

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management	12 March 2019
<b>Subject:</b> CR02: Loss of Business Support for the City	<b>Public</b>
<b>Report of:</b> Director of Economic Development	<b>For Information</b>
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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 major 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 ongoing parliamentary process and negotiations between the UK and the EU27 regarding Brexit increases 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. The risk status is amber. This recognises the probability that a post-Brexit trade deal between the UK and EU27 is unlikely to replicate the level of access firms have within the Single Market, and unless the Withdrawal Agreement is approved by Parliament a transitional period is not guaranteed. By way of mitigation, the major financial services firms have implemented contingency plans to prepare for a “No Deal” scenario.

## **Risk Mitigation**

5. EDO’s approach to mitigating the risks associated with Brexit has two elements: first, to engage with policymakers and regulators in the UK and EU27 to ensure the UK’s departure from the EU is as risk-free as possible and to ensure the future trading relationship provides for a high degree of access for financial and professional services; secondly, we support the development of new innovation in tech sector to ensure emerging products and services grow in the UK, and finally we work to identify opportunities for growth in a range of international markets.
6. The implementation of the business plan is the key risk mitigation for CR02.

## **Current Activity**

### **Regulation and Competitiveness**

7. 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. Our 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.
8. 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 Chair 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.
9. The team has strengthened the City Office in Brussels with the appointment of Nick Collier who has commenced as the City of London’s new Managing Director in Brussels. He will be working very closely with industry, trade associations and policy makers. This has been a key appointment for City Corporation that will ensure the City is playing a full part in representing in the industry’s priorities before and after Brexit, as well as being equipped to engage with the EU institutions after the UK has left the EU.

10. The priority areas for our work at present are to set out the UK financial and professional services industry's favoured position on EU market access post Brexit; and to address cliff edge issues relating to contracts and data. We have recently written to the European Commission and European Data Protection Board to highlight UK industry concerns at the potential lack of awareness and preparedness for a no deal Brexit by EU based firms, in relation to requirements for personal data transfer from the EU to the UK. 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. Another priority area is to ensure that the future immigration regime enables the industry to attract talented people from across the world. The City Corporation developed a report on streamlining the UK Visa system in collaboration with EY, which sets out practical recommendations for creating a world class visa application process for the UK. We continue to engage with policymakers and the Home Office on these recommendations.
11. All this work contributes to a comprehensive programme of engagement with UK policy makers, regulators, EU institutions and EU Member States including ambassadors based in London, making the case for a comprehensive and mutually beneficial future trading relationship between the UK and EU27. Going forward, the recently established IRSG EU regulation committee will ensure that industry views continue to inform the future EU regulatory agenda.
12. The team has also been working on non-EU international markets. This has included the development of a more coherent programme of engagement with the US. Following the Policy Chair's trip to New York and Washington in late November 2018, the team organised roundtables with the US Treasury's General Counsel, the UK Trade Commissioner Antony Phillipson, and a reception for US Ambassador Woody Johnson. On broader trade work, we produced submissions to UK and US Government consultations on the future of services trade, and coordinated responses to HM Treasury's project on Global Financial Partnerships, which seeks to increase investment flows between London and other major international financial centres.
13. The IRSG Standing Committee on Global Regulatory Coherence is focused on global regulatory standard setters. It brings together financial services firms to engage with these standard setters to promote regulatory coherence and avoid market fragmentation, a key priority under the Japanese 2019 G20 Presidency. The work of this group identifies cross-sector issues where coherence could be improved and maps the key decision-making bodies to engage.
14. EDO organised programmes for both the Lord Mayor and Policy Chair at this year's annual meeting of the World Economic Forum in Davos. It provided an excellent opportunity to engage with high level business leaders, investors and policy makers, to discuss London and the UK as a place for business, the challenges of fragmentation in global trading and the challenges we all face in response to innovation. By having strong policy content and priorities, we were able to inform and engage on the key agendas including digital skills, regulatory coherence and tech transformation.

## Innovation

15. 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.
16. Policy & Innovation have achieved several significant outcomes in the last year. Through the Green Finance Initiative (GFI), chaired by Sir Roger Gifford and supported by EDO, London has established a reputation as the leading Green Finance centre. This leadership will be consolidated through the new Green Finance Institute, due to launch later in the summer. The GFI has also developed extensive bilateral partnerships with China, India, Mexico and Brazil, and supports HMG's ambitions to promote UK Green Finance abroad. The GFI identifies specific regulatory and policy proposals that can increase capital flows into green finance products.
17. Announced by the Prime Minister at the UN General Assembly in September 2018, the team launched the Sustainable Development Capital Initiative (SDCI). The SDCI's mission is to position London's financial markets to mobilise the investment and innovation required to meet the UN Sustainable Development Goals (SDGs). The SDCI will coordinate the private and public sector, and work with partner countries to deliver products that will direct capital via London to accelerate the SDGs and realise the trillion-dollar opportunities they present. The team are now working with the support of the Department for International Development (DfID) to deliver the SDCI's first set of outcomes at the UK-Africa Investment Summit in November 2019.
18. To maintain the City Corporation's position at the centre of a collaborative dialogue on the future of UK fintech, we have repurposed the City Corporation's Fintech Network Action Group (NAG) to convene the four key fintech stakeholder groups, including Innovate Finance and the City Corporation's Fintech Steering Group (FSG), the Fintech Delivery Panel, Department of International Trade's Fintech Steering Board and the Financial Services Trade and Investment Board's Fintech Steering Group, as well as the six HMT Fintech Regional Envoys. The NAG will now be a forum for these key market participants to communicate, ensure cooperation and avoid duplication.
19. The team have been working to strengthen the City's strategic advantage on cyber security. We are working with the City Police on the Cyber Griffin initiative to improve cyber resilience in City firms. In addition, we are promoting the UK insurance sector's cyber insurance capabilities to international markets, and have engaged with investors and cyber focused funds in international markets, to encourage them to engage with the thriving UK tech and cyber sector.

## International Engagement

20. The team delivered the Lord Mayor's first international visit of his year to the U.S, Canada and Mexico. The focus was on fintech, infrastructure and Green Finance. Key meetings were held with Facebook and Silicon Valley Bank in San Francisco, as well as the new Finance Minister and Central Bank Governor in Mexico. The Lord Mayor was also joined by a senior FinTech delegation, led by business champion, Charles Mindenhall from Blenheim Chalcot, in San Francisco. The visit established dialogues with US based investors we are keen to see direct more investment into the UK, and provided an opportunity to work with the new Mexican administration so UK based firms can help deliver infrastructure projects.
21. The team delivered a successful visit to the Gulf (Kuwait, Dubai and Abu Dhabi) by the Lord Mayor. Accompanied by a small but senior delegation, including the CEO of Standard Life Aberdeen, HM Trade Commissioner for the Middle East and the Chair of the Green Finance Taskforce, he visited Kuwait, Dubai and Abu Dhabi. The themes of the visit included Sovereign Wealth investment, capital markets, Green Finance and Tomorrow's Cities. The Lord Mayor also reassured key Gulf partners about the City's confidence through and beyond Brexit.
22. The Policy Chair recently visited India. The priorities for the visit were FinTech, insolvency laws and reinsurance, and the Policy Chair met with regulators, businesses and our India Advisory Council. Pre-briefing meetings were held to prepare her for the visit and included the Indian High Commission, the Association of Indian Banks, Members and other key private sector experts.
23. The most recent international visit was to South Korea, Japan, Hong Kong and Singapore. During his visit, the Lord Mayor met with businesses, government officials and trade bodies to promote London as a global financial centre and to offer reassurances about the City of London's future. In Seoul, the main outcome was the Lord Mayor's announcement of the Green is Great campaign. In Tokyo, the Lord Mayor met with Tokyo Metropolitan Government, our partners in our joint Memorandum of Understanding, which is aimed at developing bilateral investments between our cities. In Hong Kong, the meeting with the Hong Kong exchange (HKEX) was focused on how the UK and HKEX could increase collaboration, particularly around raising capital for Belt and Road Initiative infrastructure projects, and how the UK can utilise China's Green Bond market. Finally, the Lord Mayor spent two days in Singapore where he held productive meetings with major banks, Monetary Authority of Singapore, Financial Secretary, Deputy Prime Minister and senior business leaders. Themes covered asset management, banking, financial technology and cyber security.
24. The team delivers relevant follow up events to international visits and recent examples have been a FinTech dinner for the Mubadala Sovereign Wealth Fund from the UAE and a FinTech roundtable event for a delegation from Mexico. Ahead of the Lord Mayor visit to Chicago in June 2019, we hosted the Mayor of Chicago, Rahm Emanuel, for a small high-level dinner at Mansion House with major investors, to explore opportunities to enhance the strong links between London and Chicago.

## Skills and Talent

25. A priority is to ensure that the future immigration regime enables the industry to attract talented people from across the world. The City Corporation developed a report on streamlining the UK Visa system in collaboration with EY, which sets out practical recommendations for creating a world class visa application process for the UK. We continue to engage with policymakers and the Home Office on these recommendations.
26. Following the inaugural programme during the 2017/18 Mayoral year, a cohort of aspiring future City leaders have been recruited to take part in the 2019 Leaders of Tomorrow programme, which will support and reflect the Mayoral theme of Shaping Tomorrow's City Today. The Leaders of Tomorrow – Leading the Digital City, commencing in March 2019, is a leadership development programme and network bringing together some 40 ambitious young business leaders to help develop and understand the digital skills, leadership approaches and attitudes that will be crucial to individual and organisational success both now and in the future.
27. Participants, nominated by senior individuals within a wide range of businesses spanning financial and professional services and including sectors such as fintech and technology more widely, are all passionate next generation leaders with an interest in digital skills and developing their own leadership potential. The programme will comprise five core facilitated development sessions with expert speakers complemented by wider engagement in City Corporation events. In the longer term, this year's cohort will be invited to join a Leaders of Tomorrow alumni network alongside participants in the 2017/18 programme.
28. Our work on skills aims to ensure that UK financial and professional services have the skilled workforce it needs to be competitive and to drive productivity and innovation. By working with businesses, policy makers, industry bodies and training providers, the team helps to build the skills the sector needs and to widen access to domestic talent. Considering possible changes to how the sector accesses international talent, the team's focus is on the domestic supply of skills and training to ensure a long-term, sustainable supply of skilled talent for the sector.
29. The team are supporting initiatives to boost the supply and availability of digital skills to address the acute shortages in this area. The team has worked closely with the Lord Mayor to create the *Shaping Tomorrow's City Today* programme and with colleagues to create the City Corporation's Digital Skills Strategy. This includes the implementation of a Coalition for Digital Intelligence seeks to build digital skills across society and help develop common standards for digital skills, establishing a common understanding of digital literacy.
30. In partnership with the Department for Business Energy and Industrial Strategy (BEIS), the team published research into how City employers are using apprenticeships to address skills gap and how the apprenticeship system can be improved to better meet the needs of employers. Reflecting insights gained from 129 employers employing 329,000 people, *Apprenticeships London's Financial*

*and Professional Services*” is being used by BEIS and the Professional Business Services Council to inform the government review of apprenticeships and form part of the sector deal for professional services.

31. Finally, we are actively supporting HM Treasury’s Financial Services Skills Taskforce, chaired by Mark Hoban, that is due to report later this year. The Policy Chairman is a member of this taskforce which will make recommendations on actions required to ensure the UK financial and professional services sector has the skills required to support digital transformation to remain globally competitive.

## **Conclusion**

32. 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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