

Committee(s)	Dated:
Audit and Risk Management	September 2018
Subject: CR02: Loss of Business Support for the City	Public
Report of: Director of Economic Development	For Information
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Summary

The following report provides Members with an update and new information on the activities of the Economic Development Office which mitigate Corporate Risk 02: Loss of Business Support for the City.

Main Report

Background

1. It is a major corporate risk that the City of London's position as the world's leading international financial centre is adversely affected, and that London loses its ability to attract and retain high value global business activity. This would have a significant economic impact on the UK, diminish the attractiveness of London and the UK as a place to do business, and damage the reputation and relevance of the City Corporation as a supporter and promoter of UK based financial and professional services firms.
2. London's place as the world's leading international financial centre is one that is continually challenged by other financial centres around the world, but the business uncertainty created by the result of the referendum on the UK's membership of the European Union has increased the risk of the potential loss of business support for the City.
3. This report provides Members with an update of recent activity undertaken by the Economic Development Office to mitigate this risk.

Current Risk Status

4. Earlier this year, the risk status was increased to red, reflecting the level of uncertainty faced by businesses as to the future state of market access between the UK and the EU27. Given the extensive implementation of contingency plans

by financial and professional services firms, this risk has been mitigated and can now be read as Amber. However, it is still essential action is taken to encourage investment in London as a financial centre and that firms see London as the place to develop new business and activities.

Current Activity

5. The Regulatory Affairs team works to sustain and enhance the UK's competitive regulatory and economic environment and enable access to global markets. This team has led our policy response to the challenges of Brexit. The team's work is focused on representing the views and needs of the financial and professional services sector to the UK government and regulatory authorities, the EU institutions and the EU Member States; helping to inform the negotiations; and finding solutions to serve the economic interests of the UK and the EU27.
6. Our work is done in partnership with the industry, via the major trade associations such as TheCityUK, UK Finance, Association of British Insurers, Innovate Finance and Investment Association, through our joint venture with TheCityUK the International Regulatory Strategy Group (IRSG) and bilaterally with relevant firms. The Policy Chairman is a member of TheCityUK's Brexit Steering Committee, Deputy Chairman of the IRSG and a member of the European Financial Services Chairmen's Advisory Committee chaired by Baroness Vadera of Santander.
7. The Regulatory Affairs team also provides the docking point for the City Office in Brussels, which we have been taking steps to enhance, with two new staff members recruited in recent months. This will be followed by the Brussels MD (via an interview process to run in October) and two further junior members of staff. The Brussels Office is working to ensure the City Corporation is playing a full part in representing the industry's priorities in the Brexit negotiations, as well as being equipped to engage with the EU institutions after the UK has left the EU. It will also aim to act as a focal point for wider industry engagement in Brussels.
8. While the outcome of the Brexit negotiations remains unclear, the team's priorities remain focused around the "three t's": trade, transition and talent. On trade, following HM Government's abandoning of the mutual recognition proposal, the team is working with the industry to support the HMG's efforts to negotiate a favourable financial services trading relationship with the EU, via improvements to the EU's existing equivalence regime. On transition, it is pushing for a pragmatic approach to securing a Withdrawal Agreement, and therefore a transition ("implementation) period. On talent, the team has engaged EY to produce a report on the customer journey associated with visa applications, with the aim of removing friction for firms and individuals around non-EU and post-Brexit EU immigration processes. Much of this policy work has been produced through the International Regulatory Strategy Group (IRSG), a practitioner led body that works to inform the policy making process. As a result, the profile and reputation of the IRSG has been enhanced, and it is seen as a key industry interlocuter for UK and EU policymakers in the Brexit debate.

9. All this work contributes to a comprehensive programme of engagement with UK policy makers, regulators, EU institutions and EU Member States, making the case for a comprehensive and mutually beneficial future trading relationship between the UK and EU27. Following the departure of the Special Representative to the EU, this programme will continue in a more selective way, with a significant contribution from the Brussels MD, once in post.
10. Beyond Brexit, the team's other focus is building a favourable regulatory environment for cross-border trade and investment, both multilaterally via increased global regulatory coherence, and bilaterally, through potential trade/regulatory cooperation agreements. In the first instance, this has included the development of cross-Corporation strategies on the USA and Switzerland, which were approved by the Public Relations and Economic Development Sub-Committee earlier this month. All three build on successful visits by the Policy Chairman and Lord Mayor. Additionally, via the IRSG we have created a cross-industry report on global regulatory coherence, due to be launched in late September, inaugurating a new standing group on global regulatory coherence sitting under the IRSG.
11. This work is being developed in close consultation with HM Treasury and the Department of International Trade, who see this work as very valuable in informing their future strategy and engagement plans.
12. The Global Exports and Investment team promotes London and the UK to investors and works with UK based financial and professional services firms to encourage exports. They are the lead team for engagement with key businesses, through account management, and they pick up information and intelligence on Brexit related issues for investors and take a joined-up approach with UK Government. This model of engagement informs our work on targeting priority markets around the world and working with investors to retain and expand their investment in the UK.
13. The team continue to work closely with both London & Partners (L&P), and the Department of International Trade (DIT) on Foreign Direct Investment and Account Management respectively. This aligns with the Memorandum of Understanding (MoU) which we signed with both L&P and DIT in 2017. We have now supported 40 FDI projects in London and relationship manage over 80 accounts. As London and Partners have re-focused on key markets we will now be working more closely on USA, China and India FDI projects specifically and the highest value projects to drive jobs and growth.
14. Having revamped the Mayoral Visits Advisory Committee (MVAC) process in 2017, where we highlighted 20 priority markets, we have now almost completed a full Mayoral programme of overseas activities. So far, as we have taken 60 business delegates and 3 business champions on our overseas visits with the current Lord Mayor (we expect another 14 business delegates and a business champion to accompany the Lord Mayor on his visit to India next month). We have agreed the next Lord Mayor's overseas programme which builds on this year's activities. This helps us with our year-round, long term approach to market engagement.

15. The team has been working with the regulatory affairs team to develop a strategy on Australia following a successful Lord Mayor visit earlier this year and the publication of two research reports on boosting trade with Australia. We are proposing to establish a bespoke Australia – UK FS Forum to look at issues including regulatory overlaps, which will include business representatives from across the financial services sector and both the UK and Australian market.
16. On Japan, following a successful visit by the Lord Mayor to Tokyo in July and the signing of an MoU last December, we are planning for a 3-day visit from the Governor of Tokyo in October, to further collaboration between the two cities.
17. The Policy Chairman has been invited by the Department of International Trade to Chair a new UK Private Sector Group of asset managers to support Saudi Arabia's Vision 2030 and encourage investment in and through the City by its Public Investment Fund. The Group had its first meeting this month.
18. Work has been undertaken with the Financial Reporting Council and the Law Society to promote UK standards and governance internationally. This would encourage mutual recognition of qualifications and increase market access. It also supports the work being led by the Lord Mayor on the Business of Trust, which seeks to promote high standards within the industry. Additionally, the team is scoping potential projects to leverage UK competitive advantage in the global legal sector and to tie this to the opening of the City's new Combined Court Facility.
19. The team has been implementing our regional strategy, where we work in partnership with other major financial and professional services centres around the UK to help promote exports by regionally based firms and retain and attract investment across the country. This regional strategy has been expanded from three centres (NI/Scotland/Manchester) to six (Leeds/Birmingham/Cardiff). We have also recruited a new Regional Account Manager who will help drive our delivery on the new regional partnerships.
20. The Asia Team leads on market specific initiatives in China, India and wider Asia that are complimentary to the strategic objectives of the Global Exports and Investment team. Current priorities for China are the evolution of London as the leading Western hub for offshore Renminbi trading; London's role in financing and providing professional services for the Belt and Road Initiative; and Green Finance. The focus for India is FinTech, using UK best practice to address the Non-Performing Assets issue, and developing the insurance and reinsurance markets for mutual benefit. ASEAN priorities include Green Finance, FinTech and Asian Infrastructure financing.
21. The Asia Team is running the 'Asia Next Decade' Campaign, to consult with business and government partners in London and across Asia to collaboratively plan the Corporation's engagement with Asia into the future. There is an ongoing need to remain responsive to UK businesses interests in Asia and this campaign acts as a platform to retain business support for the City. As part of the Campaign we have identified that for ASEAN, there is the potential for collaboration on

cyber security and fintech with Singapore, Islamic finance with Malaysia, and green finance with Indonesia. We have re-signed a Memorandum of Understanding (MoU) with Shanghai and signed a Statement of Intent with the Shenzhen Municipal Government in 2018 to enhance cooperation in areas of mutual interest.

22. The Policy and Innovation team works to ensure that London is home to a more innovative ecosystem for financial and professional services than its competitors. Its current main areas of focus are Sustainable Finance, including green, climate and development finance, as well as fintech and cyber security. The team works with business and policymakers to make interventions that support and encourage the development of new products and services in the sector, keeping London at the forefront of innovation.
23. Policy and Innovation have achieved several significant outcomes this year. Through the Green Finance Initiative (GFI), Chaired by Sir Roger Gifford and supported by EDO, London is becoming established as a global leader in the development of Green Finance. The GFI in its capacity as secretariat of the Green Finance Taskforce (GFT), delivered several recommendations to Government to inform and advance policy development on green finance in the UK. In response to the GFT, the City Corporation alongside Her Majesty's Government will be financing a new Green Finance Institute in London – the Institute will be a 'one-stop-shop' for world-leading climate science, technology and access to capital.
24. Following the team's publication of the The Value of Fintech report with KPMG in October 2017, which called for a 'fintech sector deal' to reinforce and cement the UK and London as a leading global hub for fintech, the Government launched its Fintech Sector Strategy in March 2018. To maintain the City Corporation's position at the centre of a collaborative dialogue on the future of UK fintech, we have also launched a Fintech Strategy Group (FSG) with Innovate Finance. The FSG, vice-Chaired by Catherine McGuinness, will provide an industry-led independent platform for government and regulators to engage with senior representatives from across the industry.
25. To make London the most cyber secure business environment in the world, and to encourage the development of businesses engaged on cyber security issues, the team have been responsible for developing a Cyber Security Strategy alongside the City of London Police. The strategy includes the launch of Cyber Griffin (now launched), a training programme delivered by the City of London Police to businesses in the square mile, as well as table top exercises and access to expert advice.
26. The team has launched a High-Level Steering Group focussed on growing and developing London's role in raising the necessary capital to meet the UN's Sustainable Development Goals (SDGs). This is to ensure that post Brexit, the City Corporation is playing a full part in redefining and reinforcing the UK's place in the world as Global Britain, continuing to make tangible progress in emerging markets and establishing the City of London as a global hub for sustainable development finance.

Conclusion

27. Members are asked to note the actions taken and the activities underway to mitigate Corporate Risk 02: Loss of Business Support for the City.

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