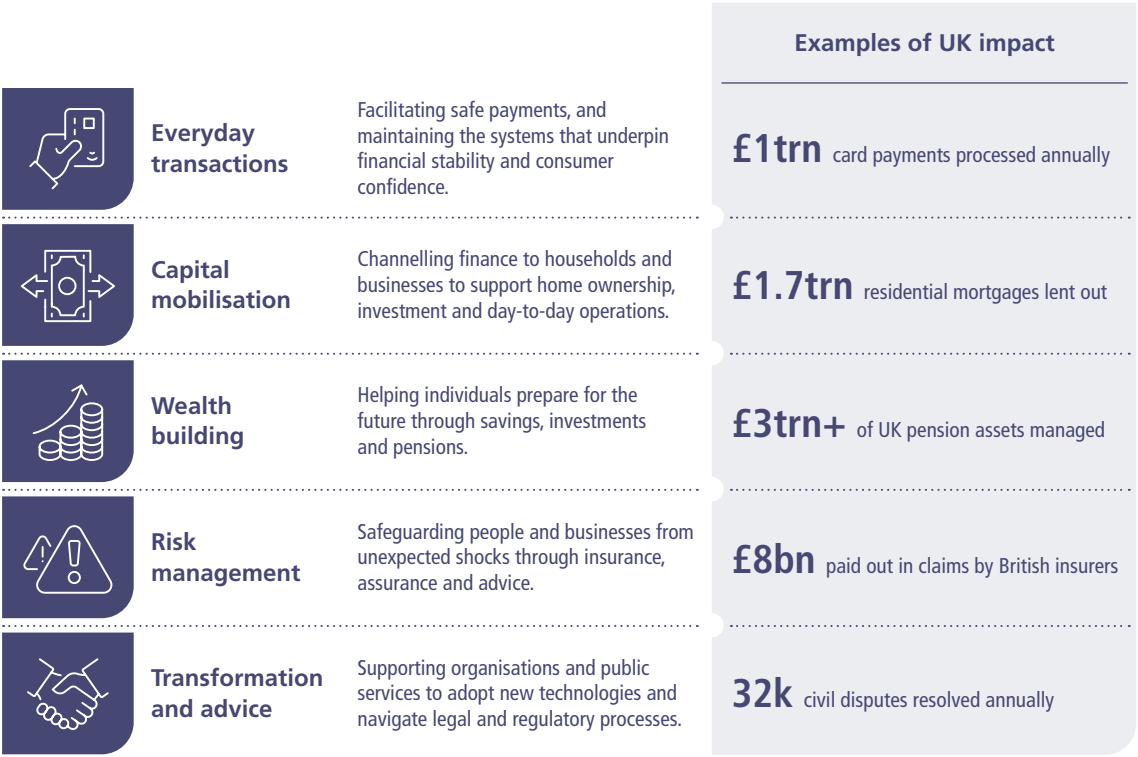
The UK’s financial and related professional services industry impacts many aspects of daily life. It provides the systems and services that allow people, businesses and public institutions to fund, insure and operate affordably, and with confidence. It helps people to plan for the future, businesses to grow, and the wider

economy to prosper. Related professional services play a key role in unlocking growth, managing risk, and accelerating the transformation of businesses across the UK.

Together, these functions ensure the industry remains firmly rooted in the real economy and in the rhythm of people’s everyday lives.



Figure 1: Examples of the industry’s societal contribution
Source: UK Finance, Financial Conduct Authority, Pensions Policy Institute, Association of British Insurers, TheCityUK Analysis



The health and strength of the industry is fundamental to the UK’s future. Despite recent headwinds, the industry remains one of the largest and most productive parts of the UK economy, generating high-value jobs and powering innovation, investment and growth across the wider UK economy.

Its importance extends well beyond its direct economic footprint. A world-leading financial and

related professional services industry is essential to delivering the UK’s most pressing national priorities. It is central to mobilising capital, insuring complex risks and providing the specialist professional services expertise required to finance infrastructure and defence, strengthen energy security, accelerate technological transformation and reinforce national security.

A major engine for jobs, output and tax across the UK

The industry is one of the UK’s strongest economic assets. It directly generates the tax revenues, export earnings and high-value jobs that support national prosperity.

In 2024, the financial and related professional services industry generated:

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£289bn in Gross Value Added (GVA): 11% of the UK economy and one of its largest industries.¹
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Jobs for almost 2.5 million people nationwide: one in every 13 working people, with two thirds based outside London, being paid nearly double the national average.²

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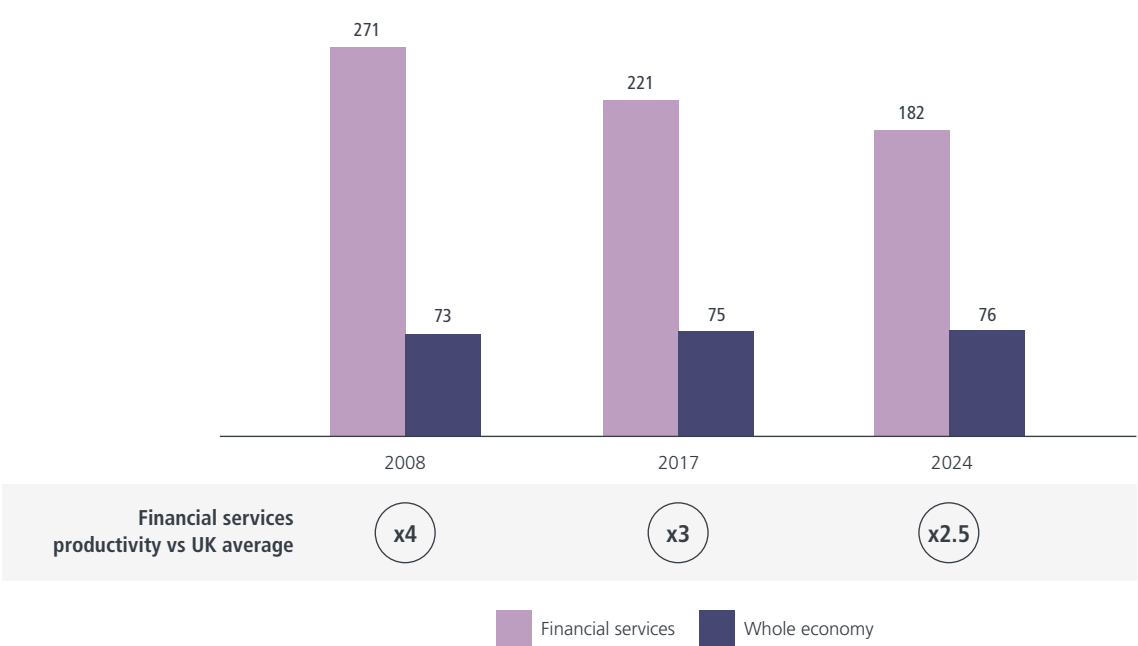
Over £110bn in tax revenues: around 12% of government receipts and equivalent to ~£3,800 per household.³
- 

A £119bn trade surplus: the UK’s largest by far, and the biggest financial and related professional services surplus of any country.⁴

It operates at 2.5 times the national average productivity (Figure 2) and acts as a multiplier across the wider economy. Productivity in this industry quickly spills over into other sectors by improving capital allocation, strengthening risk management and providing high-value professional expertise, making it one of the most effective levers for boosting overall UK growth and productivity.



Figure 2: GVA per employee - UK financial services vs. whole economy, £k per employee (real), 2008 - 2024
Source: Office for National Statistics, Nomis, PwC Strategy& Analysis



Notes: Analysis performed on Financial Services only (i.e. GVA and employment data along SIC classifications 64, 65, and 66). Related Professional Services are excluded from this analysis.

A decade of flat growth and falling productivity

Overall, GVA in financial and related professional services has flatlined since 2014, compared to 15% growth in overall UK GVA.

This slowdown has been driven largely by banking and asset and wealth management (AWM), whose combined share of industry GVA has fallen from 67% in 2008 to 47% in 2024. By contrast, the insurance and related professional services sectors have

performed strongly, growing at double-digit rates (Figure 3).

On a regional basis, London's growth has stalled since 2017. Meanwhile, the North West and Northern Ireland have grown by around 20% and 25% respectively over the same period, as major institutions have built up their presence in hubs like Manchester and Belfast.

Figure 3: Financial and related professional services GVA breakdown by sub-sector, £bn (real), 2014 vs. 2024

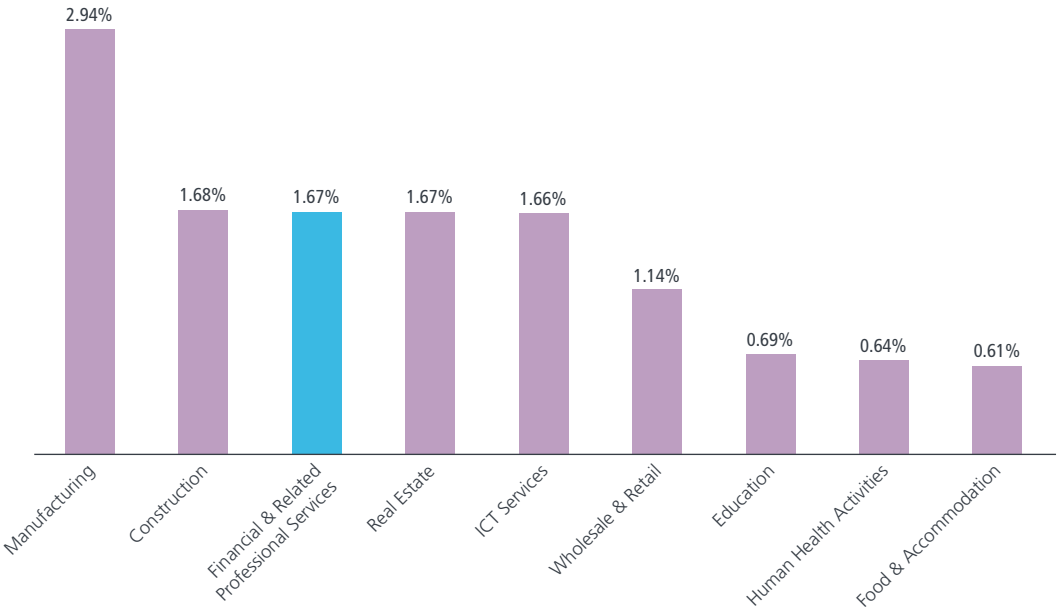
Source: Office for National Statistics, PwC Strategy& Analysis



Notes: Sub-sector GVA estimated using ONS data by Standard Industrial Classification (SIC) codes: Banking and AWM combines GVA from SIC 64 with a proportional share of SIC 66; (Re)insurance and Pensions combines GVA from SIC 65 with a proportional share of SIC 66; Legal and Accounting uses GVA from SIC 69; Management Consulting applies 50% of GVA from SIC 70.

Figure 4: Total UK GVA increase in response to a 1% annual increase in sectoral productivity, 2024 to 2035

Source: Office for National Statistics, PwC Strategy& Analysis



Notes: Calculated as the impact of a 1% increase in productivity per year to each sector.

Productivity has also declined. The industry once operated at around four times the national average; it now stands below three (Figure 2). Interviewees pointed to rising compliance costs, increasing market fragmentation globally, strategic retrenchment from high returning international activity and a more cautious risk environment as structural drags on performance. These are discussed later in the report and illustrate the urgent need to restore the industry's dynamism and competitiveness.

The productivity challenge appears to be broad based across many sub-sectors. Since 2019, cost-

to-asset ratios at the largest UK banks have been flat⁵, expense ratios at UK insurers have deteriorated slightly⁶, with the exception of Lloyd's and the London Market, and average revenue per employee remained flat across the Big Four accounting firms.⁷

Given the industry's scale and its powerful multiplier effect (Figure 4) across the wider economy, reigniting growth and reversing the trend of falling productivity would unlock national productivity gains and directly support the government's wider economic and Modern Industrial Strategy objectives.



The industry is critical to delivering the UK's strategic ambitions

A world-leading financial and related professional services industry gives the UK capabilities that extend far beyond what a typical domestically focused industry would be able to offer. It provides ready access to much deeper pools of global capital; specialist insurance, risk and advisory expertise; and the sophisticated structuring, legal and professional services required to design, finance and de-risk complex national projects. These strengths are crucial to the UK's wider priorities, lowering execution risk and reducing the financing costs of major initiatives across infrastructure, defence, energy security and technological transformation. UK expertise in professional services has the potential to help shape, improve and transform the delivery of public services for the digital age.

Interviewees were clear that the industry can, and wants, to do more to support these national priorities. But unlocking that potential requires proportionate regulation, competitive and predictable tax and policy frameworks, and more effective public-private collaboration, as set out in the UK's Modern Industrial Strategy and Financial Services Growth and Competitiveness Strategy.

With the right actions, the industry can further expand its role underpinning the UK government's priority areas such as:



Infrastructure – The government has set out a 10-year infrastructure strategy, which highlights the need for at least £725bn⁸ of investment

over the next decade. Delivering this depends on attracting private capital and managing long-term project risks effectively. This relies on the financial and related professional services industry's ability to design financing structures, enable capital markets access and provide insurance and risk management solutions for resilient, cost-efficient delivery.



Defence – The planned rise in national security spending to 5% of Gross Domestic Product (GDP) by 2035, with a projected split of 3.5% for core defence

and 1.5% for wider resilience and security, requires sustained investment in capabilities, technology and robust supply chains. Success will hinge on the financial and related professional services industry's role in channelling long-term capital into defence programmes, designing financing structures and providing specialist risk, insurance and advisory expertise to support complex national security projects.



Energy security and climate risk – The UK faces a pressing challenge to secure its energy future and build resilience to climate-related shocks. Delivering

energy security and decarbonising the energy system will require approximately £400bn⁹ of investment, alongside closing a 29%¹⁰ insurance protection gap against natural catastrophes (57% globally).¹¹ Delivering this depends on the industry's ability to design green finance solutions, insure climate risks and direct funding to sustainable energy infrastructure.



Later-life security – The UK’s population is steadily ageing, with one person aged 65 or over for every two of working age by 2050, compared to one in three today.¹² Without action, this will place strain on pensions and health and social care. State pension spending may need to rise by up to £40bn¹³ annually in today’s terms. At the same time 39%¹⁴ of private sector workers are not on track to meet their target retirement income. Expanding pension adequacy and improving investment returns depends on the industry’s expertise in long-term savings and wealth transfer.



Homebuilding and inclusive finance – Building 1.5 million homes in this Parliament¹⁵, matching levels from the 1960s, requires an efficient and innovative mortgage and development finance market. Although reforms like changes to loan-to-income rules have helped, more innovation in lending and homebuying is needed to improve housing accessibility and affordability. This must be complemented by investment in social housing and innovative intergenerational housing savings products.

After a decade of underinvestment across the above areas, the scale of what now needs to be delivered is significant, both domestically and globally. As one of the few financial systems capable of mobilising capital, structuring finance and underwriting risk at this level, UK financial and related professional services can not only play a central role in supporting national priorities, but can also generate significant economic value by supporting global partners in these areas.

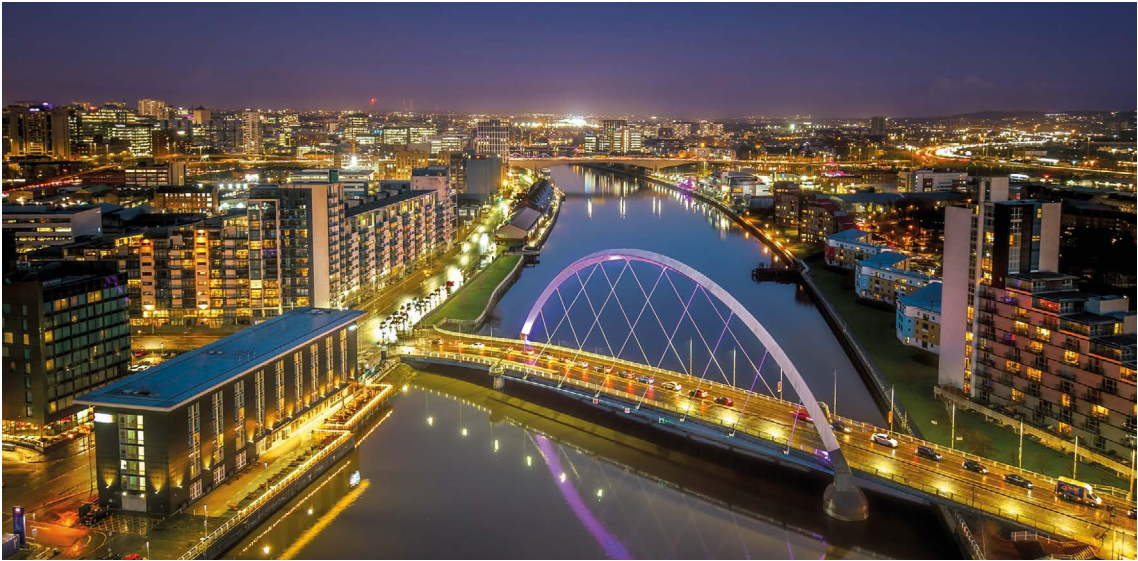
The industry also significantly strengthens the UK’s global influence. A world-leading financial and related professional services industry supports UK economic diplomacy, projecting trust, stability and high standards internationally while attracting global investment at home. UK-based professional bodies and accounting, legal, and consulting services are central to global corporate deal-making and negotiations, helping define the norms and rules through which international commerce is undertaken, therefore contributing to the UK’s soft power. Sustaining that leadership requires the UK to remain at the frontier of global finance: modernising regulation, accelerating innovation and reasserting its position as the world’s most competitive and collaborative global financial centre.

Figure 5: Investment requirements over the next decade in the UK and globally, \$ trn, 2025 - 2035 (cumulative)

Source: Climate Change Committee, The Phoenix Group, Grantham Institute, National Infrastructure & Service Transformation Authority, Global Infrastructure Outlook, Institute for Fiscal Studies, UK Government, United Nations, World Bank

	UK	Globally
Infrastructure	\$0.9trn	\$45trn
Defence	\$2.0trn	\$52trn
Climate	\$2.4trn	\$76trn
Total investment as a % of 2024 GDP	146%	156%

Notes: GBP figures converted to US dollars using exchange rate of 1 GBP = 1.335 USD.



Three differentiators the UK must protect to stay ahead

A unique combination of advantages underpins the industry's crucial impact:



A globally-oriented industry with unmatched international reach. Unlike most financial centres built primarily on domestic demand, the UK's industry is anchored around international markets. It has historically attracted global capital, talent and firms at scale, and has net exports larger than any other financial centre in the world.



London's uniquely dense financial and related professional services ecosystem. Almost all sub-sectors of financial services, legal services, technology, consultancy and professional services operate side by side, creating a concentration of expertise, innovation and problem-solving capability that few centres globally can match.



A connected network of high-impact regional and national hubs. Dynamic regional and national centres across the UK extend the industry's reach, diversify capabilities and strengthen resilience, spreading high-value economic impact well beyond London.



1. A globally-oriented industry with unmatched international reach

The UK has one of the largest and most advanced domestic markets in the world. The scale and sophistication of the UK's home market gives firms the depth needed to innovate, attract investment, and export globally.

The UK is home to:



The **5th largest domestic banking sector**¹⁶ with approximately **£2.2trn**¹⁷ in household deposits



The **3rd largest insurance market** with **£350bn**¹⁸ in Gross Written Premiums (GWP) across life and non-life



The **2nd largest asset management sector** with around **£12trn of assets** managed by UK-based asset managers¹⁹



A wide range of international law firms with more than **200 foreign law firms from over 40 jurisdictions** operating in the country.²⁰

But what truly distinguishes the UK's industry is its global reach. Unlike the US, EU or China, which are primarily domestic systems, the UK's competitive strength lies in connecting deep domestic capability with global reach.

This reach is underpinned by a set of enduring advantages: the English language, a time zone bridging Asia and the US, the UK's ability to attract and nurture top domestic and global talent, a broad set of global trading partners, and the predictability and adaptability of English common law. While advances in new technologies, for example, AI, are beginning to erode the value of some of these advantages, such as time zone and language, together they continue to provide a rich foundation for the UK's role as an international financial centre.

The UK consistently punches above its weight in this industry. Despite being only the world's sixth-largest economy, it consistently ranks in the top three across most major financial and related professional services sub-sectors (Figure 6). It also remains by far the largest net exporter of financial services globally (Figure 7).

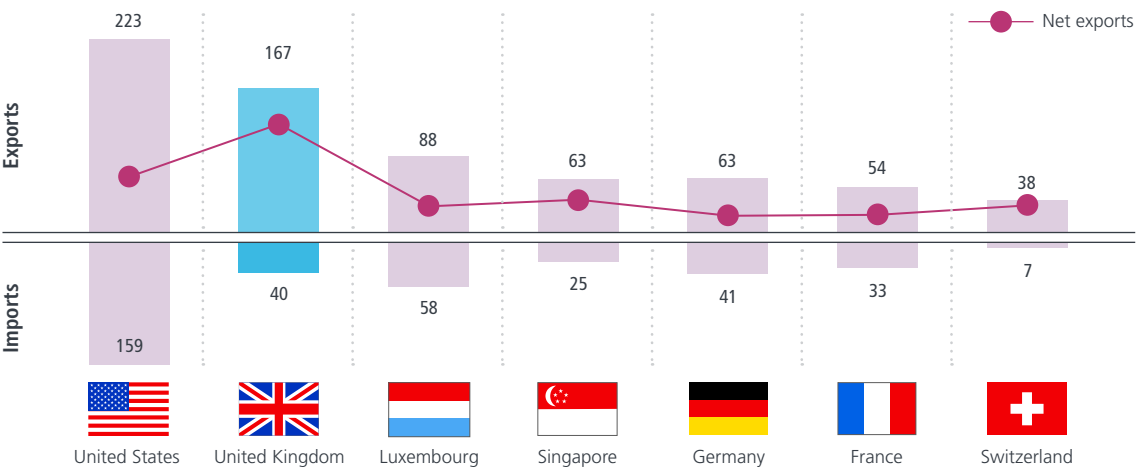
Figure 6: Key financial centre quantitative indicators (2023)

Source: PwC Strategy& Analysis, GlobalData, London Stock Exchange Group, World Federation of Exchanges, Bank of International Settlements, OECD, S&P Global Ratings, The Investment Association, Various Monetary Authorities, International Wealth Management Centre Ranking, Lexology, Pulse of FinTech, Innovate Finance

	Retail Banking	Investment Banking	Stock Market	FICC Trading	Insurance				Asset Management	Wealth Management	Legal Services	FinTech	GDP
					Life	Non-life	Specialty	Reinsurance					
US	2nd	1st	1st	2nd	1st	1st	3rd	2nd	1st	3rd	1st	1st	1st
UK	5th	3rd	6th	1st	3rd	5th	1st	3rd	2nd	2nd	2nd	2nd	6th
China	1st	2nd	2nd	9th	2nd	3rd	N/A	8th	N/A	N/A	7th	4th	2nd
Japan	3rd	4th	3rd	5th	4th	6th	N/A	6th	3rd	N/A	9th	10th	4th
France	4th	5th	7th	7th	5th	4th	4th	5th	4th	N/A	4th	7th	7th
Germany	6th	6th	8th	6th	7th	2nd	2nd	1st	8th	N/A	3rd	8th	3rd
Hong Kong	11th	9th	4th	4th	8th	10th	6th	10th	6th	4th	6th	9th	38th
Switzerland	8th	8th	9th	8th	10th	7th	5th	4th	7th	1st	5th	11th	21st
Singapore	9th	10th	10th	3rd	9th	11th	N/A	7th	5th	5th	8th	5th	27th
India	7th	7th	5th	11th	6th	8th	N/A	9th	9th	N/A	10th	3rd	5th
UAE	10th	11th	11th	10th	11th	9th	N/A	N/A	N/A	N/A	11th	6th	28th

Figure 7: Global financial services trade, \$bn, 2024

Source: UN Trade and Development (UNCTAD), TheCityUK Analysis



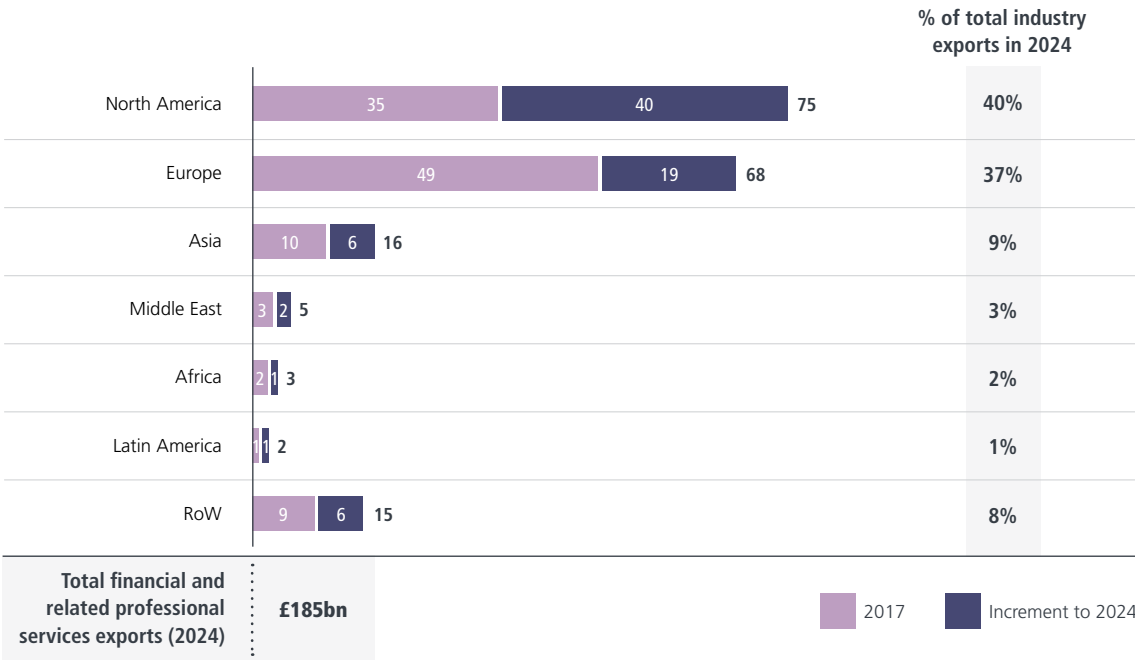
Today, North America accounts for around 40%²¹ of UK financial and related professional services exports, driven by strengths in specialty insurance, asset management and capital markets, while Europe represents around 37%²², primarily in banking, legal and consulting services.

It is vital that the UK protects and grows exports from this industry, as set out in the government's Modern Industrial Strategy, Trade Strategy and Financial Services Growth and Competitiveness Strategy. PwC's economic modelling highlights the critical role this

industry plays in the wider economy: every additional £1 of industry exports induces roughly £1 of additional output elsewhere in the domestic economy, illustrating how deeply the financial and related professional services industry is connected to the rest of the economy and the domestic supply chain.

The reverse is equally stark. A scenario in which industry exports fell by 10% would reduce UK GDP by around £29bn and could cost up to 150,000 jobs across direct and indirect channels.

Figure 8: UK financial and related professional services exports by destination, £bn (nominal), 2017 vs. 2024
Source: Office for National Statistics



Notes: Analysis performed on Insurance and Pension Services (Central Database Identifier, CDID - FJPI), Financial Services (CDID - FJPK), and relevant Professional Services (CDIDs - FJGG, FJGI, FJGK).



2. London's uniquely dense financial and related professional services ecosystem

London's success rests on it being one of the most concentrated and interconnected financial ecosystems in the world. Nowhere else brings together global banks, markets, insurers, asset managers, law firms, consultancies, data specialists, courts, regulators, universities, think tanks and infrastructure within a few square miles, creating a density of capability that makes complex activity faster, cheaper and more innovative. The cluster works because it is physically and institutionally tight-knit:



Over **170 foreign banks** operate in London, and all of the **world's top 50 law firms**.²³



London's Square Mile hosts **100,000+ financial and related professional services jobs** per km², the densest financial district on earth.



Lloyd's alone comprises **84** underwriting syndicates, **51** managing agents, **400** brokers, and **405** service companies.

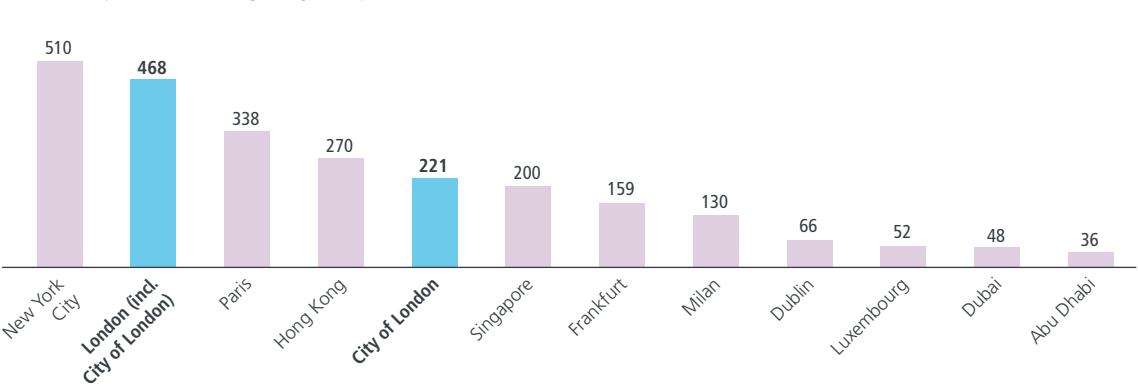


London handles **38% of global FX trading** and nearly 50% of trading²⁴ in over-the-counter (OTC) interest-rate derivatives.²⁵



London facilitates **c.\$2trn in international bonds** volumes annually, more than China, Japan, Singapore and France combined.²⁶

Figure 9: Number of financial services workers across International Financial Centres in 000s, latest available data
Source: City of London, Office for National Statistics, Federal Reserve Economic Data, Monetary Authority of Singapore, Census and Statistics Department of Hong Kong, Europlace, Business Insider, ADGM



Notes: Dubai and Abu Dhabi figures represent upper bounds, they include all workers in the Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) free zones due to data availability.



3. A connected network of high-impact regional and national hubs

The UK's strength also lies in the breadth of its financial ecosystem across the regions and nations. Dynamic hubs have developed specialisms that complement London's market:

- **Edinburgh and Glasgow:** globally recognised for asset management, pensions and sustainable FinTech and increasingly for emerging technology, data and AI (both centres are ranked among the top 35 global financial centres in the Global Financial Centres Index (GFCI)).
- **Manchester, Birmingham and Leeds:** hubs for banking operations, professional services and data analytics.
- **Belfast and Cardiff:** shared service hubs with growing specialisation in legal services, cyber, RegTech, LawTech, and InsurTech.

Supported by world-class universities and colleges, vibrant business communities and strong local talent, these hubs foster innovation, diversify risk and extend the UK's global offer. There is an imperative to ensure growth is distributed across the UK: generating high-value jobs and investment nationwide, linking local growth to long-term global trends, and strengthening the industry's overall resilience and reach. Achieving this depends on regional and national hubs concentrating their efforts on scaling existing specialisms and selectively expanding into adjacent opportunities.

The Crown Dependencies further amplify this reach by acting as trusted conduits for global capital, supporting cross-border investment through fund domiciliation, administration, fiduciary services and specialty insurance that supports UK priorities from infrastructure and energy security to housing and productivity. Each year, Jersey's financial services sector facilitates around £62bn²⁷ of UK economic activity, equivalent to nearly 3% of total national output, while Guernsey-based funds invested £58bn²⁸ into the UK in 2024. The Isle of Man, with a GDP of approximately £5.8bn, also engaged in trade worth c.£1.9bn²⁹ with the UK between Q2 2024 and Q2 2025. Financial and related professional services accounts for roughly 50%³⁰ of this GDP.

The three pillars of the UK's historic strength

These three distinctive characteristics, the industry's global orientation, its uniquely deep and interconnected cluster of activity in London, and its network of dynamic regional and national hubs, should remain central to how the UK thinks about the industry in the decades ahead. Protecting and reinforcing them will determine whether the UK continues to compete at the frontier of global financial and related professional services.



Section 2:

No room for complacency

Despite having been a leading financial centre for hundreds of years, the UK’s position has never been under greater pressure.

Growing pressures the UK can no longer ignore

The UK’s financial and related professional services industry is one of the most internationally connected in the world. It thrives on global flows of capital, firms and talent. The flip side of that openness is exposure. The same mobility that powers the UK’s success also means that activity can shift quickly to wherever conditions are most attractive.

In fixed income, currency and commodity trading (FICC) and specialty insurance the UK remains a global leader, where 70%³¹ of business is international. More than half of UK banks’ assets are held in foreign currency³², and over half of the £12trn in assets managed by UK investment firms belong to overseas clients supported by fund delegation rules.³³

However, this position is coming under increased pressure as global markets evolve. Fast-growing areas such as tokenised assets, captive insurance and Insurance-Linked Securities (ILS) are reshaping the industry, with other financial services centres moving faster to capture new value. The UK’s progress has been uneven. For example, while London Bridge 2, a platform created by Lloyd’s, has created a new market for ILS issuance, overall UK ILS activity remains limited compared to Bermuda or Singapore. Other jurisdictions, such as Hong Kong and Singapore, are already advancing with clear regulatory frameworks, tokenised funds and digital bond markets.

In professional services, the UK hosts one of the largest markets for the Big Four accounting firms, generating around 10-15% of their global revenues.³⁴ At the same time, the UK has the largest global legal services market outside the US, with all the top 50 global law firms by revenue having offices in London³⁵, reinforcing the breadth of its financial and related professional services ecosystem. However, as other centres such as the UAE build on-shore professional services capabilities, UK exports are coming under pressure.

In international private wealth management, London has also attracted major sovereign wealth funds (SWFs), Family Offices, hedge funds and other major institutional investors (for example, national pension funds). Protecting and growing this is critical. Sovereign investors who opened a UK office in the decade to 2023 more than doubled their investments in the UK in the five years that followed, including across 36 locations outside London.³⁶ As global funds continue to grow, retaining this activity and encouraging additional sovereign investors to establish a UK presence could unlock between £3.8bn and £7.7bn of new investment by 2030.³⁷

In capital markets, private equity (PE), venture capital (VC) and private credit now dominate new capital formation. Between 2020 and 2024, 73% of UK equity capital came from private markets.³⁸ The UK is the largest PE hub outside the US and Europe’s

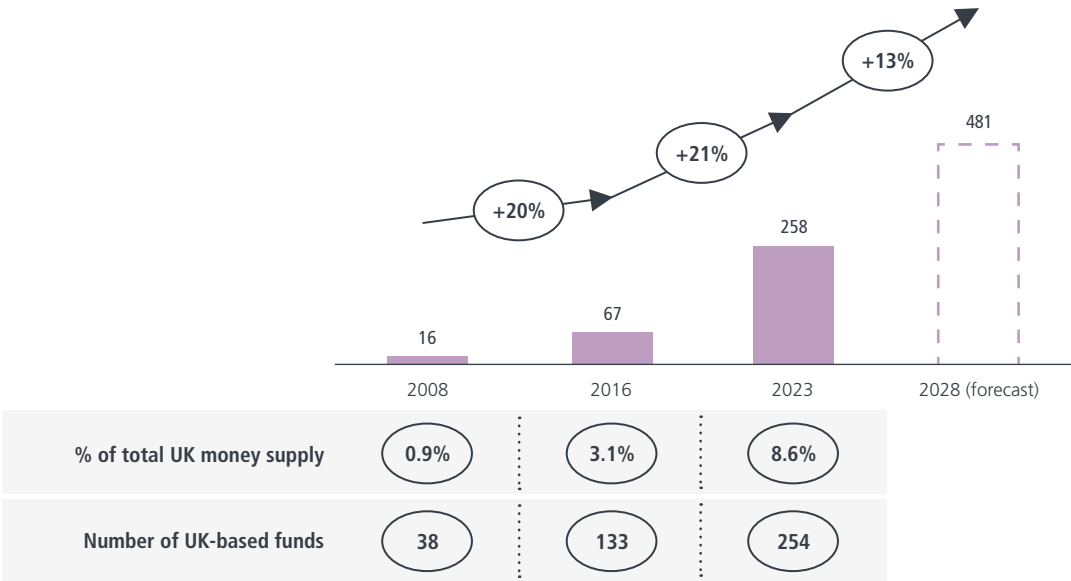
leader in VC, with the number of PE/VC-backed firms now ~14 times³⁹ higher than listed companies on the London Stock Exchange (LSE). Private credit is also filling gaps left by risk-constrained bank lending and is expected to reach £2.1trn Assets under Management (AuM) by 2028.⁴⁰ The UK already leads in this space, hosting 64%⁴¹ of Europe’s private credit.

In contrast, global Initial Public Offering (IPO) markets slowed sharply between 2022 and 2024, reflecting tighter macroeconomic conditions and companies’ growing preference to remain private. The LSE saw a considerable reduction in IPO volumes over this period. While sentiment has improved with global

IPO proceeds growing by 21% in 2025 and market consensus pointing to a strong pipeline of UK listings in 2026, a sustained recovery remains contingent on the delivery of continued market reforms. Recent reforms to the UK Listing Rules, effective from July 2024, together with changes to the UK Prospectus Rules, represent an important step in broadening market access and improving London’s attractiveness as a venue for raising capital. But these reforms need to be accompanied by wider efforts to strengthen the overall market ecosystem, including deepening investor engagement to reinforce London’s sector specialisms and international reach.

Figure 10: Private credit AuM at UK-based fund managers, \$bn (nominal), 2008-2028 (forecast)

Source: British Private Equity & Venture Capital Association, Bank of England, PwC Strategy& Analysis



Notes: 1) Forecast growth assumes growth in-line with forecast for the global private credit market; 2) UK money supply refers to M4 Money Supply Outstanding.

Without a vibrant public market, growth companies have reduced access to scale-up capital, investors - particularly retail investors - face fewer opportunities to build wealth, and a wider network of legal and advisory services risks erosion.

In **FinTech**, the UK's leadership is also being tested. New hubs in the UAE, Singapore and India are growing, while the gap to the rest of Europe is narrowing. Once larger than the next five markets combined, the UK's FinTech sector is now only marginally ahead of France and Germany combined. Maintaining the UK's global edge will require doubling down on the "brilliant basics" that underpin its success including world-class research institutions, regulatory sandboxes and an open innovation culture, and strengthening the funding pathway from start-up to scale-up to IPO, enabling the next generation of UK-founded firms to thrive. It will also require the UK building on its strengths in those segments of FinTech where it has a clear lead, including InsurTech,

where the UK hosts the highest number of InsurTechs per capita among major economies and offers key supportive infrastructure for further growth through platforms such as the Lloyd's Lab.

A new era of global competition

New York and London remain the world's pre-eminent financial centres. According to the GFCI⁴², they continue to occupy the top two positions worldwide. Yet the margin of leadership is now the narrowest in the index's history. Since the global financial crisis, other centres have advanced rapidly (Figure 11). Several US cities, notably San Francisco, have strengthened their position on the back of deep technology and VC ecosystems. Singapore and Dubai have climbed sharply and European hubs such as Paris and Frankfurt have also closed the gap, benefiting from post-Brexit realignment.

Figure 11: GFCI ratings over time
Source: Z/Yen - Global Financial Centres Index (1-38)

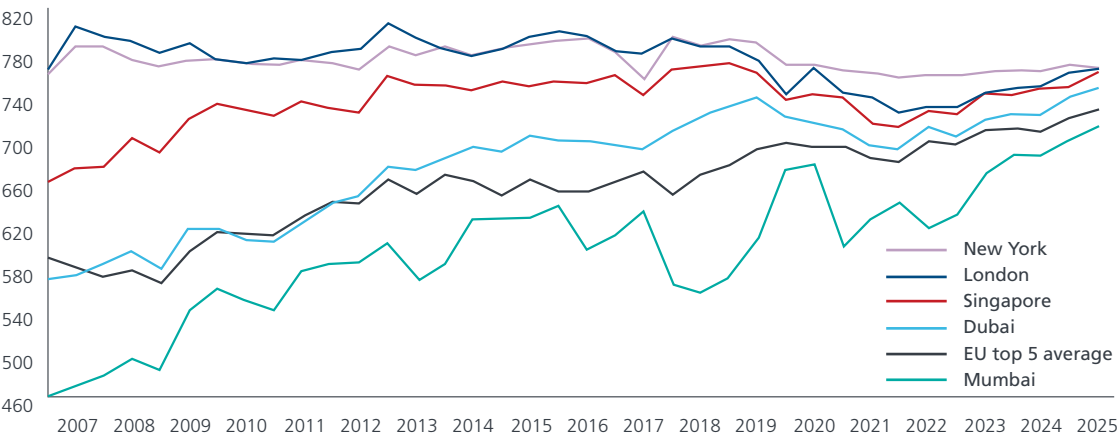


Figure 12: Financial centres likely to become more significant in the future

Source: Z/Yen - Global Financial Centres Index (38)

	Centre	Number of GFCI respondents in the last 24 months that identified centres as likely to grow in significance
1	Dubai	95
2	Singapore	81
3	Seoul	38
4	Riyadh	36
5	Hong Kong	34
12	London	16
15	New York	12

Moreover, the GFCI questionnaire that identifies financial centres which are believed likely to grow in significance over the next two to three years, highlights the increasing importance of non-European and non-North American destinations (Figure 12). This underscores the need for established centres, including the UK, to avoid complacency.

Across the world, governments and regulators are pursuing growth in financial and related professional services with clear strategic intent. Financial centres are investing heavily in digital infrastructure, reforming regulation to encourage innovation, and using targeted tax and visa policies to attract global talent and capital.

Together with the broader shifts in global economic power and resurgence in protectionism, these moves are reshaping the geography of international finance and raising the bar for competitiveness. The UK's position as a global financial centre is now at a critical juncture. While its advantage lies in the scale and integration of its full-service ecosystem, competitor jurisdictions are moving rapidly to win in emerging specialisms, from Insurance-Linked Securities in Bermuda to digital assets in Dubai.

Without a proactive and centrally coordinated approach, the UK will lose its global leadership as activity fragments across full-service and specialist centres, particularly in areas that will underpin future financial markets, for example, tokenisation. To safeguard its advantage, the UK must act with ambition and speed.

Recent actions from leading centres



US

Investing to solidify itself at the frontier of financial innovation, underpinned by deregulation and a bold vision for AI and digital asset leadership:

Deregulation: Rollback of consumer protection rules by the Consumer Financial Protection Bureau (CFPB) and proposed prudential reforms to the Volcker Rule and Basel rules to encourage capital formation and risk-taking.

Digital assets: Game-changing regulation (GENIUS Act, CLARITY Act, The White House Digital Asset Roadmap and Securities and Exchange Commission reforms) paves the way for banks to issue stablecoins, exempt crypto from securities laws, and fast-track crypto exchange-traded funds (ETF) approvals.

AI: Scale-up of AI labs and sandboxes proposed under the Unleashing AI Innovation in Financial Services Act.



European Union

Removing barriers to capital flows and leaning into sustainable finance specialisms to maximise the bloc's existing potential:

Central Bank Digital Currency (CBDC): Acceleration of Digital Euro plans could reduce the UK's influence in global conversations defining the future of payments.

Tokenisation: Landmark Markets in Crypto-Assets Regulation (MiCAR) to harmonise digital asset rules across the EU.

Capital pooling: If delivered successfully, the proposed Savings and Investment Union could represent a structural shift to reduce reliance on other capital markets, for example, the UK.



UAE

Combining regulatory reform, talent development, and digital asset leadership to transition from a regional to a global hub:

Regulatory maturity: Alignment to global standards on company law and investor protections introduced to make the UAE a more predictable business environment.

Talent development: Golden visa extensions, incubator funding increases, and local talent schemes to build a globally competitive workforce.

Digital assets: First independent digital asset regulator, Virtual Asset Regulatory Authority (VARA), with ambition to develop a full-service virtual asset ecosystem.



India

Developing future-ready financial infrastructure on a strong domestic base while expanding international reach:

Digital infrastructure: Scaled national platforms (Aadhaar, Unified Payment Interface) have driven mass inclusion; advanced Central Bank Digital Currency (CBDC) pilots signal India's push for innovation.

International investment: Tax-neutral financial centre (GIFT City) launched to attract global capital inflows.

Regulatory modernisation: Advancing licensing, sandboxing, and interoperability of standards to support FinTech scaling.



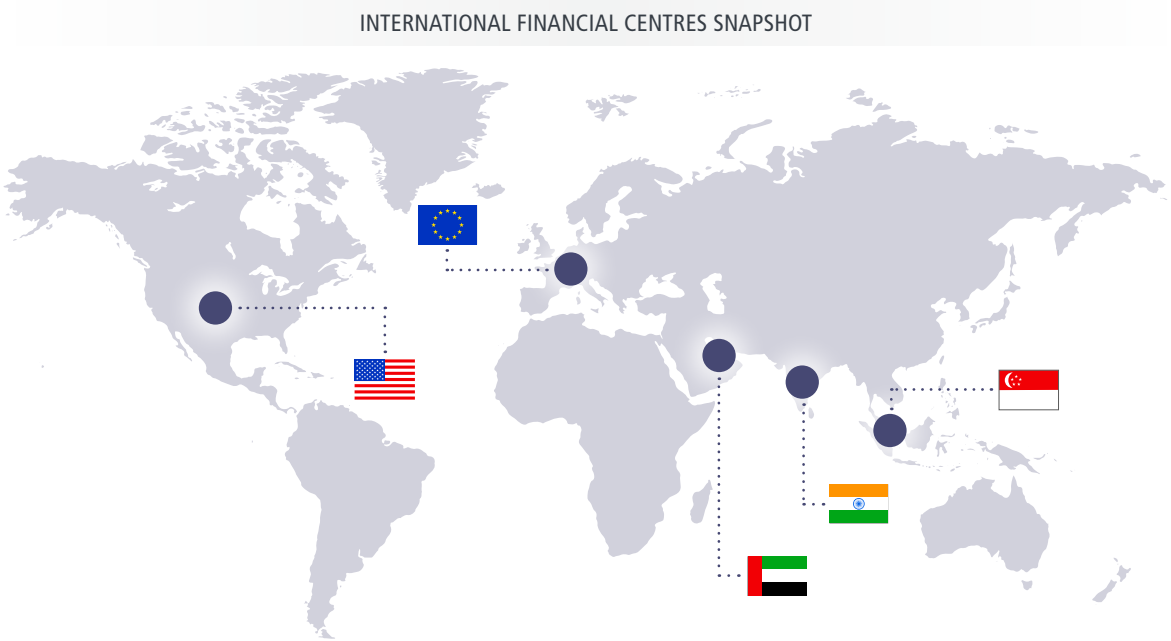
Singapore

Focusing on public-private partnership and global connectivity to attract firms developing the next generation of financial infrastructure:

Regulatory tiering: The Financial Services and Markets Act strengthened wholesale/retail separation, enabling lighter wholesale regulation while retaining full oversight for retail activities.

Cross-border payments: The Monetary Authority of Singapore is leading multilateral efforts to develop inter-operable payment systems with Nexus.

Digital assets: Coordinating cross-industry tokenisation trials across fixed income and fund activities.



Specialist centres are also sharpening their focus to secure longer-term competitive advantage in their focus areas. For example, Bermuda continues to use a combination of tax policy, regulatory alignment (for example, Solvency II equivalence) and supervisory and legal expedience to attract international activity. It also moved early to outline a regulatory framework for ILS, and has taken advantage of the growth in demand for Bulk Purchase Annuities (BPA) to support a fast-growing life reinsurance industry.

What stands out is the speed and hunger with which other centres are moving. They are acting with clarity of purpose, setting bold ambitions, and taking pragmatic, front-footed steps to champion and grow their financial and related professional services industries.

For example, Dubai’s Virtual Asset Regulatory Authority (VARA) operates as a growth engine with an explicit commercial mandate; Singapore’s joint government-industry initiatives seek to attract international business; and Abu Dhabi uses tax advantages and enables regulatory access to attract global firms.

The results are visible. By H1 of 2025, 154⁴³ money managers were registered in the Abu Dhabi Global Market, a 15% jump from the end of 2024⁴⁴, alongside asset managers (for example, PGIM), private equity groups, (for example, Lone Star) and hedge funds (for example, Marshall Wace).

In December 2025, the City of London Corporation published a scorecard showing progress against objectives set out in its 2023 ‘Vision for Economic Growth’ report.⁴⁵ In the two years since the publication, the Corporation has hosted the Office for Investment: Financial Services, Mansion House Accord and the Transition Finance Council to drive investment. This report aims to build on and help accelerate those and other initiatives to ensure the UK remains a leading international financial centre, attracting and unlocking investment to drive UK-wide growth.



What's at stake if the UK doesn't act now?

To understand how the industry could evolve to 2035, PwC has developed a set of economic scenarios for the UK's financial and related professional services industry. Built using a best practice Computable General Equilibrium (CGE) model, these scenarios have been developed to assess the UK's central economic challenge: weak productivity growth and comparatively low levels of capital investment.

The modelling incorporates cross-country dynamics, assessing how developments in other major financial centres shape the UK's relative competitiveness. While no model can predict the future with total precision, these scenarios provide a credible view of what different policy and market choices could mean for the decade ahead.



Using the OBR November 2025 projections as its basis, the scenarios are flexed across four dimensions:

- **Regulation:** the extent to which the UK reduces regulatory frictions and aligns (or diverges) from peers such as the US and EU.
- **Innovation and dynamism:** whether the UK matches leading jurisdictions in enabling new products and business models, scaling the adoption of new technologies like tokenisation, event/horizon contracts, and translating experimentation into production at greater pace.
- **Productivity gains from AI:** the scale and speed of productivity improvements in financial and related professional services and beyond.
- **Capital availability:** the degree to which the UK advances reforms that enhance the attractiveness of its capital markets and incentivise investment.

SCENARIO 1 - BASELINE Consolidating progress to date

The **baseline** broadly aligns with recent projections from the National Institute of Economic and Social Research (NIESR) and reflects a continuation of current policy momentum. This scenario would require progress on the government's existing reform programme and steady productivity gains from technology and innovation, but no major policy shocks or step changes in investment behaviour.

Under this scenario, the industry expands by around 0.5% annually in real terms to 2035, trailing overall projected UK GDP growth of 1.5%. The result is small and steady expansion but not enough to lift the industry's relative contribution to UK growth as the industry's share of national output declines by more than one percentage point to 2035. Annual tax receipts rise by around £7bn by 2035 compared to 2024.

SCENARIO 2 - UPSIDE Reigniting growth

The **upside scenario** models a more ambitious path in which the UK delivers on its current reform agenda at greater pace and goes further. It assumes greater progress on regulatory and tax simplification, faster adoption of new technology, and stronger capital mobilisation across both domestic and international markets.

Under this scenario, the industry expands by around 1.6% annually to 2035, generating £53bn in additional GVA. In this scenario, annual tax receipts increase by £22bn by 2035 compared with 2024, and real gross fixed capital formation (GFCF) rises by more than £100bn relative to the baseline. This would lift the industry's contribution to a historic high, surpassing pre-crisis levels in absolute terms and placing the UK firmly at the frontier of global finance.

SCENARIO 3 - DOWNSIDE The risk of falling behind

A **downside scenario** has also been modelled. This assumes the overall structure of the UK economy and labour market remains broadly unchanged, with no shocks or structural breaks.

Under this scenario, the industry becomes incrementally less competitive, productivity gains from new technologies are not realised, and investment flows weaken. As a result, overall financial and related professional services output contracts over the decade to 2035 and annual tax receipts flatline. The UK also loses relative share in global markets as activity, talent and capital shift toward more dynamic financial centres.

This underlines why continued focus and delivery are essential. Progress cannot be taken for granted, and complacency would quickly erode any gains from recent reforms.



Figure 13: UK economy and baseline UK financial and related professional services GVA projections, indexed (2008 = 100), 2000-2035

Source: PwC Strategy& Economic Modelling

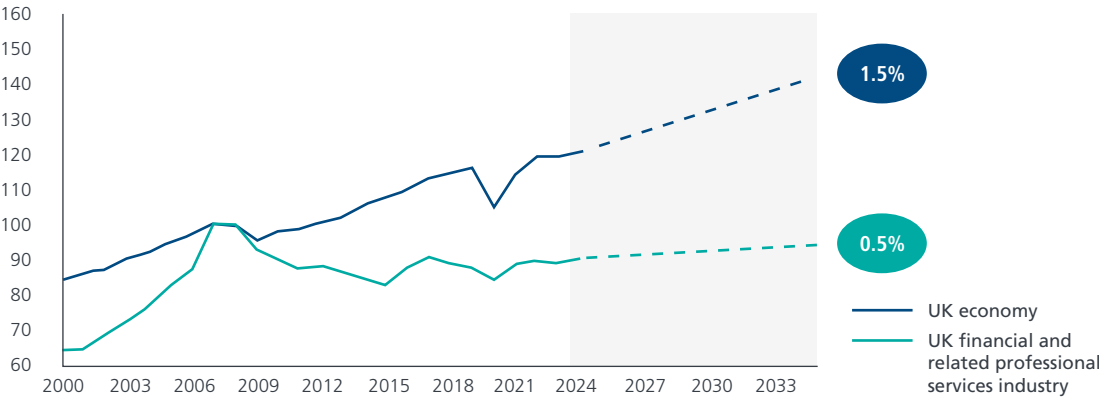


Figure 14: UK financial and related professional services scenario GVA projections, £bn (constant 2024 prices), 2000-2035

Source: PwC Strategy& Economic Modelling

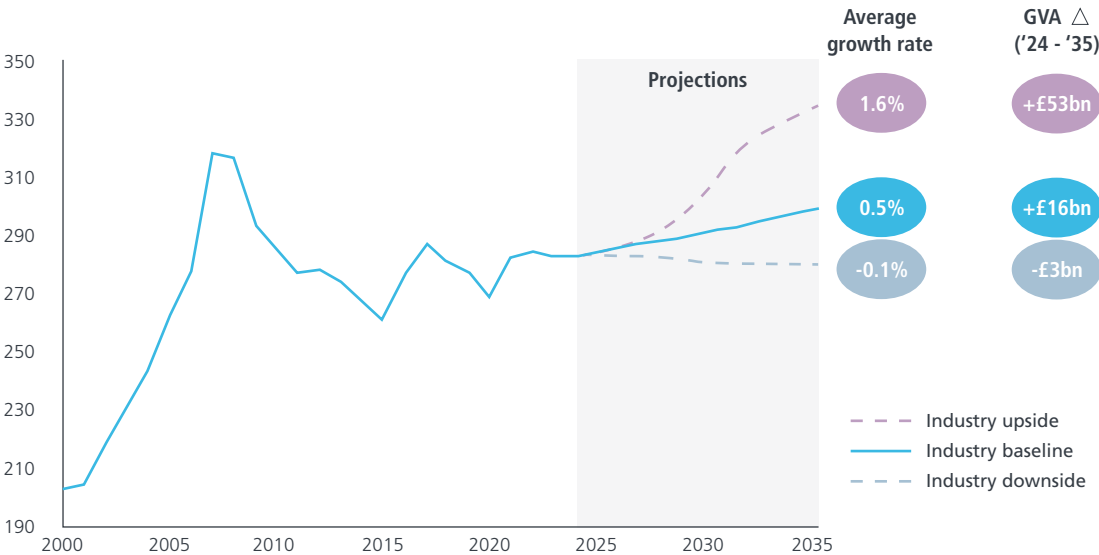
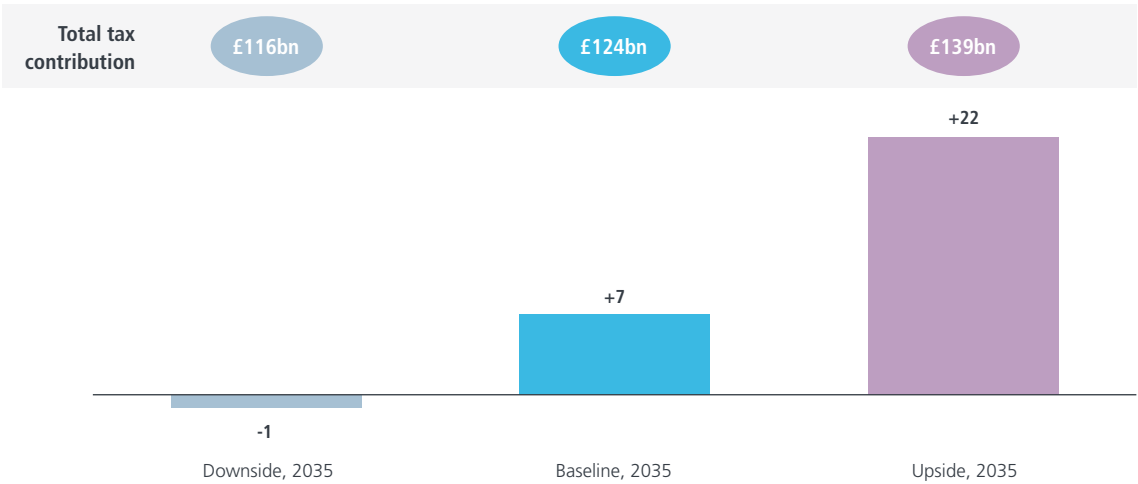


Figure 15: Projected change in the industry's total tax contribution by scenario, £bn (constant 2024 prices)

Source: PwC Strategy& Economic Modelling



Notes: See modelling notes on page 60 for further detail.



The choices required to regain momentum

The government’s Modern Industrial Strategy⁴⁶ and Financial Services Growth and Competitiveness Strategy⁴⁷ set out a vision for the UK to once again “be the global location of choice for financial services firms to invest, innovate, grow, and sell their services” by 2035. The Professional Business Services Strategy⁴⁸ said that the UK should aim to be “the world’s most trusted adviser to global industry, with the most dynamic and productive professional business services sector”.

Delivering on these visions and realising the full upside potential identified in PwC’s economic modelling will depend on the UK’s ability to renew its global leadership in financial and related professional services.

The UK needs to be clear about its strategic position: an open, internationally connected financial centre that welcomes global firms and talent, and builds deep regulatory and market cooperation with key jurisdictions. And that requires decisive action across five imperatives for future competitiveness. Together, these define what it will take to build a world-leading, innovative and inclusive industry for the next decade and beyond.

The actions outlined in this report are mutually reinforcing. Improving efficiency lowers friction across the system, freeing capital and talent to focus on growth. Greater openness then attracts new investment, ideas and expertise from around the world. This openness fuels innovation, creating new opportunities and business models that raise productivity and direct capital more effectively towards national priorities. As more people save and invest, greater participation strengthens resilience, deepening prosperity and growing confidence, reinforcing a self-sustaining cycle of competitiveness and renewal.

Effort will be required on all fronts to realise this potential. Now is the moment to act. The government, regulators and industry are more aligned than at any point in recent memory around the ambition to drive growth. The government’s pro-growth agenda, regulators’ competitiveness and growth mandates, and the industry’s appetite for reform are converging to create real momentum for change.

The path to future competitiveness renewal depends on progress across five imperatives:

- 1

Lead at the frontier of financial technology

The UK must stand at the frontier of financial technology. It must deliver world-class digital markets and maximise the use of technology to transform processes, improve customer outcomes and de-risk operations. This will demand legislative and regulatory change, a technology-first mindset, access to world-class talent and leadership in areas such as AI, tokenisation, digital identity and quantum computing.
- 2

Reset regulation and tax for the future of finance

In a world where capital, talent and business activity are highly mobile, the UK needs to be among the easiest, most efficient and attractive places in the world to do business or risks losing activity to other centres. A simpler, more proportionate and predictable regulatory, tax and legal landscape, geared up to address future challenges and opportunities, will allow firms to focus on innovation and growth rather than navigating complexity and risk aversion.
- 3

Deepen international trade and investment

The UK’s advantage lies in its trusted reach across regions and markets. Its role as an open, reliable partner in an increasingly fragmented world is a major opportunity. To realise this, the UK must maintain a strategic focus on the industry in trade policy, economic diplomacy and immigration policy, ensuring it remains a global hub for capital, talent and ideas.
- 4

Connect capital to national priorities

The UK’s growth depends on a financial system that mobilises capital, manages risk and builds trust across the economy. Private investment must increasingly flow into national priorities such as infrastructure, energy security, defence and high-growth sectors, while closing the scale-up funding gap that pushes firms overseas. Strengthening this bridge between domestic and international capital pools and productive investment is vital to unlocking growth and resilience.
- 5

Build a nation of investors

The UK’s long-term growth depends on people investing and building financial resilience. Higher household investment would deepen domestic markets, strengthen funding for innovation, infrastructure and business growth, and lessen fiscal pressures by reducing reliance on state provision. By enabling individuals to share more directly in the nation’s success, the UK can drive broader wealth creation and improve financial wellbeing across regions, nations and generations.



Section 3:

Forging ahead: five imperatives for future competitiveness

This section sets out five imperatives for future growth and competitiveness that can secure the UK's financial and related professional services industry's global leadership through the next decade.

1

Lead at the frontier of financial technology

The UK has historically been a global leader in financial innovation. From pioneering insurance and electronic trading to leading the world in FinTech and Open Banking, technology has underpinned the UK's position as a world-class financial centre for decades.

But the pace of technological change is now accelerating sharply, and disrupting the traditional distinctions among types of financial services. Advances in AI, DLT and quantum computing present major opportunities to raise productivity, strengthen resilience and deliver better outcomes for consumers and businesses, but also bring material risks.

In the decade ahead, DLT- and AI-enabled markets will become the foundation of global competitiveness. If the UK does not lead in developing and applying these technologies, others will, capturing investment, talent, and market share. Maintaining the UK's position at the frontier will require not only world-class technology-driven innovation supported by the relevant regulatory and legal frameworks, but also the ability to deploy it rapidly at scale across markets, institutions and public infrastructure.

Interviewees consistently highlighted three forces that will define the next decade: AI, DLT and quantum computing.

Firstly, AI has been part of the financial and related professional services industry for some time, from credit scoring and algorithmic trading to risk management and portfolio optimisation. Now, the next wave of 'generative' and 'agentic' AI represent further step changes in potential which will transform what businesses look like in 10 years.

Interviewees consistently highlighted that the UK's principles-based, sector-led approach to AI regulation was a clear competitive advantage and cautioned strongly against replicating the EU's more prescriptive model. They welcomed the FCA and Bank of England's AI initiatives, such as the AI Lab and AI Consortium, as a strong foundation, but called for clearer supervisory guidance, a consistent cross-regulator stance and faster framework development and evolution to give firms confidence to scale AI responsibly.

Interviewees also stressed that seizing the AI opportunity will require political air cover and a cultural shift within firms, including rethinking governance and accountability frameworks to reflect the reality of complex, black box decision-making on which AI operates. Interviewees called for a new tech-first approach to delivery and governance, one that recognises that full traceability, i.e. complete documentation of underlying mechanisms and associated risks, is unrealistic for these rapidly advancing technologies but does not compromise on accountability.

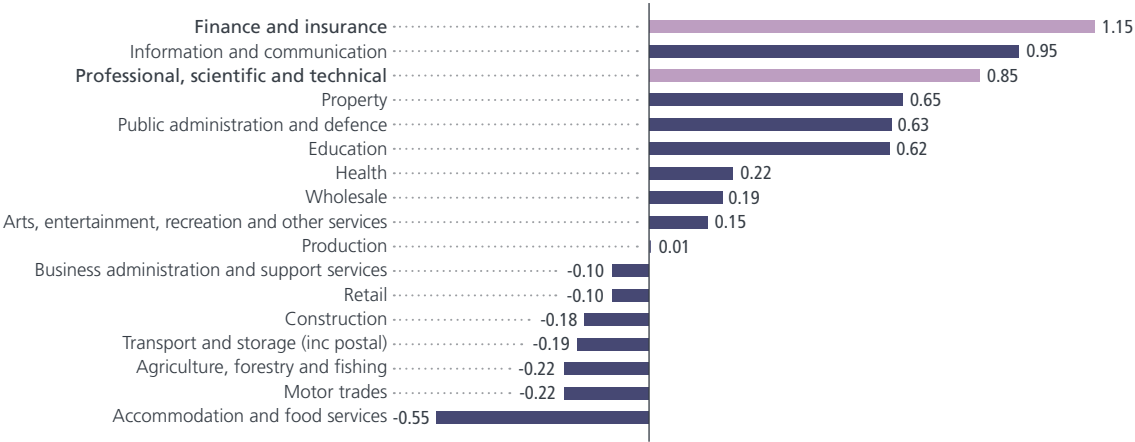
Already, 75% of financial services firms and 82% of lawyers report using AI, but interviewees believe that the vast majority of use cases have been focused on efficiency and process automation, rather than top line or customer value creation. To retain its global competitiveness and enhance rather than erode jobs, the industry now needs to shift focus and prioritise value-creating use cases, from hyper-personalised customer journeys and lifecycle management, to

advanced underwriting, and real-time insights that support better decision-making. Crucially, AI also offers significant potential to improve consumer understanding and engagement, for example, through AI financial advisers that can support everyday financial decision-making or agentic wealth managers that autonomously optimise finances in the background.

The industry's scale (over 11% of national output), combined with the fact it is one of the most exposed to AI (Figure 16), creates a strong case for it being put right at the centre of the government's UK AI strategy. If UK financial and related professional services are unambiguously leading at the frontier of responsible AI adoption, there will be benefits both for the industry's global competitiveness and for other UK industries that can learn from and build upon strong foundations in financial and related professional services. In addition to strong government and regulatory support, it is paramount that the industry itself leans into this and does not let gaps arise relative to competitors in the US and elsewhere.



Figure 16: Exposure to AI by industry
Source: Department for Education



Notes: Exposure measured as a weighted average of ‘AI Occupational Exposure (AIOE)’ scores across occupations within an industry.

Secondly, the impact of digital assets, enabled by distributed ledger technology, extends far beyond their most visible early applications in cryptoassets or digital money. At its core, this technology is redefining the foundations of the industry across all sectors, from enabling parametric insurance and fractional ownership of tokenised assets, to transforming how value moves, contracts are executed and risk is managed across borders.

Harnessed effectively, the benefits are clear: 24/7 markets, faster settlement, seamless cross-border transactions, lower costs and greater financial

inclusion. This shift is now widely recognised as inevitable. What remains uncertain is the pace of adoption. Those who move first will secure a lasting advantage in cost, speed and liquidity.

The UK is making important progress through initiatives such as the Digital Securities Sandbox and the UK–US Tech Bridge, but interviewees observed that other global financial centres are moving faster and at greater scale, with Hong Kong, Singapore, the US and the UAE already attracting activity in tokenised funds and tokenised asset markets. Without decisive action, the UK’s pre-eminent position in FICC trading, fund management and market infrastructure is at real risk, as tokenised systems become the default global market architecture over time.

“We need political air cover to scale AI. Nobody will take risk until the signal is clear.”

Interview quote

While the UK has deep and liquid capital markets, the skills and trusted legal foundations to lead globally in this area, interviewees were clear about why it risks falling behind. The single biggest constraint remains strategic ambiguity: firms do not yet have a durable view of how digital assets will be regulated and supervised at scale. What is needed now is a shift from experimentation to certainty and scale. That means accelerating updates to regulatory and legal frameworks; shifting mindsets to move beyond sandboxes towards scaled deployment; and government, regulators and industry working together to determine the best approach to deliver scalable, interoperable DLT infrastructure across capital markets, payments and real-world assets.

Thirdly, quantum computing could transform the financial system, for example by revolutionising risk modelling, optimisation, portfolio construction and fraud detection. It also raises the stakes for resilience, creating a step change in cybersecurity risks as future quantum capabilities could render today’s encryption defences obsolete. As the UK faces into this, greater emphasis will be needed on systemic resilience, not just firm-by-firm protection. Interviewees supported early, coordinated action between government, regulators, critical infrastructure providers and industry to strengthen national and industry resilience, and to meet the National Cyber Security Centre’s timelines for migration to post-quantum cryptography.

“The UK is extremely well placed to lead on innovation, provided it offers an open and enabling environment for talent and firms.”

Interview quote

At the same time, it is incumbent on firms and boards to meet these timelines by ramping up investment in quantum-safe infrastructure, including post-quantum cryptography, quantum key distribution and new insurance markets for quantum-related risks.

Across AI, DLT and quantum, the UK retains exceptional institutional strengths and a world-class innovation ecosystem, and is therefore well placed to lead. But doing so will require greater investment in research and start-ups to keep innovation rooted in the UK, faster and clearer regulatory responses, and closer collaboration across government, regulators, industry and academia to move from innovation to scaling. Interviewees also stressed the need for a clear, shared roadmap between industry, government and regulators setting out the UK’s key priorities on technology and cybersecurity - with agreed goals, responsibilities and funding routes to accelerate adoption and strong public championing by senior government and industry leaders.

“70% of our tech spend is risk, regulation and remediation, not innovation: that kills the AI case.”

Interview quote

As new technologies continue to emerge, interviewees stressed that a principles-based regulatory model, rather than a rigid rules-based one, will be essential to lead. Harnessing new technologies will also demand cultural and institutional change within firms and regulators, supported by a consistent, joined-up tone from government and supervisors to give the market clarity and confidence.

Illustrative vision of a ‘state of the art’ financial and related professional services system in 2035

While the precise path cannot be predicted, it is now clear that these technologies will fundamentally reshape the financial landscape, creating a system that is more accessible and cheaper to run. The emerging vision is of a world where:

- payments are instant and settled on-chain
- capital markets are tokenised and trade continuously, 24/7
- investments are programmable and adjust dynamically

- risk assessment is live, data-driven and adaptive
- advice is always-on, personalised and embedded in everyday decisions
- data is open, interoperable and flows seamlessly across sectors.

Together, these advances point to a financial ecosystem that is real-time and interconnected, where products evolve continuously, and the boundaries between finance, technology and data effectively disappear.

	Current state	2035+
Settlement and payments	Fragmented, domestic payment rails Multi-day settlement (e.g. T+2) Fiat and account-based currency	Internationally interoperable payment rails Instant settlement (T+0) Universal access to digital money
Capital markets	Fixed trading hours Restricted primary market syndication Fragmented market data feeds	Always-on capital markets (24/7) Open, tokenised issuance infrastructure Real-time open access architecture
Banking and credit	Fragmented digital ID, KYC & AML Siloed and static risk data Standalone banking channels	Portable, unified digital identities Live multi-model data processing Invisible, embedded finance at point of need
Wealth and pensions	Human-led advisory models Institutional focused private markets Static investment holdings	Always-on, personalised agentic AI advisory Open access to fractional private assets Programmable, dynamic investments
Insurance and risk management	Point-in-time risk modelling Indemnity-based manual claim processes Reactive compensation	Adaptive, dynamic risk modelling Parametric triggers and instant payouts Proactive loss prevention
Professional services	Manual contract drafting and management Periodic, retrospective audits Siloed, project-based change	Self-executing smart contracts Embedded, continuous assurance Always-on transformation platforms
Industry-wide	Human-led workflows Siloed data ecosystems Standardised, segment-led products	AI-driven orchestration with expert override Full-spectrum, quantum secure smart data Hyper-personalised pricing and features



Digitising the UK’s broken processes

While digital adoption across industries in the UK has accelerated, interviewees were clear that major frictions remain where certain customer experiences are slow, fragmented and costly. These inefficiencies directly affect households and businesses. Technology has a clear role to play in closing these gaps and UK expertise in professional services has the potential to help shape, improve and transform the delivery of public services for the digital age.

Five areas were repeatedly cited as priorities for tackling long-standing frictions, with the benefits of addressing challenges extending far beyond the financial and related professional services industry:

- **Fraud** – reducing the £1.2bn lost annually to scams (around £350 per case) through real-time data-sharing and digital identity to verify transactions instantly and stop fraud before it happens.
- **Homebuying** – cutting the average 18-week completion time to a few days and 31% fall-through rate to single digits through digital conveyancing, shared data platforms and e-signatures, lowering costs and improving transparency across the chain (Figure 17).

“Open Banking showed we can deliver better digitised services.”

Interview quote

- **Retail investment** – increasing public participation by enabling direct, digital access to gilts and green bonds and fractional ownership of private market assets.
- **Small- and medium-sized enterprises (SME) finance** – closing the funding gap through giving lenders secure access to verified corporate, tax and payment data, cutting approval times from weeks to hours and widening access to growth capital. In 2025, only 49% of SMEs were successful in financing applications, down from 71% in 2019 (Figure 18).
- **Insurance** – shortening claims approval times from weeks to a single day by integrating data via Application Programming Interfaces (APIs), allowing real-time risk assessment for example, for health, building and contents, and motor insurance.

Interviewees acknowledged the need for firms to modernise their own processes, from credit modelling and policy administration to fraud detection and customer onboarding, and to adopt strategies that directly address these frictions.

“Most UK processes eventually devolve into someone manually updating a spreadsheet.”

Interview quote

However, they also noted that realising the full benefit of these opportunities depends on digitising key government data sources including Land Registry, Companies House, and HMRC records, to provide accurate, real-time information that underpins secure digital transactions.

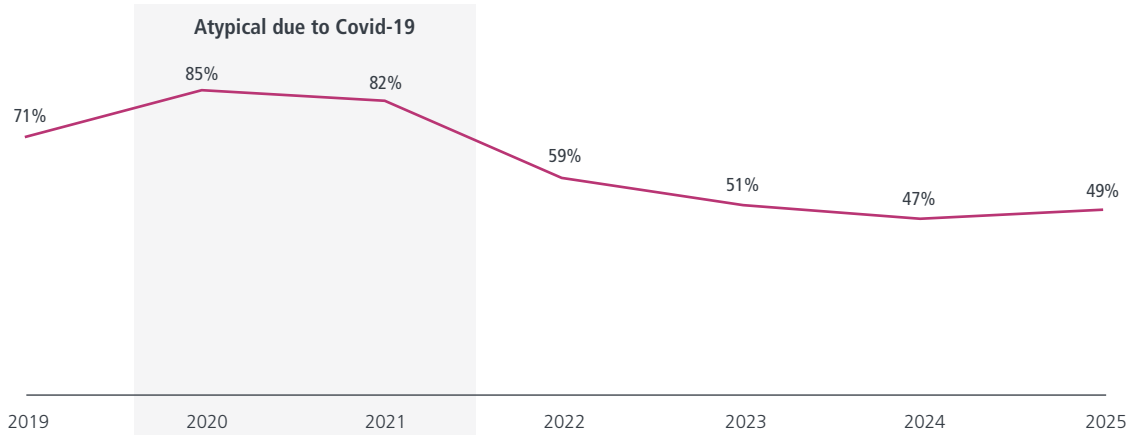
Figure 17: Homebuying international market comparison, selected metrics

Source: PwC Strategy& Analysis

		Property transaction fall-through rate	Property transaction end-to-end completion time
	Spain	5%	~4 weeks
	Australia	Rare	5 weeks
	US	4%	~9 weeks
	Canada	Very rare	~12 weeks
	South Africa	Rare	~12 weeks
	Italy	Very rare	~15 weeks
	Netherlands	5%	~16 weeks
	UK	31%	~18 weeks

Figure 18: The success rate for SME financing applications, %, 2019 - 2025

Source: UK Finance



Interviewees highlighted that in some cases market forces alone will not deliver these digitisation efforts, or at least not at the pace required. They require a clear statement of intent from the government, supported by close collaboration between industry, regulators and government bodies to define responsibilities and secure sustained investment from the industry. Interviewees cited the Current Account Switching Service (CASS), Faster Payments Service (FPS) and Open Banking as successful examples of how collaboration and regulatory intent can deliver system-wide change. In each case, progress came not only from innovation but also from clear incentives, and in the case of CASS, the credible threat of mandated reform, which aligned industry action.

Breaking through legacy infrastructure and, in some cases, vested interests is also essential. Changes will not always be popular in the near term, but they can be achieved in a way that helps affected organisations adapt, through clear transition plans, shared investment in new systems, and support to reskill workforces.

Finally, interviewees emphasised that public adoption and digital literacy are just as critical as infrastructure. Technology can only deliver its potential if consumers understand, trust and feel confident using it. Today about 11 million UK citizens still lack basic digital skills. The industry therefore has a vital role to play in building digital confidence through clear communication, inclusive design and practical support that ensures every consumer can participate in an increasingly digital economy.

“Our most important data sources don’t talk to each other. That’s the UK’s biggest blocker.”

Interview quote

Building trust and protection through digital identity

There is an active public-policy debate about the role of digital identity, but whatever direction government ultimately takes, interviewees were clear that the case for trusted digital identity and credentials, within financial and related professional services specifically, is clear and pressing. Executed well, it would significantly reduce friction in everyday transactions, streamlining how people move home, open accounts, or invest in businesses, while sharply reducing fraud. It would also improve inclusion by providing consistent and trusted ways for individuals with limited documentation or complex circumstances to access essential services.

Other countries have taken this approach successfully - with different underlying processes and approaches: Belgium’s itsme, Sweden’s BankID and Singapore’s Singpass all utilise digital identity as a simple, secure key to enhancing everyday life across a range of activities, including banking, insurance, telecoms and real estate transactions.

Given the scale of the industry and its central role in high-risk, high-trust transactions, interviewees were clear that financial and related professional services is the natural place to design, test and scale digital identity at national level. Done properly, this provides a practical route to accelerating adoption across the UK economy more broadly but only if digital identity is designed from the outset to be interoperable and reusable across other industries, rather than as a sector-specific solution.

The UK already has a strong foundation to create a digital identity in financial and related professional services. Banks, insurers and FinTechs have deep experience in identity verification, authentication and

data security. Many technologies that underpin a trusted identity system such as biometric verification, secure APIs and real-time fraud detection were first developed and proven in financial services before spreading to other sectors. Initiatives such as the Data (Use and Access) Act 2025, the digital identity and attributes trust framework, One Login for Government, the upcoming GOV.UK Wallet and the FCA’s sandbox pilots provide a strong foundation to build from.

However, interviewees highlighted that despite increased activity, the landscape for digital identity remains fragmented, with varying levels of clarity and coordination across initiatives and the overall direction of travel. Interviewees pointed to evolving strategies, along with uncertainty around ownership and scope, as factors hindering progress toward a ubiquitous, trusted digital identity in the UK.

Critically, interviewees stressed that digital identity for financial services must be focused on consumer protection and empowerment. A trusted digital identity ecosystem, which encompasses a range of IDs and verified attributes, must be anchored in the goal of protecting people from fraud, while enabling smoother, faster and more secure access to services.

Part of this means extending the scope of digital identity beyond individuals to include businesses, for use in company formation, administration, and verification. Interviewees have highlighted that other jurisdictions are already moving in this direction. The EU, for example, is working on a European Business Wallet, expected to unlock up to €150bn in annual savings for firms. To keep pace, the UK government must work closely with industry when designing a corporate digital identity framework, drawing on the practical lessons of firms that have already developed and deployed similar solutions, to maximise international interoperability.

To maximise the value for individuals, the financial and related professional services industry and the broader economy, interviewees consistently highlighted seven priorities for digital identity:

- **Interoperability:** developed on centrally defined, cross-industry standards and designed to be interoperable with emerging global frameworks to enable cross-border recognition and trade.
- **Integration:** built for a broad range of use cases from customer onboarding and payments and tokenisation, to lending, pensions, insurance and capital markets.
- **Predictability:** delivered against a clear roadmap that sets out the direction of travel, timelines and priority use cases.
- **Connectivity:** aligned with complementary initiatives such as Open Banking, Open Finance and Smart Data, enabling end-to-end digitisation of customer and business processes.
- **Business integration:** extended to businesses, creating verifiable business identities to streamline company formation, KYC and AML checks, and reduce administrative burdens.
- **Efficiency:** applying a ‘once-only’ principle to minimise repeated identity verification by reusing trusted attributes or sources – reducing friction, duplication and cost – and ensuring this is aligned with other existing initiatives so efforts are joined-up rather than duplicated.
- **Control:** giving users clear control over how their identity attributes and data are used, shared and reused, ensuring visibility, consent and trust at every stage.



Strengthening resilience to rising cyber risk

Facing into technology changes, interviewees have emphasised the need for a stronger system-wide approach to operational resilience in the UK. They pointed to the insurance sector’s role in strengthening national resilience. London is Europe’s largest cyber insurance market and a global centre for specialty risk, giving it unique insight into complex and interconnected threats. The sector can help close protection gaps, design products that support recovery from cyber and supply chain disruption, and use its modelling and data capabilities to inform government and industry planning.

“We have a real opportunity to be a global leader in cyber insurance, both in terms of innovation and ability to underwrite new risks.”

Interview quote

Expanding the role of public–private risk-sharing vehicles can also help absorb systemic shocks and crowd in private capital. The UK’s existing terrorism backstop, Pool Re, offers a proven model of how government and industry can jointly underwrite uninsurable risks. Several interviewees suggested that a similar framework could be developed for some kinds of cyber threats, as a ‘Cyber Re’ partnership that blends private market expertise with state guarantees to strengthen protection for critical infrastructure and SMEs. Establishing such a mechanism could help position the UK as a global leader in insuring the next generation of security risks and complement ongoing reforms to prudential and resilience frameworks.



Priorities to ensure the UK is at the frontier of financial technology

1. Lead the world in tokenised assets

Government needs to emphasise tokenised assets within the remit of the City Minister, set out clear delivery pathways and timelines for tokenised securities and key enablers such as digital money, and work with industry to accelerate early flagship issuances, for example, digital gilts.

Regulators need to move decisively from consultation to delivery, closing areas of regulatory ambiguity and providing a coherent, growth-oriented, end-to-end framework covering issuance, custody, settlement and prudential treatment, with clear decision points and timelines (see ‘DEEP DIVE’ on the page 28 for further detail).

2. Put digital identity at the centre of a more accessible financial system

Government needs to accelerate delivery of a digital identity for financial services, co-designing the operating and funding model with industry, sequencing a credible rollout, covering both individual and business identities, and anchoring the proposition in trust, access and security to build public confidence.

Industry needs to support the development of principles and standards and embed digital identity across onboarding, KYC/AML and fraud prevention.

3. Digitise the UK’s highest-friction customer journeys

Government should set out a clear national strategy and delivery roadmap to digitise priority high-friction journeys, for example, homebuying and SME lending, and deliver the foundational digital infrastructure the market cannot. This includes further opening up high-value public datasets (Companies House, HMRC

and Land Registry) through secure, interoperable APIs, and completing the Smart Data/ Open Finance framework.

Regulators and industry need to work together to safely deploy AI and automation across processes, supported by common data standards, interoperable systems and proportionate guardrails.

4. Build a tech-first workforce

Industry needs to embed digital and data fluency at board and executive level, increase emphasis on continuous learning and reskilling its workforce, and build flexible career pathways that attract and develop new talent.

Government and regulators need to treat technology and data skills in financial and related professional services as a strategic national capability. This requires sustained investment in education, regional skills hubs and university and college partnerships, alongside modernised certification, approval and accountability frameworks, which will enable digitally skilled talent to transition into senior or regulated roles, and work effectively with AI-driven operating models (see ‘DEEP DIVE’ on page 32 for further detail).

5. Prepare now for the next frontier of technology

Government, regulators and industry need to champion innovation and work together to map the opportunities and systemic risks from new technologies such as quantum. They should begin coordinated work now to future-proof systems, test quantum-safe safeguards and identify commercial opportunities in advanced computing and cryptography. Targeted grants, innovation incentives and cross-industry pilots will be essential to drive early UK leadership.



DEEP DIVE

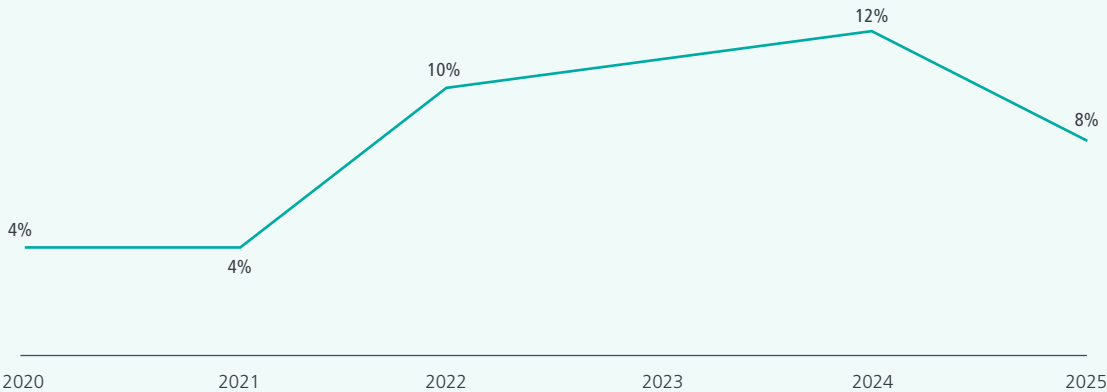
Lead the world in tokenised assets

Tokenisation represents one of the most transformative shifts in global finance since the advent of electronic trading. Its adoption has the potential to reshape how money moves, assets are traded, and value is stored, enabling significantly lower transaction costs, instantaneous clearing and settlement, and 24/7 markets, democratising access to investment and capital. Given the benefits it can deliver, tokenisation is expected to become the default medium for a significant proportion of transactions globally. It is not a question of if, but when.

Without faster progress, the UK risks ceding ground to centres such as the US, UAE, Hong Kong and Singapore, which are already embedding tokenisation into their financial infrastructure.

Figure 19: Cryptoasset ownership amongst UK adults, %, 2020 - 2025

Source: Financial Conduct Authority



The transformative impact of tokenisation and digital assets

The evolution of digital assets is unfolding in three waves, each bringing new opportunities and risks for the UK.

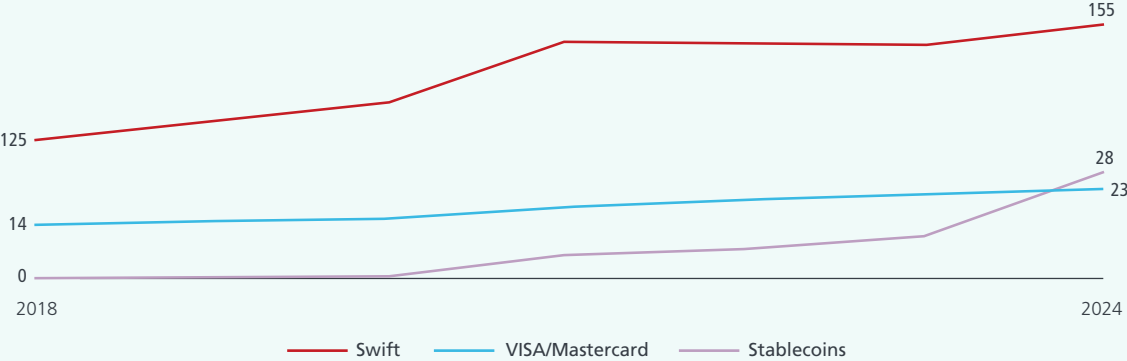
Wave 1: Native cryptoassets

The first phase has demonstrated the potential of DLT at scale, creating new asset classes and proving that decentralised systems can support global transactions. Around 8% of UK adults now hold cryptoassets such as Bitcoin, and 20% of non-cryptoasset users would consider investing in cryptoassets if regulation mandated stronger financial protections.

While native cryptoassets themselves have had limited impact on traditional markets, they have helped lay the groundwork for mainstream adoption of distributed ledger technology and tokenised assets.

Figure 20: Stablecoin settlements vs. other schemes, total value of payments globally, 2018 - 2024, \$trn

Source: Mastercard, Visa, SWIFT, rwa.xyz, PwC Strategy& Analysis



Notes: Dollar value of SWIFT settlements estimated from volumes.

Wave 2: Digital money

The second wave, encompassing stablecoins, tokenised commercial bank money, and central bank digital currencies (CBDCs), is redefining the plumbing of global payments. These innovations are becoming more prevalent as the rails for cross-border and interbank settlement and clearing, delivering near-instant, programmable transactions at lower cost.

Global stablecoin payment volumes are now comparable to those of Visa and Mastercard combined, signalling a structural shift. For the UK, this raises an urgent question around how sterling will operate in a tokenised asset world, and the role of central counterparty and clearing services. That means considering a digital pound, regulated stablecoins, and tokenised commercial bank money.

The issue is becoming increasingly pressing given the US' head start, with around 99% of stablecoin volumes denominated in dollars and further momentum from the GENIUS Act.

Wave 3: Tokenised assets

The third wave is arguably where the greatest economic opportunity lies for the UK. Tokenisation of real-world and financial assets, from equities and bonds to infrastructure, real estate and art, could unlock 24/7 trading, near-instant clearing and settlement, and fractional ownership. This will make markets faster, cheaper and more inclusive, while opening new sources of liquidity for the real economy.

Interviewees saw particular potential for the UK to lead in areas of existing strength such as tokenisation of securities, including tokenised fixed income, currency and commodity instruments, and market infrastructure for trading.

These three waves are deeply interconnected. The success of tokenised assets depends on the infrastructure, scale and liquidity provided by crypto exchanges and digital money ecosystems. Failing to act quickly across all product areas would risk the UK losing its fundamental relevance in global markets, as trading

and activity migrate to more advanced digital centres, leaving traditional exchanges and infrastructure behind. In doing so, the UK would also lose its ability to shape global standards or influence how value moves through the emerging digital economy.

Beyond capital markets

Beyond investments and capital markets, DLT and tokenisation could reshape entire value chains in insurance, trade finance and professional services, where trust, transparency and contractual execution are central.

- Across financial services, DLT enables smart contracts that execute automatically once agreed conditions are met. This can streamline complex processes such as claims handling, trade

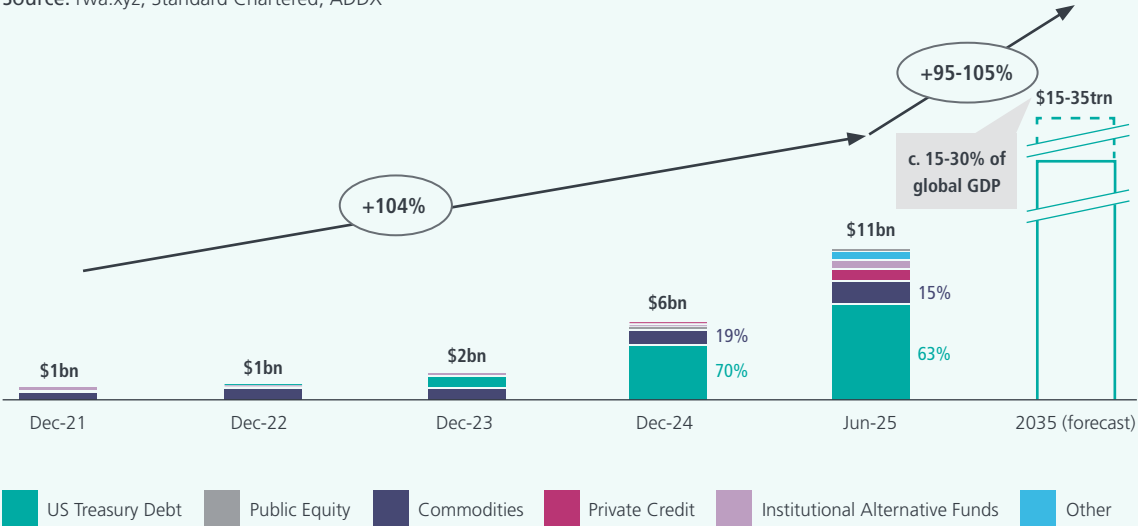
finance and collateral management, reducing administrative costs and settlement times while improving trust and transparency across participants.

- In legal and professional services, smart contracts and tokenised ownership records could streamline conveyancing, reduce disputes and improve efficiency in property and business transactions.
- In accounting and audit, tokenised ledgers allow for real-time, tamper-proof financial records, enabling continuous assurance.

Taken together, these applications show that DLT and digital assets are not a niche innovation for traders or technologists; they are foundational capabilities that could modernise the entire financial and related professional services ecosystem.

Figure 21: Value of tokenised assets by class, \$bn, 2021 - 2035 (forecast)

Source: rwa.xyz, Standard Chartered, ADDX



How the UK compares

While the opportunity is clear, interviewees were equally clear that the UK is not yet positioned to lead in tokenised assets.

Other jurisdictions have already taken decisive action:

Singapore is coordinating industry-wide pilots for tokenised securities, including funds and bonds, under a clear regulatory framework that promotes common standards and interoperability.

Hong Kong is progressing tokenised bonds via Project Evergreen and tokenised deposit settlement through Project Ensemble, supported by direct funding for digital asset issuance.

The US, through the GENIUS Act, has created a comprehensive framework for stablecoins, sparking corporate adoption in payments and enabling capital markets use cases with both cash and assets moving together on-chain.

The UAE continues to drive digital asset innovation, with multiple regulators, including VARA and the ADGM FSRA, advancing pilots in areas such as tokenised real estate and commodities.

The EU has moved quickly to establish a regulatory framework for digital assets (MiCAR), giving firms certainty and encouraging investment. While often viewed as sub-optimal in places, it demonstrates that predictability is ultimately what drives investment.

Switzerland has a long-standing DLT Act providing legal certainty for digital assets.

Japan has established tokenised securities rules and a permissive stablecoin framework via amendments to the Payments Services Act.

By contrast, the UK's digital asset environment is still viewed by many as cautious and in places ambiguous.

Interviewees highlighted four main areas where the UK is lagging:

- **Behind on regulation and supervision:** The ongoing FCA consultations are a welcome step, however, interviewees stressed that until there is clarity around decision points and timelines for implementation, other jurisdictions will continue to be perceived as easier places to operate than the UK. Moreover, the split in the UK between regulation of exchanges and regulation of clearing houses will be a friction other jurisdictions do not have, as digital assets make the distinction between trading, clearing and settlement disappear.
- **Lack of digital documentation to enable tokenisation:** Key legal documents, such as fund sleeves, remain paper-based and are not yet suitable for on-chain use, limiting the ability to tokenise assets at scale. Other jurisdictions, such as Luxembourg, have already begun updating their legal frameworks to make core documentation 'tokenisation-ready.'
- **Limited market infrastructure:** The UK has yet to establish live, scalable tokenised trading or settlement systems equivalent to those now operating in Singapore or the US.
- **Weak signalling and coordination:** At the end of 2025, interviewees felt the UK lacked clear, coordinated signalling on ambition and on the respective roles of different actors across the system.

The new US–UK Tech Bridge is considered a positive milestone in building international credibility, but it also heightens the need for speed. Unless the UK can operate at scale, the US will entrench its first-mover lead. To secure its position, the UK should now explore

equivalent partnerships with other key markets, particularly in Europe, to ensure interoperability and potential multilateral supervision of systemic digital asset players.



What needs to happen

To build the UK’s position as a global hub for tokenised assets, five foundational actions are required.

1. Leadership and tone from the top

Interviewees were clear: the UK has been “so cautious and publicly sceptical around crypto for so long that it has affected its reputation.” A reset in tone is needed, shifting from risk aversion to responsible innovation without compromising stability. The December 2025 HM Treasury announcement on cryptoassets, and its clear ambition for London to be a world-leading financial centre in the digital age, was therefore widely welcomed as an important step. Interviewees stressed that this narrative must now be reinforced through consistent, confident political and regulatory messaging that the UK intends to be the world’s most trusted jurisdiction for tokenised assets.

This includes emphasising tokenised assets within the remit of the City Minister’s brief and setting out clear delivery pathways and timelines for tokenised securities and key enablers such as digital money, and working with industry to accelerate early flagship issuances, for example, digital gilts. Aligning the FCA, Bank of England and HM Treasury behind a single, joined-up roadmap with clear milestones and dates would mirror the government’s approach to its AI strategy.

“Clear leadership can help us grab the tokenisation opportunity, extending our global connectivity and reach.”

Interview quote

Leadership now means committing to clear end-states, including converting successful sandbox regimes into permanent market frameworks, rather than extending experimentation indefinitely.

2. Pick areas to lead and go big

The UK is not currently set up to compete directly in the most advanced crypto-native ecosystems or large-scale stablecoin issuance seen in markets such as the US or UAE, although it should still cultivate capability and remain “in the pack”. Most importantly, London should play to its strengths by doubling down on areas where it already leads globally, including Fixed Income, FX and Commodity trading, wholesale settlement, asset management, repo and collateral management, custody, and audit and compliance tooling. These are precisely the domains where tokenisation can extend the UK’s existing advantages into a fully digitised financial system.

“We have many different blockchains in play and no interoperability, that’s not a market.”

Interview quote

Government, regulators and industry need to be clear and aligned on how these markets are brought into being in practice: where common infrastructure or standards are set centrally, where public authorities play a coordinating role, and where delivery is best left to regulated market participants. Without this alignment, even well-chosen priorities risk fragmenting across parallel initiatives rather than scaling into functioning markets.



3. Close ambiguity for tokenised securities

Lengthy consultations and delayed decisions will deter investment and slow adoption. This is the moment for the UK to move decisively to close ambiguity across frameworks governing settlement, custody and digital money, alongside tax and interoperability. This includes prioritising faster, explicit decision points for tokenised securities, even where the broader crypto regime remains staged.

3a. Make tokenised securities workable end-to-end across issuance, trading, clearing and settlement and collateral

- Legal certainty and settlement finality for DLT-based systems.
- Interoperability with existing market infrastructure (including CREST and USRs).
- Early commitment to converting the Digital Securities Sandbox into a permanent digital securities regime with no cliff edge for successful models.
- Eligibility of tokenised securities for use as collateral in repo, CCP margin and bilateral markets, and how control and possession concepts, haircuts, enforceability and default-management work for tokenised collateral.

“We’re talking about digital gilts as new; Swiss digital sovereign debt has traded for a year already.”

Interview quote

3b. Establish a clear approach to digital money used in markets

- Joined-up regulatory model for tokenised deposits and regulated stablecoins, with clear roles for the FCA, Bank of England and HM Treasury across non-systemic and systemic models.
- Holding limits that are operationally workable and clearly time-limited with defined criteria for review or removal.
- Regulated forms of digital money enabled for delivery-versus-payment in tokenised securities markets.

3c. Provide clarity on conduct, custody and the regulatory perimeter, including

- A clear separation between regulated tokenised securities activity and regulated cryptoasset activity under the FSMA framework.
- Explicit custody and safeguarding outcomes, including how CASS-style protections apply or are adapted.
- Consistent reporting, venue and supervisory treatment across DLT-based and traditional market rails.

3d. Remove tax and accounting friction

- Tax clarity for tokenised securities and on-chain settlement aligned to economic substance.
- Alignment with the transition to a single securities transfer tax from 2027, ensuring tokenised transfers are supported natively without double-charging or blocked processes.
- Clear accounting and reporting treatment to support scale.

4. Build industry and regulatory capability

As the number of participants and volume of activity increase, both industry and regulators must scale up their technical expertise to supervise and innovate confidently. The FCA, PRA and Bank of England should establish specialist tokenised asset units, supported by secondments from industry and targeted international collaboration, to match the capability and capacity of leading peers such as Singapore and the US.

Given that tokenisation crosses three regulators, it is important to coordinate policy consultations and recommendations where possible.

“In the US, stablecoin rules are set. Here, firms still don’t know what the perimeter is.”

Interview quote

More widely, industry, government and regulators need to collectively upskill on the foundational basics of digital assets and tokenisation, working to a common taxonomy and shared language. Industry has a critical role to play both internally, investing in skills, systems and governance, and externally by engaging constructively with regulators and customers to help them navigate complexity.

5. Build momentum with real applications

The priority now is delivery. The UK should build momentum through a small number of visible, regulated, end-to-end applications that demonstrate tokenised markets working at scale. Early examples could include tokenised securities such as bonds, fund units or digital gilts, settled delivery-versus-payment using digital money and subsequently used as collateral in repo or margining arrangements.

From there, momentum should be reinforced through applications with clear wholesale value, including infrastructure and project bonds, tokenised fund units, tokenised collateral integrated with CCPs and CSDs, and connectivity with global custodians. Where appropriate, use cases such as tokenised real estate can play a complementary role, but the primary focus should remain on scalable wholesale markets. Live deployments within the UK’s existing market architecture, rather than parallel pilots, will build confidence, attract investment and demonstrate that the UK is ready to lead the next generation of global capital markets.

“Other financial centres are running live tokenised bond markets, we’re still debating definitions.”

Interview quote

DEEP DIVE

Build a tech-first workforce

Thriving in the next decade will depend as much on skills and leadership as on technology itself. As technology reshapes every aspect of financial and related professional services, skills will need to evolve at every level. Technology literacy and confidence of using new tools will be essential, not a ‘nice to have’. New roles will emerge to manage and govern areas such as agentic AI workflows, and executive- and board-level capabilities will need to evolve to steer technology and data-driven businesses exposed to a new set of risks.

This industry is particularly exposed with financial services’ occupational exposure to AI more than five times the national average. PwC’s AI Job Barometer estimates that the share of jobs requiring AI skills in

the industry is second only to the information and communication sector.

The Financial Services Skills Commission (FSSC) and industry partners are already playing a central role in mapping future needs and developing programmes that blend finance, data science and technology. Many firms are already investing heavily in training, human skills, apprenticeships and cross-sector collaboration to build these capabilities, but interviewees agree this must be scaled-up nationally. Strengthening partnerships between firms, universities and colleges, and government, embedding digital and finance modules into education pathways, and creating more flexible entry and mid-career learning routes will all be essential. Efforts must also be national in reach, ensuring that opportunities for digital upskilling extend across the whole of the UK, not just London, unlocking regional talent.

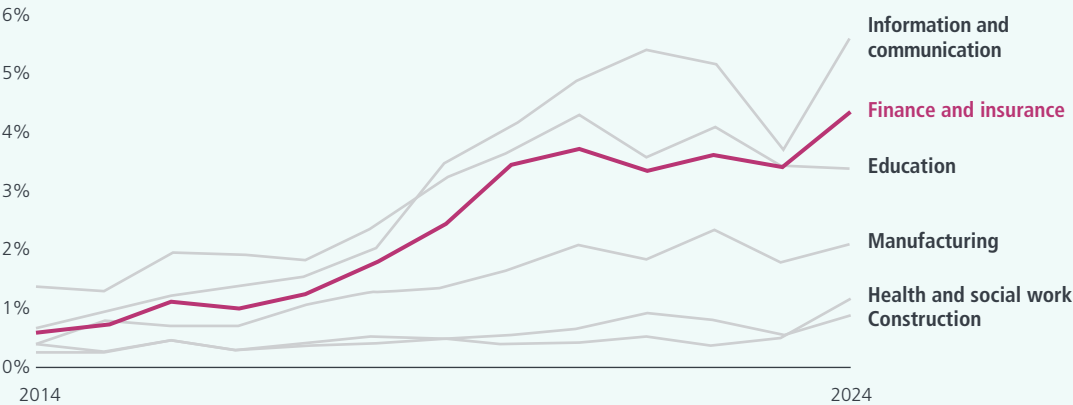
Interviewees also emphasised that technology skills and experience must reach the top table. Boards and executive teams need a deeper understanding of technologies and risks to govern effectively. This may require greater flexibility in recruitment, career pathways and regulatory approvals to enable horizontal moves from other industries to bring diverse digital experience into senior leadership.

Ensuring a strong and upskilled pipeline of financial and related professional services talent is not just

good for the industry, but for the wider economy. Talent trained in financial and related professional services spreads far and wide and plays a central role in shaping the strategic direction and ensuring responsible oversight of UK companies in all sectors. For example, 87% of FTSE 100 companies and 81% of FTSE 250 companies have an Institute of Chartered Accountants in England and Wales (ICAEW) member on their board.

Figure 22: Share of ‘AI job’ postings in the UK by sector, %, 2012 - 2024

Source: PwC AI Jobs Barometer 2025



Notes: ‘AI Jobs’ defined by those that demanded AI skills.



Priorities to build a tech-first workforce

Interviewees consistently highlighted five priorities to develop and sustain a tech-fluent workforce capable of leading the industry through the next wave of change:

1. Develop a cohort of leaders that are fit for the future

Industry needs to strengthen internal and external leadership pipelines to embed digital and data fluency at board- and executive-level. Leaders need the capability to govern AI-enabled and data-driven systems, including understanding model risk, new ethical considerations and the limits of explainability. Governance, organisational structures, job descriptions, accountability, and decision-making frameworks must evolve accordingly.

2. Modernise certification and ramp up continuous learning

Professional bodies and industry need to continually evolve core professional qualifications, such as the CFA, ACA, and others, and expand micro-credentials to incorporate AI, data and digital literacy alongside core financial skills.

Industry needs to align internal career pathways and reward structures so continuous learning is genuinely valued, and ensure outdated competency or approval processes do not block digitally skilled talent from taking on senior roles.

3. Create flexible, skills-based pathways into the industry

Industry needs to strengthen the flexibility of routes into and across the industry and drive greater mobility between roles and openness to experienced hires from adjacent sectors. This needs to be underpinned by a skills-based approach to workforce planning, including hiring and progression.

Regulators need to provide regulatory flexibility for firms experimenting with new skill sets and roles.

4. Strengthen regional and national talent hubs

Government, regulators and industry need to build scale in regional and national centres with strong educational institutions, research strengths and specialist talent pools, ensuring these hubs can continue to provide the skills and capabilities the industry needs to grow and innovate.

Industry needs to place high-value digital, data and technical roles in regional and national centres to ensure these hubs achieve the scale, depth and career pathways needed to become sustainable talent ecosystems.

5. Strengthen university and college partnerships

Industry and government need to deepen collaboration with universities and colleges to shape curricula around technology, finance and data science; expand joint research and apprenticeship programmes; and establish a national network of innovation and skills centres aligned to the future needs of financial and related professional services.



2

Reset regulation and tax for the future of finance

In the past, the UK's predictable and high-quality legal, regulatory and tax regime have been a strength for the UK and have drawn capital, talent and business activity from around the world. Yet over the past decade those strengths have begun to be eroded as the UK's tax and regulatory burden has increased, while other financial centres have more recently moved faster, cutting red tape, simplifying taxes, embracing new technology and actively competing for global business.

The risk of inaction is clear: in a world where capital and talent are more mobile than ever, activity that once defaulted to the UK will gradually flow elsewhere. Encouragingly, the momentum is already beginning to shift. The government, regulators and industry are demonstrating a renewed determination to make the UK a predictable, proportionate and pro-growth environment for financial and related professional services. With this backdrop, now is the moment to go further and deeper on reform if the UK is to keep pace.

Reset regulation for the future of finance

The UK's regulatory landscape remains a cornerstone of its strength as a global financial centre, recognised for its rigour and quality. Yet interviewees cautioned that since the global financial crisis the cumulative effect of successive reforms has seen the "pendulum swing too far", creating a system seen as complex and costly, encouraging risk avoidance, and ultimately constraining innovation and growth.

The government and regulators have recognised this, and made efforts in recent years to deliver a more streamlined and agile regulatory system, including through the introduction of the secondary

competitiveness and growth objective, the Leeds Reforms and Financial Policy Committee's (FPC) assessment of bank capital requirements and consideration of clearer demarcations between retail and wholesale insurance markets. Such initiatives are strongly welcomed. Nonetheless, interviewees saw now as an opportune moment to further simplify and substantively modernise regulation and supervision.

Building on work already underway, interviewees identified five priorities that need sustained focus.

1. Streamlining and delayering the overall regulatory framework to create a simpler and more navigable system.
2. Improving the speed, efficiency and coordination of regulatory processes such as authorisations, approvals and reporting, as well as improving the speed of delivery of regulatory reforms.
3. Embedding even greater proportionality so that requirements reflect the scale and true risk of activities, particularly in wholesale markets.
4. Recalibrating prudential and capital requirements to balance resilience with competitiveness and avoid placing the UK at a structural disadvantage.
5. Further embedding a growth-oriented supervisory mindset, supported by clear political backing, to shift the system from risk aversion to responsible risk-taking and consistent delivery. It was clear from the interviews that the inherent trade-offs between consumer access and protection, or risk reduction and dynamism, carry wider societal implications and demand political leadership as well as regulatory change.

Taken together, these reforms form a logical progression from structural simplification and process efficiency through to proportionality, prudential calibration, and ultimately the cultural and political conditions needed to sustain long-term competitiveness.

Streamlining and delayering regulation

Compliance has become one of the largest cost drivers in UK financial services. TheCityUK and PwC's 2025 'Reducing the cost of compliance' report estimates that regulatory compliance now costs the industry over £39bn annually⁴⁹, around 13%⁵⁰ of total annual operating costs. Within this, indirect compliance costs outside compliance teams are four times higher than those borne directly by compliance teams. Eighty-four per cent⁵¹ of respondents reported rising costs over the past five years. Seventy-two per cent⁵² of respondents cited 'reducing complexity/duplication in the rulebook' in their top three interventions that would have the greatest impact on their costs.

While each of the individual post-crisis reforms may have strengthened resilience, successive layers of prudential (including capital buffers, Minimum Requirement for Own Funds and Eligible Liabilities), conduct (including the Consumer Duty, Senior Manager and Certification Regime (SMCR)), and structural regulation (including ring-fencing, resolution and recovery structures) have created a regime that is complex, less competitive and slow in aggregate. In addition, EU-derived frameworks such as the Markets in Financial Instruments Directive II (MiFID II) and Solvency UK remain complex and documentation-heavy.

"Safetyism has become the culture. The safest answer is always: do nothing new."

Interview quote

The Consumer Duty has exemplified this challenge. It establishes the UK as an outcomes-based regulatory regime for retail consumers. Yet many of the prescriptive rules it was intended to replace remain in force. This includes detailed product governance requirements (PRODs), MiFID II suitability and appropriateness tests, and Insurance Pricing Practices. Progress is underway, but must now accelerate in stripping out prescriptive rules the outcomes-based model has the potential to replace. Until this happens, firms remain caught between two systems, creating uncertainty, cost and hesitation to innovate.

Many interviewees noted that firms have mirrored this complexity internally, adding excessive layers of risk and compliance governance that slow decisions and in some cases actually end up diluting rather than focusing accountability. The result is widespread cultural spillover into "safetyism" and self-preservation where firms are more inclined to ask "what is safest?" than "what best serves clients or growth?", even when regulation is not in fact the direct constraint. Several interviewees recognised there are many situations where the industry itself could soften the interpretation of requirements, engaging with the FCA closely on areas of ambiguity.

While many factors contribute to the changing composition of bank balance sheets, many interviewees believed that the aggregate impact of regulatory layering and risk aversion has been one of the primary drivers. For example, non-bank lenders now account for around 55% of all lending to UK⁵³ businesses and nearly all net lending growth since 2007.⁵⁴ In retail banking, risk-weighted assets (RWA) density has fallen by eight percentage points since 2013 as lending activity concentrates in lower-risk residential mortgages. Alongside this, over 20 million⁵⁵ UK adults are now defined as financially underserved. These trends arguably demonstrate

the knock-on impacts of layering up requirements over time, and the need to systematically review the aggregate load to best balance resilience, protection, growth and customer outcomes.

As individuals get access to far clearer, real-time information through the pensions dashboard, Open Banking, Open Finance and other digital services, the balance of responsibility in retail markets could begin to shift back towards the consumer. Regulations built for a period of information scarcity will need

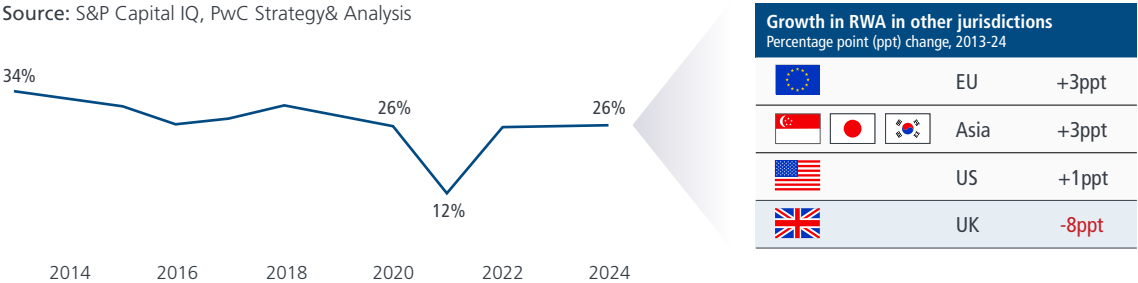
to be adapted. A systematic, recurring review of the rulebook to remove obsolete provisions and reassess cumulative requirements will be ever more important as consumers have both the tools and the information to take greater control of their financial decisions.

"The pendulum swung too far. We have a compliance industry bigger than some banks."
Interview quote

Figure 23: Composition of the current stock of UK private non-financial corporate debt
Source: Bank of England



Figure 24: Average risk-weighted-assets (RWA) density of UK banks, %, RWA as a percentage of total assets, 2013-2024
Source: S&P Capital IQ, PwC Strategy& Analysis



Streamlining regulatory processes

As noted in the House of Lords Financial Services Regulation Committee’s ‘Growing pains: clarity and culture change required’ report⁵⁶, inefficiencies in regulatory processes remain a major source of friction for the industry. These challenges contribute to the perception that the UK’s regulatory model is less agile than its global peers.

The volume and overlap of data and information requests across the FCA, PRA, The Pensions Regulator (TPR), Financial Services Compensation Scheme (FSCS), Financial Ombudsman Service (FOS) and others were consistently cited as a key pain point. Forty-four per cent⁵⁷ of compliance leaders named ‘reducing reporting requirements’ their top priority. It was felt that requests are frequently uncoordinated or unclear, with long delays between submission and feedback.

"Authorisations in the UK used to take months; now they take years. Firms just give up."
Interview quote

Interviewees urged faster adoption of regulatory technology and data analytics to improve efficiency, pointing to Singapore’s use of AI-driven supervision as a model. They welcomed clear progress already underway through initiatives such as the FCA’s machine-readable Handbook and the joint Transforming Data Collection programme, which aim to streamline reporting and supervision. Many also emphasised that firms themselves must improve the quality, consistency and integration of their internal data to make reporting more efficient and to enable smarter, technology-enabled supervision.

For the UK to remain competitive, rapid and robust approval processes are arguably most critical,

particularly for reviewing and approving new business activity. While progress on authorisation reform has been positive, the UK still lags leading international centres and can strive to go further in the long term. To enhance competitiveness, industry leaders highlighted that an urgent priority should be streamlining processes for approving new products and model reviews, in particular for rapidly evolving specialist markets such as insurance.

As another example, several interviewees described the annual re-certification process for the SMCR as duplicative of internal HR controls and questioned its value for non-critical roles such as algorithm developers. In addition, delays in pre-approvals were cited as a barrier to appointing talent and executing business plans. Several interviewees supported allowing some senior roles to proceed without pre-approval, especially where individuals had held equivalent roles previously. Many interviewees felt the UK should use the ongoing SMCR review as an opportunity to now simplify much further, with a particular lens on proportionality and overlaps with other accountability regimes, for example, Solvency UK governance and Board charters.

"We lose great people during the recruitment process because they can't wait for SMCR clearance."
Interview quote

Greater proportionality for wholesale activity

As outlined in section 1, unleashing the full potential of the UK’s wholesale and international markets is central to driving long-term growth from the industry.

While the FCA’s review of the Consumer Duty’s application to wholesale business and the current review of client categorisation are welcome, interviewees called for a deeper reassessment of the regulatory framework for professional clients. Several interviewees called for a specific review of the treatment of sophisticated HNW and ultra-high-net-worth (UHNW) individuals. Resetting the boundaries could help unlock innovation, drive new products and more efficient processes, ultimately delivering better options at a lower cost for investors. While the FCA’s recently announced consultation on client categorisation may in part begin to address this, speed is critical given the unlevel playing field faced by UK firms.

Disclosure, suitability and best-execution rules were cited as examples of requirements that were not perceived to add significant additional protection for professional clients capable of managing their own risks; again the FCA’s commitment to review this is welcome but timeliness is crucial.

“Our biggest digital transformation programme last year was... regulatory reporting!”

Interview quote

Finally, interviewees noted that achieving true proportionality will depend not only on the design of the rules but on the capacity and capability to oversee the wholesale markets of the future. Many stressed the need to support the regulators in building deeper market expertise within supervisory teams,

particularly in complex wholesale and capital markets, and spanning tokenised assets, private capital and next-generation market infrastructure. Ensuring the regulators have the capacity to authorise and approve a surge of new businesses and products will also be critical. Delivering this will require sustained investment in regulatory capacity and specialist skills, ensuring teams have the resources and experience needed to engage confidently with fast-evolving markets and to manage the transition effectively.

Rebalancing prudential and capital requirements

Interviewees agreed that prudential and capital requirements should continue to uphold high standards of resilience but argued that they must also align more closely with the FCA and PRA’s secondary competitiveness and growth objective, which is subject to aligning with relevant international standards.

Interviewees pointed to prudential rules such as Basel 3.1, PRA capital buffers and leverage ratio thresholds as areas where ‘cliff edges’ create disproportionate burdens for firms just above regulatory thresholds. In addition, interviewees highlighted the treatment of principal trading firms, broker-dealers, specialty insurers and mid-sized domestic-focused institutions, where capital and liquidity requirements may not adequately reflect the actual level of systemic risk. In comparison, regimes in jurisdictions such as Australia and Singapore were recognised as providing for a wider set of exemptions and imposing less stringent governance requirements on these firms compared to the FCA’s Investment Firm Prudential Regime. In insurance, Bermuda’s capital regime continues to be viewed as more flexible, especially for long-duration liabilities, reinsurance-intensive balance sheets and complex capital structures.

Against this backdrop, the FPC’s recent review of the UK’s capital framework is an important moment. It concludes that the optimal aggregate Tier 1 capital requirement for the banking system is 13% (down from 14%)⁵⁸, but interviewees were clear that the value of this assessment will depend entirely on rapid, substantive follow-through.

The FPC and PRA now need to conclude at pace the reviews announced alongside it, including the leverage ratio, prudential thresholds, the usability of buffers and the cumulative impact of self imposed domestic add-ons such as the countercyclical buffer and systemic overlays.

As the FPC acknowledges, the leverage ratio has increasingly become a binding constraint for well-capitalised banks due to prolonged de-risking. This was never the intended design and now actively restricts balance sheet capacity. Interviewees also highlighted that the countercyclical buffer, conservative mortgage and SME risk-weight floors, rigid ring-fencing arrangement and buffer overlays act as drags on the competitiveness of UK banks, disproportionately impacting mid-sized domestically-focused banks. In some cases, such calibration runs directly counter to the growth and competitiveness objectives set for the regulators. Even only modest, evidence-based recalibration has the potential to release as much as £20bn⁵⁹ of capital across the system that could support productive lending and investment without undermining resilience.

Embedding a pro-growth regulatory culture

Interviewees strongly supported the development of a more confident, principles-based regulatory culture that maintains high standards while enabling responsible risk-taking. The introduction of the secondary competitiveness and growth objective and reforms to the FOS were all seen as positive signals of intent.

“The objective for UK regulators to promote growth and competitiveness is a decisive initial step forward, and it is already driving positive policy change.”

Interview quote

Interviewees also stressed that regulators cannot set risk appetite alone. Clear political backing is needed to enable bolder decisions and reduce regulatory drag. Embracing responsible risk-taking inevitably means accepting that some ventures will fail, and there will be some cases of customer detriment. Political leaders must therefore provide the clarity of purpose and consistent air cover that allow regulators and industry to take a proportionate view of risk without defaulting to risk avoidance when setbacks occur. Resisting the instinct to trigger Parliamentary scrutiny and public interventions every time an isolated failure occurs is important.

A parallel shift in supervisory mindset and incentives is also required, and we welcome the PRA’s action to streamline their supervisory process, including by moving some supervisory activity to a two-year cycle. More broadly, regulators should embed competitiveness directly into supervision, asking daily “What have I done to advance UK competitiveness?” and government should more strongly guide how risk and growth are balanced. Achieving this shift in culture and incentives will be critical to ensuring that the UK’s regulatory framework not only protects consumers and stability but actively enables innovation and long-term growth.

“Regulators need permission to accept some failures; that’s part of growth.”

Interview quote

Interviewees emphasised that achieving the right balance will require coordinated action across HM Treasury, the Bank of England, the PRA and the FCA. A more system-wide approach anchored in clear political backing, regulatory certainty and

proportionate, risk-based supervision is essential if the UK is to maintain global credibility while restoring competitiveness, thereby enabling the industry to deploy capital more effectively into the real economy.

“The UK needs to rediscover responsible risk-taking; it’s how London was built.”

Interview quote

“Every isolated failure triggers Parliamentary scrutiny and political point scoring. That destroys confidence to innovate.”

Interview quote



Priorities for resetting regulation for the future of finance

Interviewees consistently highlighted five priorities that will underpin a regulatory environment that is efficient, proportionate and internationally competitive for the next decade. Firms across the industry, including legal and consulting firms are experts on national and international regulation and the UK must leverage this expertise to accelerate action across these priorities.

1. Streamline the rulebook

Government needs to mandate regular rulebook reviews to retire outdated or duplicative requirements and where necessary introduce legislation to ensure regulations remain proportionate, targeted and relevant to modern market practice and that the right balance between rules and an outcome-based approach is achieved.

Industry needs to collectively identify where today’s rulebook complexity creates the greatest friction.

Regulators need to reduce layering, consolidate overlapping provisions, and adopt simpler, outcomes-based rules that remove unnecessary cost.

2. Simplify, accelerate and reduce regulatory processes

Regulators need to rapidly deliver reforms to shorten authorisation and approval timelines, and then aim to match leading global benchmarks for speed and predictability. Regulatory bodies should conduct a joint review to identify opportunities to de-duplicate reporting requirements, enhance information sharing across regulatory bodies, and increase the use of automation at both firms and regulators to complete reporting obligations.

Industry needs to simplify internal governance, strengthen data and reporting foundations.

3. Increase the distinction between retail and wholesale business

Government and regulators need to implement a strategic review to accelerate the demarcation of wholesale and retail services (see ‘DEEP DIVE’ on page 38), according to firm size, systemic importance and customer type. Early stages of work to revisit the treatment of professional and high-net-worth clients and of wholesale firms that manufacture products distributed to retail customers downstream are welcome but must go further.

Industry needs to work cooperatively with the regulator to resolve areas of ambiguity and identify areas where excessive caution is being taken.

4. Recalibrate prudential requirements

Regulators need to act on the recent FPC review and make targeted changes to measures in the capital framework which unnecessarily constrain UK lending, liquidity provision or investment, for example, the leverage ratio, capital buffers, thresholds and domestically-focused capital requirements. This will also require changing prudential requirements for non-systemic wholesale firms such as investment firms and specialist insurers, to reflect their actual risk rather than their institutional scale. The FCA’s December 2025 engagement paper on market risk requirements for investment firms was a welcome first step in this process.

5. Give political air cover for responsible risk-taking

Government needs to provide political air cover for responsible risk-taking and establish a more explicit mechanism to oversee and scrutinise regulators in balancing risk, competitiveness and growth. Clearer political direction, combined with transparent metrics and accountability for delivery, will ensure the secondary competitiveness and growth objective is applied consistently in practice.

DEEP DIVE

Embed stronger proportionality – a strategic reset for wholesale markets

With global markets evolving rapidly, and wholesale markets increasingly shaped by tokenisation and new forms of market infrastructure, the UK cannot rely solely on incremental reform to maintain its edge in wholesale services.

Other leading jurisdictions have already begun to adapt. The UAE has introduced specialist authorities such as VARA, DIFC and ADGM to combine clear mandates with delegated self-regulation; Hong Kong operates distinct regulators for securities, insurance and banking (SFC, IA, HKMA); the US relies on self-regulatory organisations such as FINRA and NFA for market conduct.

At the same time, reforms are under way in US wholesale markets and the EU’s Savings and Investment Union, signalling a decisive shift towards more agile, specialised and coordinated oversight, and underscoring the importance of the UK taking a long-term view of its own regulatory approach.

There is no single ‘best model’. Rather, the common theme is clarity of mandate, proportionality and speed in wholesale markets, from regulatory structures and supervisory approaches through to rule calibration, market infrastructure and wider operating conditions.

A small minority of interviewees argued for a fundamental reset to the UK regulatory twin peaks architecture, resetting perimeters and establishing stronger self-regulatory models in mature, internationally facing sectors. However, on balance,

many felt this would create an unhelpful level of uncertainty and disruption for a significant period, without necessarily addressing the underlying issue of how those principles are delivered in practice.

Instead, many called for a strategic review to accelerate the demarcation of wholesale and retail services. This includes a focus on regulators; creating clearer mandates, increasing regulatory capacity and developing accountability and performance metrics to track regulatory progress. There was also a call to look at opportunities to enhance mechanisms for dealing with cross-cutting issues that need to be thought through as new products emerge, for example, systemic stablecoins in PRA vs. digitised money market fund in FCA.

This should be treated as a strategic national priority for the UK’s competitiveness, akin to the UK Listing Review, and therefore requires a broad-based review that considers regulation and the wider levers needed to enable delivery. This includes legislation, supervisory processes, rule calibration, approvals and authorisations, reporting and data requirements, and enforcement posture, alongside the wider operating environment that shapes wholesale competitiveness, such as tax treatment, market infrastructure, data and access to specialist talent.

The objective should be to identify an approach and a set of standards that maintain the UK’s resilience, market integrity and trust, while enabling greater specialisation, agility and global competitiveness in wholesale markets.

Such a review would send a strong signal that the UK intends not only to keep pace with global reform but to set the benchmark for what a modern, growth-focused system should look like.

Reset tax for the future of finance

Interviewees consistently highlighted that the UK’s tax system is now one of the least competitive in the world. Three themes stand out. First, the overall burden on the industry is high, leaving the UK a higher-cost location than rival centres. Second, unpredictability and administrative complexity are eroding confidence and deterring long-term investment. And third, other jurisdictions are using targeted tax levers to attract capital and talent in fast-growing segments.

A high tax burden

The Total Tax Contribution (TTC) of financial and related professional services was £110bn in 2023 (Figure 25), 12% of total government receipts.⁶⁰

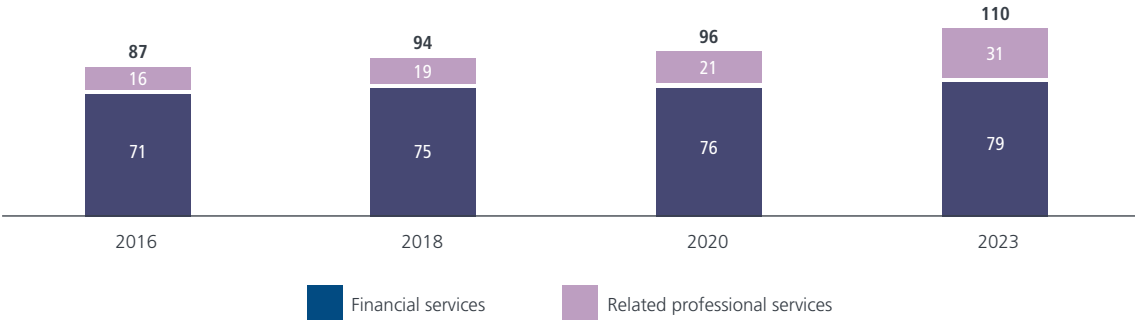
While the UK’s headline corporate tax rate is broadly in line with international peers, firms face additional sector-specific charges such as the bank levy and

surcharge, or the insurance premium tax (IPT). For UK banks, this is reflected in an effective ‘total tax rate’ for banks that significantly exceeds the US - by more than 1.6x (Figure 26). And the gap between the UK and other financial centres has widened - for example, the difference between London and Frankfurt has grown more than five percentage points since 2019 - making it harder to attract and retain institutions that can choose to operate or book business from lower-tax jurisdictions.⁶¹

For UK insurers, continued increases in IPT have contributed to the c.80%⁶² increase in the nominal TTC of Association of British Insurers (ABI) members since 2014, alongside sector growth and inflation (Figure 27). IPT now accounts for 61.2% of the TTC of general insurers (2022: 57.4%)⁶³ – adding to cost pressures which ultimately are borne by UK consumers.

Figure 25: Financial and related professional services total tax contribution, £bn (nominal), % of industry GVA, 2016-2023

Source: Office for National Statistics, Office for Budget Responsibility, HM Revenue & Customs, TheCityUK Analysis, PwC Strategy& Analysis



Notes: The professional services figures only include the legal and accounting industries due to tax data availability.

Figure 26: Total tax rate of the model bank, %, 2025

Source: UK Finance, PwC Strategy& Analysis

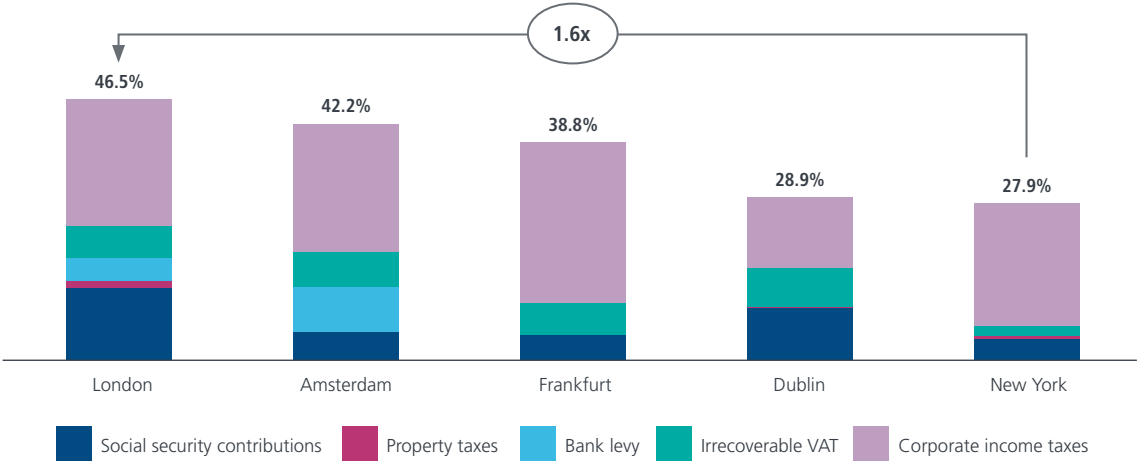
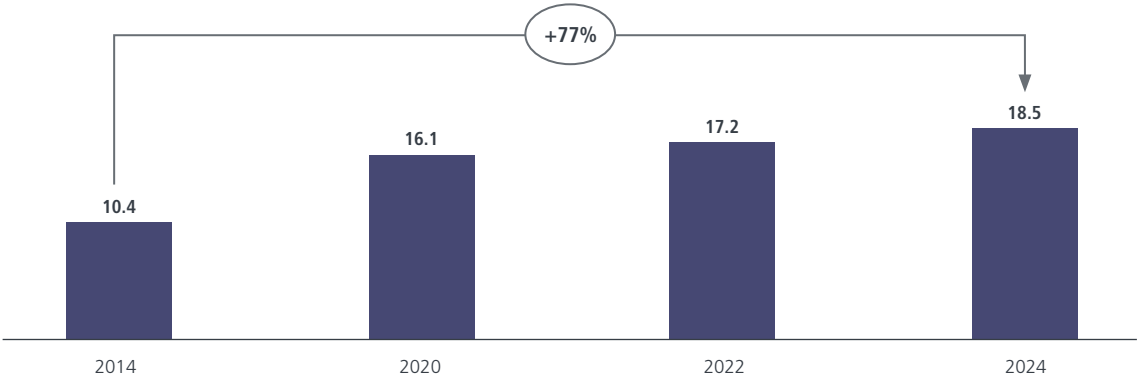


Figure 27: Total tax contribution of the ABI membership, £bn (nominal), 2014-2024

Source: Association of British Insurers, PwC Strategy& Analysis



Reducing unpredictability and complexity

On personal tax, the unpredictability and cumulative effect of UK taxation were consistently cited as a critical risk to the industry's long-term competitiveness. Personal tax is a key driver for both organisations and top talent when choosing where to live and work, in particular for private markets and fund management. Interviewees felt that the continued uncertainty combined with higher rates than some peer jurisdictions, has prompted a growing number of senior professionals to relocate to other financial centres. Addressing this quickly is critical. When international capital is managed from the UK, it deepens domestic investment, supports liquidity across UK markets and, in turn, boosts tax receipts and growth across the wider economy.

"The UK tax code is now the most complex in the OECD."

Interview quote

On corporate tax, interviewees also described the UK regime as increasingly costly to administer, with frequent legislative change and the cumulative layering of tax provisions driving up compliance costs and creating uncertainty for long-term investment. Multilateral initiatives such as Pillar Two (the global minimum tax regime) and anti-hybrid provisions were viewed as adding further complexity and increasing the compliance burden, particularly in a system like the UK's which already contains extensive anti-avoidance measures. Areas of potential overlap should be regularly reviewed and action taken based on whether these initiatives generate additional tax revenue.

Using tax incentives to compete

Other financial centres are now using tax strategically to attract capital and accelerate growth sectors.

For example:

- **Insurance:** Bermuda offers tax neutrality and simplified set-up for Insurance-Linked Securities (ILS) and captives, while Singapore provides upfront grants and premium rebates.
- **Asset management:** Ireland and Luxembourg offer preferential regimes including fund domiciliation for alternative funds, private market holding companies, VAT treatment on services and recently, Luxembourg has introduced a preferential carry regime.
- **Sustainable finance:** Singapore provides tax deductions for sustainable bond issuance, and the EU offers preferential tax treatment for green investment funds.
- **FinTech:** The UAE and Hong Kong use corporate tax holidays to anchor FinTech and digital-asset innovation.

In contrast, there were no corresponding tax changes to accompany the UK's recent reset of its captive and ILS frameworks, or its announcements on digital assets. Existing tax frameworks that are already creating growth in the UK could be enhanced to accelerate growth. For example, narrowing the conditions in the UK ILS regulations to provide more certainty to prospective investors. Similarly, if the UK wants to grow its share of captives, the policy regime would benefit from a supporting, bespoke tax treatment.

"Every other centre is using tax strategically. We're using it accidentally."

Interview quote

To further bolster competitiveness, existing reliefs could be adjusted to more clearly cover financial services, for example, R&D reliefs could explicitly cover actuarial and underwriting innovation. Some AI applications in actuarial domains are already deemed R&D. Industry could work with government to identify further innovative technologies that could qualify for tax relief. The UK has, in several instances, implemented reforms that have served to materially enhance the attractiveness and competitiveness of its funds ecosystem. Three of the most significant recent examples are the Qualifying Asset Holding Company

(QAHC) regime, the Long-Term Asset Fund (LTAF) regime, and the Authorised Contractual Scheme (ACS) regime. The UK should also consider reinstating a prudentially-aligned tax deduction for catastrophe reserves, or letting insurers offset losses against profits from earlier or later years more freely, which currently make the UK less attractive for writing volatile property catastrophe or specialty business. Finally, the UK could consider adopting a higher rate of R&D tax relief on qualifying spend. The UK's relief rate is currently approximately 15% post-tax benefit, which is lower than in a number of other countries.



Priorities for resetting tax for the future of finance

A competitive, predictable and efficient tax system is critical to the UK's attractiveness as an international financial centre. Business taxes, personal taxation, VAT and sector-specific levies all influence the UK's ability to attract global capital, investment and talent. To remain at the frontier, the UK must offer a regime that is simpler, more stable and better-aligned with national growth priorities:

1. Restore tax predictability

Government needs to build on the Corporate Tax Roadmap (2024) and provide certainty through a long-term roadmap for key taxes affecting financial services, reducing volatility and enabling firms to commit capital and plan with confidence.

2. Simplify the tax code and cut compliance costs

Government needs to commit to rationalising overlapping obligations, for example, duplicative reporting requests between UK filings and Pillar Two disclosures, and remove or reduce compliance obligations where revenues are immaterial.

Industry needs to address the internal drivers of complexity by simplifying structures and engage constructively with HMRC to identify where the system creates unnecessary friction.

3. Coordinate tax policy more closely with regulators and industry

Government needs to establish a structured dialogue between HM Treasury/HMRC, the regulators and industry to provide timely guidance on incoming tax changes, expand clearance mechanisms, and collate market intelligence to anticipate unintended consequences.

4. Ensure the tax system remains internationally competitive

Government needs to conduct regular reviews of sector-specific taxes and those influencing capital and talent flows, to ensure the UK remains internationally competitive.

5. Use tax levers to reinforce strategic growth priorities

Government needs to deploy targeted tax levers to attract international business such as strengthening the QAHC and the ILS regimes and introducing incentives in growth markets such as tokenised assets and captive insurance.

Regulators need to review capital and liquidity requirements to complement government incentives.



A differentiated legal system

English law and the UK's legal system, together with its exceptionally strong legal services sector, have long been among the industry's defining strengths, underpinning its status as a trusted international financial centre.

The UK's legal sector is the largest in Europe and second largest in the world. In 2024, the sector contributed £38bn to the UK economy, equivalent to 1.5% of GVA and posted a trade surplus of £8.9bn. Total revenue from legal activities in the UK increased to £52.3bn in 2024, much of which was generated by the top 100 UK law firms with turnover more than £37bn in 2023/24.

The UK benefits from a highly developed legal market, first class legal education and training, a technology talent pipeline, and support for innovation by the government. As a result, the UK is now a global hub for the LawTech sector with 376 LawTech companies operating in the UK, 270 of which are UK-founded with investment of more than £1.7bn. The flexibility of English law and the commercial expertise of the UK's legal professionals and judges underpin the sector's leading position in international business. The proportion of solicitors working in-house in has risen substantially over the past 10 years, reaching 25% of the profession, reflecting their increasing important role as trusted business advisers.

Yet interviewees warned that the UK's unique and historic advantage in this sector is beginning to be eroded. The principles-based nature of English law, a hallmark of clarity, predictability and commercial pragmatism, is beginning to be diluted by the growing influence of rules-heavy regulatory frameworks and a tendency for new legislation to layer on top of existing regulatory obligations rather than replace them.

This drift is contributing to some activities shifting towards New York and, increasingly, to English law-linked systems in the UAE and Singapore. The number of registered law firms with the DIFC Courts (the judicial arm of the Dubai financial ecosystem) has grown from 120 in 2017 to 208 in 2024, and the total number of claims made across all divisions has doubled in the same period.

Interviewees called for a reset in legislative mindset that restores the UK's common law tradition of clear, proportionate and empirically grounded law making. Rather than defaulting to new statute for every emerging risk, policymakers should prioritise simplification, repeal and reliance on judgment-based interpretation. Such a shift would reinforce the UK's global reputation for legal certainty and flexibility, while reducing unnecessary cost and complexity for firms.

There is also a need to modernise the administration of justice itself. They pointed to opportunities to harness technology and AI in the courts, to reduce costs and delay particularly in lower- and medium-value cases, and to expand access to justice. Improving the quality, speed and consistency of decision-making, including in family and commercial courts, was seen as essential to maintaining confidence in the rule of law and the UK's position as the jurisdiction of choice for international business and disputes.



3

Deepen international trade and investment

In 2024, the financial and related professional services industry generated an annual trade surplus of over £119bn, greater than all other UK sectors combined. The government has set an aspiration to double the annual average growth rate of net exports in its Financial Services Growth and Competitiveness Strategy. Just as importantly, the UK needs to ensure that firms retain access to global capital, talent and technology, all three of which are critical to maintaining competitiveness and innovating to capture new opportunities.

The UK holds a distinctive position in a fractured world. With trusted links to the EU, the US and fast-growing Asian, Middle Eastern and African markets, it is seen as an open, reliable and trusted partner at a time when these attributes are in short supply. The UK also leads in specialist skills that will be critical to navigating the future landscape, including risk management, insurance and professional advisory expertise.

Several areas of UK comparative advantage stand out:

- The UK is the world's leading hub for cross-border legal and advisory services, with English law governing over 40% of all global business and financial transactions.
- The UK Investment Management industry manages over £12trn of assets with >50% managed on behalf of overseas clients.
- The London Market underwrites risks in more than 200 countries and territories, with 68% of premiums written for overseas risks.

- The UK has the largest and most developed market in Europe for professional services related to financial services (accounting, management consulting and legal services).
- The UK accounts for 38% of global foreign exchange trading volumes, making London the largest FX centre in the world.
- The UK is the global leader in sustainable finance, with green bond issuance reaching \$14bn in the first half of 2025 and UK institutions accounting for the largest share of Glasgow Finance Alliance for Net Zero members worldwide.

Seizing opportunities from shifting capital flows and global demand for new services

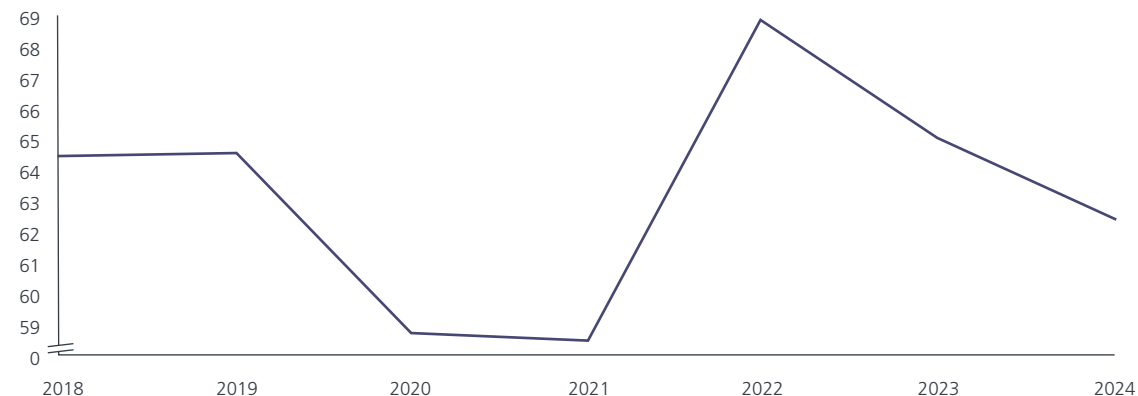
Global trade is entering a new phase of regionalisation, driven by rising protectionism and diverging political systems. Between 2022 and 2024, global trade as a portion of GDP dropped six percentage points, taking it below pre-pandemic levels (Figure 28).

"The UK is still extremely attractive as a centre for international finance, but competition is intensifying."

Interview quote

Figure 28: Global trade (sum of export and import) as a percentage of global GDP, %, 2018-2024

Source: Our World in Data, World Bank



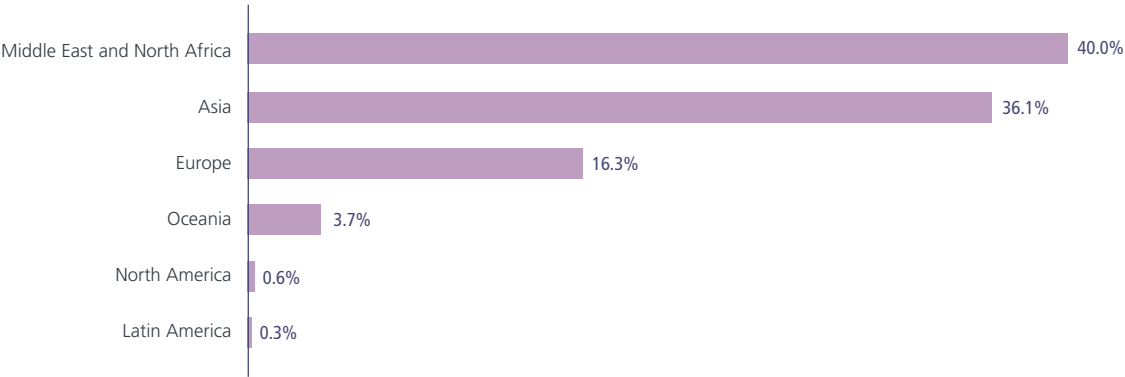
However, while global goods trade is expected to grow by around 2.5% in 2026, digitally delivered services are projected to expand at nearly 5%, sustaining a much stronger growth trajectory. With around 85% of the UK's global financial services exports digitally delivered, there remains considerable headroom for export-led growth.

The composition and geography of capital is shifting. As growth shifts across continents, trade and capital flows will increasingly flow through 'growth corridors' between China, India and the Middle East, or within the Association of Southeast Asian Nations (ASEAN).

For example, over 70% of global Sovereign Wealth Fund (SWF) assets originate from Asia, the Middle East and Africa, and more than 80% of that capital is invested internationally. UK-based asset managers are already benefiting, with assets managed for Middle Eastern clients rising 15% in 2023.

Figure 29: Sovereign wealth fund market share by region, % total AuM, 2023

Source: Global SWF, TheCityUK Analysis



The SWF landscape has expanded significantly in recent years. The total number of SWFs has tripled since 2000, reaching around 170 globally, with 13 new entities established between 2020 and 2023. Their combined AuM stood at approximately \$12trn at the end of 2024 and are forecast to reach \$18trn by 2030.

Family Office capital has grown at a similar pace with a more-than 50% expansion in total global AuM between 2019 and 2024. This growth is expected to continue in the future and their AuM is forecasted to rise sharply, from an estimated \$3.1trn today to \$5.4trn by 2030, a growth of around 73%. For the UK, this growth presents a material opportunity to position itself as the trusted global hub for managing, structuring and deploying these expanding pools of long-term capital.

In addition, the UK is well placed to service growing global demand to respond to increasing risks, from cyber to climate. The global cyber insurance market is projected to grow almost 2.5 times by 2030, reaching

an estimated \$32bn in Gross Written Premium (GWP). The climate insurance market is also set for sharp expansion. In 2024, only around \$151bn of the \$402bn in climate-related natural catastrophe losses were insured, highlighting a substantial protection gap and the growing need for advanced risk solutions and financing mechanisms to strengthen climate resilience worldwide.

Annual global investment in sustainable energy will need to more than triple by 2030 to around \$4trn. Given the significant differences in financing and insurance models for ‘proven’ infrastructure, for example, wind, solar, battery storage, and emerging technologies, for example, sustainable aviation fuel, small modular reactors etc, the UK’s financial, legal and advisory expertise positions it strongly to be at the forefront of this.

The UK needs to be clear about the high-growth markets it intends to lead in, such as booming areas of specialty insurance or positioning itself as the preferred location for Family Offices and SWFs. The

UK then needs to send decisive signals to industry and investors, much like Dubai and Singapore have done in recent years. Clear ambition, backed by coherent policy action, would give firms the confidence to scale, enable the UK to seize the opportunities ahead, and reinforce its leadership in the next wave of global financial and related professional services.

To translate this ambition into a credible offer for global partners, priority markets should be agreed, cross-industry, cross-government working groups rapidly convened, and clear packages of products and capabilities on offer developed, with early involvement of relevant embassies.

“The UK must decide where it wants to lead in global finance, generalism isn’t a strategy.”

Interview quote

Utilising the full trade and economic diplomacy ‘toolkit’

These trends underline the importance of concentrating diplomatic and trade efforts on priority markets. The UK needs to deepen ties with the EU and US while expanding partnerships and adapting to regional developments across Asia and the Middle East, where capital and demand for expertise are growing fastest. Within this, financial and related professional services must remain central to future UK–EU discussions. Interviewees stressed that the UK should stay closely aligned to the bloc, maintaining at least current levels of market access and pursuing incremental gains in select verticals, for example, reinsurance. UK and EU regulators should also continue to cooperate closely through bodies like the EU-UK Financial Regulatory Forum, exchanging views and sharing relevant evidence on how policy

reforms can drive growth across Europe and ensure proportionate regulation for retail and wholesale market segments in the UK and EU. At the same time, the UK should deepen relationships with other strategic markets, such as India, both to reinforce its global position and to rebalance dynamics with the EU. Over time, stronger partnerships elsewhere may enhance the UK’s leverage in future bilateral negotiations.

The UK has made progress through bilateral and regional agreements with the US, India and the EU, as well as through accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

However, traditional free trade agreements have made limited progress in delivering new market access for financial and related professional services.

As the government’s Trade Strategy recognises, the UK will need to deploy a more varied set of trade and commercial policy tools to maximise impact for financial and related professional services. The Berne Financial Services Agreement has set a new benchmark for regulatory cooperation in financial services, and initiatives such as the UK–US Transatlantic Taskforce for Markets of the Future should be developed further to enhance capital market connectivity and collaboration on tokenised assets.

“We need dynamic regulatory partnerships, not static FTAs that fossilise in law.”

Interview quote

Interviewees also noted that the UK could benefit from a more coordinated and unified strategy for engaging global markets and securing inward

investment. Other countries offer strong models: IDA Ireland, Business France and Invest India all operate as integrated national investment promotion agencies, brokering cross-government deals and providing a seamless, end-to-end offer to investors. In contrast, in the UK responsibilities are split between the Office for Investment (which focuses on large strategic projects), the Department for Business and Trade, HM Treasury for some financial services activity, and the international network (including the Foreign, Commonwealth & Development Office).

"We've treated services as an add-on in trade deals, they need to be the headline act."

Interview quote

A unified 'Team UK' approach would provide clearer signalling to international businesses, simplify the investor journey and enable limited resources to be deployed more effectively. There could be significant branding and delivery advantages to establishing a single front door for international investors, guiding projects from initial contact through to delivery.

The Office for Investment (OfI) has been reformed and initiatives such as the Strategic Investment Opportunities Unit and the dedicated financial services concierge service (OfI:FS), a partnership including the City of London Corporation, are welcome, but closer integration with other public agencies and departments would strengthen the UK's overall offer. Many projects that fall outside OfI's strict criteria still help build clusters, generate regional jobs and support the Modern Industrial Strategy. These too, would benefit from having one place for investors to access the support needed to choose the UK and embed successfully.

Being the destination of choice for talent

Global competition for highly-skilled professionals is intensifying. Centres such as the UAE and Milan are drawing high-net-worth (HNW) individuals and senior executives through favourable tax regimes, golden visas, and broader lifestyle benefits. Singapore and Hong Kong continue to attract global expertise through world-class infrastructure, education and quality of life.

"Personal tax is the first question in every relocation conversation. Not schools. Not housing. Tax."

Interview quote

Interviewees emphasised that predictability around personal and business tax is one of the single most important factors influencing where global firms and investors, for example, SWFs, Family Offices etc. choose to base their operations. Following recent changes to the non-dom regime, many felt that the UK has weakened its ability to attract entrepreneurs and internationally mobile talent. They called for new entrepreneurial incentive schemes to help fill the gap left by these personal tax changes and to restore the UK's appeal as a destination for innovation and investment, with knock-on benefits for related professional services.

"Entrepreneurs are global. They go where the system welcomes them. Today, that's not the UK."

Interview quote

The Financial Services Skills Commission projects that around 260,000 highly skilled workers, i.e. over 10%, will exit the sector by 2035 through retirement and attrition. There are particular pinch points around financial advisers and wealth managers. Interviewees called for a dual strategy to reverse this trend: ensuring visa pathways are fast and predictable for top international talent, while investing in domestic skills to reskill, upskill and retain a future-ready workforce.

A flexible, efficient immigration system is important to attract the specialist skills the market needs to complement the domestic workforce. Targeted reforms could include:

- **Fast-track work visas:** a new visa sponsor system to reduce the time to secure work visas, for example, decisions in 2-3 weeks, with accreditation for financial firms and innovation accelerators, for example, Lloyd's Lab, to sponsor non-UK specialists.
- **Mutual recognition of professional qualifications:** enable easier movement of skilled staff and advisory firms, for example, actuaries, auditors, and avoid lengthy resume/CV approvals.
- **Improved UK-EU business mobility:** a renegotiated mobility framework under the Trade and Cooperation Agreement to remove restrictions for short-term business visitors and expand Youth Mobility Schemes.
- **Simplified intra-company transfers:** streamline requirements for global firms moving staff between UK and overseas offices, with lighter documentation and multi-entry permissions for senior or specialist roles.

- **Priority skills:** create dedicated high-skilled visa routes or inclusion on the Shortage Occupation List for roles such as risk modellers, data scientists, AI engineers and compliance specialists. There must be an agile approach to updating the List as technology evolves at pace and skill needs change.

Sustaining the UK's status as a global magnet for financial, legal and technological expertise will depend on offering both opportunity and openness: making the UK a place where global talent wants to come, and home-grown talent chooses to stay.

"The SMCR scares international candidates, some see it as unnecessary personal risk."

Interview quote

Priorities to deepen international trade and investment

The UK has a distinctive position globally, but to remain competitive, the UK must take a deliberate approach to meeting the demands of an evolving global trade landscape and an increasingly competitive market for international talent as it relates to financial and related professional services:

1. Attract the world best talent to the UK

Government needs to maintain a competitive and welcoming regime for international talent, expand mobility pathways and mutual recognition of professional qualifications with the EU, Middle East, Singapore and other high-growth markets.

2. Build on our established major partnerships

Government needs to use the full range of trade policy and regulatory cooperation tools to elevate the financial and related professional services industry in all major bilateral relationships, including with the US and the EU, securing stable long-term arrangements, particularly on reinsurance, capital market connectivity and market infrastructure.

3. Accelerate partnership with high growth markets with clear propositions

Government and industry need to establish joint working groups to prioritise rapidly expanding markets - such as India, Indonesia, Malaysia, and the wider ASEAN region; Saudi Arabia and Dubai in the Middle East; and African markets such as Nigeria - and develop a tailored package of what the industry can offer for each market. These pitches should represent the full breadth of the industry's strengths, including professional services capabilities which are critical to bolstering the investability of developing

economies by bolstering legal, regulatory and procurement regimes.

4. Operate as a single 'Team UK' for inward investment

Building on the recent reforms to the Ofl and the creation of the Financial Services Concierge service, the government could create a single investment attraction agency for all international investors in line with the Harrington Review recommendations. Having a dedicated investment agency which provides a single front door through which all investors can be channelled and triaged would be in line with the approach taken by many sophisticated markets with a strong focus on Foreign Direct Investment (FDI).

Industry needs to coordinate its own outreach, aligning messaging, simplifying onboarding for investors, and engaging early to help shape propositions that match global demand.

5. Secure trusted cross-border data flows

Government and regulators need to place stable and enduring data flows and digital services provisions with leading and emerging digital economies at the centre of trade policy to support seamless digital delivery, innovation, and trusted data use.

Industry needs to improve internal data governance and architecture so it can meet high international standards and participate confidently in cross-border ecosystems.



4

Connect capital to national priorities

The industry forms the backbone of the system through which capital is mobilised, investments are de-risked, and trust is built across the economy. As the UK looks to unlock long-term growth and productivity more broadly, the industry’s ability to channel capital into productive investment will be critical.

National investment priorities such as energy security, transport, defence, and infrastructure require significant private financing and specialty insurance to complement public funding. As an example, the government has announced a £725bn infrastructure⁶⁴ pipeline to 2035 which will be critical to national renewal, but its delivery, particularly amid ongoing fiscal pressures, will require significant private sector investment.

In addition, the delivery of the Modern Industrial Strategy and eight sector growth strategies depends on mobilising capital and professional expertise to help high-growth sectors from life sciences and clean technology to advanced manufacturing, to scale and compete globally.

Addressing the UK’s small business and scale-up funding gap is critical. Despite being the third-largest venture capital market globally, with UK firms raising £9bn⁶⁵ in 2024, the system struggles to scale its most promising companies. Early-stage capital is relatively accessible, but later-stage growth rounds are more challenging. By the sixth venture round, UK companies raise on average £55m, less than half the £120m⁶⁶ raised by US peers, forcing many to seek overseas investors or listings. This drains value from the UK’s innovation ecosystem as firms founded and funded here often scale and list elsewhere.

Together, these priorities reflect a system that has the potential to further enhance its impact. Encouragingly, the UK is uniquely positioned to act, with its global leadership in asset management, specialty insurance, sustainable finance, and a concentration of professional expertise and capital-market infrastructure.

Redirecting even a small share of the £4-5trn⁶⁷ in long-term UK savings and insurance capital into productive domestic assets could unlock substantial economic, fiscal and societal returns.

Unleashing domestic pension assets

It is well documented that there are opportunities to rebalance the allocation of the UK’s domestic capital. Today, less than 10% of the £3.2trn⁶⁸ of UK pension assets are in alternative investments, with the majority in cash and bonds. This is significantly lower than peer countries. This gap underlines the structural disadvantage facing UK savers: while international peers capitalise on the higher returns, diversification and growth offered by private markets, UK pension funds remain overwhelmingly concentrated in traditional, lower-yielding assets.

The potential impact is significant. Mobilising just 1% of UK pension⁶⁹ and insurance⁷⁰ assets could unlock c. £50bn for growth equity and infrastructure investment. A one percentage point increase in global infrastructure allocations⁷¹ towards the UK would inject an additional c. £30bn of capital to fund energy, transport and housing projects. The broader economic multipliers are substantial: higher productivity across the economy, faster commercialisation of new technologies, stronger growth in other sectors, and more resilient regional supply chains. The benefits would therefore extend well beyond finance.

Of the ~35% of pension assets invested in equities, the vast majority are invested in organisations listed outside the UK. One contributing factor is the increased weighting towards index-based strategies as a lower cost option, gradually reducing exposure to the UK market.

This is evident in UK DC pension allocations. In 2023 only 8%⁷² of equity holdings were in domestic markets, down sharply from around 40% in 2012. Markets such as Australia, Canada and New Zealand have significantly larger domestic allocations despite smaller market capitalisations, reflecting targeted use of direct incentives, for example, dividend tax credits, and stronger engagement and deliberate decisions by pension managers to invest locally.

Figure 30: UK pension sector asset allocation by scheme type and overall, % and £bn, 2024
Source: Pensions Policy Institute

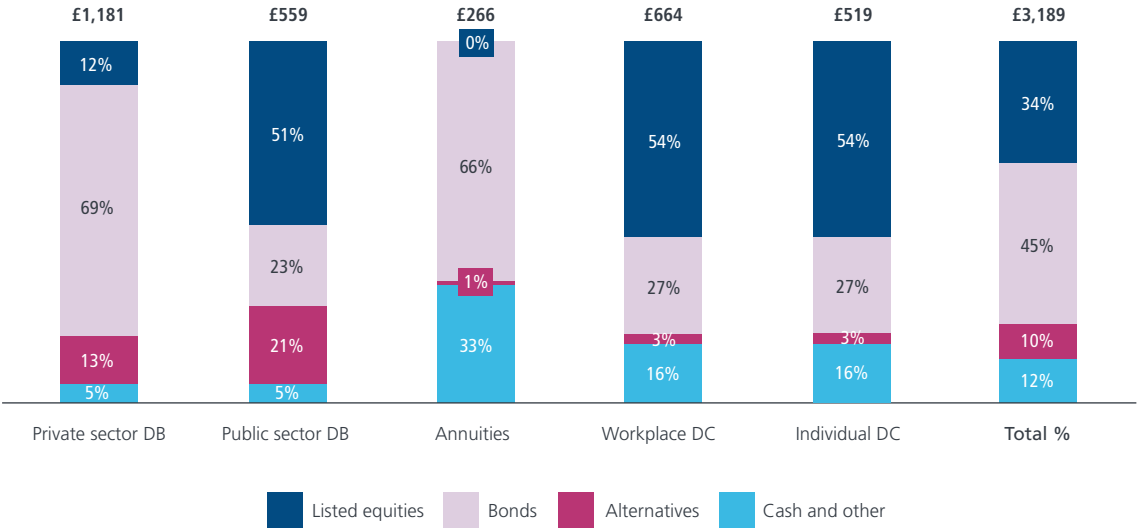


Figure 31: Allocation to domestic equities by pension systems, % of equity assets, 2023

Source: Department of Work and Pensions

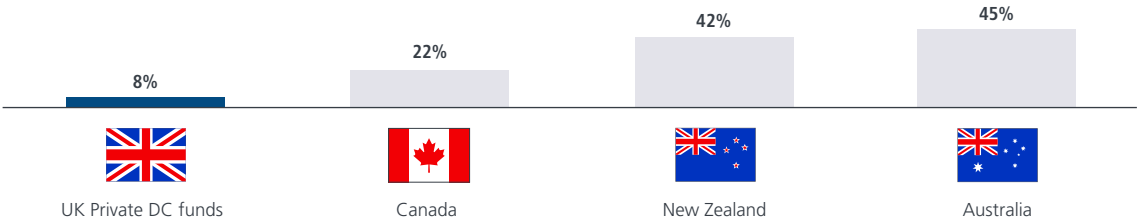
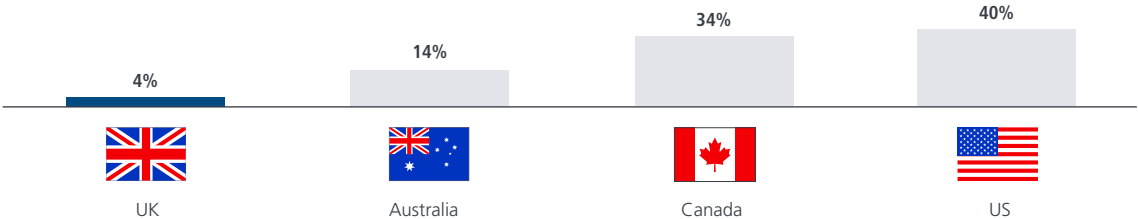


Figure 32: Allocation to private markets by pension systems, % of assets, 2023

Source: New Financial, IMD



On Defined Benefit (DB) pensions, interviewees reiterated the need to accelerate the creation of DB superfunds through the consolidation of smaller, fragmented schemes, emphasising that progress to date has been slower than anticipated, with only one authorised vehicle (Clara) established and four⁷³ transactions completed as of December 2025. At the same time, The Pensions Regulator's more supportive stance on 'run-on' strategies offers an opportunity to revisit investment models and explore a broader range of endgame options. The industry should capitalise on this to develop structures that keep more long-term capital actively invested in the economy while maintaining strong member protection. Interviewees also highlighted that current pension capital allocation models need to be reconsidered.

With an overriding focus on efficiency and diversification, domestic assets typically screen less favourably than global alternatives. Trustees and pension providers ultimately follow what strategic asset allocation models determine, and until those models produce different outcomes, allocations will not shift. To drive change, the UK may need other incentives to support a more rounded assessment of the value of domestic investment so that strategic asset allocation frameworks begin to point to different answers.

"UK assets don't screen well under today's cost-driven models; that's why allocations have drifted overseas."
Interview quote

There is strong consensus that the Mansion House Accord and steps to scale Local Government DB schemes have been important steps forward in addressing the domestic investment challenge. Since the launch of the Mansion House Accord, participating pension providers have continued to make additional voluntary commitments to allocate more of their assets to UK national priorities and growth opportunities, with several new pledges announced in recent months. For example, the Sterling 20 initiative brings together some of the UK's largest asset owners and managers to deploy long-term capital into productive finance, including infrastructure, housing and the transition to net zero. If sustained, these initiatives can help reshape the domestic investment landscape and increase UK participation in the country's growth.

"The UK needs a new social contract for pensions; one that links long-term savings with long-term national priorities."
Interview quote

In addition, interviewees noted that it remains difficult for Self-Invested Personal Pensions (SIPPs) to allocate capital to alternative assets due to private markets' high barriers to entry, for example, investment thresholds, although the emergence of tokenised assets may help lower some of these barriers over time. They also highlighted that master trusts face challenges investing in these markets given the strong focus on fees, the high cost of due diligence procedures, regulatory obligations, and stringent valuation and governance standards.

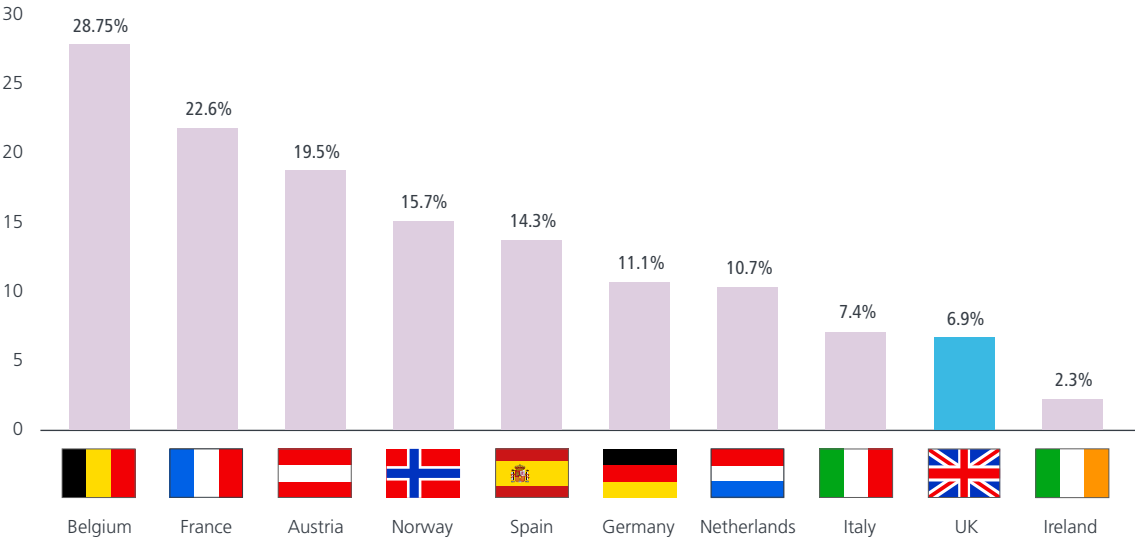
Connecting global capital

The UK continues to attract significant inflows from global investors, particularly in infrastructure, renewable energy and real assets. Over the decade to 2023, the UK attracted an annual average of \$45bn⁷⁴ FDI inflows, ranking seventh in the world, and second in Europe, just behind Ireland. Strengthening the pipeline of projects, visibility for institutional investors, and enhancing intermediation between investors and projects will be essential to converting global appetite into tangible investment going forward.

Interviewees also highlighted the importance of recalibrating prudential requirements, for example, the Capital Requirement Regulation, Solvency UK, to enable banks and insurers to support strategically important but complex sectors such as defence, energy security and critical infrastructure in the UK and globally. Adjusting prudential treatment to reflect the true risk profile of projects like these which are underpinned by public constraints, long-term demand certainty or are considered illiquid, while maintaining overall financial stability, would allow institutions to finance and insure projects essential to national resilience and industrial strength.

With private markets a permanent and expanding part of the UK's funding ecosystem, interconnectivity between private markets and the other actors in the financial services landscape, such as banks and pension funds, will become increasingly important. The growing scale of private markets and private credit means it is crucial that initiatives like the Bank of England's system-wide exploratory scenario (SWES) exercise exist and continue to be refined so that the linkages between banks, non-bank financial institutions and alternative investors are well understood and managed to support system-wide resilience as capital flows evolve.

Figure 33: Outstanding SME loans as % of GDP, 2023
Source: FT



Closing the UK scale-up gap

Addressing the UK’s scale-up gap will require stronger engagement and better-aligned incentives. UK SMEs borrow far less than most European peers pointing towards a structural gap in SME credit availability and significant unmet needs. Interviewees stressed the need for more systematic dialogue between government, institutional investors and high-growth firms to match capital with opportunity, alongside a more stable, well-calibrated tax environment.

“We’re great at early-stage capital; the incentives fall away just when companies need to scale.”

Interview quote

“We have the savings in this country; the tax system just doesn’t help channel them into productive assets.”

Interview quote

Fundraising networks also lack depth: around 29%⁷⁵ of scale-ups cite poor investor fit and 40%⁷⁶ want more centrally convened forums. This is compounded by fragmented public funding. While interviewees welcomed the expanded role of the National Wealth Fund (NWF), British Business Bank (BBB) and the establishment of Great British Energy (GBE), there remains scope for stronger coordination to crowd in private capital; 30%⁷⁷ of scale-ups call for greater access to BBB support.

In addition, the UK’s tax schemes such as Business Asset Disposal Relief (BADR) and Enterprise Management Incentives (EMI) offer lower relief thresholds and tighter eligibility than international equivalents such as the Qualified Small Business Stock regime in the US, weakening incentives to scale and retain activity domestically. Schemes such as the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS) remain vital for crowding in early-stage finance and their expansion in the November 2025 budget was welcomed by the industry. Interviewees emphasised the importance of ensuring that entrepreneurs have strong incentives to scale-up in the UK, and that investors are appropriately incentivised to support businesses through the scale-up phase, given the clear and tangible opportunity scale-ups represent in terms of job creation and tax receipts.

Finally, getting small businesses investing in growth across the UK is critical for the UK’s wider economic strategy and shared prosperity. Concerningly, the use of finance has been going in the wrong direction in the last decade, with outstanding bank loans to SMEs below rates seen internationally (Figure 33) and having fallen since 2011.⁷⁸ Interviewees highlighted that the UK does not benefit from deep domestic sovereign wealth like the Middle East, or regional banks with deep understanding of local markets as in Germany. Therefore, a gap persists between local businesses and nationally-oriented financial institutions.

Prioritising growth in more regionally-oriented banking and domestic fund management, focused explicitly on domestic SMEs and growth companies, will be critical to unleashing growth from smaller businesses across the UK. This requires strategic focus and the prioritisation of regulatory and technological enablers to expedite delivery, for example, faster and more proportionate approval processes as outlined earlier.

“EIS and SEIS are good but shallow; we need deeper incentives for the middle rounds.”

Interview quote

Priorities to connect capital to national priorities

See 'DEEP DIVE' on page 50 for further detail.

Interviewees consistently highlighted that unlocking more domestic and international investment for national priorities will depend less on any single reform and more on a coordinated effort across regulation, policy and market practice. Five priorities stand out.

1. Strengthen coordination between public and private capital

Government, regulators and industry need to establish enhanced engagement mechanisms to direct capital into SMEs and scale-ups operating in national priority sectors, for example, defence, energy, advanced manufacturing. This includes leveraging specialty insurers' capabilities to structure more effective financing deals. Over time, opportunities to simplify and scale public investment vehicles, enabling them to crowd in private capital more efficiently, should be explored. See 'DEEP DIVE' on page 50 for further detail.

2. Maintain competitive incentives for growth

Government needs to ensure future budgets preserve, and where necessary, expand tax schemes and reliefs that encourage innovation and early-stage investment (examples include R&D reliefs, EIS, SEIS, VCT, EMI, BADR), with regular review and horizon scanning to ensure they remain internationally competitive.

3. Recalibrate prudential frameworks

Regulators need to evolve the prudential framework to enable lending and insurance coverage for strategically vital but complex sectors such as defence, critical infrastructure and energy security.

Industry needs to modernise risk models, data quality and governance so capital can be allocated with confidence and withstand supervisory scrutiny.

4. Build cross-sector expertise

Government, regulators and industry need to expand structured secondments and joint training programmes across financial services, professional services, public bodies and high-growth sectors to strengthen commercial understanding and execution capability.

Industry needs to invest in specialised knowledge across priority sectors, for example, advanced manufacturing, renewables, defence tech, and open internal pathways that enable technical, sectoral and public sector expertise to flow into investment decision-making roles.

5. Unblock finance for SMEs

Government, regulators and industry need to improve SME banking and investment support, ensuring fund managers have explicit, region-focused and sector-specific investment strategies. This may require coordinated use of prudential levers, tax incentives and shared data to widen access to finance and reduce the operational barriers that currently deter institutions from lending to SMEs.



DEEP DIVE

Strengthen coordination between public and private capital

Public financial institutions (PFIs) such as the NWF, the BBB and Homes England have played a vital role in supporting UK investment and innovation over recent decades. They have helped deliver major priorities, from infrastructure to housing and small business finance, and continue to be an essential part of the UK’s growth architecture. Over time, however, new mandates and policy shifts have led to a proliferation of separate bodies across the UK. As a result, some now operate without sufficient scale, and coordination with financial and related professional services and other sectors can be fragmented and inefficient.

Internationally, the most effective models combine scale, clarity of purpose and close partnership with the private sector (Figure 34). For example, KfW in Germany manages assets of around €560bn⁷⁹, operating as an integrated national development bank that blends policy delivery with market discipline. Bpifrance in France, formed through the merger of several state investment vehicles, manages over €60bn in assets and plays a central role in scaling domestic innovation and SMEs through direct equity and debt finance. In comparison, the largest public financial institutions in the UK all have <£30bn, illustrating the more fragmented and sub-scale nature of the UK system. Larger, more consolidated institutions are better able to attract specialist expertise, invest flexibly across sectors, and align capital with national priorities.

Looking ahead, the UK should build on the strengths of its existing institutions while pursuing a gradual simplification of public investment vehicles creating a more integrated system that can deploy capital at scale, engage industry more strategically, and crowd in private finance for long-term growth.

While simplification progresses, a key near-term step is ensuring public finance institutions are clearer about their roles and the support they provide. Businesses and investors often struggle to navigate the current landscape and to understand each institution’s perimeter. Setting out a single, coherent taxonomy mapping mandates of ‘who does what’, tools and eligibility criteria across PFIs, would give firms a clear route map through the system, improve coordination, and reduce duplication while longer-term consolidation is pursued.

Finally, the collaboration mechanisms with financial services and across industries needs acute focus. A near-term priority should be scaling investment in high-growth and technology firms. This could be achieved by convening a dedicated taskforce of venture and growth capital funds, pension and insurance providers, and specialist lenders to identify the best-placed sources of capital for technology scale-ups, examine the barriers to deploying it at scale, and work through practical solutions collaboratively. Over time, this approach could serve as a model for coordinating investment around other national priorities such as energy security, defence and advanced manufacturing.

Figure 34: Examples of national public finance institutions
Source: KfW, Bpifrance, Development Bank of Japan, Export and Investment Fund of Denmark, Canada Infrastructure Bank, Invest NL

Country / Institution	Purpose	Scale	Engagement approach
 Kreditanstalt für Wiederaufbau (KfW)	- Germany's state development bank and one of the world's largest - Serves as the main delivery arm for federal investment priorities	c.€600bn total balance sheet	- Federal ministries set promotional mandates under the KfW Law - KfW raises large volumes on capital markets under a federal guarantee and delivers programmes via the Hausbank/on-lending model through commercial banks, using risk sharing with guarantee banks to crowd in private finance
 Bpifrance	- France's national investment bank - Acts as the single front door for business investment, innovation and industrial strategy	c.€60bn of total assets	- The State and Caisse des Dépôts (the investment arm of the State) set missions that flow through Bpifrance, for example, France 2030 - Bpifrance co-design instruments with ministries, manages public export guarantees, and co-invests or guarantees alongside banks and funds to implement industrial and innovation priorities
 Development Bank of Japan (DBJ)	- Japan's state-owned development finance institution - Mandated to support industrial transformation, infrastructure and crisis response	c.\$140bn of total assets	- DBJ operates with a statutory mandate under the DBJ Act with Ministry of Finance approved plans - It deploys Special Investment and Crisis Response Operations, funded by government guaranteed bonds and loan programmes, and co-finances with private banks and funds, demonstrably crowding in large volumes of private investment
 Canada Infrastructure Bank (CIB)	- Canada's federal infrastructure bank - Created in 2017 with a mandate to invest public funds to attract private capital to infrastructure projects in the public interest	c.CAD\$35bn initial capital mandate	- The government sets priority sectors through the Minister's Statement of Priorities and Accountabilities - CIB attracts private and institutional capital into revenue generating projects and structures loans, equity and credit enhancements with sponsors, provinces, indigenous partners and investors to de-risk and crowd in finance
 Export and Investment Fund of Denmark (EIFO)	- Denmark's state-owned national promotional bank and export-credit agency - Formed via merger of three funds	c.\$11.5bn total balance sheet	- EIFO executes Denmark's export and green transition priorities under ministerial oversight and partners with Danish and international banks to co-lend or guarantee buyer/supplier credit and project finance - State backing lowers risk and cost of capital, enabling export orders and first of a kind green projects that markets wouldn't fully finance
 Invest NL	- Netherlands' state-owned national financing and development institution - Operates at arm's length from the state and founded in 2019	c.€1.2bn committed to date	- Government themes, for example energy transition/agrifood guide Invest NL's arm's length investing - It convenes financing roundtables with the FS industry, co-invests with private funds, banks and regional development agencies, and uses InvestEU guarantees to derisk projects that struggle to secure traditional finance

5

Build a nation of investors

Rates of personal investing in the UK remain strikingly low by international standards. In the UK, only around 8%⁸⁰ of household wealth is held in equities, mutual funds or bonds, compared to 36%⁸¹ in the US (Figure 35). The UK also has twice as much in cash. As a result, analysis from RetailBook estimates that UK households have collectively missed out on more than £1trn⁸² of potential wealth creation over the past 60 years, which equates to over £35,000 per household.

This underinvestment matters now more than ever. The forthcoming estimated £5.5-7trn⁸³

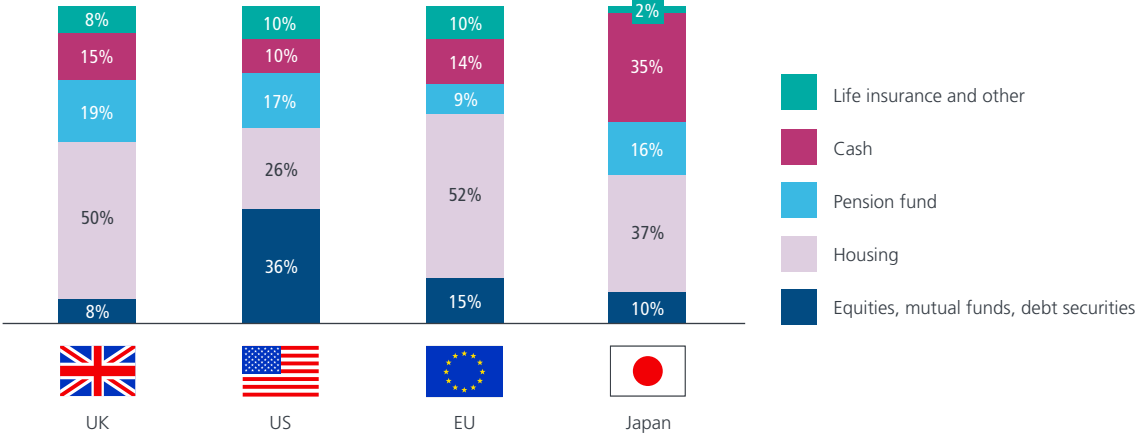
intergenerational wealth transfer means vast sums will move between generations in the coming decades. Much of this wealth is currently concentrated in housing and cash savings; individuals and the wider economy will lose out unless some of this is channelled into productive assets.

“Financial literacy is the foundation of long-term economic resilience, and we’re still treating it as optional.”

Interview quote

Figure 35: Household wealth by asset class, % of personal wealth, 2023

Source: aberdeen



Notes: EU is average across France, Italy, and Germany.

Figure 36: Percentage of total wealth by component, UK - April 2020 to March 2022, %

Source: Office for National Statistics

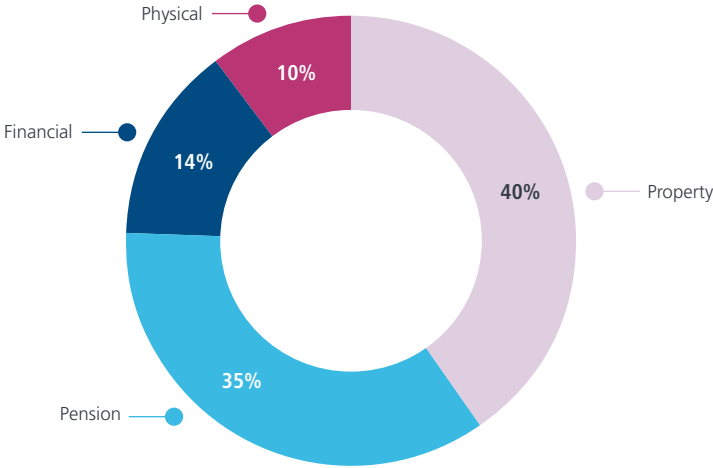
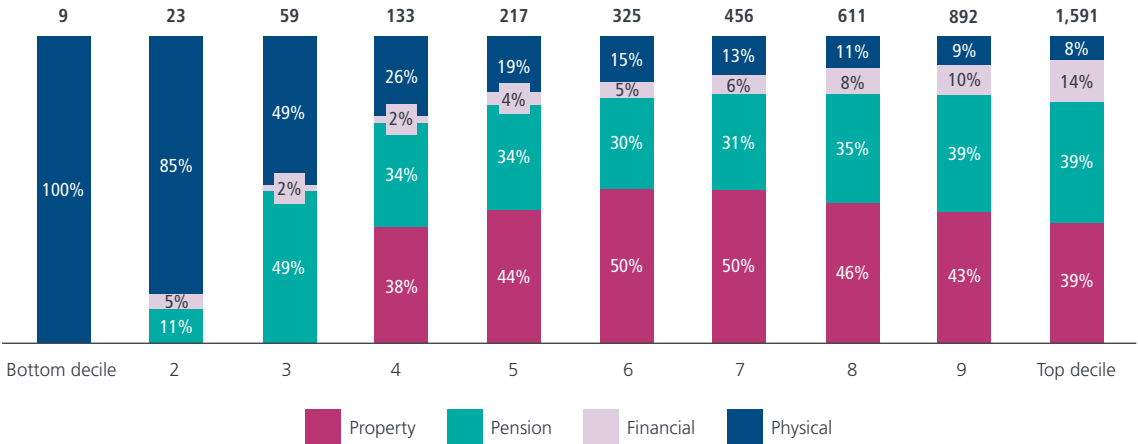


Figure 37: Median value of household wealth components by wealth decile, UK - April 2020 to March 2022, £k, %

Source: Office for National Statistics

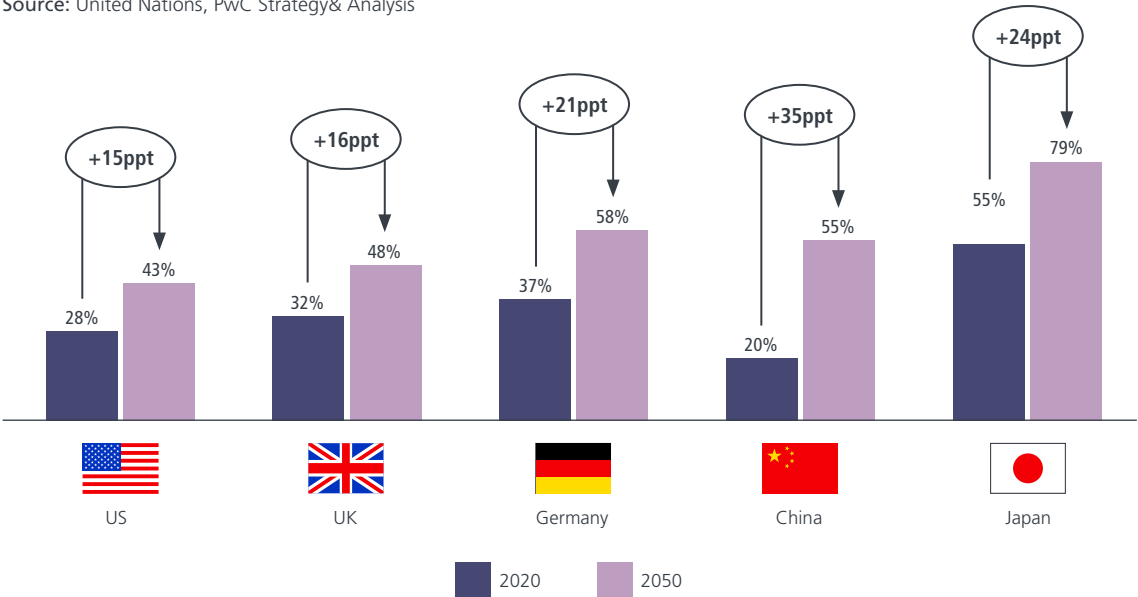


In addition, the UK's ageing population will place significant pressure on financial resilience for individuals in later life (Figure 38). State pension costs could rise by up to £40bn a year⁸⁴ by 2050 (equivalent to £1,200⁸⁵ per taxpayer today), while 39%⁸⁶ of private sector employees are not on track to reach their target retirement income. Care costs will also rise considerably, placing additional pressure on the public purse and household finances. These pressures are most acute among lower-income earners, raising the risk of retirement poverty and forcing hard choices on future public spending. Against this backdrop, rising prices and fiscal constraints reinforce the need for individuals to build greater personal wealth to support later-life financial resilience.

Interviewees noted that underinvestment across the population - from young savers to those approaching retirement - is driven by a number of factors, including limited access to affordable coaching or advice, complex product choices, and discomfort with investment risk. Recent government announcements around reforming salary sacrifice pension contributions are only going to exacerbate this problem as it is expected that people will allocate even less to their pension pots. At the same time, wealthier households inheriting property or savings often lack simple, trusted pathways to reinvest that capital more productively.

Figure 38: Old-age dependency ratio, 2020-2050 (forecast)

Source: United Nations, PwC Strategy& Analysis



Notes: Old-age dependency ratio defined as the ratio of the population aged 65 and above to the population aged between 20 and 64.

Addressing this challenge is important for multiple reasons; UK fiscal constraints, growth and financial inclusion. For individuals, greater participation in investing can strengthen financial resilience, improve retirement outcomes and ensure more people share in the UK's long-term prosperity. For the economy, a stronger culture of investing would unlock domestic savings to support businesses and the delivery of national priorities as highlighted in the previous section, and encourage further international investment in the UK.

"The Retail Distribution Review, while well intended, effectively cut out access to financial advice for large sections of the population. A great example of how regulation can have dire unintended consequences"

Interview quote

Delivering momentum with recent reforms

Recent policy initiatives mark a welcome and necessary shift. The newly proposed near-final regulatory framework for targeted support in pensions and retail investment, new Consumer Composite Investment disclosure rules, and the launch of the UK Retail Investment Campaign are vital first steps in expanding access to investing and rebuilding public confidence but decisive and coordinated action is now needed to achieve the long-term objective of building a nation of investors. Given the scale of the challenge, interviewees emphasised that further actions must also progress in parallel to ensure this momentum translates into real change.

Firstly, the government's decision to make financial education part of the national curriculum is a major

step forward. A critical enabler will be equipping teachers with the confidence, skills and resources to deliver financial education meaningfully in the classroom. Ensuring consistent standards, practical learning materials and links to real-world examples will help make financial education more relevant and engaging for students, laying the foundations for lifelong financial confidence. The benefits of this reform will accrue over the long term, with its full impact on financial capability and behaviour extending well beyond the next decade.

Secondly, attention must turn to the workplace, where the opportunity to reach and engage most adults is greatest. Around a fifth⁸⁷ of the population make up an 'investible cohort' – individuals with meaningful savings mostly or solely in cash, missing out on higher long-term returns and wealth building. To engage these people at scale, industry needs to work more actively with employers to reach individuals in the workplace and encourage responsible personal investing. In parallel, regulators and industry need to work in combination to implement the targeted support reforms that will primarily support this cohort at pace. Industry should also proactively explore options to lower actual and perceived barriers to accessing in-person advice and to use digital tools to deliver personalised guidance through non-advised channels, engaging regulators where necessary to co-design solutions, for example, regulatory treatment of AI-generated investment recommendations.

"We've disintermediated the public from their own assets; people don't feel like investors."

Interview quote

Thirdly, tax incentives remain an important lever to encourage long-term saving and investment. Recent changes to cash ISA limits, aimed at encouraging savers to move from cash into investment, are a welcome signal, but further reform will be needed to deliver impact at scale. Interviewees emphasised the need for a refreshed tax framework with clearer, more visible links between tax-advantaged products and the types of productive investment the government seeks to promote. At the same time, change must be handled carefully: stability is often the strongest incentive. Consistency builds confidence and encourages people to invest for the long term. Any reforms should therefore strike a careful balance between simplification and predictability, and be communicated with certainty to avoid unsettling investors or undermining trust.

“Tax shouldn’t push people out of investing. At the moment, it often does - with stamp duty being a clear example.”

Interview quote

Fourthly, as highlighted by the Investment Association, information for consumers must be simpler, clearer and better targeted. The new Consumer Composite Investment disclosure rules will begin to move the UK away from disclosure requirements which are too complex, generic and repetitive, often deterring people from investing altogether rather than helping them make informed decisions, but there remains the challenge of speed of adoption. Interviewees highlighted the need for a fundamental reset, moving from lengthy, compliance-driven disclaimers to short, proportionate and timely prompts that support understanding of risk without overwhelming or alarming investors.

“With the right guardrails, AI can give savers better support than they’ve ever had.”

Interview quote

The FCA’s rules to scale back prescriptive disclosure templates and give firms greater flexibility and clarity in how they engage with investors – including a more balanced presentation of potential returns, costs and risks, and a clearer boundary between retail and professional investors – align closely with these asks. The priority now is effective delivery without delay.

“Risk warnings are designed for lawyers, not consumers.”

Interview quote

Finally, mass participation will depend on simplifying processes and enabling product innovation. Streamlined onboarding and simple digital journeys are needed to make investing as straightforward as saving. Creating the conditions to innovate and launch new products can help broaden participation across segments. Other countries offer helpful examples of innovative products that link savings, pensions and housing:

 **Germany** – ETF savings plans (Sparpläne) allow individuals to invest small, regular amounts into diversified funds, making capital markets accessible. ETF retail investors have grown 25% year-over-year in 2025.⁸⁸

 **Italy** – intergenerational housing and savings transfer products allow families to release and reinvest housing equity when property is passed between generations, channelling proceeds into investments or pensions.

 **France** – capital-protected savings products such as structured deposits are widely offered alongside mainstream savings accounts and life insurance, helping households participate in markets without taking excessive risk.

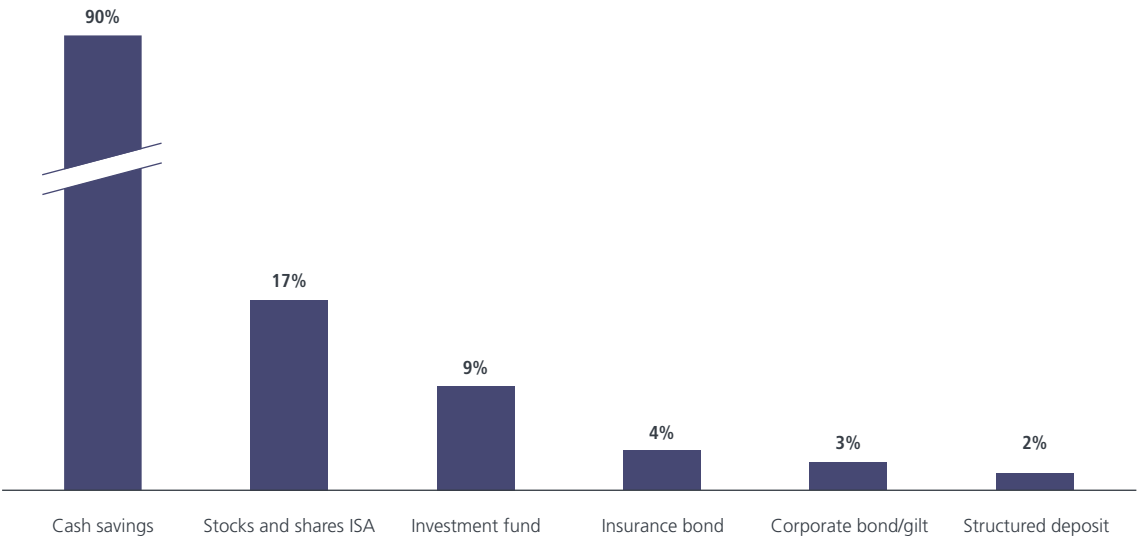
 **Denmark** – pension-backed mortgages link long-term savings with home ownership, as pension funds collaborate with banks to offer members lower-rate loans secured partly against pension balances.

“We need the investing equivalent of a savings account: simple, safe and intuitive.”

Interview quote

The UK has seen limited product innovation in comparison. For example, structured deposits, which link savings returns to market performance while protecting capital, account for only around 2% of UK retail investors⁸⁹. This reflects both lower consumer familiarity and limited product innovation in the UK. There is now an opportunity to expand the range of simple, accessible products, such as regular investment plans or money-market ISAs, that can bridge the gap between cash savings and long-term investing.

Figure 39: Investment products held, % of adults surveyed, 2024
Source: Financial Conduct Authority





Priorities to build a nation of investors

For most people, investing should feel straightforward and relevant, supported by clear information, reliable guidance and products that meet everyday goals. As highlighted in TheCityUK's 'From cash to confidence: Building an investing nation' report, achieving this requires a long-term 'North Star' strategy, underpinned by coordinated action. Five areas of coordinated action are essential:

1. Ramp up financial education for life

Government needs to embed financial capability from an early age, ensuring teachers are equipped with the skills, tools and confidence to deliver meaningful financial education in schools, supported by practical materials and consistent national standards.

Industry needs to more actively work with employers to engage people in the workplace and encourage responsible personal investing.

2. Expand access to advice

Regulators and industry need to act at pace to ensure the targeted support reforms are implemented as quickly as possible.

Industry needs to harness AI and digital tools to personalise guidance and deliver timely prompts that support confident, well-informed decisions, while lowering actual and perceived barriers to in-person advice, proactively engaging regulators on areas requiring clarification or co-design.

3. Simplify tax and product incentives for investing

Government needs to refresh and simplify the tax framework to create clearer, more consistent links between tax-advantaged products and productive investment, while maintaining long-term stability and predictability to encourage confidence and sustained participation. **See 'DEEP DIVE' on page 55 for further detail.**

4. Cut complexity in consumer communication

Regulators need to deliver quickly on their commitments to simplify disclosure requirements and move towards more balanced, consistent and contextualised risk warnings that support understanding rather than deter participation.

Industry needs to redesign disclosures and customer communications in line with these principles.

5. Accelerate product and process innovation

Industry needs to design simple, low-cost investment products and digital journeys that make investing as easy as saving, such as regular investment plans and money-market ISAs that bridge the gap between short-term savings and long-term wealth building. Providers should strive for world-leading digital onboarding, plain language risk explanations, and embrace Open Banking/Open Finance to help automate steps.

Government and regulators need to convene cross-industry groups to develop offerings like capital-protected investments, or intergenerational saving schemes.

Together, these priorities aim to create empowered, confident individuals who share directly in the UK's growth, deepening domestic markets and spreading the benefits of prosperity more evenly across regions, nations and generations.

DEEP DIVE

Simplify tax and product incentives for investing

The UK should focus on simplifying and modernising its tax landscape to encourage greater domestic investment. The current system has grown increasingly complex, with multiple overlapping reliefs and incentives that can be difficult for households and businesses to navigate. Simplifying the framework and aligning it more clearly with national priorities would make it easier for UK savers to invest, including in UK firms, improve the flow of capital into growth sectors, and strengthen confidence in the stability of the regime.

Internationally, several countries have taken deliberate steps in this direction. Sweden has simplified investment taxes and abolished stamp duty on equity trades, driving retail participation from 30% in 2002 to 50% in 2021⁹⁰. Australia and Switzerland offer targeted reliefs for long-term holdings that reward patient capital and domestic reinvestment, for example, franking credits, while France has channelled tax-free savings into social

housing and infrastructure via Livret A and Plan d'Épargne en Actions (PEA), providing retail investors with a clear, tax-advantaged route to invest in French and European equities. These examples show how fiscal policy can be used strategically to build stronger home-grown capital markets and ensure investment benefits both savers and the wider economy.

For the UK, this is an opportune moment to take a similar strategic reset, aligning the tax system with the country's Modern Industrial Strategy and growth objectives. Recent announcements, such as stamp duty holidays on new IPOs and changes to ISA cash limits, are positive steps in the right direction, but a more fundamental reset is still required. Over time, this could include rationalising overlapping incentives, reviewing stamp duty on UK shares, simplifying VAT and withholding tax for investment funds, and ensuring that schemes such as EIS, SEIS and BADR remain internationally competitive. Some interviewees made the point that the UK could also consider innovative tax relief to boost domestic investment, such as inheritance tax (IHT) relief for gilts and UK equity investments, which could also help lower the cost of debt for the UK. Well executed, such a reset would make the UK one of the simplest and most attractive places in the world to invest and grow.



Section 4: Realising the potential

This section summarises the potential economic and societal benefits of delivering the identified actions at pace. It also sets out the need to reframe how the industry is perceived and for the UK to be confident and proud of it as a world-leading industry over the next decade.

The economic and societal dividend

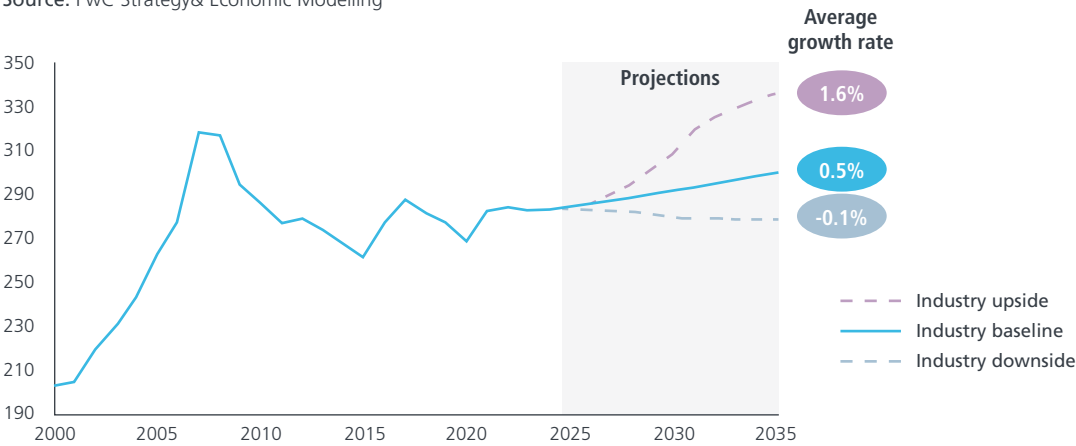
As outlined in Section 1, the UK’s financial and related professional services industry plays a critical role in supporting the economy and society. Its historic global strength has been underpinned by various defining attributes: openness to global capital and talent; a robust, trusted regulatory regime and legal system; deep pools of expertise; an international outlook; and a uniquely complete ecosystem of

interconnected firms, advisers, and specialists in London and across the UK.

As Section 2 demonstrated, the prize for building on these strengths is substantial. If the UK can act on the recommendations of this report, such as moving decisively, positioning itself at the forefront of innovation and technology while simplifying regulation, tax, and governance, the industry could unlock over £53bn in annual output and a cumulative

Figure 40: UK financial and related professional services GVA projections, 2000 to 2035, £bn constant 2024 prices

Source: PwC Strategy& Economic Modelling



Notes: See modelling notes on page 60 for further detail.

£300bn over the next decade. The benefits extend far beyond headline growth with stronger productivity and export spillovers, deeper domestic investment, and more financially resilient households and businesses.

Section 3 outlined a broad-based view from industry leaders of the priorities needed to deliver this opportunity. The challenge now is not just to act, but to build the understanding and support required to sustain reform and ensure progress endures.

“If financial and related professional services is strong, the UK is strong. It’s that simple.”

Interview quote

If these priorities are delivered together, their impact will be mutually reinforcing. More efficient and proportionate regulation and tax free up capacity to innovate; innovation, in turn, drives productivity and competitiveness; productive capital investment channels finance into infrastructure, scale-ups and growth sectors; and broader household participation deepens markets and strengthens financial resilience. Each depends on, and accelerates, the others.

Taken together, they form a virtuous circle of competitiveness and inclusion. In doing so, the UK can turn its world-class financial and related professional services ecosystem into a flywheel of national renewal, multiplying opportunity and underpinning long-term growth across the country.

“The UK finally has a window to change; but windows close.”

Interview quote

Shifting the industry narrative

Cutting across all five strategic imperatives, interviewees consistently highlighted the need for the government and industry to speak with greater clarity, confidence and pride about its value, not just for itself but also for the country it serves.

“The UK still has the raw ingredients; what’s needed now is intent.”

Interview quote

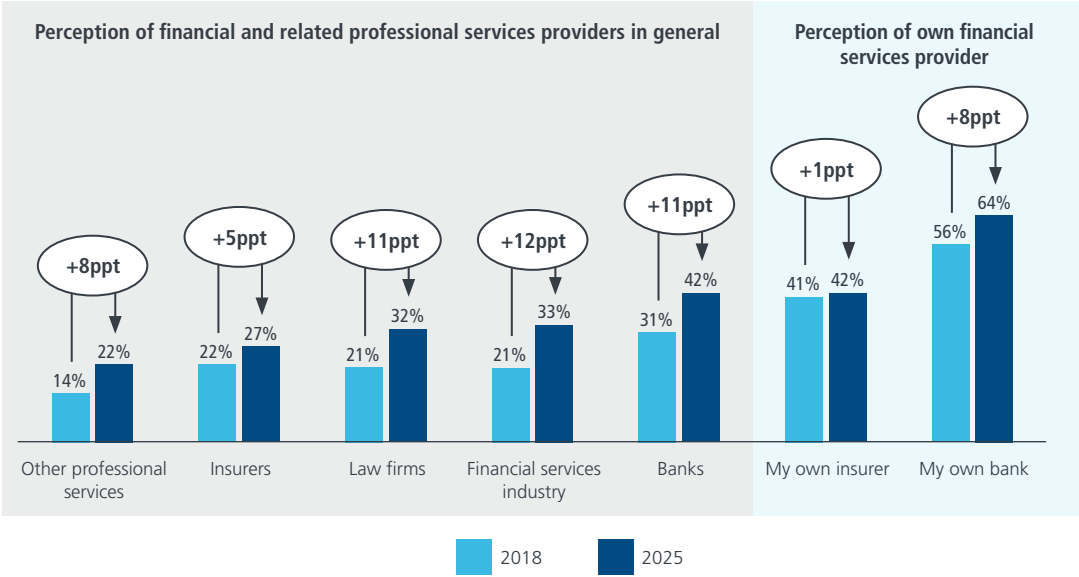
As outlined in this report, the industry funds and insures the systems that keep the country moving, from pensions and business investment to infrastructure, trade and public services, and consequently it makes everyday life more affordable and accessible. For example, the affordability of air travel relies on the insurance provided through the Lloyd’s market, which underwrites the risks that make global connectivity possible.

“The industry is the transmission mechanism of the whole economy; money, risk, ideas all flow through it.”

Interview quote

While trust and favourability have improved since the financial crisis, public sentiment remains mixed. People tend to trust their own bank, insurer, or adviser, but hold negative views of ‘the system’ (Figure 41). This disconnect is highly damaging, as it dampens participation in financial markets and weakens public support for necessary regulatory and policy changes. Reversing this requires a more confident, united voice across the government, regulators and industry.

Figure 41: Favourability towards organisations and institutions, % of respondents selecting very or somewhat favourable, 2018-2025
Source: TheCityUK and Thinks Survey 2024



“We’re still living under the shadow of 2008; we haven’t rewritten the story.”

Interview quote

“We have forgotten how to make the positive case for finance.”

Interview quote

“Until we explain the value, the industry will always be an easy target.”

Interview quote

Tracking progress

Delivering this ambition will demand pace, ambition, execution and accountability. Alongside the real output and net export growth metrics outlined in the government’s Financial Services Growth and Competitiveness Strategy, the industry should co-develop a cross-industry value index to track:

- **Global competitiveness:** how the UK performs relative to peer centres on tax, market access and talent.

- **Societal contribution:** how the financial and related professional services industry supports national priorities such as infrastructure, defence, pensions, resilience and inclusion.

- **Progress on priorities:** tracking the industry-level drivers and real-world outcomes linked to each of the five strategic imperatives (Figure 42).

This approach would ensure that performance is judged not only by inputs or activity, but by the tangible ways in which industry growth translates into value for people, businesses and the wider economy. The examples on page 58 are illustrative rather than exhaustive, showing the types of indicators that could be used to measure impact across the five strategic imperatives and bringing to life how a world-leading financial and related professional services industry delivers real-world outcomes.



Figure 42: Examples of metrics to track progress across the five strategic imperatives

Strategic imperatives	Outcome	Industry level drivers	Real-world outcomes
1. Lead at the frontier of financial technology	Drives productivity and competitiveness across financial and related professional services and the wider economy	• Total industry investment in AI, digital infrastructure, financial technology (↑) • UK share of global tokenised-asset transactions (↑) • Number of FinTech unicorns headquartered in the UK each year (↑)	• Financial and related professional services productivity growth outpacing G7 peers (↑) • Fraud and financial crime losses experienced by consumers (↓)
2. Reset regulation and tax for the future of finance	Frees up capacity and talent to invest and innovate	• Proportion of industry change spend allocated to mandatory, regulatory and remediation programmes (↓) • Turnaround times for new regulatory products approvals, authorisations and industry consultations (↓)	• Number of new financial products and startups launched per year (↑) • Total lending or underwriting capacity of UK-based financial institutions (↑)
3. Deepen international trade and investment	Expands market access and attracts international capital and talent to the UK	• Number of financial and related professional services trade or regulatory cooperation agreements secured (↑) • UK share of global financial and related professional services activity (for example, global banking, legal, insurance etc.) (↑)	• Proportion of global headcount of internationally headquartered financial and related professional services firms based in the UK (↑) • Proportion of global alternative assets (PE, VC, hedge funds, private credit) managed or advised from the UK (↑)
4. Connect capital to national priorities	Channels investment into domestic equities, scale-ups and alternative assets	• Proportion of UK pension assets allocated to domestic investment (↑) • Annual private investment in UK infrastructure projects (energy, transport, housing, digital) (↑)	• Number of serial entrepreneurs that launch and scale successive businesses in the UK (↑) • Cost of capital for UK businesses and infrastructure projects (↓)
5. Build a nation of investors	Unlocks capital, builds financial resilience and shares the benefits	• Proportion of individuals with investments beyond cash savings (↑) • Total people reached through industry-supported campaigns (↑)	• Share of working population on track to reach target retirement income (↑) • Proportion of individuals with a basic level of financial literacy (↑)



Conclusion

The actions outlined in this report are mutually reinforcing. Improving efficiency lowers friction across the system, freeing capital and talent to focus on growth. Greater openness then attracts new investment, ideas and expertise from around the world. This openness fuels innovation, creating new opportunities and business models that raise productivity and direct capital more effectively towards national priorities. As more people save and invest, greater participation strengthens resilience, deepening prosperity and growing confidence, reinforcing a self-sustaining cycle of competitiveness and renewal.

If the UK seizes this moment and delivers on the key imperatives outlined in this report the upside is considerable. PwC’s economic modelling estimates that the industry could generate up to £53bn in additional economic output by 2035. This is equivalent to a 1.6% annual growth rate in industry GVA, alongside corresponding gains in tax revenues and exports. This secures jobs across the country, strengthens household wealth creation and financial resilience, enhances access to capital for small businesses, and supports growth in the sectors that depend on a competitive financial and related professional services system.

Success now depends on clarity, confidence and credibility in delivery. The UK must be prouder and clearer about what its financial and related professional services industry delivers: its global reach, its deep expertise, and its ability to drive growth and finance the everyday economy. The UK remains a place where world-class talent, ideas and capital converge. Reasserting that story at home and abroad is essential to stimulating the productive investment and sustainable economic growth the country needs, and supporting the financial goals and resilience of individuals and households across the UK.

The task right now is to match that story with delivery, to turn ambition into tangible action and pace. This is the moment for the UK to move fast and to lead where it matters.

Members of the Project Steering Committee:

Anne Richards DBE (Chair)	TheCityUK (Chair, TheCityUK Leadership Council)
Omar Ali CBE	TheCityUK (Chair, TheCityUK Board) and EY
Zar Amrolia	XTX Markets
Sandy Begbie CBE FRSE	Scottish Financial Enterprise
Sandra Boss	BlackRock
Katharine Braddick CB	Barclays plc
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Nicola King	Rothschild & Co
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Sir William Russell	City of London Corporation
Jordan Sinclair	Robinhood
Baroness Kay Swinburne	Association of British Insurers (ABI)
Bob Wigley	UK Finance

Notes on economic modelling

To generate the projections in the outer scenarios, PwC has used a Computable General Equilibrium (CGE) model of the UK and global economy. The CGE model is a structural representation of the economy built on equations describing production, consumption, trade and government activity. Solving these equations simultaneously captures the linkages between sectors, factor markets and regions, and shows how shocks propagate across the economy. This makes CGE a standard tool for policy and scenario analysis where multiple markets adjust at once.

The model is not used as a stand-alone forecast. Instead, it is anchored to an externally generated baseline and then uses it to quantify the effects of outer scenarios around that baseline. For the whole economy, the model takes the Office for Budget Responsibility's November 2025 projections for UK GVA growth (around 1.5% per year over the next five years) and extends this rate over the remainder of our projection horizon. For financial and related professional services, PwC has constructed a baseline using recent projections from the National Institute of Economic and Social Research (NIESR).

Four sets of shocks were then overlaid: AI, regulatory burden, innovation and capital availability. These are applied to the relevant sectors and phased in over time (either linearly or following an S-curve where adoption is non-linear). The CGE framework translates these shocks into consistent paths for output, and other macro variables in the different scenarios.

The model output is not intended to generate point-in-time estimates of what will happen. Rather, it is intended to show the broad direction of travel over

time and show what could happen under a set of controlled judgements, which we set out below.

Assumptions and judgements

Baseline growth assumptions

The baseline assumes no major structural break in the UK or global economy beyond consensus views at the time of writing this report. AI, regulatory reform, innovation and capital market changes expected by forecasters are implicitly reflected in the baseline; our shocks capture outcomes that are better or worse than these embedded expectations.

Outer scenario shocks

AI shock

The AI shock is modelled as a change in labour productivity, differentiated by sector using AI-exposure scores from the Department for Education, normalised between zero and one. Sectors such as financial services, information and communication, and professional services therefore see larger productivity changes than sectors such as agriculture, construction or hospitality.

The shock follows an S-curve over time, reflecting gradual take-up, rapid diffusion and eventual saturation. Calibrated against a range of empirical estimates, the upside scenario assumes cumulative AI-driven productivity in highly exposed sectors is up to a cumulative 5 percentage points higher than the baseline over the horizon, while the downside implies a fall of around 2.5 percentage points relative to the baseline.

Regulatory burden shock

Changes in the regulatory burden are captured as a labour productivity shock to financial and related professional services, reflecting time and resources released from compliance and administrative activities into productive work. Drawing on international evidence on the impact of deregulation and on UK policy initiatives, we assume a cumulative financial and related professional services productivity gain of around 3.75 percentage points in the upside scenario over the period, with no additional gain in the downside. These shocks are phased in linearly.

Innovation shock

Innovation, especially FinTech and related digital innovation, is also modelled as a labour-productivity shock in financial and related professional services. The shock captures relative over or under performance against the level of innovation already embedded in the baseline, while avoiding double-

counting of AI and regulatory effects. For the financial and related professional services industry, the upside scenario assumes a cumulative 2 percentage points productivity shock higher than the baseline over the horizon, while the downside implies a fall of around 2 percentage points relative to the baseline.

Capital availability (country risk premium) shock

Improvements in capital availability are modelled through a shock to the UK country risk premium, which feeds into the cost of capital and investment. The UK currently faces a higher risk premium than the best performing G7 peers. In the upside scenario, we assume financial services and capital markets reforms close around half of this gap, equivalent to a gradual reduction of roughly 40 basis points in the UK risk premium over the projection horizon, phased in using an S-curve. We make no further changes to the risk premium in the other scenarios.



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