

Committee(s)	Dated:
Audit and Risk Management	16 January 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.

Recommendation: Members are asked to note the report.

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 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. The risk status has recently been increased and is now red. 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. The CR02 risk register is attached as appendix 1.

Implementation of the *Supporting the City* Review

5. Following the *Supporting the City* review conducted by Sir Simon Fraser and subsequent approval by the Policy & Resources Committee of the new structure and resourcing of the Economic Development Office (EDO), the proposals have been fully implemented. The teams supporting and promoting UK-based financial and professional services firms are: Policy & Innovation; Regulatory Affairs; and Global Exports and Investment. In addition, an expanded Asia team is supporting the work of the Special Adviser for Asia, and the City Office in Brussels is supporting the work on EU engagement led by the Special Representative to the EU.
6. In 2017, EDO worked with Accenture to develop its departmental strategy and business plan, to ensure the new teams' work was focused on ensuring London and the UK remain the world's leading financial and professional services centre. This business plan was approved by the Policy & Resources Committee in June 2017, and can be seen [here](#). A version of the business plan was also produced for business and policy stakeholders and is available to see [here](#).
7. The implementation of the business plan is the key risk mitigation for CR02.

Current Activity

8. The Policy & Innovation team works to ensure that London is home to a more innovative ecosystem for financial and professional services than its competitors. Its three current main areas of focus are Green Finance, 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.
9. Policy & Innovation have achieved several significant outcomes this year including. Through the Green Finance Initiative (GFI), chaired by Sir Roger Gifford and supported by EDO, London is becoming established as the global leader in the development of Green Finance. The GFI has become the UK partner with the People's Bank of China to develop cooperation between the two countries and help to establish global standards for investors. The GFI leads on the Green Finance content of the annual UK-China Economic and Financial Dialogue led by HM Treasury which took place on 16 December – it has several key outcomes for more cooperation between UK and China on green finance, a clear statement of global leadership on the issue.

10. Working in partnership with KPMG, the team published a report *The Value of FinTech*, which provides government and regulators with a roadmap for ensuring the future success of the sector in the UK. The report is informing our submission to the Government's Industrial Strategy, making the case for a sector deal for FinTech. Prior to *The Value of FinTech* report, the team worked with Innovate Finance's Network Action Group to make a submission to the Government's patient capital review. The submission made recommendations on how to improve the scaling up of FinTech firms in the UK. Finally Innovate Finance, with our support, have made representations to the Migration Advisory Committee, to make the case of more visas for FinTech professionals.
11. In partnership with the City of London Police, the team is developing a cyber security strategy, to maximise the impact of City Corporation's resources focused in this area. The strategy will aim to make London one of the most cyber secure business environments in the world, and to encourage the development of businesses engaged on cyber security issues.
12. 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.
13. 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.
14. Work is currently in progress to strengthen the team in the City Office in Brussels, including the appointment of a new senior Managing Director. This is to ensure the City Corporation is playing a full part in representing in 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.
15. The three priority areas for our work at present are to secure a transitional period to provide sufficient time for the industry to adapt to the future trading relationships between the UK and EU27, and address issues relating to contracts and data; to promote an ambitious and comprehensive Free Trade Agreement including services; and to ensure that the future immigration regime enables the industry to attract talented people from across the world. 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.

16. 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.
17. 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 regulatory authorities, and support for the Policy Chairman in her role as a member of TheCityUK's US Market Advisory Group (MAG). In addition, the City Corporation is a member of TheCityUK's MAGs for China, India and Switzerland. All this work is focused on increasing bilateral market access and trade. Separately, the team is leading the City Corporation's role as the partner of choice for the delivery of the Commonwealth Business Forum in April 2018, which will provide an opportunity to showcase London and the UK to a global audience.
18. The team is also supporting the work of the IRSG on regulatory coherence, which is developing a strategy for strengthening the UK's engagement with international regulatory bodies such as the Financial Stability Board, G20, Basel Committee and IOSCO. This work will continue into 2018 and inform our ongoing engagement which will become more important as the UK moves to be a Third Country to the EU.
19. Work has been undertaken to have 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.
20. 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, as we move to a model of relationship 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.
21. The team has signed a Memorandum of Understanding (MoU) with the Mayor of London's promotional agency London & Partners, and has a similar agreement with the Department of International Trade to work together more closely to encourage investment in the UK.
22. Working with colleagues in Mansion House, the team has revamped the Mayoral Visits Advisory Committee (MVAC) process. Through a much stronger process of engagement with both government and the business community, we have identified twenty priority markets for financial and professional services that will provide the framework for our non-EU international engagement for the next three years. For each market, the team is producing a tailored engagement plan to inform our priorities and identify opportunities for business growth. Also,

through our ongoing relationship management with businesses and the British diplomatic missions in these priority markets, our engagement is year-round, rather than confined to the visit programme itself. This has led to a more systematic programme of investment conferences hosted in London post-Mayoral visits.

23. Another recent highlight has been the signing of a Memorandum of Understanding with the Tokyo Metropolitan Government, to promote cooperation between London and Tokyo as international financial centres; share good practice; and encourage investment flows.
24. Finally, the team has been responsible for the implementation of a regional strategy, where we are working 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.
25. The Asia Team leads on market specific initiatives in China, India and Singapore, 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 and developing the insurance and reinsurance markets. Finally, for Singapore, there is the potential for collaboration on cyber security and asset management.

Conclusion

26. 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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