Public Document Pack

Public Relations and Economic Development Sub (Policy & Resources) Committee

Date: MONDAY, 3 SEPTEMBER 2018

Time: 12.00 pm

Venue: COMMITTEE ROOM 3 - 2ND FLOOR WEST WING, GUILDHALL

Members:
Deputy Catherine McGuinness (Chairman)
Simon Duckworth (Deputy Chairman)
Sir Mark Boleat
Deputy Keith Bottomley
Tijs Broeke
Alderman Peter Estlin
Anne Fairweather
Sophie Anne Fernandes
Christopher Hayward
Deputy Jamie Ingham Clark
Deputy Edward Lord
Andrew Mayer
Jeremy Mayhew
Alderman William Russell
Deputy Tom Sleigh
Sir Michael Snyder
James Tumbridge
Alderman Sir David Wootton

Enquiries: **Emma Cunnington**
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John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES FOR ABSENCE**

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **MINUTES**
   To agree the public minutes and summary of the meeting held on 25 July 2018.

   For Decision
   (Pages 1 - 10)

4. **EDO UPDATE**
   Report of the Director of Economic Development.

   For Information
   (Pages 11 - 78)

5. **CORPORATE AFFAIRS UPDATE**
   Report of the Director of Communications.

   For Information
   (Pages 79 - 80)

6. **PARLIAMENTARY TEAM UPDATE**
   Report of the Remembrancer.

   For Information
   (Pages 81 - 82)

7. **CROSS-CORPORATION INTERNATIONAL INVESTMENT STRATEGIES**
   Report of the Director of Economic Development.

   For Decision
   (Pages 83 - 98)

8. **CITY CORPORATION EXPORTS AND INVESTMENT VISITS**
   Report of the Director of Economic Development.

   For Information
   (Pages 99 - 100)

9. **SOCIAL MOBILITY STRATEGY, 2018-2028**
   Report of the Chief Grants Officer and Director of City Bridge Trust.

   For Information
   (Pages 101 - 124)

10. **DIGITAL SKILLS STRATEGY, 2018-23**
Joint report of the Director of Community and Children's Services and Director of Economic Development.

For Information
(Pages 125 - 136)

11. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

12. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

13. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

14. **NON-PUBLIC MINUTES**
To agree the non-public minutes of the meeting held on 25 July 2018.

For Decision
(Pages 137 - 138)

15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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PUBLIC RELATIONS AND ECONOMIC DEVELOPMENT SUB (POLICY & RESOURCES) COMMITTEE

Wednesday, 25 July 2018

Minutes of the meeting of the Public Relations and Economic Development Sub (Policy & Resources) Committee held at the Guildhall EC2 at 2.00 pm

Present

Members:

Deputy Catherine McGuinness (Chairman)	Sophie Anne Fernandes
Sir Mark Boleat	Andrew Mayer
Deputy Keith Bottomley	Alderman William Russell
Tijs Broeke	Deputy Tom Sleigh
Alderman Peter Estlin	James Tumbridge
Anne Fairweather	Alderman Sir David Wootton

Officers:

John Barradell	-	Town Clerk & Chief Executive
Paul Double	-	The Remembrancer
Bob Roberts	-	Director of Communications
Vic Annells	-	Executive Director of Mansion House & the Central Criminal Court
Giles French	-	Assistant Director of Economic Development
Laura Davison	-	Economic Development Office
Mike Chapman	-	Economic Development Office
Nigel Lefton	-	Remembrancer's Office
Bruce Hunt	-	Remembrancer's Office
Eugenie de Naurois	-	Communications, Town Clerk's
Sanjay Odedra	-	Communications, Town Clerk's
Peter Cannon	-	Communications, Town Clerk's
Tim Rolph	-	Head of Programmes & Swordbearer, Mansion House
Tina Denis	-	Town Clerk's
Devika Persaud	-	Town Clerk's
Emma Cunnington	-	Town Clerk's

1. **APOLOGIES FOR ABSENCE**
   Apologies for absence were received from Simon Duckworth, Christopher Hayward, Deputy Jamie Ingham Clark, Deputy Edward Lord and Sir Michael Snyder.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
   There were no declarations of interest.

3. **MINUTES**

RESOLVED – That the public minutes and summary of the meeting held on 28 June 2018 be approved as a correct record.

Matters arising

- The Remembrancer updated the Sub-Committee on the research he had undertaken into the position of EU citizens living in the UK who might wish to stand for election as councillors after the UK had left the EU. It was agreed that this issue should be raised with the London Government Association and London Councils, who did not yet have a position on this, and if the City Corporation needed to take a position, it should be dealt with by the Policy & Resources Committee.

4. **BREXIT WHITE PAPER**

The Policy Chairman updated Members on the City Corporation's position following the publication of the Brexit White Paper, and the related activity that had been undertaken thereafter, including an invitation to the Policy Chairman from the Secretary of State for Exiting the EU to attend a Business Summit at Chevening House and an opportunity to give evidence to the Select Committee for Exiting the European Union. Members noted the three main asks of the City Corporation to Government over the next few months:

1. With only a few months to go before we leave the EU, it is urgent that the government redoubles its effort to finalise the Withdrawal Agreement and ensure that a transition/implementation is in place to give certainty to businesses;
2. Of equal urgency is the need to find a common way forward to address cliff edge issues, including contract continuity and ensure two-way data flows;
3. To put in place, where possible, unilateral measures to ensure business can continue irrespective of the agreement with the EU.

The Policy Chairman also outlined to Members that the City Corporation's interests may start to differ from the sector.

The Assistant Director of Economic Development, the Director of Communications and the Remembrancer also made the following points:

- Mutual Recognition Regulation (MRR) was an ask that the financial sector could coalesce behind, and an ask for equivalence or enhanced equivalence would now be more difficult, even within sub sectors;
- The City Corporation would continue to work closely with EU governments;
- The Policy Chairman's statement to Court stressed the pragmatism element of the City Corporation's messaging on Brexit;
- During the Select Committee hearing, the Association of British Insurers (ABI) were particularly exercised by the EEA option and the impact of rule-taking on their industry.

A Member requested a copy of the transcript of the Select Committee hearing.

Members then discussed the White Paper and made the following key points:

- Contract continuity was an important point to make to Government. Lots of points around English law could be so technical, that there was a risk they could get lost;
- There was concern about what the Government might agree to in the 11th hour which compromised from the Chequers deal further;
- There were other areas of law which were portrayed positively in the White Paper and the City Corporation should support the Government on the technical parts of the legal implications through channels such as the Brexit Law Committee;
- A Member observed that the White Paper had made several announcements on intellectual property, which is key to the UK as a hub for global companies. Whilst it had been well-received that the Paper offered solutions to conversion of some European rights to UK rights, other areas had not been properly addressed and the City might be able to usefully help. The Member reminded the Sub-Committee that the City Corporation had supported the bid for the European patent court. The White Paper stated that it wanted to keep the UK as a participant in that court, but as it would require treaty change, and due to the recent change in Brexit secretary, there had been an impact on those dealing with that issue. The Member acknowledged that the Government needed help to negotiate, and it was suggested this could be something the City can help with.
- The City Corporation and the sector should now make the choice between fighting to stay in the Single Market or focus on long-term issues once the UK has left the EU to ensure that London remains a world-leading financial centre;
- The financial services sector had not been given what they asked for in the White Paper compared to other sectors;
- The City Corporation's focus should be on financial stability and reducing any sudden shocks on the economy;
- There was lots of concern on rule-taking from the Bank of England;
- The Audit and Risk Committee were reviewing the risk around Brexit and contingency planning for the City Corporation on its property portfolio. Members felt this should also be reported to the Public Relations and Economic Development Sub Committee in future;
- The UK adopting the Norway model in the short term could be useful, however a Member pointed out that intention behind the Norway model was designed as a short-term stepping stone;
- Members discussed how it was important for focus to remain on the UK's position in a global economy and noted how many other items on the Sub Committee's agenda that day concerned involvement with markets internationally;
- That other activity that the City Corporation had a locus in included skills, future migration, Green Finance Institute, Cyber Griffin initiative, amongst other things;

- That the City Corporation's legitimacy depended on the backing of the sector and that the sector had asked the City Corporation to stick with options that remain within the Government's red lines;
- That a degree of agility and flexibility was required over the coming months;
- Members discussed whether the City Corporation's messaging recently had been too negative. The Director of Communications advised that there was a reduced amount of positive messaging that the City Corporation could represent following the White Paper, and that the media had a limited appetite for good news in general. A Member commented that sometimes unexpected good news also gets media coverage;
- The City Corporation should promote its messages around attracting talent to the UK and there should be clear asks and proposals;
- The Assistant Director of EDO advised Members of a new piece of work that had just been commissioned by the City Corporation to research and produce recommendations on enabling the immigration process to be as simple as possible. Key messages from the research would be disseminated at the Conservative Party Conference in October;
- Sections of the White Paper included the asks of the Professional and Business Services Council via the letter that was written to the Prime Minister a few weeks' ago.

RESOLVED, that:

- A transcript of the Select Committee for Exiting the European Union hearing on 24 July 2018 be circulated to Members of the Sub Committee for information, when available;
- Risk reports on Brexit be reported to future meetings of the Sub Committee.

5. **EDO MONTHLY UPDATE**

The Sub Committee received a report of the Director of Economic Development, which highlighted key activity undertaken by the Economic Development Office in June 2018.

RESOLVED, that:

- The report be noted.

6. **CORPORATE AFFAIRS UPDATE**

The Sub Committee received a report of the Director of Communications, which updated Members on key elements of the Corporate Affairs team's activity in support of the City Corporation's external political engagement and corporate communications.

RESOLVED, that:

- The report be noted.

7. **REMEMBRANCER'S MONTHLY UPDATE**

The Sub Committee received a report of the Remembrancer updating Members on the main elements of the Parliamentary Team's activity in support of the City Corporation's political and parliamentary engagement.

A Member requested that future reports have a section which outlines any Private Bills on the horizon that the Remembrancer plans to bring forward.

The Remembrancer also advised that there are plans for a Private Member's Bill on Air Quality.

RESOLVED, that:

- The report be noted.

8. **FILMING IN THE CITY**

The Director of Communications updated Members on the growing issue of large-scale filming in the City, recently highlighted by the amount of filming taking place over August. In particular, the filming of Men in Black required the closure of Ludgate Hill and as part of the filming for Fast and Furious, a helicopter would land outside St Paul's Cathedral.

The Director advised that much bigger productions were coming to the City on a much bigger scale and suggested that he work up a strategy to implement by the end of the year.

Members were supportive of this and raised the following points:

- The income from films in the City was invaluable and should be encouraged;
- Tours and events could be arranged to embed this and provide additional income;
- The City Corporation should push to be linked to the success of the film in some way;
- For the last 15 years, two members of staff have been overseeing filming requests on an ad hoc basis;
- Members on the Court with expertise in film-making could be consulted as part of the strategy;
- The Markets Committee have a film policy and it should be co-ordinated so that there is one approach.

RESOLVED, that:

- The Director of Communications create a strategy on filming in the City to be submitted to the Sub Committee before the end of the year.

9. **CUSTOMER RELATIONSHIP MANAGEMENT (CRM) UPDATE**

The Sub Committee received a report of the Director of Economic Development concerning the progress on the Strategic Engagement and Events Management (SEEM) applications for City Dynamics.

One Member questioned the wording in the report, which set out that the development had included GDPR compliance "by default", and it was agreed the wording should be changed to "by design".

Following a question, Members also heard how this system would produce reports for Committees. In addition, Members wanted to have further clarity on the budget for this programme as IT Sub Committee had been told that the IT associated budget was not on budget.

RESOLVED, that:

- The progress of the City Dynamics project be noted.

10. **CHAIRMAN OF POLICY AND RESOURCES' VISIT TO SWITZERLAND**

The Sub Committee received a report on the Chairman of Policy and Resources' visit to Switzerland from 26-27 June.

The Policy Chairman reminded Members of the "One Team" approach between the Policy Chairman and the Lord Mayor and reported that there was now more coordination than before but some small improvements to be made.

Following questions, Members heard how this was an introductory visit and that the meetings with the World Trade Organisation focused on e-commerce. It was reported that Switzerland is a critical market for the EU and the UK.

The Assistant Director reported that a strategy for the City Corporation's engagement with Switzerland would be reported to a meeting of the Sub Committee in the Autumn.

RESOLVED, that:

- The report be noted.

11. **CHAIRMAN OF POLICY AND RESOURCES' VISIT TO CHINA**

The Sub Committee received a report of the Director of Economic Development concerning the Policy Chairman's visit to Beijing and Shanghai from 13 – 15 June.

RESOLVED, that:

- The report be noted.

12. **CHAIRMAN OF POLICY AND RESOURCES' VISIT TO SAUDI ARABIA**

The Sub Committee received a report of the Director of Economic Development concerning the Policy Chairman's visit to Saudi Arabia with the Chancellor of the Exchequer.

The Policy Chairman reported that this was a very useful trip as part of her role as Co-Chair of the Saudi-UK Asset Management Private Sector Group.

One Member reported that the Foreign and Commonwealth Office in Saudi Arabia had mentioned that they wanted a constant supply of senior figures to visit the country to enhance the UK message.

RESOLVED, that:

- The report be noted.

13. **LORD MAYOR'S RECENT VISITS**
The Sub Committee received a report of the Executive Director of Mansion House and the Central Criminal Court giving Members sight of the Lord Mayor's overseas visits engagement programme from November 2017 until June 2018.

Members asked for information on the Lord Mayor's visits to be more succinct and to focus more on what has been learnt rather than a detailed timetable of the visit. There was a suggestion that officers only submitted the summary report rather than the appendixes too.

In addition, Members asked for a list of upcoming visits of the Policy Chairman and the Lord Mayor.

RESOLVED, that:
- The report be noted;
- A list of upcoming visits of the Policy Chairman and the Lord Mayor be circulated electronically to the Sub Committee.

14. **EDO BUSINESS OBJECTIVES**
The Sub Committee received a report of the Director of Economic Development updating Members on EDO's progress towards its top-line objectives.

A Member made the point that the Brexit messaging needed to be adapted for international markets.

In addition, Members asked for more detail on the metrics that would be used for measures and targets.

RESOLVED, that:
- The report be noted.

15. **COMMUNICATIONS BUSINESS OBJECTIVES**
The Sub Committee received a report of the Director of Communications updating Members on how the Communication's objectives are being met.

Members were pleased to hear that the Town Clerk and the Director of Communications had agreed the Communication Team would be publishing its own separate business plan in future years.

A question was asked of the Director of Communications regarding a tool to be used on Twitter feeds to measure the diversity of followers. The Director of Communications reported that he would be giving further detail on this at the Diversity Working Party but gave some estimated percentages.

RESOLVED, that:
- The report be noted.

16. **REMEMBRANCERS' BUSINESS OBJECTIVES**

The Sub Committee received a report of the Remembrancer updating Members on how the Remembrancer's Office's business objectives for 2018/19 were being met.

Mention was made of measuring diversity of events, and it was agreed that discussion on this should be made at the Hospitality Working Party rather than this Sub Committee.

RESOLVED, that:

- The report be noted.

17. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**

Questions were raised as follows -

Dress code at events

A Member asked the Executive Director of Mansion House and the Central Criminal Court for information on a review being undertaken in Mansion House on dress codes at events. The Executive Director confirmed that dress codes were under review, but no conclusion had yet been reached.

Civic cars

A Member asked for more information on civic cars in the fleet becoming electric vehicles. The Town Clerk undertook to write to the Member separately about this.

18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

The following items of urgent business were raised –

Chairman of Policy & Resources' and Town Clerk's Visit to the North-West of Northern Ireland

The Sub Committee received a report of the Director of Economic Development concerning the Chairman of Policy and Resources' and the Town Clerk's Visit to the North-West of Northern Ireland.

RESOLVED, that:

- The report be noted.

The Chairman took the opportunity to wish Members a good and restful Summer and to thank Officers for briefings and reports over a busy period.

19. **EXCLUSION OF THE PUBLIC**

RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item	**Paragraph**
20	3

20. **NON-PUBLIC MINUTES**
The non-public minutes and summary of the meeting held on 28 June 2018 were approved subject to a small change in wording.

21. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
There were no questions.

22. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE SUB COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
The following item of urgent business was raised –

Managing Director Brussels recruitment
The Sub Committee received an update from the Assistant Director of Economic Development on the recruitment process of the Managing Director of Brussels position.

The meeting closed at 15:24

Chairman

Contact Officer: Emma Cunnington
emma.cunnington@cityoflondon.gov.uk

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Committee(s)	Dated:
Public Relations & Economic Development Sub-Committee	3 September 2018
Subject: EDO monthly update – July	**Public**
Report of: Director of Economic Development	**For Information**
Report author: Alex Greaves	

Summary

The following report provides Members with highlights of the key activity undertaken by the Economic Development Office (EDO) in July and early August 2018. The Green Finance Summit was a high point, underlining the UK's and the City Corporation's ongoing leadership role in this field. Engagements with other UK financial and professional services centres, in Leeds, Belfast and Manchester, underlined the importance of cooperation across the UK, supported by new City Corporation research. Visits to Dublin, Japan and South Korea demonstrated the value of engagements focused on specific opportunities or concerns for financial and professional services and the role that the City Corporation can play in strengthening global partnerships.

Main Report

1. The 2018 Green Finance Summit – 'Mainstreaming Green Finance' – brought together 600 delegates and provided another marker of London and the UK's leadership in this key growth area. Of particular note was the launch of the first global benchmark 'Green Finance Certificate' qualification, to be awarded by the Chartered Banker Institute.

2. The City Corporation's role in supporting future growth not just in London, but across the UK was underlined by engagements by the Chairman of Policy and Resources in Northern Ireland and by the Lord Mayor in Leeds and Manchester. In engaging senior politicians and industry representatives, the value of financial services to the UK-wide economy was top of the agenda. These conversations highlighted the importance of collaboration on fintech initiatives and the challenge of meeting the future skills needs of the industry. This is supported by the release of new data on financial services employment, productivity and exports UK-wide, supported by the City Corporation in partnership with think tank Centre for Cities.

3. The Chairman of Policy and Resources also visited Dublin, where conversations naturally focused on Brexit uncertainties. For both government and industry, these discussions reaffirmed the serious concern over a potential no deal Brexit to businesses and consumers. Conversations did, on a more positive note, highlight the broad appetite among partners to reach a deep and comprehensive future relationship.

4. Opportunities for strengthening partnerships beyond Europe were a theme of the Lord Mayor's visits to Japan and South Korea. These visits to priority markets focused on specific opportunities for UK financial and professional services. In Japan, engagements focused on the opportunity for UK asset management expertise to support the leveraging of the significant savings culture, as well supporting the Japanese financial services industry to internationalise. In South Korea, the Lord mayot's engagements centred on strengthening the 'Fintech Bridge' and cooperation on green finance.

5. City of London hosted the biannual India Advisory Council (IAC) meeting on 16 July in London. The IAC is a group of senior executives in the Indian financial and professional services sector that help guide City Corporation's India work. The IAC members agreed that Fintech, as well as working on Insolvency and Bankruptcy and sharing UK's best practices, should be the top priority, followed by Green Finance and Insurance. The City Corporation also hosted a discussion on how the City of London and UK stakeholders could support the implementation of India's Insolvency and Bankruptcy Code (which draws strong parallels with the UK insolvency law). The day concluded with the City of London hosted Fintech panel discussion on strengthening the UK-India Fintech links. At the session, key findings from the City of London commissioned India fintech research report was shared with UK stakeholders, highlighting opportunities for UK fintech firms in India.

6. July also saw the publishing of the 2018 Social Mobility Employer Index, sponsored by the CoL, ranking the top 50 employers actively tackling social mobility issues within the workforce. This year's index saw submissions from firms across 18 sectors, collectively employing over a million people. Eleven of the top fifteen ranked firms are financial and professional services.

Annexes
Annex 1 – Highlights Newsletter for August 2018
Annex 2 – Northern England Report
Annex 3 – CoL PwC Fintechseries: India-UK Payments Landscape
Annex 4 – SMEI Launch

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Highlights of the City of London Corporation's work on behalf of financial and professional services

View this email in your browser

CITY OF LONDON CORPORATION

CITY OF LONDON

Financial and Professional Services Monthly Highlights

August 2018

Dear Isabelle,

In widely reported comments to the DExEU Brexit Select Committee, and representing the financial and professional services industry at the recent Chevening meeting, the Chairman of Policy and Resources noted that whilst a large scale ‘Brexodus’ of the UK’s financial services has been limited so far, ‘we may see many more go’ if a deal safeguarding access to the EU’s markets is not agreed. She also highlighted the threat of cliff edge issues to both the public and firms.

The Chairman of Policy and Resource's strong message reflected the tone of discussions she held with partners in Dublin. For both government and industry, these discussions reaffirmed that the threat of a no deal Brexit to businesses and consumers was of major concern. However, the broad appetite among partners to reach a deep and comprehensive relationship beyond Brexit was encouraging.

In partnership with think tank Centre for Cities, the City of London Corporation, released new data highlighting both the contribution that financial and professional services make to cities aound the UK in terms of high skilled jobs, productivity and exports, and the links between jobs in regional hubs and in London. The report underpinned the Lord Mayor's discussions on the value of financial services to the UK-wide economy in engagements with Manchester Mayor Andy Burnham, and partners in business and government in Leeds. These conversations highlighted the importance of collaboration on fintech initiatives and the challenge of meeting the future skills needs of the industry.

Alongside strengthening ties within the UK, the Lord Mayor visited Japan to build on the existing memorandum of understanding with Tokyo Metropolitan Government, through a London Stock Exchange Group agreement with Japan Exchange, a new high-level market advisory group and a further memorandum of understanding between Cass, University of London and Tokyo Metropolitan University. In South Korea his discussions centred on strengthening the 'Fintech Bridge', and cooperation on green finance.

This message was supported by the City Corporation's Green Finance Initiative hosting the Mainstreaming Green Finance summit, convening 600 hundred delegates to hear about the future of the sector from industry experts and policy-makers. The summit saw the Lord Mayor launch the first global benchmark Green Finance Certificate qualification, awarded by the Chartered Banker Institute. This ongoing leadership underlines London's role as the world's premier green finance centre.

The City Corporation sponsored Social Mobility Employer Index 2018 ranks the top 50 employers taking the most action to tackle social mobility in the workforce. Released in July, the index received submissions from organisations across 18 sectors, collectively employing over a million people, and 11 of the top 15 ranked firms are financial and professional services.

Kind regards,
Catherine McGuinness, Chairman, Policy and Resources

Kind regards,
Charles Bowman, The Rt Hon The Lord Mayor

NEW PUBLICATIONS

The Commonwealth connection: growing trade in services

The Commonwealth connection: growing trade in services looks at the opportunities for multilateral trade and investment links across the Commonwealth, informed by discussions and interviews with Commonwealth Business Forum attendees earlier this year. Read more

Building a bridge

Identifying the barriers that UK financial and professional services firms face when trading and investing with Australia and New Zealand, this paper goes on to provide recommendations for policymakers as to how these barriers could be addressed to boost trade and investment between the markets. Read more

Corporate community investment: four routes to impact

This toolkit draws on both inspirational and practical examples from pioneering businesses to set out four practical pathways that organisations can take to shape and develop impactful corporate community investment programmes. Read more

London Links

Produced by Centre for Cities in association with the City of London Corporation, this new data highlights the major role financial and professional services play in regional economies - where the sector provides high skilled jobs, and significant levels of productivity and exports. The research demonstrates that changes to the UK's trading relationships could have significant consequences for cities across the UK. Read more

UPCOMING EVENTS

Chile Day

Following the Lord Mayor's visit to Santiago earlier this year, opportunities and developments in the Chilean financial services sector will be highlighted at this year's Chile Day, on 6th and 7th September 2018. There will be a focus on innovation, FinTech and Green Finance, opportunities for UK companiesas as well as industry updates. Find out more and register here

If you are interested in attending one of our upcoming events please contact our team on financialservices@cityoflondon.gov.uk

CITY OF LONDON

REPORT OF THE VISIT BY THE RT HON THE LORD MAYOR OF LONDON (ALDERMAN CHARLES BOWMAN) TO NORTHERN ENGLAND 26-27 JULY 2018

BACKGROUND

1. The Lord Mayor (LM) visited Manchester, Leeds and Sheffield on 26-27 July 2018. The Lady Mayoress, Alderman and Sheriff Tim Hailes, Mrs Fiona Adler and Sheriff Neil Redcliffe and Mrs Redcliffe joined LM in Sheffield.

2. The visit coincided with the launch of Centre for Cities' report, sponsored by CoLC, which provides an account of the Financial and Professional Services (FPS) sector outside London. It also came at a time when the expansion of CoLC's regional engagement strategy, to include Leeds, had been announced.

3. The visit enabled LM to hear regional centres' views on the environment for FPS, identify opportunities for collaboration and to receive feedback on any specific challenges in the region. He was also able to encourage regional engagement in CoLC activities, including participation in overseas visits.

SUMMARY

4. LM met local business, academic and civic figures in each city. In Manchester, key meetings were held with Rt Hon Andy Burnham (Mayor of Greater Manchester) and David Duffy (CEO of CYBG and Fintech Ambassador for England). A key outcome of the meeting with the Mayor was a request for CoLC to support the consultation process – with a forum in London – for Manchester's local industrial strategy.

5. The visit to Leeds, hosted by Yorkshire Building Society, focused on LM's Business of Trust programme with meetings including a range of senior FPS business leaders and civic representatives.

6. The full mayoral civic party was hosted in Sheffield by the Company of Cutlers in Hallamshire, with discussions centred on the city's strengths in **manufacturing** (full programme in Annex A).

7. A number of themes were raised frequently in all three cities. Interlocutors were interested in discussing the impact of **Brexit** and recognised the importance of the UK's cities in working together to ensure the best possible outcomes. In addition, the need for **infrastructure** improvements, particularly in the transport system, was a common thread in many meetings. **Collaboration** between cities was respected, not only to provide stronger outcomes but also to continue the development of the **Northern Powerhouse** into firm actions. The importance of **STEAM education**, the creation and retention of **talent** and the need for a **visa system** that attracts international talent were also key topics of conversation.

8. The Lord Mayor's Business of Trust programme was well received throughout the visit, stimulating interesting and insightful discussions at all levels.

DETAIL – MANCHESTER

9. Manchester's strength as a **fintech** hub was evident; it has a robust digital market and a strong pool of tech talent. The strength of the fintech offer in both London and Manchester was seen as a key area for collaboration. However, a number of interlocutors, including David Duffy, the Fintech Envoy for England, and the Mayor of Greater Manchester, commented that talent is frequently lured to London to the detriment of Manchester's sector growth and that there are recruitment issues in digital skills in Manchester. LM hosted a panel discussion on the impact of Manchester's fintech sector on the wider regional economy. This panel, in front of 130 fintech professionals, encouraged further engagement between London and Manchester.

10. LM discussed **CoLC's regional strategy** with the Mayor of Greater Manchester and both agreed that, post-Brexit, collaboration between London and other UK centres of excellence would be vital so that the UK as a whole can rise together. The Mayor outlined the plans for a new local industrial strategy, which is entering a consultation period in the autumn and will be launched in March 2019. He asked whether CoLC could support this work and LM offered to host an event in November/December 2018.

11. Among other subjects, LM and the Mayor discussed **devolution** (the Mayor suggested this was the correct response to Brexit), rebalancing the economy, social mobility and **infrastructure**. The Mayor said that improvements to the transport system are greatly needed in order to support the Northern Powerhouse's continued growth. He also drew parallels between the housing problems in London and Manchester and suggested that the two cities could collaborate in support for the homeless.

12. LM's **Business of Trust** programme was well received throughout the meetings in Manchester. ICAEW hosted a roundtable where LM was able to discuss trust with a group of young managers who have been identified as future leaders of the profession.

DETAIL – LEEDS

13. LM was hosted by Yorkshire Building Society for two meetings in Leeds. The first meeting, with senior business leaders and members of local councils, focused on the London-Leeds relationship and the strength of Leeds as a financial services centre. The second meeting focused on LM's Business of Trust programme and the role of trust in civic leadership, business and culture.

14. LM was also able to discuss with interlocutors the expansion of CoLC's regional engagement strategy to include Leeds.

DETAIL – SHEFFIELD

15. The full Civic Party attended the annual Cutlers' Forfeit Feast in Sheffield. Before this, LM and the Sheriffs attended a series of meetings and a visit to AES Seal. These meetings gave LM an excellent insight into the strength of Sheffield's manufacturing sector as well as the importance of international trade and innovation to the region. There was a strong and clear message of confidence, with most of the businesses reporting growth and continued innovation.

16. The 'Made in Sheffield' brand is held in high regard internationally and is a benchmark of quality.

17. Several interlocutors commented that the biggest challenge to growth was a lack of STEAM talent and the impact of visas on attracting international talent.

CONCLUSION

18. The visit was informative and positive with several opportunities for collaboration, particularly in Manchester. CoLC's regional engagement strategy was well received throughout.

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ANNEX A

LORD MAYOR'S PROGRAMME

Thursday 26 July – Manchester

Meeting with the Mayor of Greater Manchester (Rt Hon Andy Burnham)
Business of Trust roundtable lunch hosted by ICAEW
Fintech Panel Discussion hosted by pro-manchester
Media
Roundtable on Greater Manchester Internationalisation Strategy
Meeting with David Duffy, Fintech Envoy for England
Dinner with local senior business leaders, hosted by pro-manchester

Friday 27 July – Leeds / Sheffield

Transfer to Leeds
Breakfast meeting with local FPS leaders, hosted by Yorkshire Building Society
Business of Trust roundtable hosted by Yorkshire Building Society
Business of Trust interview with Stephanie Burras CBE, Founder and CEO, Ahead Partnership
Transfer to Sheffield
Briefing lunch with local businesses
Visit to AES Seal, manufacturer of mechanical seals
Q&A with local FPS and manufacturing business leaders
Cutlers of Hallamshire Forfeit Feast

ANNEX B

FOLLOW UP ACTIONS

NO.	ACTION	RESPONSIBLE
1	To organise an event at Mansion House, working with Andy Burnham's office, promoting Manchester's local Industrial Strategy and further collaboration between Manchester and CoLC	EDO (Lisa Dimon) MH (Fiona Buford)
2	To work with Andy Burnham's office on collaboration in: social mobility, skills and fintech	EDO (Lisa Dimon)
3	To engage Manchester fintech businesses in LM's overseas visits, particularly the forthcoming visit to India	EDO (Lisa Dimon) MH (Duncan Sparkes)

4	To arrange a follow-up meeting with David Duffy to discuss UK fintech and opportunities for collaboration	MH (Fiona Burford)
5	To ensure David Duffy is invited to relevant CoLC events	MH (Fiona Burford)
6	To send David Duffy copies of CoLC's reports on Fintech in Australia	MH (Fiona Burford)
7	To include reference to the visit, Manchester's local Industrial Strategy and the importance of infrastructure in LM's letter to the Prime Minister	MH (Fiona Burford / Jeremy Blackburn)
8	To further discuss Leeds' plans for a local industrial strategy and how CoLC can further collaborate and support.	EDO (Lisa Dimon)
9	To follow up with Leeds Council on CoLC's regional engagement strategy	EDO (Lisa Dimon)
10	To encourage AES Seal to apply for a Lord Mayor's Dragon Award – Business of Trust Champion	MH (Fiona Burford) EDO (Becki Jacobi)

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Executive summary

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Objective of our research work

The UK witnessed a major Fintech revolution post the global financial crisis of 2008 and the City of London Corporation in particular evolved rapidly in embracing innovative technologies and establishing a mature Fintech eco-system. When it comes to Financial Services, London has always been the global financial hub and the Fintech growth in London is a natural extension of London's competitive edge. The world looks upon London in terms of best practice both from a Fintech business stand-point and the confidence the UK inspires through its robust regulatory regime that encourages innovation. Such innovative environment enables solutions like seamless payments within the UK and cross-border and at the same time keeps consumers at the heart of its business.

India on the other hand with a population of circa 1.3bn people is on the cusp of an explosive growth in the Fintech space since the past 3-4 years. This could be attributed to the current government initiative of 'Make in India' coupled with some major transformational steps undertaken such as introduction of Aadhar number which is the world's largest unique biometric system, the demonetization in November 2016 and the central Goods and Services tax (GST) act in mid-2017. All these steps were taken with a common goal to eliminate corruption and black money from the system. With a population of circa 300m people in the middle class and upper middle class income bracket across the 200 odd cities coupled with the fact that a major proportion of the population is young, the demand for innovative Fintech solutions across India is phenomenally high. This is further augmented by the introduction of Unified Payment Interface (UPI) that has been recognized as the most sophisticated public payments infrastructure in the world. UPI is an initiative by National Payments Corporation of India (NPCI), which is an umbrella organization (set under the initiative of the RBI and Indian Banks' Association) for all retail payments and settlement systems in India.

City of London Corporation – PwC Report Series:

Based on the Fintech round-table events organized in India over the past 12-18 months by the City of London Corporation representative office in Mumbai, there is an increasing appetite from both the UK and Indian Fintech players to consider in-bound and outbound investments to take advantage of the dynamic markets and the scale of opportunities offered by the UK (London in particular) and India. Particularly the UK Fintech players are keen to gain an understanding of the challenges faced by their Indian Fintech counterparts in the payment space and look to leverage their existing solutions to address these problems. The UK players view this is an opportunity to proactively engage with the Indian Fintech eco-system.

To foster deeper engagement between the UK and Indian Fintech sectors, the City of London Corporation has commissioned PwC India to develop three Fintech research reports around the governance, risk and compliance over Payments, Regtech and Insuretech during 2018-19.

The objective of undertaking this research is to create the required visibility over the opportunities and challenges within the Fintech eco-system in UK and India and how the opportunities in India and UK could be tapped in a seamless manner by UK Fintech firms, as well as Indian Fintechs planning international expansions in London/UK.

Opportunities in the Payments space

We have included below a snapshot of some of the achievements and opportunities along with potential challenges in the Payments space within India and UK including our perspective on best practices that the Fintech payments eco-system in India and UK could possibly look to follow:

Some of the key opportunities in the Indian Fintech payments space:

Government initiatives:

- A strong, proactive policy level support from the government has been providing a much-needed boost to user adoption of digital payments, for instance , Jan Dhan Yojana, Aadhar and the emergence of UPI
- There has been a 400 – 1,000% increase in digital transactions since the beginning of the demonetization in November 2016
- The growing appetite to leverage the Fintech capabilities between the UK and India is further strengthened by the Indian Prime Minister's visit to the UK in April 2018 where a number of Fintech initiatives were launched

Untapped potential

- The financial services market in India is largely untapped – 40% of the total population is currently not connected to banks (unbanked) and more than 80% of the payments in India are still made by cash.
- As per National Payments Corporation of India (NPCI) from April 2017 to March 2018, total financial transactions on NPCI's digital payment platforms with respect to retail payments were to the tune of INR 200bn and this is expected to grow up-to INR 1tn by 2023 that represents a whopping 400% increase over the next five years.
- By 2020, around 720 billion transactions are projected to occur through the use of digital payment methods in the Indian market which will be largely driven by development of UPI technology

A detailed description along with graphical analysis of all the potential opportunities is included in section 2.6 of this report.

Some of the key opportunities in the UK Fintech payments space:

UK as a Hub for Fintech:

- As per the UK FCA's (Financial Conduct Authority that focuses on conduct risks and regulation) Policy Statement PS 15/1, in 2015-16 the UK payment systems dealt with more than 21 billion transactions worth around £75 trillion which is circa USD 100tn.
- London's Fintech firms raised a record £2.45 billion which accounted for around 80 per cent of all UK venture capital tech funding in 2017
- 2017 saw a number of the world's leading tech companies pledge their long-term commitment to London, with significant investments from Amazon, Apple , Facebook and Google

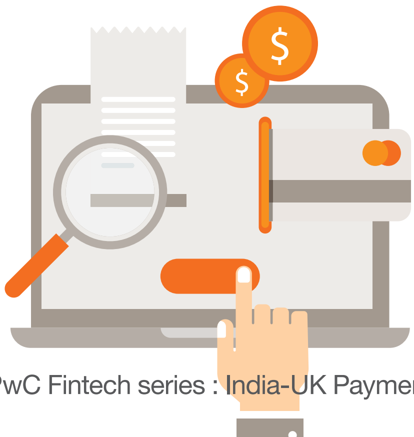
Policy and Regulation

- Payment Services Directive (PSD2) will give rise to open banking across the UK and Europe requiring banks to become more and more customer centric. The phrase 'open banking' is used to describe the shift from a closed model to one in which data is shared between different members of the banking ecosystem with authorisation from the customer

Democratising the availability of financial products through Open Banking

- The introduction of open banking will result in democratizing the availability of all the financial products and services to the end customers at the best competitive price keeping customers need in the forefront.

A detailed description along with graphical analysis of all the potential opportunities is included in section 3.5 of this report



Potential challenges

Some of the potential challenges in the payments space in India

Technical integration

Weak technical integration is one of the challenges faced by the payment firms. There is a lack of interface between the processing systems which lead to processing and payment delays, increased fees and lost transactions. The lack of improved technology leads to firms' inability to handle huge traffic when new products are introduced.

Cyber security issues

Whilst cyber security threat is prevalent across the globe across the developed capital markets like the UK, US, Singapore etc., in a rapidly emerging Fintech Payments market like India, this threat is all the more pertinent considering the size of the payments market and the fact that India is one of the most vulnerable countries in the world that is prone to cyber-attacks.

Safety Concerns

Increasingly, people are concerned about the safety of the information submitted to the payment firms. There appears to be a negative image which is formed regarding the information security and tracking of shopping habits of customers using digital payment platforms.

A detailed description of all the potential challenges is included in section 2.6 of this report.

Some of the potential challenges in the payment space in the UK:

Regulation

High cost of compliance with the newly introduced Payment Service Directive (PSD2 effective from 13 January 2018) in terms of implementing the requirements of this regulation

Competition

Stiff competition for new overseas Fintech Payment firms into the London Fintech market that is already matured and saturated coupled with the high establishment costs in London.

Barriers to entry

Lack of adequate preparation by new Fintech players to address the firm authorization requirements from the UK FCA and subsequently the PSR (Payment Services Regulator).

A detailed description of all the potential challenges is included in section 3.5 of this report.

Our perspectives

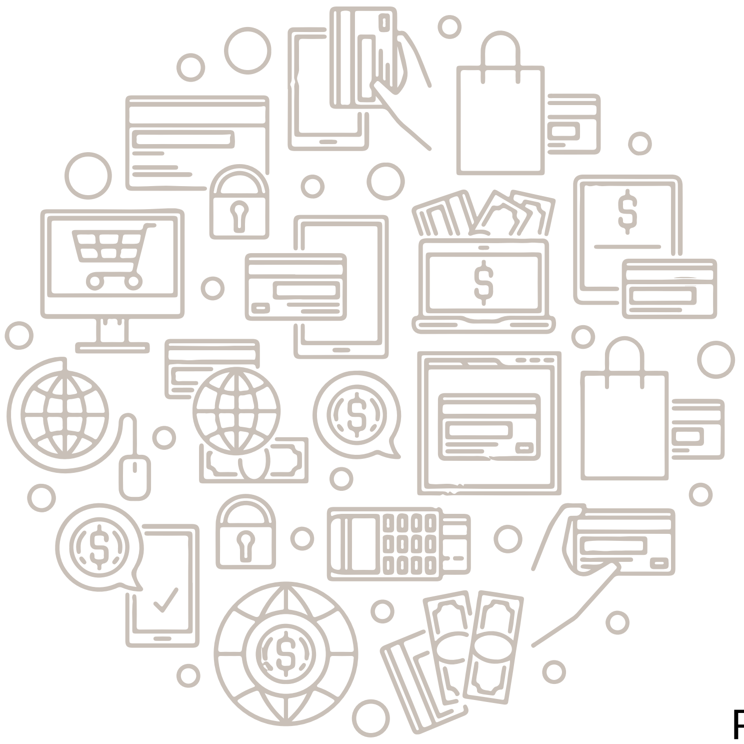
Our perspectives on how best to move forward:

UK banks and payment firms:

- Banks and Fintech payment firms in the UK should ensure their top management is part of developing a strategic response to open banking. Currently, strategic considerations are often a byproduct of a PSD2 compliance project managed by IT and operations.
- Payment firms can begin to identify new revenue opportunities for services, such as AISPs (Account Information Service Providers), PISPs (Payment Initiation Service Providers), and CISPs (Card-based Payments Instruments Issuers), and consider new business models.

UK and Indian payment firms

- Cyber security is paramount to rebuilding this trust – winners will have invested significantly in this area. Recent high-profile security breaches and media commentary surrounding cyber-attacks have generated fear and uncertainty, further eroding stakeholder trust. This is where the UK's reputation as a leader in cyber security and India's expertise in software development could be leveraged to effectively mitigate this risk.



- From our work with leading Fintech players within India and the UK and based on our research into the macro-trends impacting banking and Fintech firms and from our survey of global banking executives, we have identified the following six priorities for retail payment firms to win in 2020:
  - **Developing a customer-centric business model:** Payment Banks today may have a simplistic understanding of their customers and a vastly complex product set. The winners of 2020 will turn this on its head. They will develop a much more complete understanding of their customers and dramatically simplify their product set, and so deliver a significantly enhanced customer experience with lower levels of operational risk.
  - **Optimising distribution:** Distribution is ripe for digital disruption. Historically, banks with the best branch footprint have dominated their markets, gaining outsized share. By 2020, all banks will be direct banks, and branch banking will be changing fast. Leaders will offer an anytime, anywhere service, fully utilising all banking channels in an integrated fashion.
  - **Simplifying business and operating models:** Banks have developed staggeringly complex and costly business and operating models. Rising customer expectations, increasingly active regulators and stagnant shareholder returns warrants simplification of business models to deliver an improved customer experience, structurally lower cost and reduced levels of operational risk. London based Fintech firm Dopay could serve as an example of how best to simply business and operating models. Dopay is a fintech startup that provides a cloud-based payroll service that allows employers to calculate salaries and make payments electronically. It breaks the cash cycle by offering a payroll and cash management service for companies. Employees receive a DoPay card and DoPay app, which give them a full banking experience.

- **Obtaining an information advantage:** Getting this right will be a game changer. Fast movers will create competitive advantage in every area of the bank – customer experience, underwriting and pricing, operations, risk management and financial/ cost management. Few banks and payment firms will be able to master the skills to integrate, analyse and act upon the insights from the ever increasing mass of data.
- **Enabling innovation,** and the capabilities required to foster it. Innovation is the single most important factor driving sustainable top- and bottom-line growth in banking. But banks today are not known as places where innovation thrives, nor are they the favoured destination for top software engineers and other innovators.
- **Proactively managing risk, regulations and capital:** The post-crisis flood of regulations signals a major mindset change for regulators. In the past, regulation was just one of many considerations. Capital was plentiful and not a significant business constraint. Conduct issues were thought to be few and far between. Today, not only are the rules much more complex, but regulators are more suspicious, and less flexible in their demands to improve compliance, reporting, and the underlying business processes and data.

Indian Fintech payment firms

- Where weak technical integration is one of the challenges faced by Indian payment firms, they could look to possibly leverage upon some established UK payment platform firms like Currencycloud that offers a cloud based platform which allows businesses to manage their flow of funds and makes payments frictionless.
- To mitigate the ever increasing threat of cyber-attacks across the Fintech platform firms, some of the solutions offered by leading Fintech firms in the UK (London) like Ravelin could be leveraged upon. Ravelin is an award-winning fraud detection and prevention platform firm for online merchants and the payments industry. It uses a combination of machine learning, graph networks and human insights to detect fraud before the sale happens, saving merchants millions in chargebacks, lost customers and reputational damage
- In-order to prevent un-authorised access to personal data of consumers that is submitted to payment firms, some of the leading biometric authentication solutions available for consumers in the UK such as AimBrain which is a London based Fintech firm could be possibly considered.

AimBrain is a BIDaaS (biometric identity as-a-service) platform providing Cloud-based biometric authentication (voice, facial & behavioral). AimBrain's approach to BIDaaS uniquely combines voice, facial and behavioral biometrics with cloud-based authentication to verify an identity, unlike traditional implementations of PINs, tokens and even fingerprints that simply confirm the link between the individual and the device.

Indian Regulatory and policy landscape around Fintech payments

- Regulations need not to be ownership-driven and could provide suitable regulations for all instruments. Mobile wallet companies are important and active contributors to the payments ecosystem in India. However, there appears to be disparities in the regulations on PPIs (prepaid instruments)/wallets for banks and non-banks in India. Banks can operate open wallets that allow cash-out facilities for customers to use interoperable payments systems. Non-banks, on the other hand, can operate only a semi-closed wallet which does not allow cash-outs.

  Allowing ubiquitous usage of all payment instruments through interoperability will create multiple avenues for new and conventional players to disrupt the market and ensure interaction between different instruments and services, creating multiple use cases.
- Regulations need to be activity-dependent and not value-dependent. PPIs provide a low-friction payment experience which incentivises customers to adopt digital payments. However, the proposed PPI regulations require customers to go through additional factors of authentication. The regulations have also proposed that for online retail, PPIs have separate logins for the main PPI app through additional authentication steps. This will create friction in the payments experience and prevent customers from using digital means for making small-value payments.

  To drive digital payments, the government has to bring low-value high-volume transactions into the ambit of 'digital'. The need of the hour is to drive payments based on activity. As retail payments comprise the largest chunk of payments, they have a higher chance of getting digitised if the explicit cost associated with small-value payments is removed or reduced.

- Regulations to be based on a reasonable cost benefit analysis (CBA). For wallets to be successful in driving digital payments and financial inclusion in India, it is imperative that they are commercially viable. Presently, wallets do not earn equitable revenue from the money kept in escrow accounts of banks. Additionally, the proposed new PPI guidelines prescribe a number of operational processes which will stifle the functionality of wallets and add to their operational costs.

  For example, the new draft guidelines require minimum KYC accounts to be converted to full KYC accounts within 60 days of opening of the PPI account. Aadhar-based full KYC will be a challenge given that a large number of Aadhar accounts are not linked to a mobile number or are linked to an incorrect mobile number (some estimates suggest this to be 40%). Perhaps this is an area where UK Fintech players like Onfido who have recently established their presence in India as an AI (artificial intelligence) powered identity verification Company can work towards providing a quick and seamless identification process that in turn will reduce the processing time for the full KYC.

  The UK FCA uses a detailed CBA for regulatory impact analysis around the operation of e-wallet payments. It encourages decision makers and all relevant stakeholders to take account of all the positive and negative effects of proposed regulations, and helps identify cost-effective solutions to problems by identifying and measuring all costs.

- Regulator and the Fintech industry to collaborate on skill development in cyber security. Established security protocols, policies and certificates play a major role in setting cyber security standards. However, in the current IT ecosystem, essential standards and benchmarks are either unavailable or are not implementable to test the systems because they have not been standardised. IT policies are dependent on the proactivity of the player rather than on established standards in the industry. These infrastructure and process gaps are exacerbated by the dearth of professionals trained in skills of IT security and risk mitigation.

  Standardisation of skills and certifications for 'man behind the machine' is critical for IT security and risk mitigation. PPPs (Public Private Partnerships) will be of immense value in this area to provide curriculum and certifications for new-age, technology-led payments players. They should incorporate global best practices as well as global standards. This initiative will help the industry create safeguards and foster trust.

  As an action point, the regulators along with specific independent stakeholders from the industry need to create a body to set standards, provide certification and create e-learning courses on IT security and risk mitigation. This body can comprise government and payment providers such as NITI Aayog, the Ministry of Finance, Ministry of Electronics and Information Technology, RBI, NPCI and other payment networks, payment gateways and payment technology players.

  The British Government had worked with leading industry partners to develop e-learning courses to understand online threats and how to protect business data, money and reputation. A course was developed with the Law Society and the ICAEW to increase the knowledge base of cyber security for legal and accountancy professionals.

- Regulator and judiciary to create e-courts for online dispute resolution. Innovation in technology is the key driver and disrupter for digital payments. The world of online transactions and virtual interfaces works at an astonishing pace and is complicated. Likewise, frauds and security breaches are perpetrated at a fast pace. The conventional judiciary systems are not adept at resolving such issues. A slow judiciary and law enforcement process implies a higher cost and increased time for investigation and dispute resolution. Swift adjudication is critical to maintain customer trust in digital payments and also reduce potential financial loss that can be incurred due to delays in processes. Real-time risk monitoring can help the judiciary and law enforcement institutions to work in the present rather than in retrospect.

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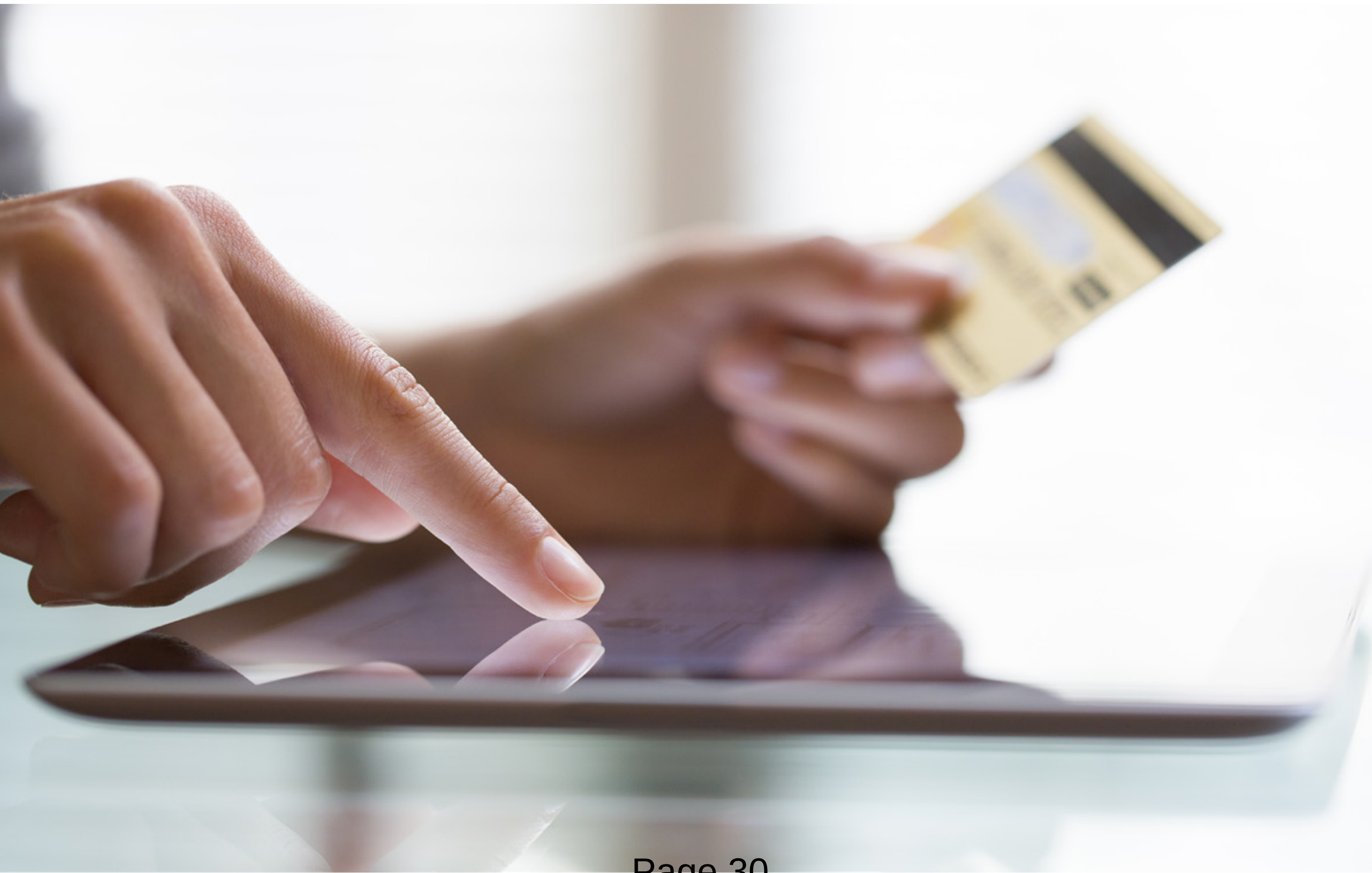
Conclusion

Considering the rapidly growing Fintech payments market in India with the adoption of leading payment interfaces like the UPI and the growth of the payments sector in the UK that is further augmented with the introduction of Open banking and PSD2, there will be a plethora of opportunities for both the UK Fintech players and their Indian counterparts to participate in the rapidly growing payments market in both these geographies.

The key messages for both the UK Fintech and the Indian Fintech Payment players will be:

- There appears to be a need for UK Fintech players to gain a better understanding and visibility over the opportunities and challenges faced by the Indian Fintech players in the payments space
- The UK Fintech players can then look to establish a road-map on how these challenges could be addressed by them by leveraging their leading practices in the UK Fintech eco-system.
- Similarly the growing importance of Open banking across UK and Europe is set to democratize the availability of financial products and services to customers without any challenges on hoarding customer data by any major retail bank.
- The scope of opportunities and growth for Indian Fintech players is limitless provided they undertake a detailed assessment of the Fintech eco-system in the UK and identify areas where they could create a niche for themselves in such a major financial services market.

It will be useful for the UK Fintech players to gain a better understanding and visibility over the challenges faced by the Indian Fintech players in the payments space and establish a road-map on how these challenges could be addressed by them.



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The Fintech story in India so far

This section focusses on the growth of the Fintech eco-system in India post the liberalization of the Indian economy in 1990 and how the digital payments landscape have evolved over the past 5-7 years including the opportunities and challenges faced by this industry and the regulatory themes relevant for such Fintech Payment firms

Introduction

Mobile money services have proven to be an effective gateway for financial inclusion among the unbanked- a demography that could potentially evolve into a multi-billion dollar payments opportunity in India from a size and volume perspective given the mobile phone and more particularly the smart-phone penetration captures the substantial part of the Indian population. The bankers or wealth managers in future will provide advice to take appropriate financial decisions based on a combination of artificial intelligence (AI) and transactional and contextual data. Customer grievances and cost is expected to decrease as new business models and emerging technologies are being adopted to streamline the on-boarding processes, procedures, operations and client communication. The influence that FinTech has on the payment market is rapidly growing and the long-term potential is even greater.

Evolution of Fintech in India

The Indian government began the process of liberalizing its banking industry post-**1990** by introducing technology-savvy banks. The government undertook legislative actions to boost the banking system and pushed new technology such as MICR (magnetic ink character recognition), electronic funds transfer and other electronic payments that revolutionized the banking system and helped boost the Indian economy.

However, for the past two decades since **1991**, the technological innovation in financial services and banking were government-driven and witnessed a relatively slow growth. The Indian banking and financial industry witnessed the penetration of Fintech startups in the retail consumer segment from the mid-2000 onwards. One of the initial offerings that was introduced in 2005, was the Banking Correspondent (BC) model, which was used to increase penetration of financial services to the rural household. BC is a representative authorized to offer services such as cash transactions where the lender does not have a branch. Primary role of BC is to oversee the proper development and functioning of indirect banking channels. BCs offered a low cost alternative to setting up branches for financial institutions (FIs) to serve the rural population. FinoPayTech and Eko India were one of the major initial startups that had built their services around the BC model.

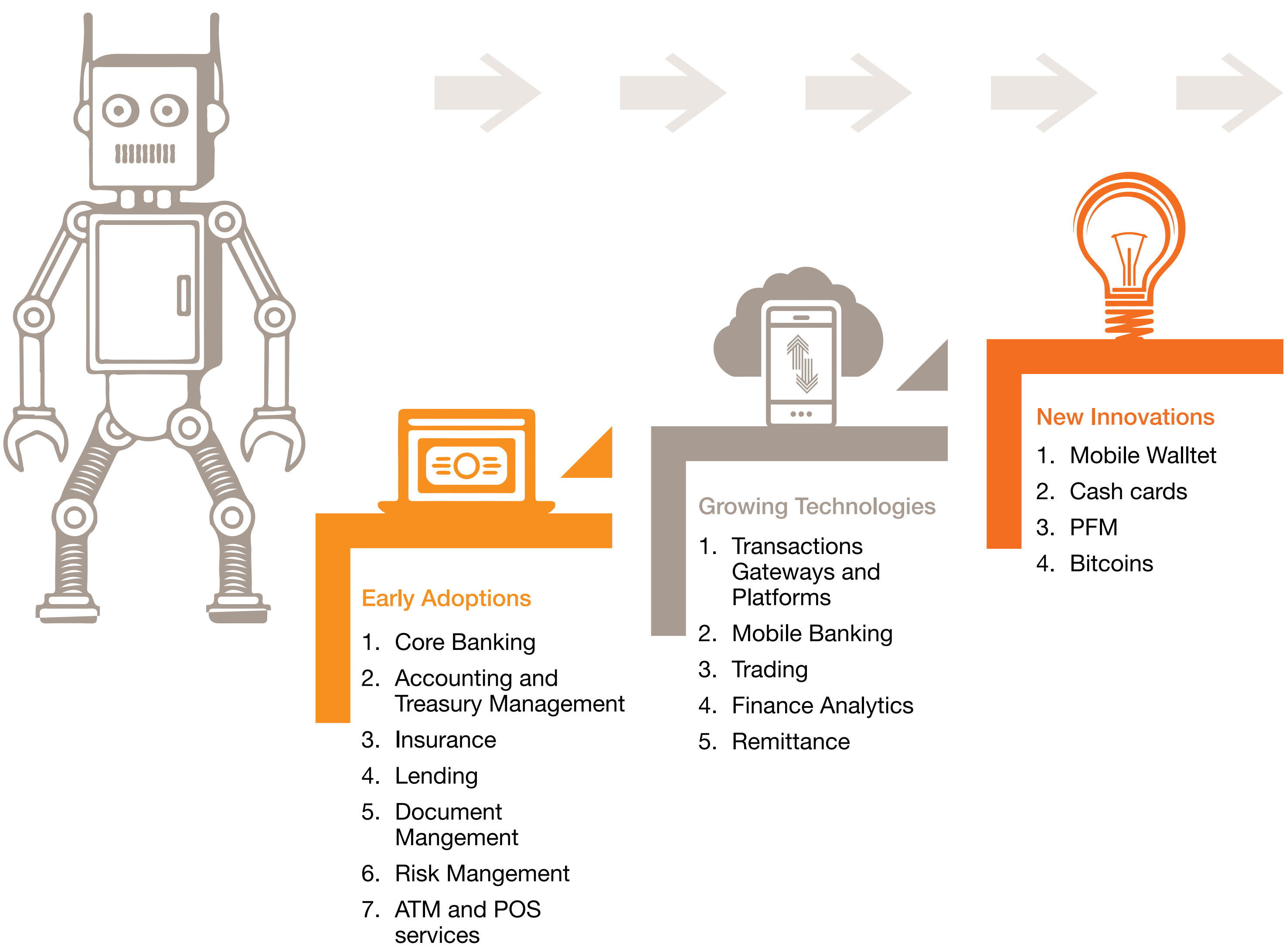
2010 saw an emergence of payment startups in mobile wallets; e-bill payments and mobile recharge services. Major Fintech startups such as Oxigen, MobiKwik, Paytm and Freecharge originated between **2005–10**. From **2010**, there have been multiple Fintech startups that have mushroomed in different segments such as lending (**100+** startups), personal finance management (40+ startups) and investment management (**90+** startups). The regulatory bodies and banks have developed and introduced new solutions which will create interesting opportunities for Fintech.

A number of strategic partnerships took place between Banks and Fintech players due to the following:

- Introduction of contactless mobile payment system
- 'Invoice to Payment' feature that provide end-to-end digital invoicing and payment solutions
- Allowing customers to open accounts digitally with their PAN (Permanent Account Number) card and Aadhaar card

These solutions enable Fintech startups to leverage the infrastructure created by banks to apply their solutions or enhance existing offerings with superior product experience.

Roadmap of Indian Fin Tech Evolution



Strong Governmental Support for Fintech in India

A government push for financial inclusion, digitization and startup activity has led to the introduction of policy initiatives which provide a strong foundation to the FinTech sector in India

India Stack

The government has provided one of the world-class technological framework to entrepreneurs, innovators and corporations, allowing for the accelerated and rapid growth of FinTech ventures. The scenario resembles the policy support offered by the government to the telecom industry in the 90's, with FinTech taking center stage in many reform initiatives

Startup India Program

The Startup India program, launched by the central government, includes the simplification of regulatory processes, tax exemptions, patent reforms, mentorship opportunities and increased government funding. As per the Startup India Status Report as on 4th January 2018, Startup India hub has been able to handle more than 77,000 queries and facilitate more than 450 Startups by providing advisory on business plans, pitching support, etc.

Jan Dhan Yojana

Financial inclusion in the country has grown significantly due to initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY), regarded as the world's biggest financial inclusion program, with an aim to facilitate the creation of bank accounts for large underserved or unserved sections of India's billion plus population. As per the progress report issued by Pradhan Mantri Jan - Dhan Yojana, the number of Rupay Debit Cards issued to beneficiaries was 24.02 crores and the number of total beneficiaries are 318 million (as on 27th June 2018). Keeping in mind the economic status of people below poverty line, PMJDY aims to make available certain basic financial transactions via ordinary mobile phones and not smart phones. This ensures that even people from rural areas and those from the unorganized sector have access to quick and convenient banking and payment options. The feature provides scope for innovation as much as possible to ensure financial inclusion as well as financial security to as many Indians.

Aadhaar Adoption

The RBI approved Aadhaar based biometric authentication, which allows bank accounts to be opened through e-KYC at any Banking Correspondent (BC) location. This allows financial services companies to do e-KYC checks more economically, thereby reducing transaction costs for customers. As per the 'The Report of the Committee on Financial Inclusion', the technology has to enable the banks to go where the customer is present, instead of the other way around and technology should allow interoperability among different systems adopted by different banks. The Aadhaar Payment System is intended to address both the requirements. As per the State Aadhar Report 2017-18, 1.2 billion residents currently enrolled on Aadhaar platform with over 90% adult saturation in most Indian states. There has been marked increase in e-KYC verifications from 48 million to 138 million from FY 2016-17 to 2017-18 as per the NPCI 2018 report.

National Payments Council of India Initiatives

The NPCI through the introduction of UPI has leveraged the growing presence of mobile phones as acquiring devices, substantially reducing the cost of infrastructure for FinTech ventures. With the smartphone user base expected to expand to about 500 million users by 2020, the digital banking footprint is projected to grow faster than ever before. The NPCI has also introduced several innovative products, such as RuPay cards, which allows for immediate money transfers and a more convenient experience for the customer.

What makes Fintech unique in India

Fintech has been thriving in India for the last 5 years due to a combination of macro-economic factors such as demonetisation as noted in the overview section one and the need to create digital solutions to improve efficiency over various processes that were historically handled with manual intervention. However, unlike the developed markets in Europe and North America, India's recent emergence as an economic powerhouse renders comparisons to these markets more difficult. Fintech in India is unique because it is growing rapidly, is young, and is fueled by a large market base and an enormous list of challenges faced along with the opportunities it creates. With internet penetration and mobile usage increasing rapidly, India proves to be an attractive market for technology startups. The financial services market in India is largely untapped – 40% of the total population is currently not connected to banks (unbanked) and more than 80% of the payments in India are still made by cash. This untapped Indian Fintech market provides a massive opportunity to significantly increase demand in almost every category – digital payments, consumer lending, insurance, trade finance etc. In each of these areas, new Fintech solutions are directly influencing the market to grow significantly.

India holds a lot of promise in the Fintech space as it provides the right mix of technical skills, government support, regulatory policies and the business environment for startups to flourish. Some of the key characteristics of the Indian market that makes it exciting and interesting for Fintech startups are:

- India is the only Fintech hub that provides ample opportunities to target large unbanked population. Coupled with the growing young population which is readily accepting new technologies, India serves to be an attractive destination for Fintech startups.
- The challenging exercise to change consumer behavior towards accepting Fintech solutions is already underway and is making considerable progress. This is evident by the use of Fintech payment solutions such as Paytm, Rupay, BHIM etc. by relatively low income users such as taxi drivers, maids, factory workers etc.
- The focus on technical education as part of the education curriculum provides India with a strong talent pipeline at a comparatively cost efficient and easy-to-hire tech workforce.
- India has the second biggest startup ecosystem in APAC after China measured in deal size and number of deals.

Overall, India is confidently moving up the Fintech ladder and provides plenty of opportunities for Fintech startups to enter the diversified payments market and be successful.

According to the 'FinTech Trends Report India 2017 by PwC', the most promising FinTech opportunities identified in India include leveraging existing data and analytics and improvement of customer retention. The opportunities in these areas are much higher in India as compared to the available opportunities globally.

With internet penetration and mobile usage increasing rapidly, India proves to be an attractive market for technology startups. The financial services market in India is largely untapped – 40% of the total population is currently not connected to banks (unbanked) and more than 80% of the payments in India are still made by cash. This untapped Indian Fintech market provides a massive opportunity to significantly increase demand in almost every category – digital payments, consumer lending, insurance, trade finance etc

The digital payments journey in India

Payments have evolved significantly since its inception, from the barter system to the exchange of coins and currency notes, to bank accounts and checks and over the recent years to cashless payments through credit cards and e-wallets. The payments industry has witnessed a transformational phase both globally and within India. The pace of change in the payments industry is rapidly evolving in response to the growing consumer needs for a seamless payment facility at the press of a button. The technological advancements in the digital payment ecosystem are changing our lives significantly and providing the end consumers with speed, convenience, choice and savings.

Demonetisation impact:

The digital India mission envisioned by the Government of India is aimed at transforming the country into a digital economy. One major part of this larger program is a special focus on digital payments. The last two years have been revolutionary for the digital payment industry in India on account of the demonetization drive in 2016. India had always been a pro-cash economy with easy access to cash, and so in the pre-demonetization phase there was resistance towards digital payments but demonetization broke into such resistance. The entire payments ecosystem experienced a much needed paradigm-shift towards digital payments to such an extent that digital payments were adopted as a necessity even by the fruits and vegetables vendors on the streets across the Indian cities.

The world's largest demonetisation exercise was exercised on 8 November, 2016 and all Rs 500 and Rs1, 000 notes were abruptly withdrawn in a bid against black money, terror funding, corruption and fake currency proliferation. In search for a new alternative to replace cash, Indian citizens turned to digital transactions, which witnessed a 400 – 1,000% increase since the beginning of the demonetisation. Since the introduction of a cashless ecosystem, there have been numerous regulatory reforms that augmented rapid digital development in the payments space.

In an attempt to find new alternative to replace cash, Indian citizens turned to digital transactions post 8 November 2016 when the world's largest demonetization exercise was announced in India. As a result the digital payments witnessed a whopping 400-1000% increase in volumes since the beginning of demonetization.

UPI (Unified Payment Interface):

The NPCI unveiled a new payment system called UPI (Unified Payment Interface) during the same period when Demonetisation took place. UPI is an instant payment system developed by the NPCI and is built over the IMPS (Immediate Payment Service) infrastructure and allows users to instantly transfer money between any two parties' bank accounts. The Unified Payment Interface (UPI) can be thought of like an email ID for the user's money. It will be a unique identifier that the user's bank uses to transfer money and make payments using the IMPS. The IMPS is faster than NEFT (National Electronic Funds Transfer) and lets the user transfer money immediately and unlike NEFT, it works 24×7.

The UPI enables:

- Payment systems to be fully interoperable across all payment system players, enabling funds to be transferred between mobile wallets from different financial institutions and
- Smartphones to double up as virtual debit cards for sending and receiving money instantly

The government has been promoting smartphone -based transactions through the UPI and the Bharat Interface for Money (BHIM). BHIM (Bharat Interface for Money) is a mobile app developed by NPCI, based on UPI. It was launched by Prime Minister Narendra Modi, at the Digi Dhan mela at New Delhi on 30 December 2016.

Both UPI and BHIM use the Immediate Payment Service (IMPS), which has seen a 160 % increase in number of transactions amounting to 67 million in March 2017 up from 26 million one year ago. There is no limit on the number of UPI transactions. However, standard IMPS limits apply which vary from bank to bank.

The UPI is the cheapest method of fund transfer. The NEFT charges minimum Rs 2.5 for a transfer and the IMPS charges minimum Rs 2.5. But the UPI charges less than 50 paise for a transaction through the UPI and such a low charge has revolutionized the use of UPI for digital payments amongst all the strata of the society.

2017 has been a landmark year for India's fintech industry as India witnessed an upswing in several areas, like new-age digital assets or cryptocurrencies, simplified payment instruments like UPI, BharatQR, digital wallets etc. Technology has been the driving force behind innovative products and services that have transformed the way Indians perceive investments, transactions and the financial ecosystem as a whole.

Technology is expected to drive digital payments resulting in the entry of new players in this space. Digital payments and e-commerce are attracting more entrants into the payment space, which is increasing competition and forcing payments service providers to consolidate in order to capitalize on the economies of scale.

The Unified Payment Interface (UPI) can be thought of like an email ID for the user's money. It will be an unique identifier that the user's bank uses to transfer money and make payments using the IMPS (Immediate Payment Service). The IMPS is faster than NEFT (National Electronic Funds Transfer) and lets the user transfer money immediately and unlike NEFT, it works 24×7.The UPI is the cheapest method of fund transfer. The NEFT charges minimum Rs 2.5 (GBP 2.5 pence) for a transfer and the IMPS charges minimum Rs 2.5. But the UPI charges less than 50 paise (GBP 0.5 pence) for a transaction through the UPI and such a low charge has revolutionized the use of UPI for digital payments amongst all the strata of the society.

The buzz around fintech payments has gained substantial attention of traditional financial institutions, startups, venture capitalists and regulators alike. Banks and regulators were hard pressed to revisit their operating model and policies to create a conducive environment of collaboration and dynamism amidst the participants in the Fintech ecosystem.

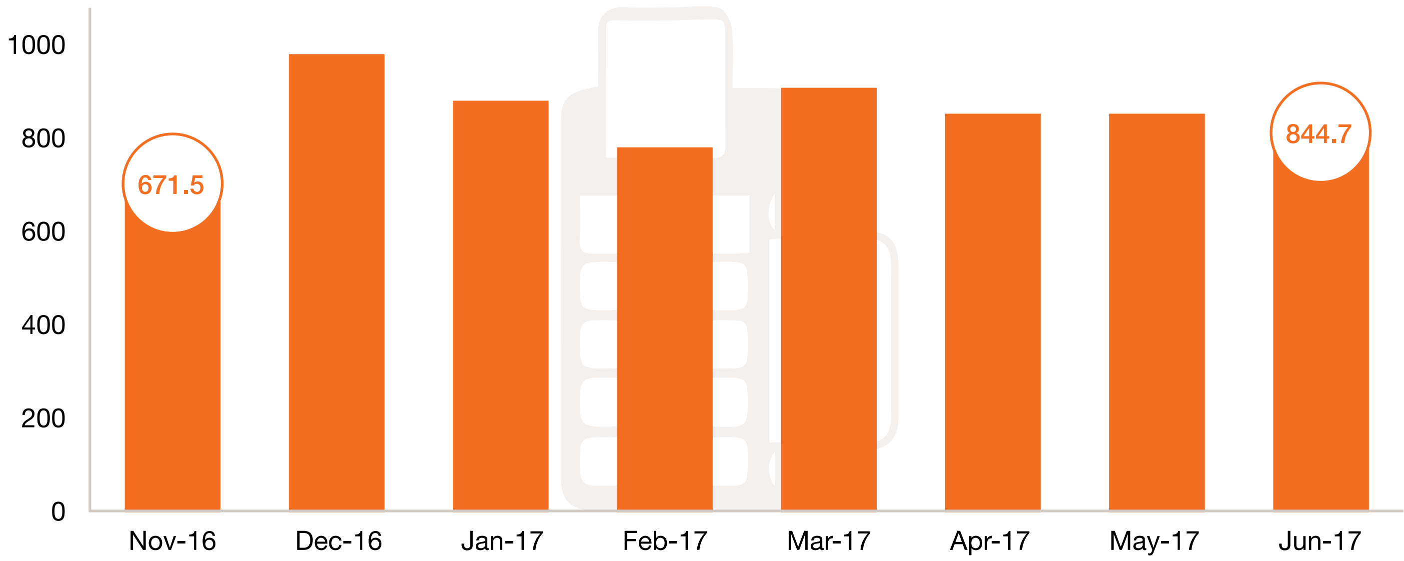
As a result of the demonetization and the development of UPI:

- Digital transactions grew by 4x in volume and value across various modes from wallets to cards and interbank transfers from a year earlier
- Card transactions at point of sale (PoS) terminals at merchant locations have surged
- The number of debit card transactions rose to more than 1 billion in January 2017 from 817 million last year
- The number of ATM transactions have remained constant at around 700 million, the incremental growth has been driven mostly by card swipes at PoS terminals.

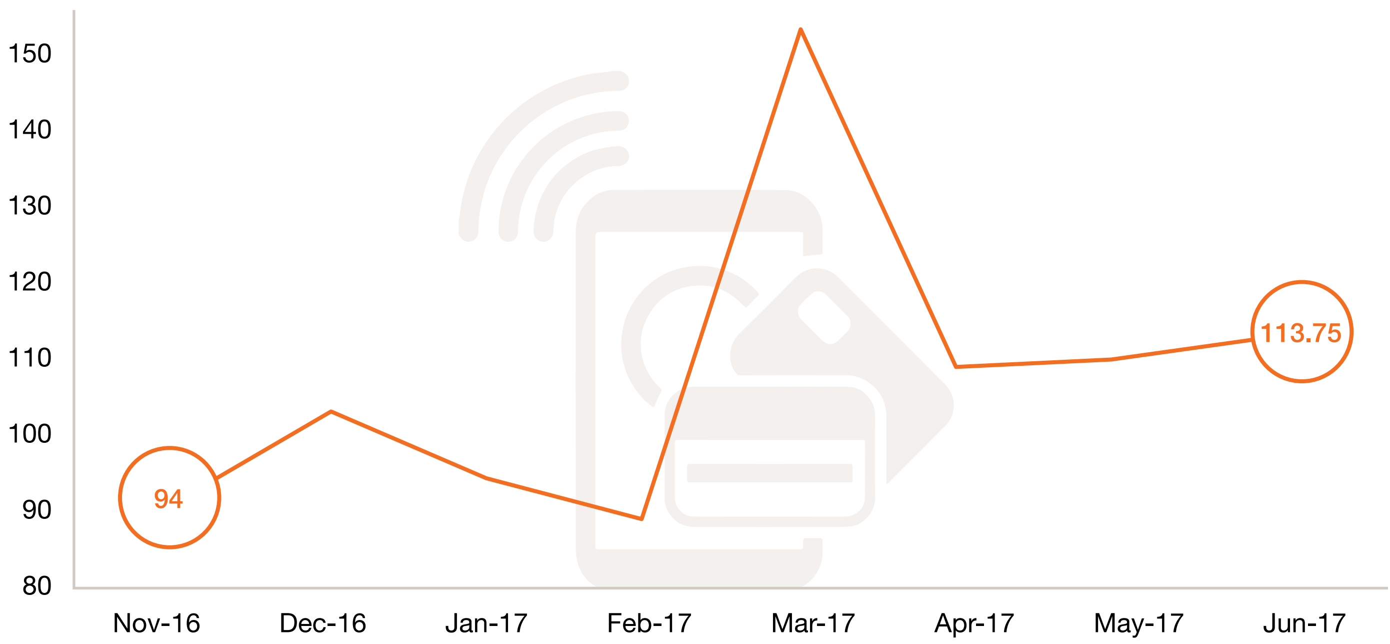
Digital push gains momentum

Digital transactions have gained momentum after the 8 November domenitization of high-value banknotes, as the government actively promotes cashless transactions to reach its target of 25 billion digital transactions in 2017-18. Monthly electronic transaction volumes crossed the 1billion mark in July 2017. Transactions using UPI alone rose by over 10% to 11.63 million in July

Volume (in mn)



Value (Rs trillion)



Data in graph till June 2017 ; figures include some of the payment systems managed by NPCI
Source : Reserve Bank of India

Remittance market - India

The remittance market in India is serviced by commercial banks, nonbank Money Transfer Operators (MTOs), foreign exchange bureaus, cooperative banks, and post offices, as well as a wide variety of commercial entities acting as agents (and subagents). Banks are major players in India's remittance market. Both state-owned and private sector banks are taking the lead in the remittance service market by building specific technology platforms to provide remittance services, and they also are entering into partnerships with entities abroad to source remittances. The banking system covers through its branches all the states and the districts in the country, with the branch network covering many rural and semi-urban areas as well.

According to industry sources, among the banks, currently State Bank of India (SBI) and ICICI Bank dominate the market for remittances with an estimated market share of 25 percent and 20 percent, respectively. They have banking operations in many foreign countries and are leveraging their branch networks abroad to source remittances. Banks primarily process remittances that are credited to the recipient's account. Many banks also offer remittances services as agents of MTOs, wherein they disburse cash to the recipient from their branches. The interbank infrastructure composed of Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems are being used for remittances. These systems have played a big role in reducing the remittance processing time and also have enabled MTOs to move funds faster to their agents.

Money Transfer Operators

MTOs such as Western Union (WU), MoneyGram, and others are the second most widely used remittance service providers (RSPs) in India. MTOs operate in India through alliances, partnerships, and sub-agencies. Many banks have entered into partnerships with these MTOs and act as their principal agent. WU is the leader in this segment; it has more than 50,000 agent locations in India, operates in more than 7,000 cities and towns, and works with more than 30 leading banks. India Post is among the largest agents of WU. The services of MTOs are believed to be convenient and reliable. MTOs process primarily remittances that are paid out in cash to the recipients.

Faster online remittances through internet

With the use of technology becoming increasingly popular among financial service providers, Internet-based provision of remittance services has become a fast-growing business. Advancement in communications technology has made the business of international payments fast, flexible, and relatively less costly. The process is simple and paper free, and it helps the remitter track the processing of the remittance. Private banks such as HDFC and ICICI have started offering Internet based remittance services. Among state-owned banks, SBI and Bank of India have introduced online remittance services: e-remit and star-e-remit, respectively. Times of Money, a nonbanking company, also has been active in this business through its Remit2India website.

Remit2India, a part of the Times of India group, provides an Internet-based money transfer service to India. Currently, this service is available for Nonresident Indians (NRIs) in 23 countries. To send remittances through Remit2India, the remitter has to register with Remit2India and to give them online instructions to transfer money. The specified amount then is deducted from the remitter's bank account abroad and is transferred using Remit2india to the requested bank account or person in India. Currently, money can be remitted in nine currencies through this service. The remittance can be sent directly to an Indian bank account or, if the remitter opts for a demand draft facility, the remittance is door delivered as a locally payable demand draft in Indian rupees. The average processing time is three to five days but can be further decreased if higher priced express delivery service is used. Recipients also can choose to receive a prepaid card; the remittance amount is loaded onto the card. The card can then be used at ATMs and point-of-sale (POS) terminals.

Cross border money transfer startup InstaRem

InstaRem, a remittance payment startup, is getting into international money transfers, and significantly undercutting the competition on price and speed. It's probably time to wave The Western Union and Money Gram goodbye. Cross border money transfer is traditionally designed to fleece money from senders and receivers; hence, many startups are trying to disrupt the space. So the remittance market is now witnessing immense action from upcoming startups.

InstaRem is a startup that inexpensively carries cross-border money transfer, mainly, in Asia. InstaRem uses a system they call InstaPic to ease the process of document submission. Instead of trying to scan and upload, InstaPic lets users to click a picture with the webcam of their laptop. Once the data is collected, it pushes it to the Global Data Company API for authentication. The KYC is compulsory for the person sending the money. InstaRem is an account -to-account money transfer startup. What that means is they take money from a sender's bank account in the home country and transfer it to the recipient's account in the destination country. This eases the burden of KYC.

Key Drivers for growth in digital payments

Need for Ultra-Fast Payments

Instant payments are likely to become catalysts for next generation payments technology offering customers better and faster payments solutions.

Due to the steady growth in technology, digital transactions is on the rise than ever before. By 2020, around 720 billion transactions are projected to occur through the use of digital payment methods in the Indian market. This development is largely driven by the deep penetration of smartphones in India. Initiatives such as the development of UPI technology will lead the way forward for mobile payments in India.

Contactless and wearable payments will gain acceptance

Contactless payments are here to stay. Contactless payments allow you to transact with a mere tap against the point-of-sale terminal, without having to swipe or insert your card at the merchants' outlet.

With the widespread use of smartphones, mobile banking and payments applications have gone mainstream, and wearables provide convenient access to such applications. According to one study, 500 million wearable devices will be sold by 2021, with an estimated 20% of these devices equipped with payment technology. Most wearable payment devices come with NFC (Near-field communication) technology which guarantees a quick, secure, form of payment.

A study from Juniper Research predicts that mobile and contactless payments will reach a global value of US$95bn by 2018. Mobile payments is a step towards increasing financial inclusion as it can lower the cost of providing basic financial services by 80% to 90%. For instance, the data collected through mobile payments enables lenders to assess the creditworthiness of borrowers and can be used to create tools to help businesses better manage their finances.

Digital wallet usage to grow

Taking a stride ahead towards becoming a digital economy, over the last two years, India has witnessed an increasing use of digital money through E-wallets. These digital wallets have eliminated the necessity to carry cash to a great extent and are replacing the conventional methods of payments.

It is estimated that digital wallets could account for as much as 46% of all transactions across the world. The growing adoption of mobile wallets can be attributed to an increase in cyber-security technology. Since every aspect of digital wallet payments is encrypted, along with high-security features involving PINs and fingerprints required for transactions, these are much safer than traditional wallets. The most trusted E-wallets use the secure servers of banks for completing the transactions. The Reserve Bank of India also issues the PrePaid Payment Instrument license to the completely secured E-wallets. Secondly, all the top E-wallets keeps customer's personal data safe and encrypted. This covers customers' personal safety as well.

With many businesses offering digital wallets as a payment option, consumers are more likely to get on boarded with them in 2018.

Developments in Payments landscape in India

Payments methods in India have leapfrogged from cash to alternate modes of payments registering a phenomenal growth since the past 5-10 years. A major role in kick-starting the revolution of Fintech in India was played by startups offering digital mobile phone recharges. This evolved to digital recharges, which in turn evolved into digital wallets and usage of wallets for various other commercial activities. The fact that these new offerings have strongly impacted consumer behavior has not only attracted attention from more technology savvy individuals, but also a lot of investments both within India and from outside.

As per 'The Growth of Fintech in India' by Make in India, India currently has 600+ Fintech startups in the space of lending, payments, blockchain, InsurTech and RegTech. The number of startups will grow further with initiatives such as focused accelerator programs by local and regional governments and banks, and funding support by leading corporates and VCs. The digital penetration growth in India is driving e-commerce, and the usage of wallets for enabling commercial transactions has led to an increased demand for payment offerings. This kind of cross-industry growth has been driving VC firms to invest across segments. Apart from international financial institutions, India's largest national bank State Bank of India have set up their own innovation hub and a Fintech start-up accelerator program to attract the best startups.

There are more than 70 wallet providers in India today and more than 350m users. The three main payment service providers in India are Paytm (230m), MobiKwik (55m) and FreeCharge (50m).

Mobile Wallet Overview

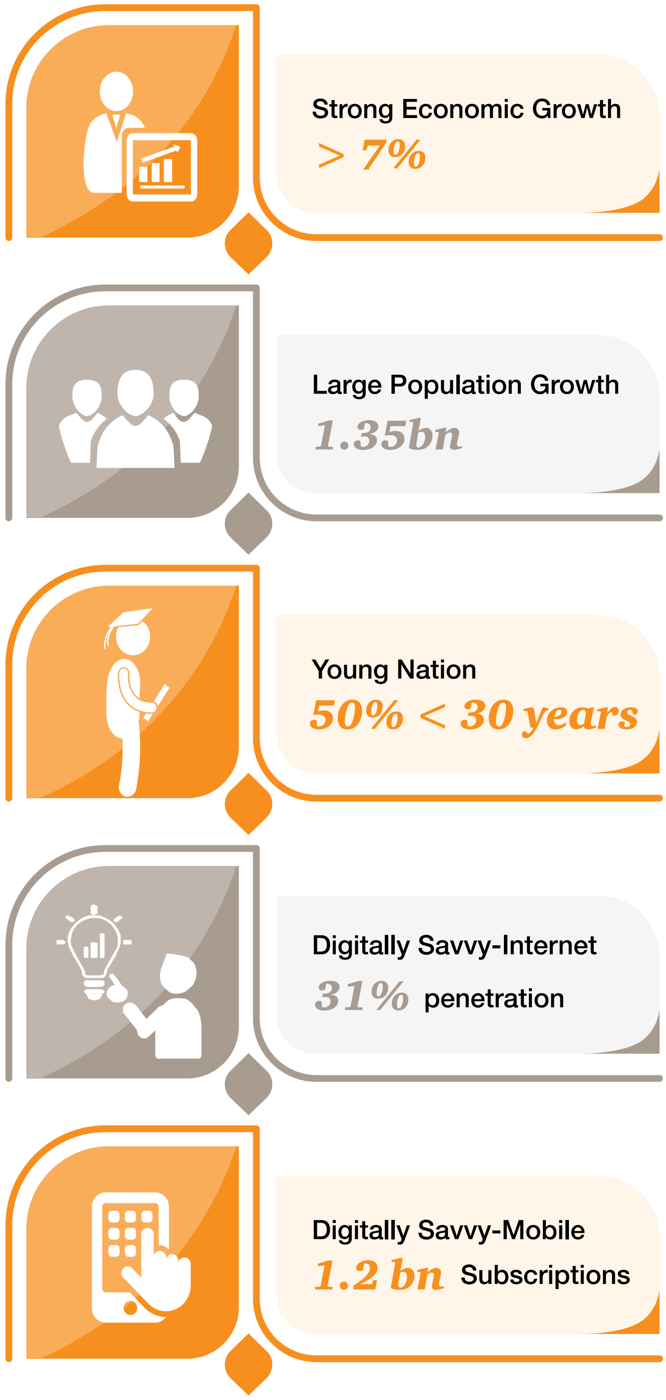
	Paytm	MobiKwik	FreeCharge
Founded	2010	2009	2010
Number of Users	230m	55m	50m
Type of wallet	Independent	Independent	Bank Led

Source: Barclays Research, Company Data, Funding Data - Crunch Base

The need for scale and innovation following UPI/ Aadhaar is putting some pressure on current players. In addition the traditional banks are trying to play catch-up with Axis bank (India's third largest private bank) that bought FreeCharge for $60m in July 2017 and Bajaj Finance taking an 11% stake in MobiKwik for $327m in early 2018. Paytm – India's largest mobile wallet – also strengthened its financial base with a $1.4bn investment from Softbank in May 2017 and is expanding its functionality to become a financial engagement app with the ultimate goal of becoming a bank in the box. In April 2017, Paytm launched Paytm Gold – a product that allows users to buy, store and sell gold through its platform. It also launched its Payments bank in 2017, with the target to double its user base by 2020. Paytm has been one of the most aggressive mobile wallets with respect to product differentiation.

Economic conditions are supportive

To support the government's ambition to become the world's leading digital nation, it is worth noting that both India's growing economy and the demographic profile is accommodating such a large scale change taking place in the payments space. India is home to a large population of young, digitally-savvy individuals, contributing to an economy which is one of the fastest growing in the world. Based on various factors as depicted in the diagram below, we believe India's payment ecosystem is likely to undergo a period of rapid change over the next five years.



Source: Barclays Research

Fast payments

Leveraging on the high mobile density in India, many payment service providers (PSPs) have been utilizing mobile payment apps to link underlying payment instruments with mobile phone numbers for fast and instant payments via the Immediate Payment Service (IMPS) or for issuance of mobile-wallets. The UPI developed by NPCI provides complete **interoperability** for merchant payments. The UPI allows users to link their bank accounts with their mobile phone numbers through an application provided by the PSPs and obtain a virtual address which can be used for making and receiving payments. Introduction of UPI has the potential to revolutionize digital payments and take India a step closer towards being a "Less Cash" society

Process Innovation

With the nation-wide implementation of Aadhaar (Biometric identification), providing a unique identification number to all residents of India, NPCI has launched an Aadhar Enabled Payment System (AEPS) which is a safe and convenient channel allowing micropayments with every transaction validated by biometric authentication.

Wallets

The relatively traditional mode of payments include cheque, electronic payments through NEFT, RTGS (Real Time Gross Settlement), etc. and card (debit and credit) payments. The need for prepaid payment instruments in the form of physical card or e-wallet was introduced to give non-bank customers the facility to use electronic modes of payments and give existing bank customers a safeguard measure that limits the extent to which they are exposed. The emergence of bank and non-bank payment wallets in India has changed the landscape of payments. Many start-ups have entered this space to simplify mobile money transfer, such as Chillr application, which provides peer-to-peer money transfer without using bank account details. To perform a transaction, all you need to do is select the Chillr Contact -> Enter Amount and Remarks -> Authenticate using your secret MPIN. The money will get transferred instantly to the beneficiary's account. Several leading banks have launched their own digital wallets leveraging NPCI's IMPS platform.

BHIM (Bharat Interface for Money)

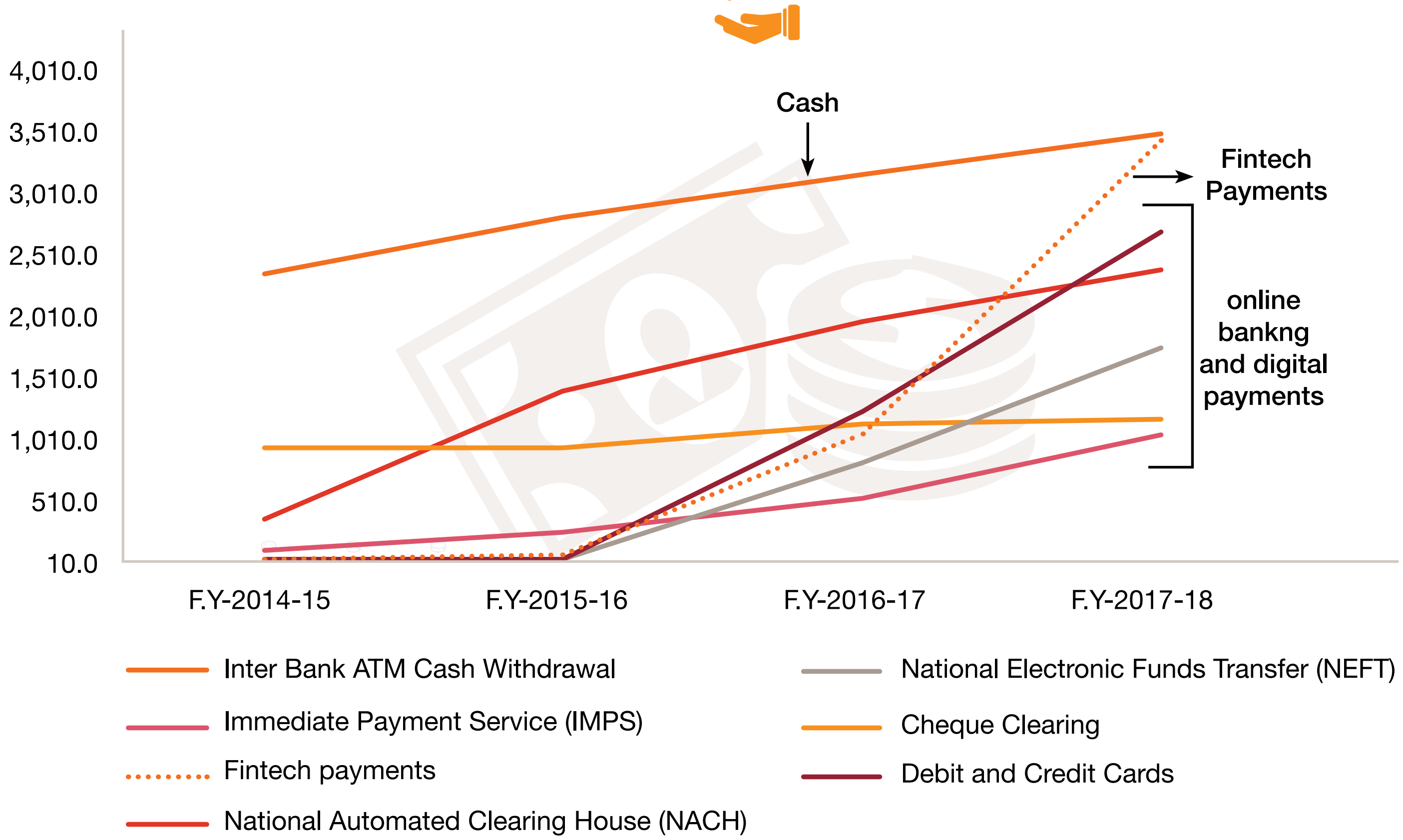
BHIM is a mobile app developed by NPCI, based on UPI. It intends to facilitate e-payments directly through banks and as part of the drive towards cashless transactions. BHIM allows users to send or receive money to other UPI payment addresses or scanning QR code or account number with IFSC code or MMID (Mobile Money Identifier). Users can create their own QR code for a fixed amount of money, which is helpful in merchant transactions

Opportunities and Challenges faced by Fintech Payment Firms in India

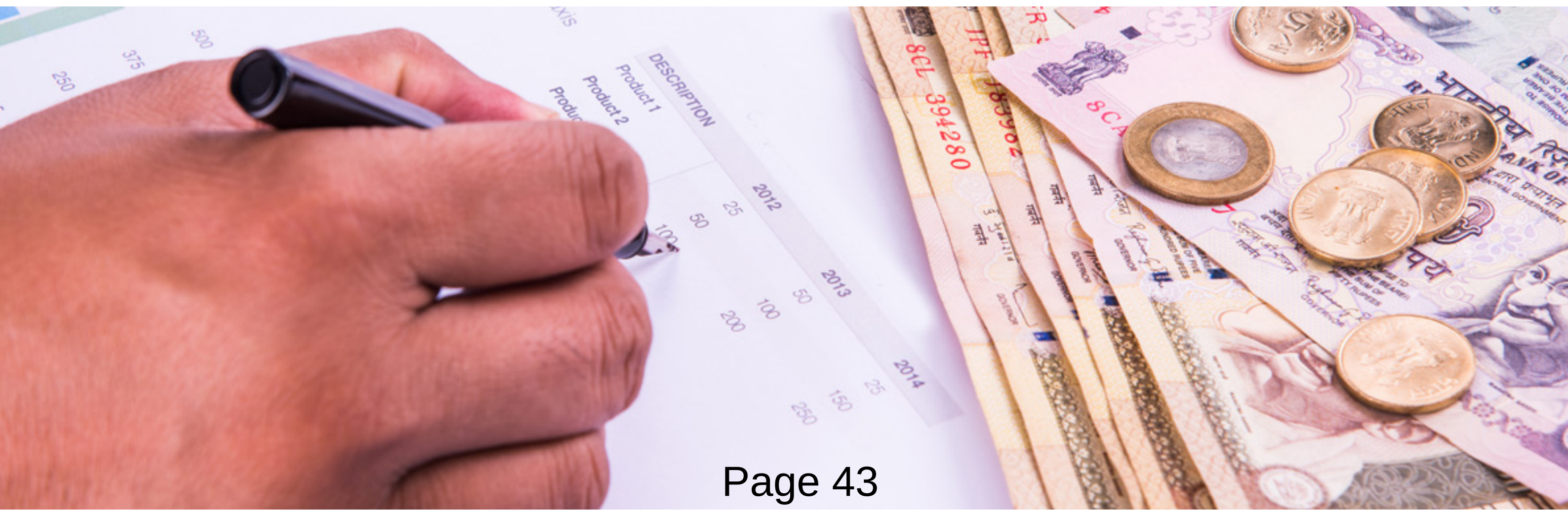
The section below outlines all the potential opportunities and challenges faced by Fintech Payment firms in India:

Indian Payment Fintech journey so far:

NPCI Operated Payment Systems - Volume in millions



UPI (Unified Payment Interface) has already surpassed the credit card volume within 2-3 years of its launch.



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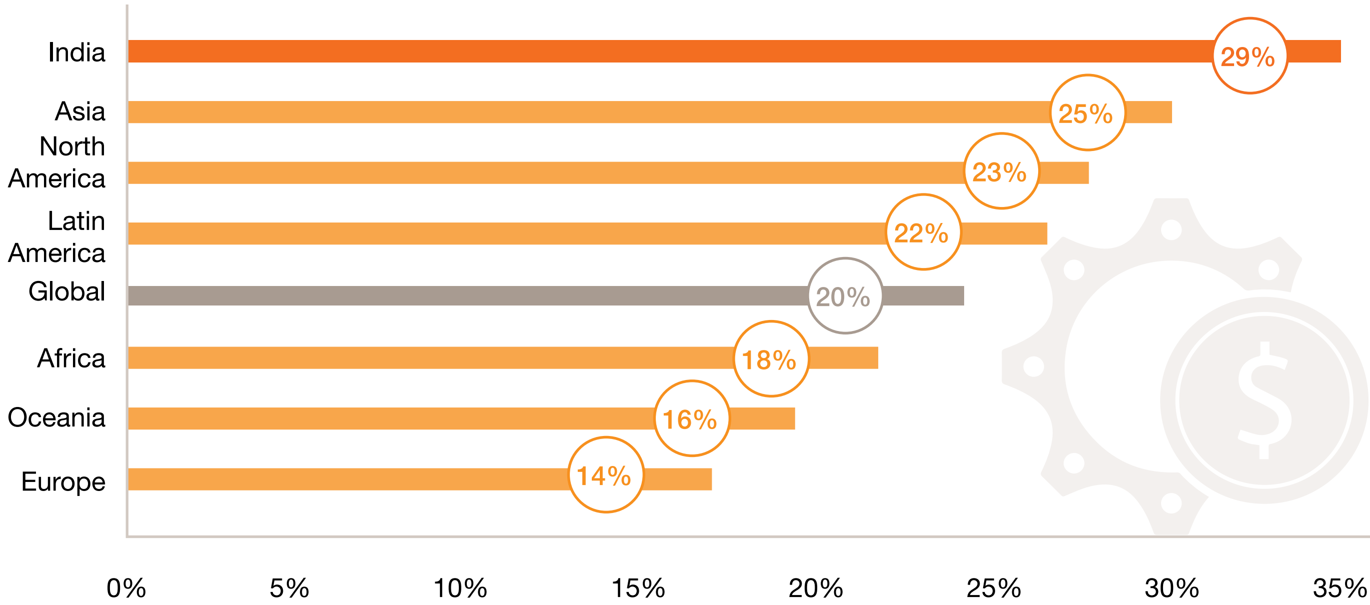
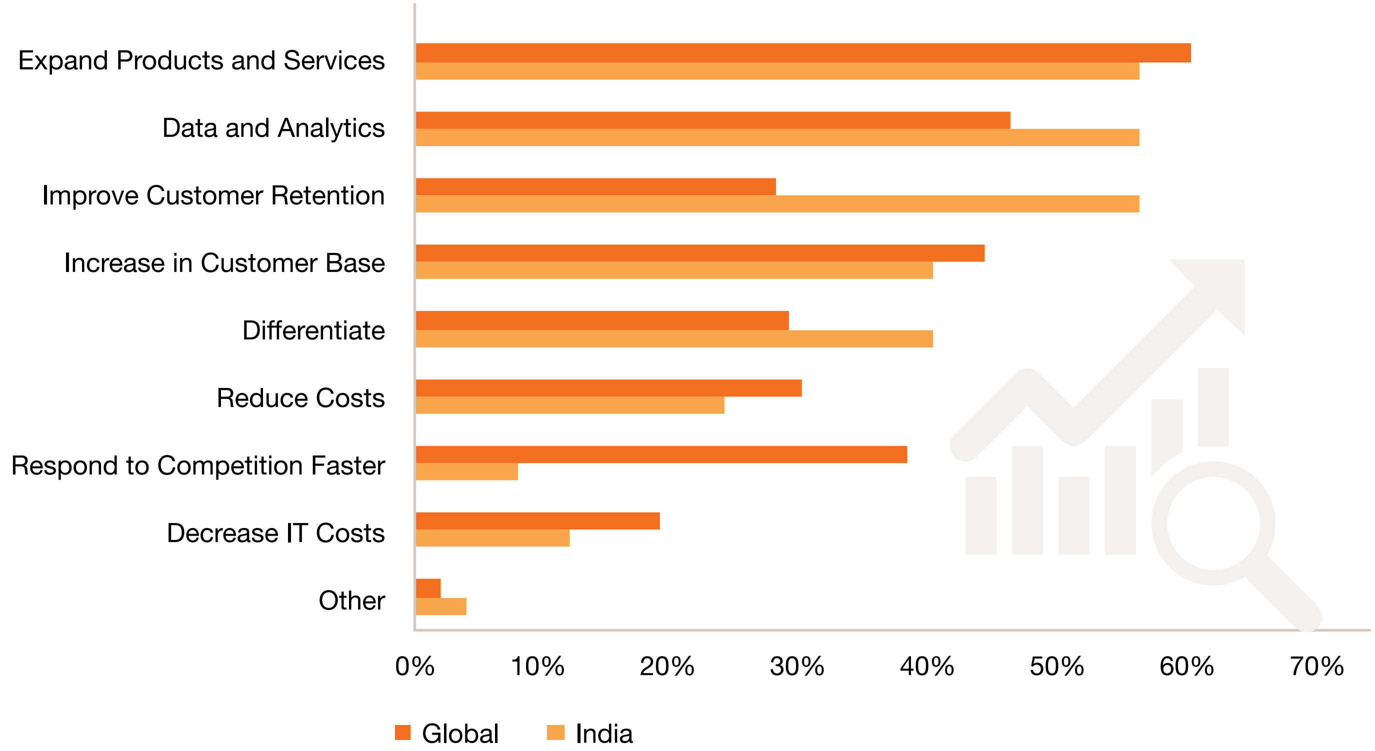
The diagram above reflects the meteoric rise in retail digital payments since the past 2-3 years owing to a surge in mobile banking payments and payments through digital e-wallets through UPI integration like Paytm, Rupay, Google Tez and BHIM etc. While the volume of cash transactions is the highest, retail digital payment transactions are soon catching the attention of the Indian population through a combination of basic marketing and awareness initiatives from Fintech players and the Government.

Expected Annual ROI on Fintech Investments



The average return on investment in the Indian Fintech eco-system is close to 30% as compared to the global average return of 20% and an average of 14% across the UK and Europe. This represents a huge opportunity for UK Fintech firms to identify challenges within the Indian Fintech landscape and come up with corresponding solutions that has already been successfully adopted in the UK since the past 5-7 years.

Most Promising Fintech Opportunities



Considering the pace at which the Fintech landscape is rapidly evolving in India, focusing on customer retention through expanding relevant products and solutions along with data analytics has been identified as the top three promising Fintech opportunities in India.

Key achievements and opportunities in the Indian Fintech payments space:

Government initiatives:

- A strong, proactive policy level support from the government has been providing a much-needed boost to user adoption of digital payments. Initiatives such as Jan Dhan Yojana, Aadhar and the emergence of UPI provide a good foundation for FinTech companies to permeate 'last mile' touchpoints and boost financial inclusion across the country.
- The last two years have been revolutionary for the digital payment industry in India on account of the demonetization drive in 2016. In search for a new alternative to replace cash, Indian citizens turned to digital transactions, which witnessed a 400 – 1,000% increase since the beginning of the demonetisation.
- The growing appetite to leverage the Fintech capabilities between the UK and India is further strengthened by the Indian Prime Minister's visit to the UK in April 2018 where a number of Fintech initiatives were launched by the British government under the Indo-UK Technology Partnership. This includes a proposed new regulatory cooperation agreement focusing on Fintech and financial services collaboration covering areas such as Artificial Intelligence (AI), digital payments and technical cooperation to help develop markets in insolvency, pensions and insurance.

Untapped potential

- The financial services market in India is largely untapped – **40%** of the total population is currently not connected to banks (unbanked) and more than **80%** of the payments in India are still made by cash. This untapped Indian Fintech market provides a massive opportunity to significantly increase demand in almost every category – consumer lending, insurance, trade finance, digital payments etc. In each of these areas, new Fintech solutions can help the market to grow significantly.

- As per National Payments Corporation of India (NPCI) which is an umbrella organization (set under the initiative of the RBI and Indian Banks' Association) for all retail payments and settlement systems in India, from April 2017 to March 2018, total financial transactions on NPCI's digital payment platforms with respect to retail payments were to the tune of INR 200bn and this is expected to grow up-to INR 1tn by 2023 that represents a whopping 400% increase over the next five years.
- As per a recent report by the Reserve Bank of India (RBI) in January 2018, total digital payment transactions stood at 1.06 billion transactions for the month of December 2017. The total number of payment system operators in India stands at 91 till date and mobile wallet transactions have risen 590% year-on-year as of January 2018.
- The introduction of UPI is making a significant impact in the payments landscape across India. By 2020, around 720 billion transactions are projected to occur through the use of digital payment methods in the Indian market. This development is largely driven by the deep penetration of smartphones in India along with the development of UPI technology that will lead the way forward for mobile payments in India.
- Similarly as of December 2017, Aadhar based transactions stood at 2bn (volume) clearly pointing towards the growing trend in retail digital payments by leveraging Aadhar through the NPCI platforms.

Example growth stories

- A number of Fintech players from the UK like Onfido, Creditscore, and Currency Direct etc. have established their presence in India since the past 12-18 months to take advantage of the growing appetite for Fintech solutions in India and at the same time leveraging from their experience in London that serves as a mature Fintech market.
- Given the fact that within 10 months from the launch date, a Fintech Payment product like Google Tez that integrated with UPI has almost gained more than 50% market share in the UPI payments space, this clearly indicates the scope of growth for overseas Payment firms in India. Firms like Facebook's WhatsApp Pay is going through Beta testing across its 250 MN user base.

Potential Challenges faced by Indian Fintech Payment firms

Technical integration

Weak technical integration is one of the challenges faced by the payment firms. There is a lack of interface between the processing systems which lead to processing and payment delays, increased fees and lost transactions. A payment processor that provides for immediate and individually processed transactions can open client accounts in more than one acquiring bank, thus avoiding the delays often inherent in automated clearinghouse processes. The lack of improved technology also leads to inability to handle huge traffic when new products are introduced.

Cyber security issues

Whilst cyber security threat is prevalent across the globe across the developed capital markets like the UK, US, Singapore etc., in a rapidly emerging Fintech Payments market like India, this threat is all the more pertinent considering the size of the payments market and the fact that India is one of the most vulnerable countries in the world that is prone to cyber-attacks.

Safety Concerns

Increasingly, people are concerned about the safety of the information submitted to the payment firms. There is a negative image which is formed regarding the information security and tracking of shopping habits. The applications study consumer behavior and payment history, thus collecting valuable data for targeted advertising leads. The personal accounts created by the users store a variety of information and preferences, enabling the automation and personalization of payments, which can be initiated anytime, anywhere, with virtually no geographic boundaries.

High Competition

With low barriers to entry, many entrepreneurs are coming up with aggregating services. There are a lot of online portals which provide similar services. Telecom service providers like Vodafone and Airtel are also providing online payment gateways. Banks have also entered into the online payments space and are providing e-wallets along with the savings accounts.

Multi-currency payment methods

Accepting a variety of payment methods and currencies would require new bank accounts, new business entities, and new regulatory hurdles in each national market. A payment service provider with the necessary infrastructure already in place can provide effective, and immediate, solutions to those problems.

Regulatory Challenges

There are certain guidelines which need to be followed by the payment firms in India. Companies have to convert existing wallets which did not have complete KYC to full KYC compliant wallets. Without this, no further credit will be allowed in these wallets. The RBI also mandated that a minimum net worth off Rs. 25 crore (circa GBP 2.6m) should be maintained by the year 2020. This will pose a problem for smaller wallet companies including start-ups who are keen to set-up a payments services firm in India.

Secondly the RBI on 6 April 2018 came up with a notification on 'Storage of Payment System Data' directing all payment companies (both local and overseas) to store data locally within India with a six months deadline to report compliance on this requirement to the RBI by 15 October 2018. Whilst this may not necessarily be viewed as a regulatory challenge, overseas payment firms like Visa, Mastercard, Google etc. will have to comply with the RBI requirements and make all necessary arrangements by October 2018 to ensure the data related to payment transactions processed within India are stored locally in a system housed within India. Over the past 3-4 years, there has been considerable growth in the payment ecosystem in the country. Such payment systems are also highly technology dependent, which necessitates adoption of safety and security measures, which are best in class, on a continuous basis.

The genesis of such a notification is that RBI observed that not all payment system providers store the payments data in India. In order to ensure better monitoring, it was important for the RBI to have unfettered supervisory access to data stored with these system providers as also with their service providers / intermediaries/ third party vendors and other entities in the payment ecosystem. As a result of this requirement it was decided that:

1. All system providers shall ensure that the entire data relating to payment systems operated by them are stored in a system only in India. This data should include the full end-to-end transaction details / information collected / carried / processed as part of the message / payment instruction. For the foreign leg of the transaction, if any, the data can also be stored in the foreign country, if required.
2. System providers shall ensure compliance of (i) above within a period of six months and report compliance of the same to the Reserve Bank latest by October 15, 2018.
3. System providers shall submit the System Audit Report (SAR) on completion of the requirement at (i) above. The audit should be conducted by CERT-IN empaneled auditors certifying completion of activity at (i) above. The SAR duly approved by the Board of the system providers should be submitted to the Reserve Bank not later than December 31, 2018.

Compliance with RBI's data storage requirements for payments by October 2018 could present a huge challenge for overseas Fintech firms that processes all payment transactions from India from systems that are housed overseas.

Regulatory landscape in India

From payments perspective there are two master directions from the RBI (Reserve Bank of India) that any firm interested in operating in India should look into:

- Master Direction on Issuance and Operation of Prepaid Payment Instruments
- Master Directions on Access Criteria for Payment Systems

The key themes of these circulars is captured below and categorized into four categories as below:

Process

- All non-bank entities seeking authorisation from RBI under the PSS Act shall have a minimum positive net-worth of Rs. 5 crore as per the latest audited balance sheet at the time of submitting the application. These entities shall submit a certificate in the enclosed format, from their Chartered Accountants (CA) to evidence compliance with the applicable net-worth requirement while submitting the application for authorisation. The application shall be processed by RBI based on this net-worth which shall be maintained at all times. Thereafter, by the end of the third financial year from the date of receiving final authorisation, the entity shall achieve a minimum positive net-worth of Rs. 15 crore which shall be maintained at all times.
- PPI issuers shall maintain a log of all the transactions undertaken using the PPIs for at least ten years.
- There shall be a Board approved policy clearly laying down the framework for engaging agents for the purpose of issuance and reloading of PPIs.
- A non-bank entity desirous of setting up payment systems for issuance of PPIs shall apply for authorisation in Form A (available on RBI website) as prescribed under Regulation 3(2) of the Payment and Settlement Systems Regulations, 2008 along with the requisite application fees.
- Cash loading to PPIs shall be limited to Rs.50, 000/- per month subject to overall limit of the PPI.
- Amounts only up to Rs.50, 000/- from individual inward MTSS remittance shall be permitted to be loaded / reloaded in PPIs issued to beneficiaries. Amount in excess of Rs.50, 000/- under MTSS shall be paid by credit to a bank account of the beneficiary. Full details of the transactions shall be maintained on record for scrutiny for cross border inward remittance.

People

Issuers shall carry out proper due diligence of the persons appointed as authorised / designated agents for issue / reloading of permissible categories of PPIs.

Governance

- Issuers shall carry out proper due diligence of the persons appointed as authorised / designated agents for issue / reloading of permissible categories of PPIs.
- Issuers shall be responsible for all the PPIs issued by the authorised / designated agents.
- Issuers shall be responsible as the principal for all acts of omission or commission of their authorised / designated agents, including safety and security aspects.
- The PPI issuers shall regularly monitor the activities of their authorised / designated agents and also carry out a review of the performance of various agents engaged by them at least once in a year.
- Issuers and their authorised / designated agents shall ensure adherence to applicable laws of the land, including KYC / AML / CFT norms

Technology

Issuers shall ensure preservation of records and confidentiality of customer information in their possession as well as in the possession of their authorised / designated agents.

Great potential for the growth of digital payment services in India

Due to the underdeveloped payment infrastructure and high growth there are ample opportunities for new entrants to enter the Indian digital payments market. Mobile wallets are the new entrants with a clear focus on enhancing consumer experience by delivering a seamless digital payment experience. In-spite of all the challenges faced within India both from a technology, governance and regulatory stand point, given the size of the payments market both in terms of volume and value, the growth potential for Fintech players in the digital payment space in unparalleled.

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UK's Fintech growth and regulatory landscape on digital payments

This section focusses on the growth of the Fintech payments eco-system in the UK since the past 5-7 years (post the global financial crisis) and how the regulatory regime has evolved to deal with the unique challenges faced by the digital payments industry.

The UK's Fintech growth so far

FinTech is one of the great, recent success stories of the UK's financial services sector. The UK is widely acknowledged as a world leader, with a burgeoning startup ecosystem, a forward thinking regulator, and a vibrant tech industry. The FinTech sector continues to evolve and after several years of excitement about the sector's potential to change the face of financial services, some of that change is starting to become real, with leading FinTechs commercialising their services at pace, both independently and in collaboration with incumbents.

Technology entrepreneurs and businesses are attracted to London for its diverse talent pool and unique business ecosystem. London always remains open to investment attracting the best tech talent from all over the world. Post Brexit and in-spite of the economic and political uncertainty, the European FinTech sector is in a healthy position, led by the UK. Regulators across Europe are following the UK's example as they seek to foster an agile environment conducive to innovation. The UK, meanwhile, has built FinTech bridges with a growing number of international markets and continues to attract investors from all over the world.

FinTechs are concentrating on specific niches at both the banking front and back-ends, including:

- Consumer and SME lending: marketplace lenders (or peer-to peer [P2P] lenders) such as Funding Circle, RateSetter and Zopa)
- Wealth management: digital platforms such as Moneybox and Nutmeg
- Cross-border payments: payment providers such as TransferWise, CurrencyFair, Revolut and Azimo
- Payment acquisition: mobile point-of-sale solutions such as Square and iZettle
- Distributed ledger technologies: companies such as Ripple and BitPay.

These FinTechs tend to prioritise speed, convenience and cost. The UK marketplace lending market revealed that aspects of a pleasant user experience, such as an 'easy/quick application process', 'fast decision-making' and the 'convenience of an online platform' were the strongest drivers of consumer borrowing from marketplace lenders. All of these trumped 'competitive rates', traditionally the main tool of competition among banks.

However, the factors that led to the initial growth in the FinTech sector are now fostering the growth of a new type of FinTech – one that offers 'whole of market' customer propositions: mobile-only banks centred around smartphone apps. These new players are prioritising customer experience and the user interface. For example, by allowing consumers to customize their app, they can provide a more tailored and personalized service. And by delivering improved speed and convenience, they hope to reduce (or even eliminate) some of the common 'pain points' in banking around issues such as account opening and on-boarding.

While previous FinTech innovations have targeted select services within a bank's overall offering, these newer entrants are targeting banks' core customer relationships by seeking to capture the customer interface. Where FinTech companies were once seen as a threat to the incumbents, promising disruption in an industry suffering from a loss of customer trust, the emphasis has shifted to collaboration. FinTech now also has a lens on technologies that address operational challenges as well as customer expectations. Advances in areas such as artificial intelligence, big data and blockchain offer huge opportunities in this context. These areas are opening up new avenues of growth and delivering greater operational efficiency and productivity, while all the time focusing on specific customer pain points.

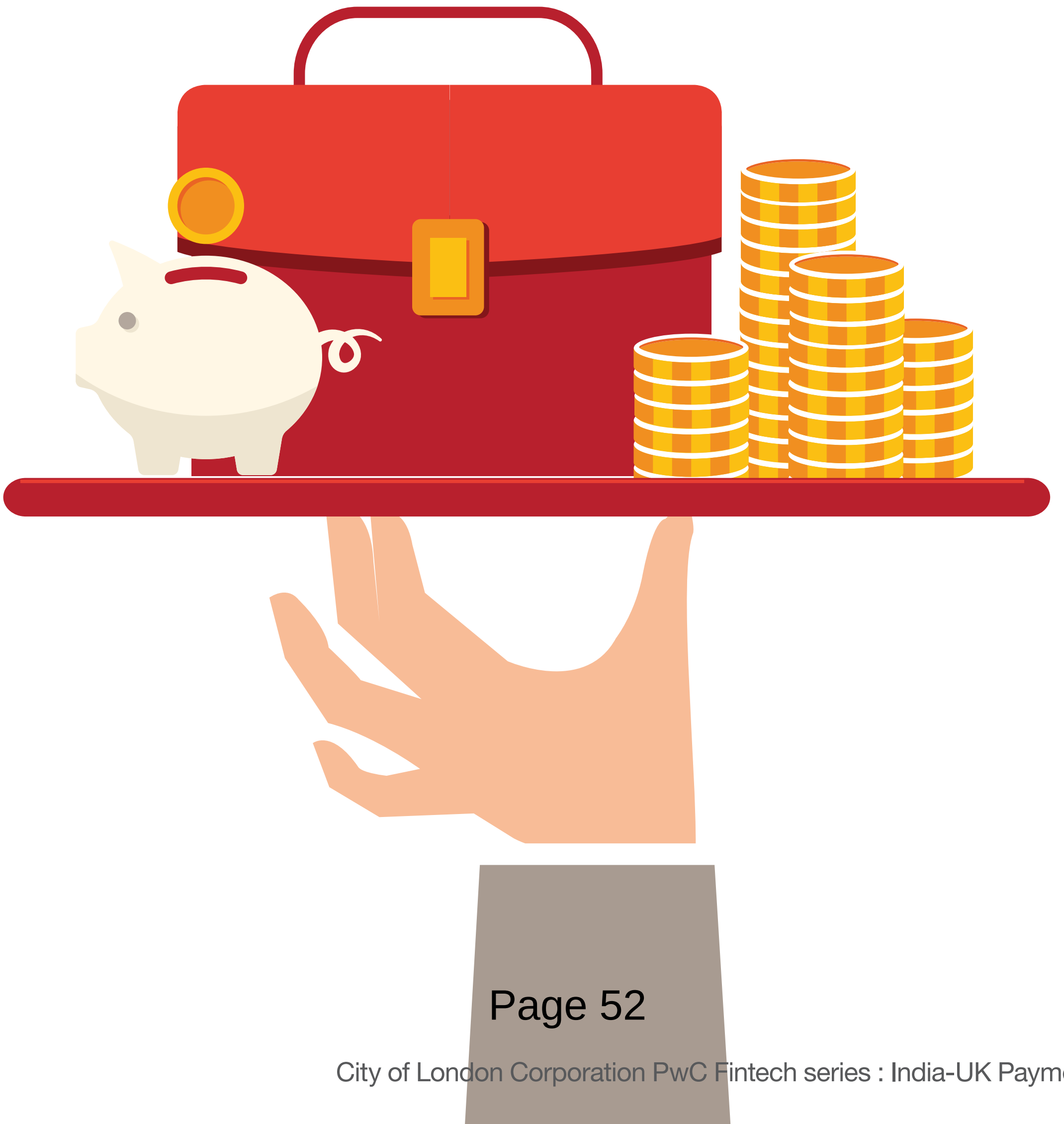
There has been an increasing familiarity with blockchain, coupled with an expectation for more Financial Institutions to adopt blockchain as part of their production system or process in the next three to five years. This increased adoption will have a notable effect on the payments/trade infrastructures, digital identity management, and post-trade settlement as these areas present the most relevant business use cases of blockchain in the Financial Services sector.

Funding and long term strategic investments:

The year 2017 was a record year for the UK Fintech sector, with London-based firms attracting the lion's share of funding according to data from London & Partners. The findings also revealed that the UK is Europe's leading country for global tech investors, with British tech firms attracting more venture capital funding than any other European country in 2017.

Last year saw a number of the world's leading tech companies pledge their long-term commitment to the capital, with significant investments from Amazon, Apple and Google. In the second half of last year, Spotify announced it will expand its R&D operation in London and double its headcount, while US tech giant Facebook confirmed it will create an additional 800 jobs for its new London headquarters.

Prioritisation in the innovation process is key for Financial Institutions. Figuring out the needs in the market first, and investing selectively to learn, will create opportunities for Financial Services companies. By adopting one of the many solutions brought by innovators, Financial Institutions can gain incremental returns and find a way to expand new products and services and reach new customers. Adding option-creating investments, including transformational growth opportunities, to the portfolio helps Financial Institutions optimise their innovation process and better serve clients' needs. Scaling back to focus on selective investments will pay out and may eventually lead to the expected annual Return on Investment (ROI) of 20%.



Regulatory landscape

The regulatory system in the UK supports a complex and diverse financial services industry and it is one of the most sophisticated and mature in the world. The UK has been at the forefront of setting international standards and leads the way in supporting innovation.

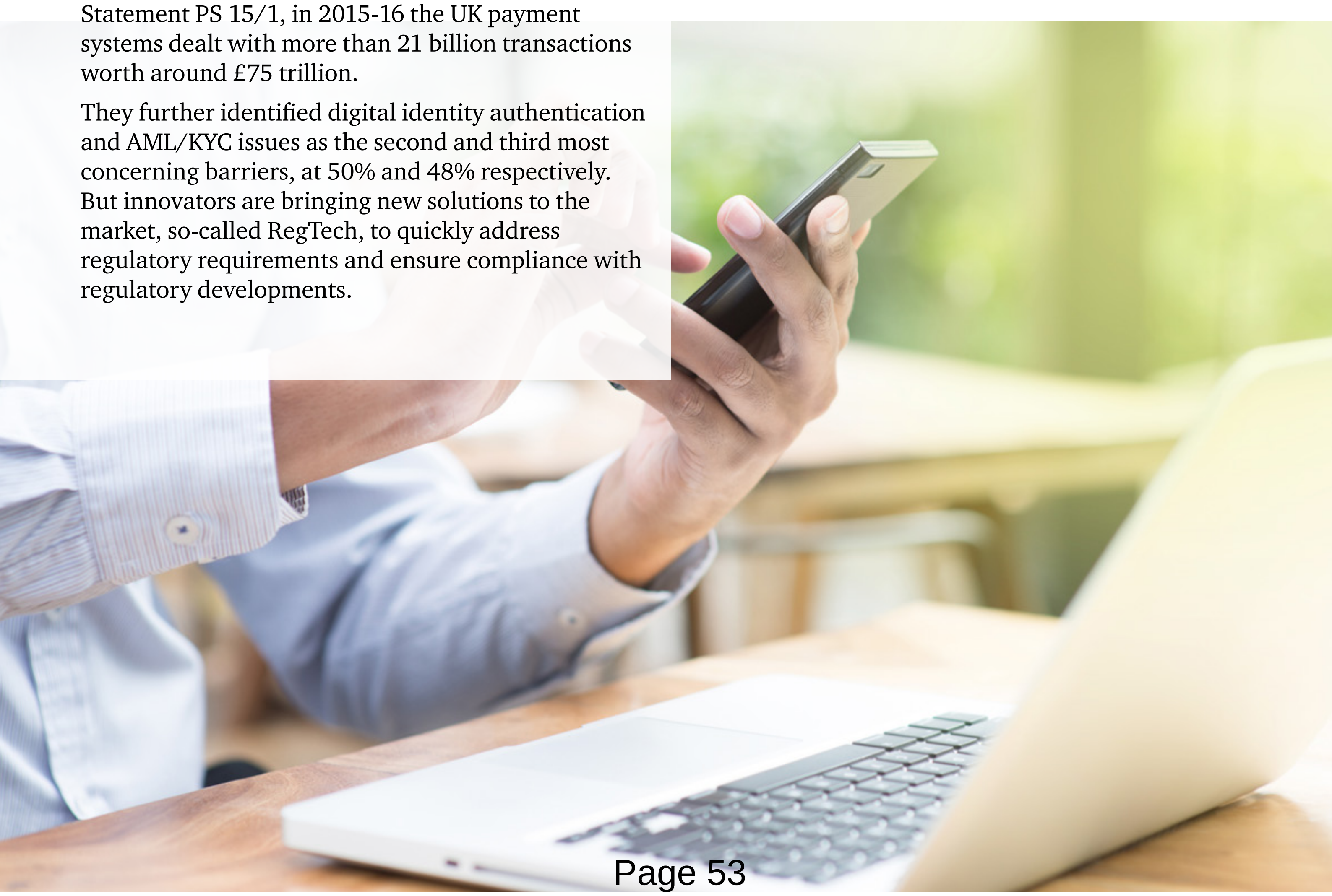
The main regulatory barriers to innovation, as indicated by 54% of participants in a global PwC Fintech survey of 2017, are data storage, privacy and protection. Interestingly both these areas appear as a regulatory and operational challenge within India as well due to recently introduced RBI requirements on data storage and customer's apprehension over the use of their personal data by digital payment firms.

The payment systems underpin virtually every financial transactions made – whether that's major institutions transferring large sums of money to each other or consumers receiving their salary or pension into their account. As per the UK FCA's Policy Statement PS 15/1, in 2015-16 the UK payment systems dealt with more than 21 billion transactions worth around £75 trillion.

They further identified digital identity authentication and AML/KYC issues as the second and third most concerning barriers, at 50% and 48% respectively. But innovators are bringing new solutions to the market, so-called RegTech, to quickly address regulatory requirements and ensure compliance with regulatory developments.

In some cases, regulations also act as a catalyst in the market, forcing incumbents into action. For example, the Payment Services Directive (PSD2), which will give rise to open banking across the UK and Europe by democratizing the availability of financial services products, or the General Data Protection Regulations (GDPR), which will change data protection and portability laws.

Regulation has been concurrently driving what we believe will bring about a revolution in UK retail banking and payments space – open banking. In this development, regulators are seeking to drive increased competition and innovation by opening up customer banking data to third parties.



Payment Services Regulation (PSR)

Almost all new regulations since 2008 have focused on tightening the banking business and operating model. The Second Payment Services Directive (PSD2) on the other hand requires banks to open their payments infrastructure and customer data assets to third parties that can then develop payments and information services to your customers. That is why PSD2 is not only a regulatory compliance and technology challenge, but also a strategic and operational one. Meeting this challenge requires a clear strategy, operational and infrastructure change, a clear focus on assessing and managing risks, and meticulous execution.

The call for a regulator to oversee the payment systems industry began with a series of reviews, starting with the Cruikshank Report in 2000. This was followed by a number of subsequent government-led reviews, reports and consultations. Following Her Majesty (HM) Treasury's consultation Opening Up UK Payments in March 2013 the Payment Services Regulator (PSR) was officially created as an independent subsidiary of the Financial Conduct Authority (FCA) under the Financial Services (Banking Reform) Act 2013.

In April 2014 the PSR started work, engaging with the payments systems industry. The PSR became fully operational a year later on 1 April 2015. The UK regulator's goal is to promote competition and innovation and to ensure payments systems are operated and developed in the interests of the people and businesses that use them.

The measures the PSR have set out recognise that payment systems must be resilient, competitive, dynamic and respond to the needs of the people and businesses using them. Systems need to be transparent to gain trust and accessible to a wide range of businesses and service-users who in turn can deliver competitive services to consumers.

The PSR can only use its regulatory powers in relation to payment systems designated by HM Treasury, which keeps this list under review. Their concurrent competition powers apply more broadly to any payment system active in the UK.

The designated payment systems are:

- **Bacs:** Bacs is the interbank system that processes payments through two principal electronic payment schemes: Direct Debit, which is used by individuals to pay bills, and Bacs Direct Credits, which are used by businesses to pay employee salaries and wages. Bacs Payment Schemes Ltd (BPSL) operates the Bacs payment system.
- **CHAPS:** CHAPS is the UK's real-time, high-value sterling payment system, where payments are settled over the Bank of England (the Bank's) Real Time Gross Settlement (RTGS) infrastructure. CHAPS processes both wholesale (e.g., international payments) and retail payments (e.g., house purchases). In November 2017 the Bank took over the operation of the CHAPS payment system. Despite being the operator of CHAPS, the Bank does not fall within the scope of PSR's regulatory powers. However, the PSR continues to regulate the remaining participants in the CHAPS payment system.
- **C&C (Cheque & Credit):** Cheque & Credit (C&C) is the interbank payment system in England, Scotland and Wales that processes cheques and other paper instruments. C&CCCL (Cheque and Credit Clearing Company Ltd) operates the C&C payment system.
- **Faster Payments Scheme (FPS):** Faster Payments Scheme (FPS) provides near real-time payments as well as standing orders. Almost all internet and telephone banking payments in the UK are now processed via FPS. It is also used by PSPs to process other services. Faster Payments Scheme Ltd (FPSL) operates the FPS payment system
- **LINK:** LINK is the interbank payment system that enables you to take cash out of your bank accounts (and other activities) using the LINK network of ATMs in the UK. LINK Scheme operates the LINK payment system
- **Northern Ireland Cheque Clearing (NICC):** Northern Ireland Cheque Clearing (NICC) processes cheques and other paper instruments in Northern Ireland. Belfast Bankers' Clearing Company Ltd (BBCCL) operates the NICC payment system
- **MasterCard:** MasterCard is the card payment system operated by MasterCard Inc.
- **Visa Europe (Visa):** Visa is the card payment system operated in the UK jointly by Visa Europe and Visa UK

The Regulatory framework and approach of the PSR

Some of the key characteristics of the PSR regulation are:

- Develop and protect competitive markets where possible and contribute to the creation of market conditions in which innovation thrives and service-users' interests are protected.
- Prioritise actions that will have a widespread positive impact across the market and take the approach of incentivising good outcomes rather than controlling them.
- Regulate only where the regulator have clear evidence that they need to do so and where they expect the benefits of their regulation will outweigh any costs or unintended consequences. The PSR will be proportionate in how it regulates – choosing to use broad standards or precise rules depending on the context.
- Take independent decisions for which they are ultimately accountable to Parliament. Those decisions will be deliberate, transparent and predictable.

Regulatory tools available with the PSR

The PSR's regulatory tools include legislation, rules issued by the PSR (called general directions and requirements), written guidance, and decisions (sometimes called specific directions and requirements).

The PSR rules, decisions and guidance apply to the participants of the payment systems it regulates, defined as:

- operators of regulated payment systems
- payment systems providers
- infrastructure providers

Working with other regulators

As the economic regulator for the payment systems industry the PSR work with and talks to other regulators and competition authorities within and outside the UK, including the Bank of England, PRA, FCA and CMA whenever that helps meet our objectives. The PSR is specifically collaborating with the FCA and the CMA on the following:

- with the FCA on its credit card market study
- coordinating with the CMA on its retail banking market investigation

The PSR also works with other sector regulators and competition authorities, for example through the UK Competition Network, European Competition Network and UK Regulators' Network, to ensure that the PSR share experience and best practice on regulatory and competition matters.

In a nutshell the PSR regulation that covers the EU's PSD 2 (Payment Services Directive 2) regulation is a comprehensive set of regulations on payment service providers covering ownership and governance of payment systems, direct and indirect access to payment systems and interchange fees requirements and serves as a global best practice for payment firms from emerging markets such as India.

The year 2018 is set to be a game-changing year for retail banking as PSD2 takes effect across the EU and the European Economic Area. By 13 January 2018, Member States will have to implement the revised Payment Services Directive into their national regulations. PSD2 builds on the legislative framework established by PSD. It acknowledges the rise of payment-related 'FinTech' companies and aims to create a level playing field for all payment services providers while ensuring enhanced security and strong customer protection.

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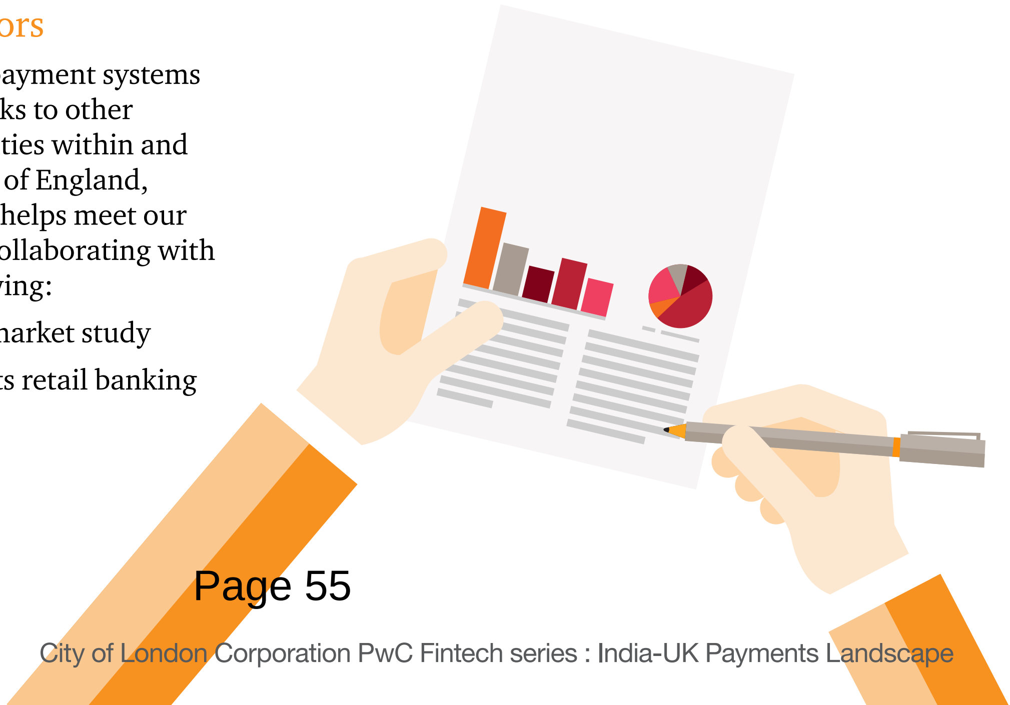


Open banking under PSD2

The phrase 'open banking' is used to describe the shift from a closed model to one in which data is shared between different members of the banking ecosystem with authorisation from the customer. So open banking demands a fundamental rethink of the traditional banking business model, enabling banking to become more customer centric.

The exchange of customer data looks set to level the playing field between incumbents and new entrants, increasing competition. Even more importantly, open banking will facilitate the creation of new products and services that were previously impossible to imagine.

Though PSD2 represents a huge opportunity for banks, the wider Fintech players and for the end customers, it equally poses a challenge for the industry as a whole in terms of cost of compliance and the complexities involved. Open banking has already initiated a visible shift from a closed banking model to one in which data is shared between different members of the banking ecosystem with authorisation from the customer.

Open Banking Standard: a step forward towards democratization of financial products

Advances in technology and the evolution of the digital landscape, fueled by the always-on interconnected web, are now enabling regulatory interventions that have the potential to drive truly revolutionary change.

In 2015, HM Treasury requested the formation of an Open Banking Working Group (OBWG) to explore how opening up bank data in the UK could benefit consumers and how these benefits could best be achieved. The group's report, released in February 2016, recommended the creation of an Open Banking Standard using an open application programming interface. APIs define standardised methods for interaction with software systems. An apt metaphor is that of a plug socket that allows electrical devices to connect with the mains. In the same way, APIs allow mobile apps to 'plug into' third-party systems.

The rise in popularity among app developers of using APIs to incorporate third-party data highlights their potential for opening up customer banking data. As an example, Transport for London (TfL) provides live transport data feeds for third-party software developers. A number of mobile apps plug into these data feeds to provide real-time transport information to customers via a proprietary interface. Account aggregators will be able to display customer banking data in exactly the same way under PSD2.

More broadly, the ever-increasing affordability (and therefore availability) of technology for consumers and businesses alike is enabling the open-banking developments prescribed in the PSD2 and Open Banking Standard regulations.

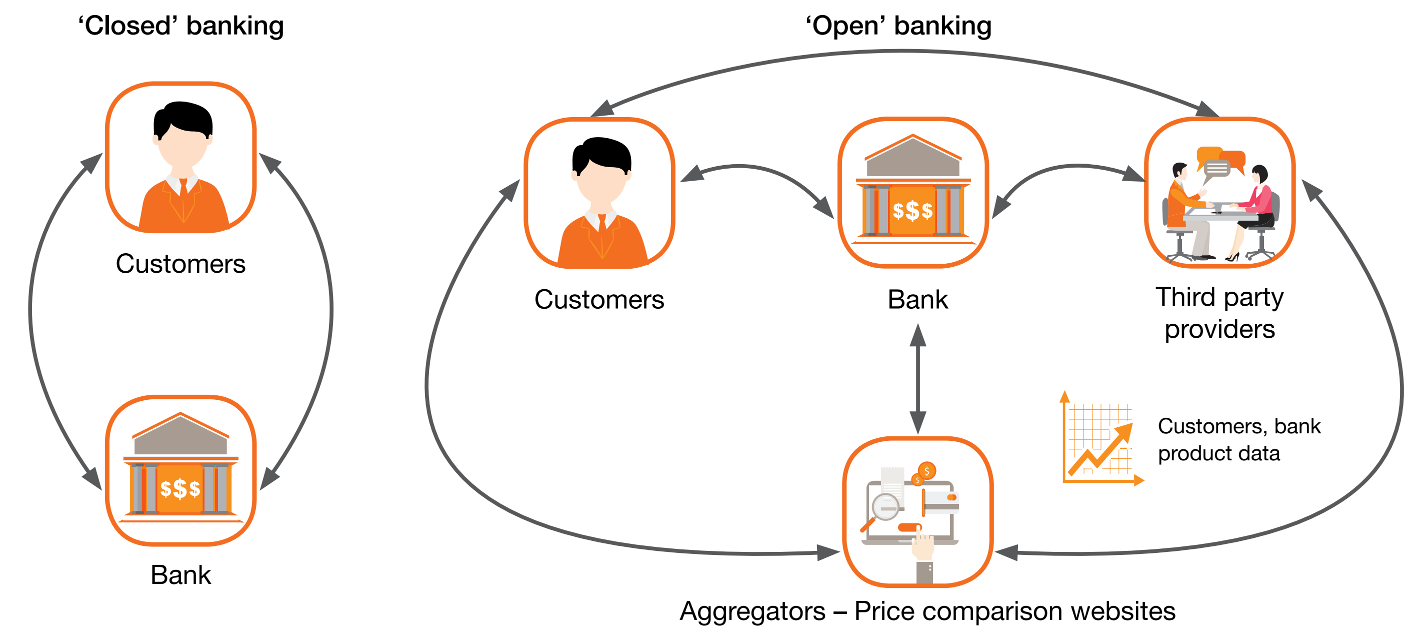
From a consumer standpoint, smartphone penetration has increased dramatically in recent years from circa 50% in 2o12 to more than 80% by 2017, facilitating mobile access to applications and services for the majority of the UK population.

The OBWG recommended that this common API standard should allow:

- open access to open data – i.e. allowing anyone, from TPPs to individual customers, to access publicly-available data such as pricing and product information
- controlled access to shared data – i.e. granting regulated TPPs access to customer-account transaction data, provided the TPP has customer consent.

The UK's Competition and Markets Authority (CMA), which had "concerns that retail banking may not be working well for customers", released the final report of its investigation into the retail banking market in August 2016. The CMA decided to incorporate the Open Banking Standard into its remedies, making it mandatory for the UK's largest banks to open up their retail customer and SME account data. Nine banks came under the scope of the CMA's order. They were required to make open data available through open APIs by 31 March 2017. They need to make shared data available through open APIs by the PSD2 implementation date of January 2018. These banks are charged with setting the Open Banking Standard in collaboration with representatives of third parties and members representing the interests of consumers and SMEs.

The opening up of customer transaction data:



In addition to the tighter timeframe being enforced in the UK, there are two further main differences between PSD2 and the Open Banking Standard as introduced by the CMA.

Firstly, PSD2 does not mandate the creation of common API standards. This means that individual banks may make their data available through different technical standards. This appears to add an additional layer of complexity for account aggregation tools – complexity that the Open Banking Standard will mitigate in the UK.

Secondly, PSD2 only opens up access to customer transactional data for specific institutions, which must also be regulated PSPs. The CMA, on the other hand, may grant access to a broader range of third parties through its 'whitelisting' process. Most notably, the CMA has recognized that price-comparison websites (PCWs) do not fall within the scope of PSD2. It will therefore set up separate whitelisting arrangements under which PCWs can become authorised to access customer data.

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Open Banking is set to drive a fundamental change in the banking and payments landscape

One of the objectives of regulation at both an EU and a UK level is to level the playing field for new market entrants. This has led to two key pieces of regulation, which will open up bank-held customer transaction data to third parties. We believe this development has the potential to transform the banking landscape radically.

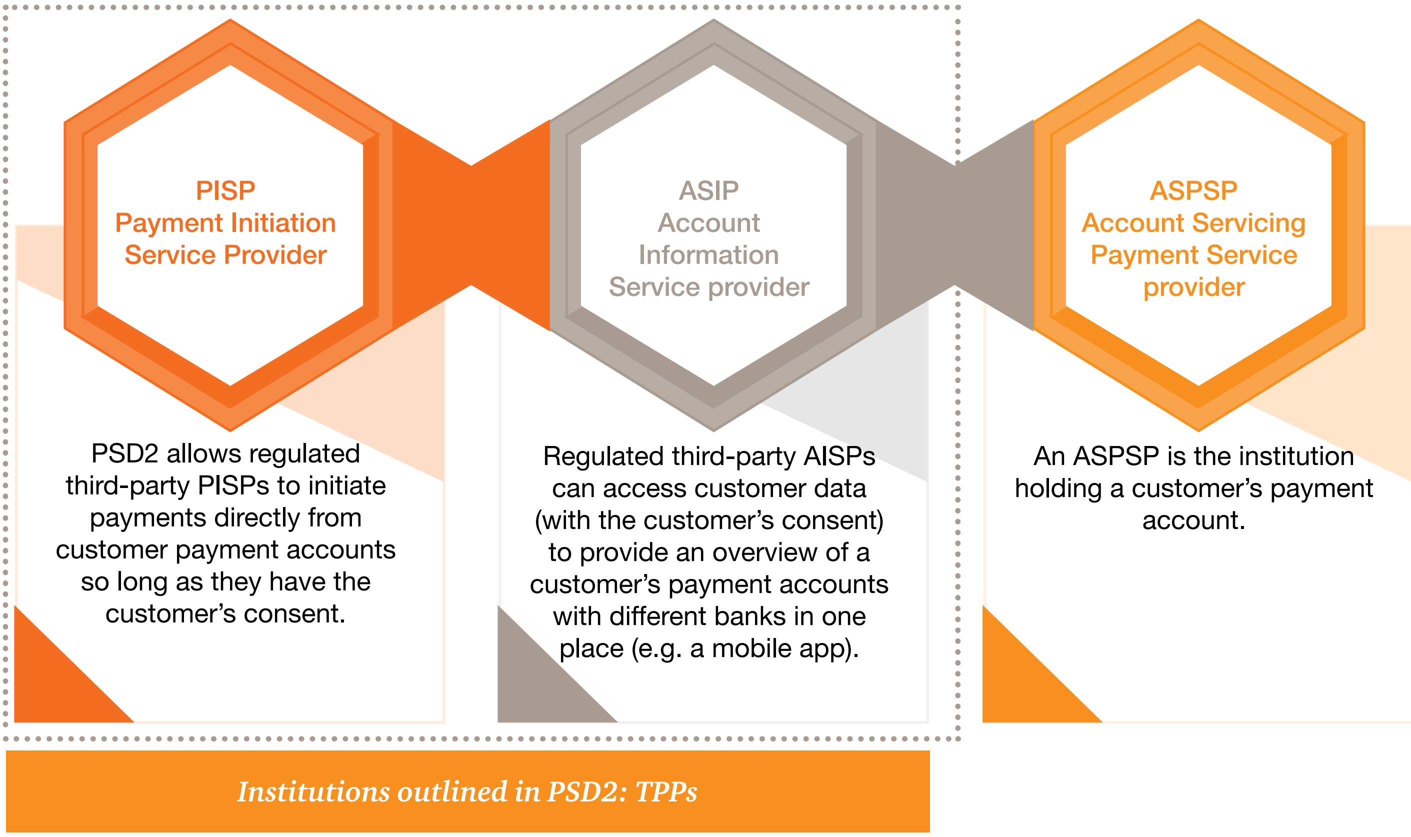
Bank ownership of this data has long given incumbents a competitive advantage in terms of pricing and risk scoring. This may now be eroded as data is increasingly shared with third parties. That's not all – this data could also potentially be used to provide consumers with innovative value-added banking services.

Critically, by offering services that use customer banking data to give consumers additional value, third parties may disintermediate banks' interaction with customers. The story begins with regulation from the European Commission in the form of the revised Payment Services Directive – more commonly known as PSD2.

PSD2 came into force on 13 January 2016, from which date member states had two years to transpose it into national law. According to the European Commission, PSD2's main aims are to:

- contribute to a more integrated and efficient European payments market
- level the playing field for payment service providers (including new players)
- make payments safer and more secure
- protect consumers
- encourage lower prices for payments

PSD2 is significantly broader in scope than its 2007 predecessor, as it also covers third-party providers (TPPs). In future, banks will be required to grant TPPs access to customer payment accounts, known as XS2A (Access to Account). PSD2 outlines two types of regulated TPP that will be granted direct access to customer accounts.



Under PSD2, institutions wishing to act as Payment Initiation Service Providers (PISPs) or Account Information Service Providers (AISPs) must be authorised payment service providers (PSPs). The regulatory technical standards for XS2A are expected to be in place by early 2019.

While ostensibly a payments-focused directive, PSD2's greatest impact will arguably be the opening up of bank-held customer account data to AISPs. If third-party AISPs gain significant traction, banks may lose their ownership of the customer interface, and, therefore, of the primary customer relationship. This threat may be further exacerbated if some TPPs choose to act as both AISPs and PISPs, allowing customers to initiate payments from their accounts via a third-party interface.

However, such providers will have to navigate complex issues around data protection and liability. The EU's General Data Protection Regulation (GDPR) requires customers to be made fully aware, in a clear, concise and transparent fashion, of how their personal data will be used and by whom. Customers will need to provide explicit consent for the usage of their transaction data. GDPR imposes certain legal duties on organisations to protect this data, and to ensure its accuracy and completeness.

Customers also enjoy many additional rights, such as the ability to revoke consent at any time, to know what data an organisation uses, and to have their information erased.

As open banking enables personal information to be shared between organisations, banks will need to ensure that this data is protected when being shared with other parties and that customer consent is clear and kept up to date. Greater third-party access increases the avenues through which fraud could occur, over many of which banks do not necessarily have the same level of control.

AISPs and PISPs will not be able to use data captured during payment transaction processes to enhance their business models. This is because the legislation forbids them to use this data for purposes other than the provision of their respective payment services.

Nevertheless, these steps towards opening up bank-held data mark a significant shift in how retail banks operate. Regulators in the UK are also eager to level the playing field for new banking entrants and to further exploit the potential customer benefits of banks opening up their data. They have capitalised on the requirements of PSD2 and put additional UK-focused initiatives in place.

As the UK regulators take action to further develop competition, the future market will be increasingly varied and modular, resulting in a very different banking experience for customers. Open Banking will give rise to new business models, with some providers choosing to specialise in narrow areas rather than offer a traditional suite of products or attempt to manage the customer's end-to-end experience. Others will compete by making it possible to integrate niche offerings from a number of different companies in a seamless way.

Banks take the threat of larger tech organisations such as Google, Amazon, Apple and Facebook very seriously. By facilitating financial services like payments directly on their websites and inserting themselves between the customer and the underlying bank, these players could relegate banks to the role of invisible 'plumbing'. While not every new player will prosper, we believe there will be room in the market for many different banks and non-banks to succeed.

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Open banking will bring more competition and new opportunities

The advent of Open Banking, enabled by technology and regulatory developments, will be particularly influential on competitive dynamics. Supported by a new regulatory regime, this initiative means that banks will be able (and required) to share more customer information than ever before. This will be achieved via technologies such as Application Programming Interfaces (APIs) which enable systems to be connected in a far more modular and component based way across organisational boundaries. Making infrastructure available through standardized interfaces will be a major trigger for new competition, from many different sources.

Open Banking will give rise to new business models, with some providers choosing to specialise in narrow areas rather than offer a traditional suite of products or attempt to manage the customer's end-to-end experience. Others will compete by making it possible to integrate niche offerings from a number of different companies in a seamless way. They might select which partners to work with, or they might give customers the choice to assemble a totally personalised suite of banking products and services from a financial 'app store'.

Already, a large number of FinTech start-ups are working hard to establish themselves as digital providers of services such as payments, investment, and lending. These 'digital value chain players' are focused on providing excellent experience and functionality at lower cost, for specific traditional banking services. Whilst the threat of FinTechs appears to be overplayed by the media, others thought they presented an opportunity to enhance their offering through partnerships. Fidor's use of Currency Cloud's payment engine and Metro's partnership with peer-to-peer lending platform Zopa provide examples.

Large tech players like Google, Amazon, Apple and Facebook pose an "existential risk" to banks, by facilitating financial services like payments directly on their websites and disintermediating banks that are subsequently "left out of the data loop". These players will drive the real change and disruption in the banking industry. By inserting themselves between the customer and the underlying bank they could take value from the bank, relegating them to the role of invisible 'pipes'. Apple has already started to do this with Apple Pay.

The Second Payment Services Directive (PSD2), is an example of legislation that is accelerating this shift towards Open Banking and subsequent use of APIs (Application Programming Interface), enabling banks, FinTechs and companies from other industries to transform the payments industry. An Open API or Public API is a free-to-use, publicly available API that provides developers with programmatic access to a proprietary software application. The Open Banking Ecosystem refers to all the elements that facilitate the operation of Open Banking.

Many of the CEOs viewed PSD2 as a significant opportunity to implement new digital strategies, as they will now have access to other banks' customer data and can become an Account Information Service Provider (AISP). In this scenario, banks could consolidate or aggregate data from a variety of banks and create new propositions, such as a dashboard presenting all customer account information in one place.

Modularisation

Providers of financial services are increasingly able to focus on very specific modules, or components, of banking services or products. This is largely being driven by new digital technology and Open Banking provisions within PSD2 and the CMA (Competition Markets Authority) Open Banking Remedy that enables direct access to consumers as well as integration of systems, within and across companies. Customers will have significantly more choice of products and providers they wish to use. Sometimes they may opt to engage directly with financial services providers (traditional banks, product specialists, or peer-to-peer (P2P) services); sometimes they may start at an intermediary (perhaps a comparison service, a broker or an aggregator); and sometimes the financial service will be in the background or even invisible as the consumer interacts with other companies (for instance, retailers, travel providers or social networks). In all of these scenarios the traditional banks will likely only carry out part of the end-to-end activity, with a complex web of interactions between multiple companies' systems. Customers will be able to combine these banking modules for a customized and personal experience.

Develop an Open Banking strategy:

Specialist banks and Fintech payment players will seek to maintain their position as differentiated specialist 'spokes' within a 'hub and spoke' model, and may benefit from having their offerings presented to consumers by aggregators.

However, there is a risk greater comparison of offerings will result in commoditisation and margin pressure. The impact (positive and negative) would be most significant for those who move fast to comply and participate in an open ecosystem.

Partnerships are likely to prove valuable to increase presence and the possibility of integrated offerings.

To be successful, each bank needs to overcome specific challenges

There appears to be significant customer perception issues for most of the banking groups. Each group also has specific strategic challenges. For example, many mid-sized high street banks face pressure to transform their operating models and differentiate their propositions, while digital-only players seek to build awareness with customers and attract them with distinctive service offerings.

To succeed, all banks will need to embrace new digital models whilst ensuring they make coherent strategic choices – for example, around which customer segments to target, and how to tailor their products and services to be differentiated in those segments. This will depend partly on new entrants' ability to differentiate themselves and grow their customer base, but also on the extent to which innovation drives new products and services.

We believe that customers will have increasing choice of the products and providers they wish to use. They may opt to engage directly with financial services providers (traditional banks, product specialists, or peer-to-peer (P2P) services); they might start at an intermediary (perhaps a comparison service, a broker or an aggregator); and sometimes the financial service will be in the background or even invisible as the consumer interacts with other companies (for instance, retailers, travel providers or social networks).

In these types of scenarios the traditional banks will likely only carry out part of the end-to-end activity, with a complex web of interactions between multiple companies' systems. Customers will be able to combine these banking modules for a customised and personal experience. New competitors from other industries will seek to command consumers' attention and strive to be the preferred interface. Unexpected alliances and partnerships will be created to provide more seamless and attractive propositions. All these factors will accelerate the trend towards a more modularised, diverse and innovative UK banking and digital payments market.

A wave of new Fintech entrants as the banking market has opened up

Over the 50 years from 1960-2010, the UK banking market saw significant consolidation. By 2010, 26 of the 32 banks and building societies which existed in 1960 were absorbed into just six major groups: Barclays, HSBC, Lloyds, Nationwide, RBS, and Santander. The concentration of the market became particularly acute in the aftermath of the 2008 financial crisis, when a number of failing banks were either merged or acquired. In its 2011 report, the Independent Commission on Banking (ICB) highlighted that following the 2008 crisis, the largest four banks accounted for 77% of UK personal current accounts and 85% of small and medium-sized enterprise (SME) current accounts.

In parallel with increased concentration, the banking market experienced relatively low customer satisfaction, as highlighted in a 2013 survey in which retail banking customers rated the main high street banks negatively for satisfaction.9 A study by the Financial Conduct Authority (FCA) and CMA also found that whilst many SMEs were generally satisfied with the service they receive from their bank, the satisfaction was often passive and low in relative terms. It also revealed that only 13% of SMEs believed that their bank acted in their best interest. Both studies included high levels of market concentration amongst the main high street banks as one of the key drivers for dissatisfaction.

The Bank of England and the UK FCA responded by simplifying the process for acquiring a banking licence and lowering the capital requirements for new bank entrants in 2013. As a result, there has been an increase in the number of banks and Fintech players entering the market – with a wide range of propositions and business models.

Access to payment systems – limiting new entrants?

Today, a small number of main high street banks with direct access to payment systems provide indirect access to the other banks and building societies. This arrangement imposes cost constraints on the other banks as they have a narrow choice of providers which limits their ability to negotiate on price. There are also barriers to switching as information about services and fees can be complex and opaque.

How market players are addressing these challenges

Several market players have undertaken initiatives to address payments issues. For example, since mid-2016, several new banks such as Metro and Starling have started to connect directly to Faster Payments (the UK's 24/7 real-time payment service, launched in 2008). Some of these banks plan to act as a sponsor for other payment service providers to access payments through its connection. Faster Payments thinks as many as 50 of the firms currently gaining access through the main high street banks could switch to the new providers.

The UK government and regulators are also working to identify new functionality and technology to improve clearing, processing and settlement in payments. Initiatives include the Bank of England's review of its Real Time Gross Settlement (RTGS) system, the Competition and Markets Authority's remedy on Open Banking and HM Treasury's work on the transposition of the revised Payment Services Directive (PSD2) which introduces new services and players into scope of the legislation.

The regulators have also made it possible for new entrants to apply for a BoE settlement account when they apply for a license, effectively shortening the process before banks can launch their products. Many of the CEOs of payment banks expect PSD2 and Open Banking rules to help them acquire customers by enabling them to act as product 'marketplaces', anchored around a current account.

Industry bodies such as the Payments Strategy Forum (PSF) have been established to drive collaborative innovation in payment systems. In November 2016, the PSF set out its strategy to enable simpler access, greater innovation, increased adaptability and better security. The PSR report on the supply of indirect access to payment systems raised concerns around "the ability of current technical solutions for real-time payments to meet the required quality of service". This may limit the ability of some banks and other large payment providers to compete in related markets, such as retail banking.

Non-bank brands could unleash the power of personalisation

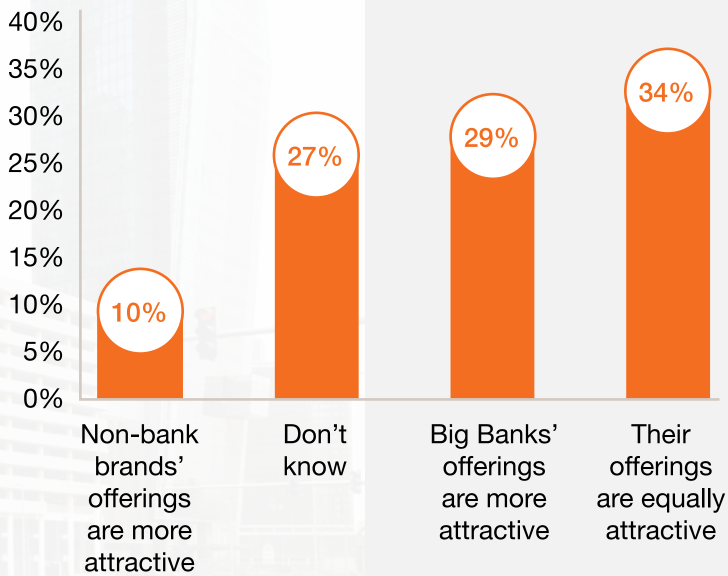
The non-bank brands all benefit from having well known, trusted brands that they have inherited from their parent companies. This is particularly valuable in an environment where banking brands have been impacted by the financial crisis and conduct issues, and large numbers of consumers have mixed views about the banking industry. By nonbank brands building their identities around their parent groups' brand values, they are able to position themselves in a differentiated way.

The parent group also provides access to a large customer base, with large numbers of potential customers who have a proven affinity with the brand, including, in some cases, membership of loyalty schemes. In addition to being able to market their services to a receptive audience, the non-bank brands also have access to rich data about customers – this goes significantly beyond the traditional banking data set that competitors expect to work with.

The non-bank brands have all invested significantly in IT platforms, which they regard as essential for providing the digital experience their customers demand and the flexibility to grow and adapt the proposition. While these banks tend to be digitally focused, they should have the potential to change their physical footprint dynamically in response to customer needs, leveraging the extensive network of stores held by the wider group. This may help them to determine which services should be offered in person and to select locations in a very fluid way.

Proportion of British consumers that think non-bank brands have a more attractive offering than big banks

% of Customers (2017)



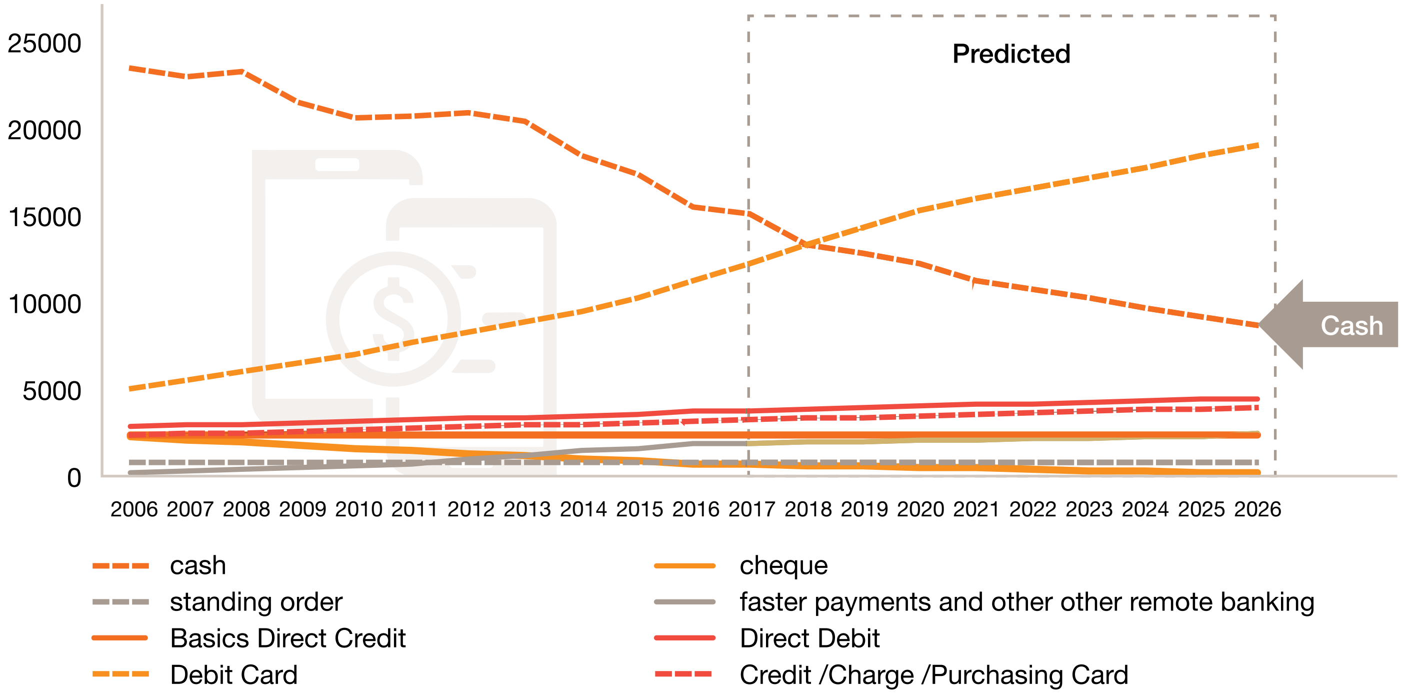
Source : You Gov ,PwC Strategy and Analysis

Opportunities and Challenges faced by Fintech Payment Firms in UK

The section below outlines all the potential opportunities and challenges faced by the Fintech Payment firms in the UK:

UK's Payment Fintech journey so far:

Share of payments in the UK made using different methods, by number of payments (millions)



It is evidently clear that the volume in cash transactions in the UK has shown a declining trend from its peak of circa 23bn transactions since 2006 and is projected to fall below 10bn by 2026. Digital payments through debit cards and mobile payments have shown a correspondingly increasing trend since 2006 and is projected to peak at close to 20bn transactions by 2026.

Key achievements and opportunities in the UK Fintech payments space:

UK as a Hub for Fintech:

- The payment systems underpin virtually every financial transactions made – whether that's major institutions transferring large sums of money to each other or consumers receiving their salary or pension into their account. As per the UK FCA's (Financial Conduct Authority that focuses on conduct risks and regulation) Policy Statement PS 15/1, in 2015-16 the UK payment systems dealt with more than 21 billion transactions worth around £75 trillion which is circa USD 100tn.
- London's Fintech sector continues to fuel the growth of the UK's digital economy, with the capital's tech firms raising a record £2.45 billion and accounting for around 80 per cent of all UK venture capital tech funding in 2017.
- Further analysis of the data shows that the UK and London remain the favorite destination in Europe for tech investors. UK firms attracted almost four times more funding in 2017 than Germany (£694m) and more than France, Ireland and Sweden combined. London tech companies also raised significantly more venture capital investment than any other European city, including Amsterdam, Berlin and Paris.
- The year 2017 saw a number of the world's leading tech companies pledge their long-term commitment to London, with significant investments from Amazon, Apple and Google. In the second half of last year, Spotify announced it will expand its R&D operation in London and double its headcount, while US tech giant Facebook confirmed it will create an additional 800 jobs for its new London headquarters.

Policy and Regulation

- Payment Services Directive (PSD2) will give rise to open banking across the UK and Europe requiring banks to become more and more customer centric. The PSD 2 regulation is a comprehensive set of regulations on payment service providers covering ownership and governance of payment systems, direct and indirect access to payment systems and interchange fees requirements and serves as a global best practice for payment firms from emerging markets such as India. The phrase 'open banking' which is an implementation of PSD2 is used to describe the shift from a closed model to one in which data is shared between different members of the banking ecosystem with authorisation from the customer. Though PSD2 represents a huge opportunity for banks, the wider Fintech players and for the end customers, it equally poses a challenge for the industry as a whole in terms of cost of compliance and the complexities involved
- PSD2 is not only a regulatory compliance and technology challenge, but also a strategic and operational one. Meeting this challenge requires a clear strategy, operational and infrastructure change, a clear focus on assessing and managing risks, and meticulous execution.
- Open banking has already initiated a visible shift from a closed banking model to one in which data is shared between different members of the banking ecosystem with authorisation from the customer.
- Direct Debit is the most effective way to take recurring payments in Europe, offering lower failure rates and fees, along with increased flexibility compared to using credit or debit cards and the UK is leading this space. Some of the growing payment firms e.g. GoCardless currently processes more than £4 billion worth of transactions for over 30,000 organisations across the UK and Europe and seems to be growing fast. In fact in 2017 GoCardless processed 50% more of customers direct debit payments than the previous six years put together. GoCardless processed 33 million (volume) payments in 2017 serving circa 37,000 merchants. Across the UK, £1.3 trillion value of transactions were processed by direct debit in 2017 representing a 3.8% year on year growth over 2016.

Democratising the availability of financial products – Open Banking

The exchange of customer data under the Open banking regime will set the level playing field between incumbents and new entrants thereby increasing the competition. Even more importantly, open banking will facilitate the creation of new products and services that were previously impossible to imagine.

- Though it may appear that the threats to incumbent banks are greater than ever, so are the opportunities by way of partnering with new organisations. In an extreme scenario, some banks could be relegated to the background as infrastructure providers while other entities – FinTechs, tech giants and price-comparison websites (PCWs), for example – could come to own the customer relationship. As a result, these could potentially become the leading brands in banking – without ever taking customer deposits or lending onto their own balance sheets.

Incumbent banks that embrace open banking to create new sources of revenue and new propositions may enjoy a significant advantage, given their access to existing customers, strong brands and expertise. As a result, incumbent banks have a real opportunity to win the battle for the customer interface and, therefore, the customer relationship.

Potential challenges in the payment space in the UK:

Regulation

- High cost of compliance with the newly introduced Payment Service Directive (PSD2 effective from 13 January 2018) in terms of implementing the requirements of this regulation. Two-thirds of banks and Payment firms in the UK anticipate that PSD2 will affect all key functions, ranging from digital transformation to legal & compliance, IT and many others.
- By law under PSD2, banks will need to make customer data available in a secure manner, and eventually to give third-parties access to their customer's accounts. But equally important to these compliance efforts are the strategic implications for banks and payment firms on how they need to organize themselves and operate in a world of "open banking".
- PSD2 has numerous interdependencies with other regulations (such as GDPR and eIDAS Regulation), promising a complex implementation with multiple stakeholders.

Competition

- Stiff competition for new overseas Fintech Payment firms into the London Fintech market that is already matured and saturated coupled with the high establishment costs in London.
- Even though 13% of traditional payments companies believe that their business faces no Fintech related risk, those who recognise the threat are afraid that, on an average, as much as 28% of their business could be lost to the new players. This constitutes the highest percentage of all financial industry players.

Barriers to entry

- Lack of adequate preparation by new Fintech players to address the firm authorization requirements from the UK FCA and subsequently the PSR (Payment Services Regulator). Failure to understand and appreciate the regulators expectations could delay commencement of business and may potentially result in the applicant payment firm being denied the authorization license.

Due to the rigid regulatory landscape, new entrants still need to cooperate and co-exist with incumbents. Many FinTechs in the early stages of market presence find it hard to muster the necessary expertise, brand recognition, substantial assets and expensive authorisation required in the financial sector.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India Case studies – Google Tez and Paytm

This section outlines the case studies of Indian Payment firms Google Tez and Paytm in the Fintech space that has carved out a niche for themselves in the complex and challenging Indian Fintech eco-system considering the challenges around cost of regulatory compliance, lack of a seamless internet connectivity across India and absence of education and awareness among the major section of the population within India.

The success of both Google Tez and Paytm is primarily driven by the successful deployment of UPI. Unlike IMPS, where to make a payment one has to enter the account type, account number, bank name and IFSC code, UPI interface will allow users to receive and send funds from the smartphones using their mobile phone number, Aadhar unique identity number or virtual payments address. It saves the user from the trouble of filling up all the account details every single time a transaction is made.

Post the introduction of UPI there is no longer any need for an individual to use any app to exchange money. For example, if an individual having an UPI uses a taxi service, he just needs to provide his virtual UPI address and the driver can directly request money from it to his bank account or his e-money wallet. A message comes on the user's phone for authentication. Once the transaction is authenticated by entering the password, the funds are transmitted to the driver's bank account or e-money wallet as the case maybe.

UPI also addresses the security issue to a considerable extent and is a step forward from the mobile wallets. The transactions happen in a highly encrypted format and a MPIN instead of an OTP is used for authentication of the transaction. UPI has potential to make micropayments cashless which would benefit both buyers and sellers who are willing to enter into lower monetary value transactions.

Google Tez is a mobile wallet based on the Unified Payments Interface technology. UPI-enabled wallets permit users to transfer money without the recipient's bank account details. The UPI ID of the recipient is used as a proxy for the account number and IFSC code and thus it makes the transfer of money much easier through the Google Tez mobile wallet. Money need not be stored in the Tez app to make digital payments. It works as an extension of the user's bank account. So, unused money remains in the bank and the user keeps earning interest on it.

Integration of the user's bank account with the Tez wallet is done via SMS message, and is not completed if the phone number associated with the account does not match, or if the user holds an NRI (Non-resident Indian) account which is not supported for this feature. Users without a UPI id will have to create one and enter a secure UPI pin. Other means of making payments is by using the camera to scan a QR code, or entering the phone number of the recipient. The app automatically identifies contacts who have successfully registered with the Tez database. A fourth alternative is the 'Cash Mode' that allows quick transfers with nearby Tez users without sharing phone numbers. Cash Mode can be used to pay as well as receive money from devices within its range.

A snapshot of the leading UPI applications as of December 2017 is presented below:

	Google Tez	PhonePe	BHIM
Launched	**September 2017**	**December 2015**	**December 2016**
Promoter	Google	Flipkart	National Payments Corporation of India
App Downloads	12 million	55 million	21 million
Volume of transactions	140 million till December 5 since launch in September	1bn every day in November 2017	25 billion in November 2017

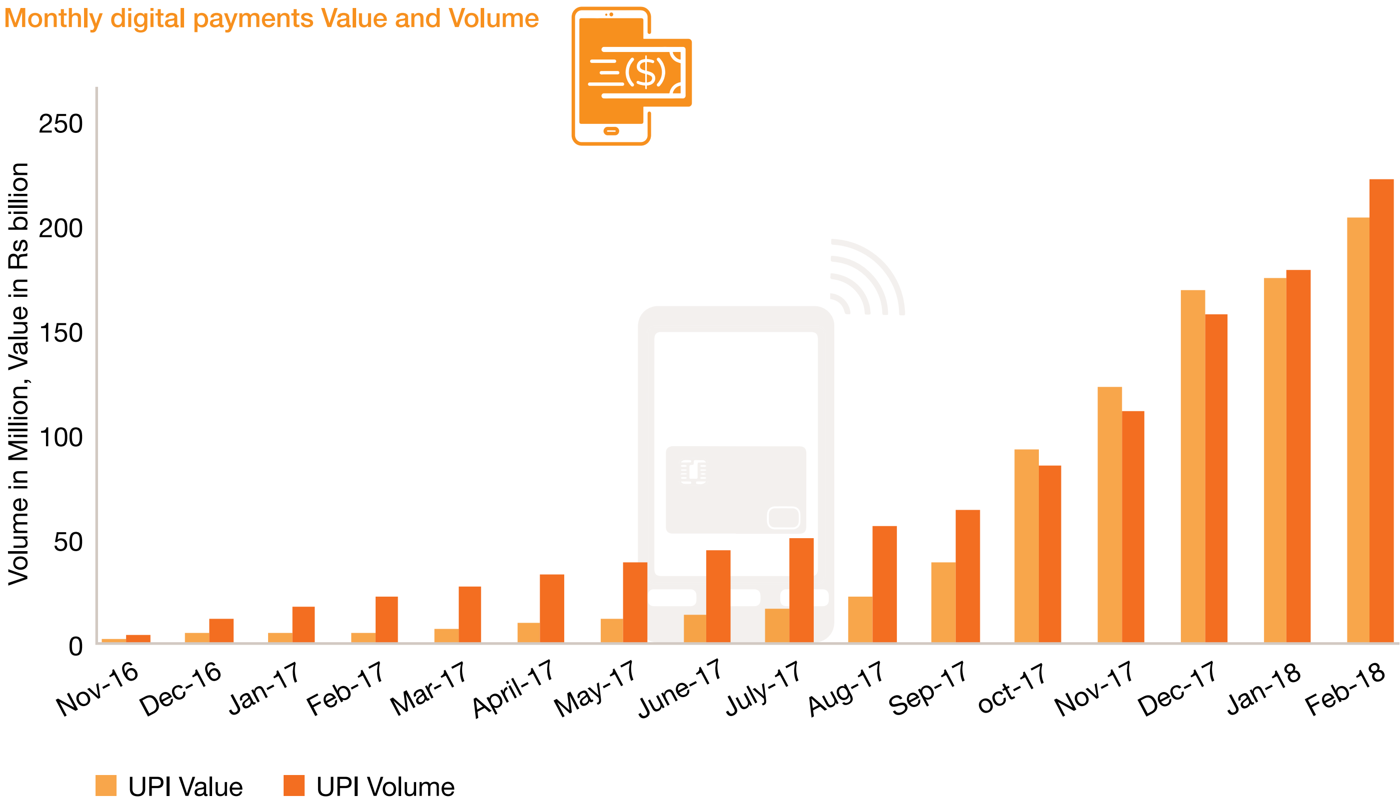
Google Tez is now integrating with the State bank of India that already has a 40 crore plus customer base and this partnership with Google Tez would help them drive innovation and deliver new opportunities. SBI currently processes 2 million UPI based transactions every day with a total combined credit and debit of over Rs 400 crore. Tez, since its launch in September 2017 has processed over 250 million transactions and has over 13.5 million monthly active users, across India.

There were certain factors that played a huge role in the way Tez acquired a significant share of the Indian payment sector.

- With the demonetization in November 2016, the industry grew 55% in 2016-2017. As per a study by Boston Consulting Group, the Indian payment industry will be worth $500 billion by 2020 and that accounts for 15% of the country's total GDP.
- UPI based payments work with all the major banks that offer UPI services such as - ICICI, Axis, State Bank of India, HDFC, etc. One does not need a mobile wallet to save balance as Tez keeps the user connected to bank account directly.
- One can use UPI PIN to log into the Tez application or can secure it with a fingerprint or a pattern lock. Google installed a 'Tez Shield', which is a multi-layered security feature which ensures data security on the app.
- To grab a share in the digital payment industry of India, Tez strikes the national chord of sentiments within India by supporting more than one language such as English, Hindi, Bengali, Gujarati, Kannada, Marathi, Tamil, and Telugu. This clearly gives an impression that this app is made for the natives resulting in more and more hits with increasing marketing and awareness initiatives.

As per the RBI data release for the month of February 2018, the value of transactions done through UPI increased from Rs 19 billion in February 2017 to Rs 191 billion in February 2018. The increase in the transaction value done through UPI has increased 10 times compared to the previous year.

Monthly digital payments Value and Volume



Source: Reserve Bank of India

Case study on Paytm

"Pay Through Mobile" or "Paytm" is India's largest mobile payments, e-wallet, and commerce platform. It was founded in 2010 under One97 Communications ltd. It started as a prepaid mobile recharge website. Paytm subsequently changed its business model to a marketplace and a virtual bank model. It is also one of the pioneers of the cashback business model in India. The company has customers both from villages and metropolitan cities. As a result, Paytm is in the top seven e-commerce companies in the country and is valued at $10 billion as of January 2018. They have around 13000 working employees and a total fundraise of $1.83 Billion.

Currently the business model has expanded beyond recharge to include utility bill payments, wallet payments and many other financial transactions. In addition, wallet to wallet transactions and wallet to bank transfers for many leading internet based companies like Bookmyshow, Makemytrip, IRCTC and many others also take place.

The revenue model for Paytm is divided into various segments. Amongst them is marketplace or the Paytm Mall that serves as the most beneficial marketplace for sellers. Revenue from this subcategory is generated as fees and commissions from the sellers, which differ for different category of products. Another source of revenue generation is recharge services and bill payments, both of which run on a commission based model.

All the promotional strategies of Paytm are focused on the use of Paytm wallet. It was launched in 2013 and now has more than 200 million registered users. Cashbacks helped Paytm retain its customers and guaranteeing the next transaction when cashback for the first reflected in the Paytm wallet. Paytm's primary weapon is velocity of growth, and the acquisition of users and merchants, for each of its business lines.

As per the RBI guidelines, the money deposited by users in Paytm wallet is deposited by Paytm in an Escrow Account with a partner bank. This escrow account deposit fetches Paytm certain interest which is decided as per the contract between the bank and Paytm. Banks and payment gateways charge a fee equivalent to 1-3% of the money deposited for using their services. This fee can't be charged to the customers as it will make them choose alternatives like UPI, IMPS, etc. However, the interest generated through the escrow account deposits is usually more than the expenses incurred which results in profits to the company.

Paytm has recently come up with a payments bank which is a digital bank and can accept deposits and give out interests on the deposits but cannot offer loans to its customers. Paytm also issues debit cards with QR codes which can be scanned at various points.

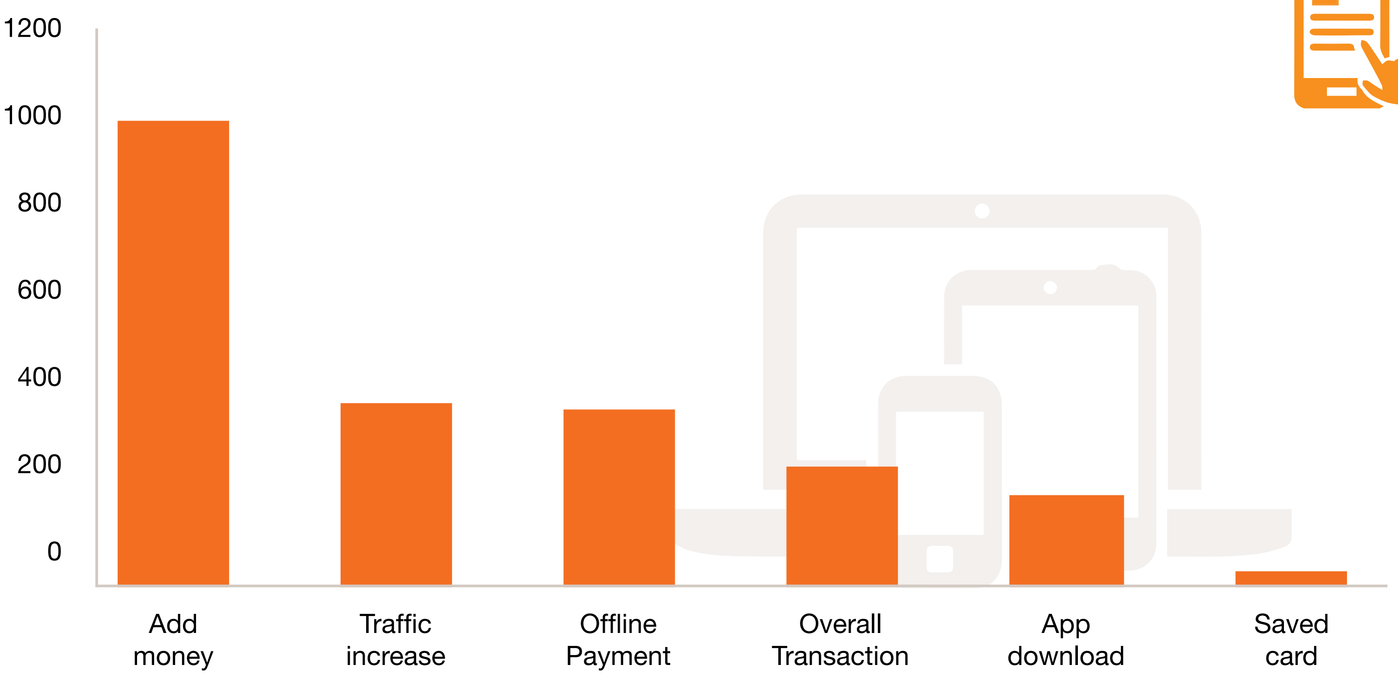
The bank lets you open zero deposit digital current and savings bank accounts and offers a 4% p.a. interest on saving bank accounts and overdraft facility on your current bank accounts. There are no restrictions related to any type of transaction but any balance deposited over ₹1 lakh is moved to a fixed deposit with a partner bank.

According to RBI's guidelines, prepaid payment instruments (PPI) such as mobile wallets have to complete the KYC requirements. Paytm responded to the RBI requirement either directly or by going to one of the many vendors chosen by Paytm to complete the KYC.

Paytm has acquired a major share of the e-payments space on account of various factors including but not limited to:

- Paytm was the first company that started online payments in India through an app and thus had the first mover advantage. With its extensive distribution strategy and cashback offers, Paytm increased its brand presence and brand preference.
- Paytm has tie-ups with more than 3 million merchants across India and thus it is more convenient to shop on Paytm. Additionally, it is operational round the clock and facilitates easy payment or transfer of funds anytime, anywhere.
- Paytm offers frictionless payments as users do not need to sign in and sign out every time they make a payment. It offers a variety of services on one platform which omits the need to go to any other application.
- Demonetization played a huge role in the wide spread use of Paytm and the increasing base of its customers. On November 12th and November 13th, Paytm claims to have registered a record of 5 million transactions per day and a 1000% growth in the money added to Paytm Wallets.

Percentage increase in Paytm usage in comparison to the average daily usage on 9th November 2016

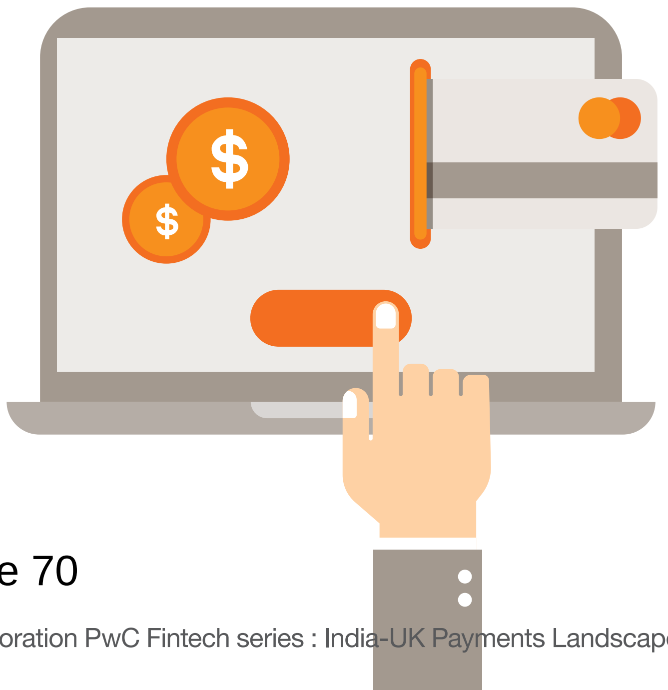


Source: Paytm Blog

Paytm is also coming up with a new platform – Paytm Money. It has taken SEBI's approval for becoming a registered investment advisor and will begin operations soon. It plans to launch easy –to – understand wealth products for the Indian masses. The first financial product offered on this platform will be Mutual Funds and investors will be allowed to invest with zero commissions.

The surge in the number of working professionals and the growing demand for aggregators provide a suitable environment for platforms like Paytm and Google Tez to establish themselves and expand. With the growth in technology, people prefer to make payments at the click of a button from the convenience of their homes. The government as a means of curbing corruption and increasing transparency is favoring the use of internet and e-commerce. The ministry also proposed to go cashless by waiving the service tax on card transactions. India has seen an unbelievable growth in internet usage in 2000 – 2016 by 9142.5%. But still only 36.5% of Indian population uses the internet and so there is a big scope of increasing the online market in the future.
(Data Source: www.internetworldstats com).

The case studies on Google Tez and Paytm clearly indicates the fact that despite the practical constraints highlighted in this document, payment firms with the right long term outlook and governance and strategy can deeply leverage on the burgeoning growth potential of the Payments market in India over the years to come.



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Way Forward

Considering the detailed analysis over the potential opportunities and challenges across the Fintech payments space in the UK and India, the scope of growth for Fintech payment firms from both these countries is considerably high.

The key themes in terms of potential opportunities and challenges across the Indian and UK payments firms that is worth reiterating from our detailed analysis include:

Sr. No.	Particulars	India	UK
A	Opportunities:		
1	40% of the total population of India is currently unbanked and more than 80% of the payments in India are still made by cash.	✓	
2	The emergence of the Unified Payments Interface (UPI) has revolutionised the growth of digital payments across India since the past 2 years post demonetization	✓	
3	Total financial transactions on India's (NPCI's) retail digital payment platforms is projected to grow by a whopping 400% from INR 200bn (circa £2bn) in 2017-18 to INR 1 trillion (£10bn) by 2023	✓	
4	By 2020, around 720 billion transactions are projected to occur primarily through the use of UPI technology	✓	
5	The UK payment systems in 2017 dealt with more than 21 billion transactions worth around £75 trillion which is circa USD 100tn		✓
6	Payment Services Directive (PSD2) will give rise to open banking across the UK and Europe requiring banks to become more and more customer centric.		✓
7	The introduction of open banking will result in democratizing the availability of all the financial products and services to the end customers at the best competitive price keeping customers need in the forefront.		✓
B	Challenges:		
8	Banks and Fintech payment firms should ensure their top management is part of developing a strategic response to open banking		✓
9	Need for adequate preparation by overseas Fintech players (e.g. India) to address the firm authorization requirements from the UK FCA and subsequently the PSR (Payment Services Regulator)		✓
10	High cost of compliance with the newly introduced Payment Service Directive (PSD2 effective from 13 January 2018)		✓
11	Cyber security is paramount to rebuilding this trust and this is where the UK's reputation as a leader in cyber security and India's expertise in software development could be leveraged to effectively mitigate this risk.	✓	
12	Regulations on prepaid instrument (PPI) guidelines around KYC requirements could be based on a reasonable cost benefit analysis (CBA)	✓	
13	Both the regulator and the Fintech industry could collaborate on skills development to create the required awareness on Fintech innovations around payments including cyber security.	✓	

But a clear roadmap has to be developed for the payment firms from the UK and India to start tapping into each other's opportunities and work towards addressing each other's challenges. The following steps could possibly help create the roadmap and enable the payment firms to start acting upon it sooner than later:

a. Organise a conference in London for the UK Fintech payment firms and provide a detailed presentation over the potential opportunities and challenges faced by Indian payment firms in India.
b. Organise a similar conference in India for the Indian Fintech payment firms and provide a detailed presentation over the potential opportunities and challenges faced by the payment firms in the UK on the back of PSD2 and its implementation of open banking.
c. On the back of these conferences, identify and work towards facilitating in-bound and out-bound investments for the Fintech payment firms in UK and India.

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About City of London Corporation

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.

Our reach extends far beyond the Square Mile's boundaries and across private, public and voluntary sector responsibilities. This, along with our independent and non-party political voice and convening power, enables us to promote the interests of people and organisations across London and the UK and play a valued role on the world stage.

The author of this report is PricewaterhouseCoopers Private Limited, and it is co-published by PwCPL and the City of London Corporation

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On 11 July, we hosted the launch of the 2018 Social Mobility Employer Index at the Guildhall.

The Index is compiled by the Social Mobility Foundation and sponsored by the City of London Corporation. It ranks the UK's employers on the actions they are taking to ensure they are open to accessing and progressing talent from all backgrounds.

Over 100 employers entered this year's Index, representing 18 sectors and collectively employing over one million people. Respondents answered questions across seven different areas of business. 42% of entrants said they analyse their recruitment process to see where those from lower socio-economic groups fall down and 74% said they feel their clients now care about the socio-economic diversity of their organisation's workforce.

13 of the top 20 organisations were Financial and Professional Services firms, including the top-ranked firm, KPMG.

Catherine McGuinness spoke at the event, as well as the Rt. Honourable Alan Milburn and David Johnston OBE, Chief Executive of the Social Mobility Foundation. The launch event was attended by 180 people from 88 businesses and received high engagement on social media – tweets from our Responsible City account were seen by over 24,000 people in addition to uptake by the organisations and employees who were featured in the Index tweeting 166 times. The Index generated 18 press articles in publications like *The Times* and *PR Newswire*.

To coincide with the event, we produced a short video featuring some of the top-ranking FPS firms – KPMG, Bryan Cave Leighton Paisner and M&G Investments – discussing their actions on social mobility.


TOP 50
SOCIAL MOBILITY
EMPLOYER INDEX 2018

Committee(s)	Dated:
Public Relations and Economic Development Sub-Committee	03 September 2018
Subject: Corporate Affairs Update	**Public**
Report of: Bob Roberts, Director of Communications	**For Information**
Report author: Jan Gokcen, Corporate Affairs Officer	

Summary

This report has been prepared to update Members on key elements of the Corporate Affairs team's activity in support of the City of London Corporation's external political engagement and corporate communications.

The updates covered in this report span the period since the last meeting of the Public Relations and Economic Development Sub Committee on 25 July 2018 until 16 August. Updates within the period of 17 August – 03 September have, at the time of writing, yet to take place, and have therefore been listed as planned activities.

Recommendation

Members are asked to note the report.

Main Report

The Corporate Affairs update is presented thematically and only focuses on the month's highlights.

Domestic Engagement

On 25 July, the Policy Chairman met with Siobhan McDonagh, Member of Parliament for Mitcham and Morden, where the latter's parliamentary campaign to revise the National Planning Policy Framework in favour of permitting development on 'non-Green' Green belt land within commuting distance of London was discussed.

On 26 July, the Policy Chairman met with representatives of Waltham Forest Council. Discussions covered Waltham Forest's becoming the first Borough of Culture for 2019, the City Corporation's vision and strategy for market consolidation, and the Waltham Forest Council's plans to redevelop Whipps Cross Hospital.

Events

No update

Think Tank Activity

No update

Briefings and Speechwriting

- SPEECH: Launch of the Centre for London Research into Giving with Deputy Mayor of London for Social Integration, Matthew Ryder, on 3 September.

- BRIEFING: Call with Deputy Mayor for Culture and Creative Industries, Justine Simons, on 3 September.

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Committee(s)	Dated:
Public Relations and Economic Development Sub-Committee	3 September 2018
Subject: Parliamentary Team update	**Public**
Report of: Paul Double, City Remembrancer	**For Information**
Report author: Emma Wade, Parliamentary Engagement Officer	

Summary

This report has been prepared to update Members on the main elements of the Parliamentary Team's activity in support of the City of London Corporation's political and parliamentary engagement.

This report spans the period since the last meeting of the Public Relations and Economic Development Sub Committee on 25 July.

The GLA and Parliament are in summer recess until 3 September.

Recommendation

Members are asked to note the report.

Main Report

Legislation

1. Preliminary work on a private Bill regarding the City's markets and a separate measure on air quality in Greater London is being undertaken by the Office. Work is being undertaken, in collaboration with the Economic Development Office, preparatory to the Immigration White Paper which is currently scheduled to be published after the party conference season.

Select Committees

2. Support is being provided to the Markets and Consumer Protection department in relation to Brexit engagement on port health. This includes coordination of letters anticipated to be sent to various Select Committee Chairmen, co-signed by the Policy Chairman and the Chairman of the Port Health and Environmental Services Committee.

3. Submissions are being prepared for a Home Affairs Committee inquiry into 'Modern Slavery', informed by the work of the City Bridge Trust and the responsible

procurement team; a Foreign Affairs Committee inquiry on ‘Global Britain and India’, in liaison with the Asia team and Global Exports and Investment team in EDO; and a Lords EU Energy and Environment Sub-Committee inquiry into ‘Food safety risk management post-Brexit’, taking into account the work of the Port Health team.

All-Party Parliamentary Groups

4. Initial discussions are being held with the APPG on Financial Crime and Scamming about a joint event in Parliament with the City Police, focusing on Christmas fraud awareness.

5. Preparations are in hand for the Lord Mayor’s appearance before the India APPG on 16 October.

GLA and the Regions

6. Introductory meetings have been held with two recently-appointed staff in the GLA Conservative Group office: Kate Fairhurst, the Deputy Head of Office, and Nabeel Sheraz, the Group’s Economy researcher. The meetings were used to enable them to form an insight into the work of the City Corporation and of the officers supporting the Conservative Group respectively.

7. Caroline Russell, the Chair of the GLA Environment Committee, was sent a briefing note on the City Corporation’s new charges for on-street parking, designed to incentivise motorists to make more environmentally-friendly choices and improve air quality.

8. The recent City Corporation-supported report on *London Links: The Geography of Financial Services in the Capital and Beyond* was shared with Nathan Davies, the GLA financial services policy lead, Susan Hall, the chair of the GLA Economy Committee, and with the clerk of the Scottish Parliament’s Economy, Jobs and Fair Work Committee.

Emma Wade
Parliamentary Engagement Officer, Office of the City Remembrancer

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Committee(s)	Dated:
Public Relations and Economic Development Sub-Committee	3 September 2018
Subject: Cross-Corporation International Investment Strategies	**Public**
Report of: Damian Nussbaum, Director of Economic Development Office	**For Decision**
Report author: Lisa Dimon, Economic Development Office	

Summary

As part of the City of London Corporation's enhanced approach to international engagement, the City has increased its ambitions for international engagement with key markets and developed new cross-Corporation strategies for both Switzerland and the USA. Following Brexit, relationships with both countries will become even more important to UK Financial and Professional Services (FPS). The development of new joined-up strategies will provide an opportunity for the City Corporation to play a leading role in developing future trading relationships with both markets.

Recommendation

Members are asked to:

- Recommend to the Policy and Resources Committee to approve the new City Corporation engagement strategies for Switzerland and the USA.

Main Report

Background

1. Over the last 12 months, the City Corporation has seen an increase in engagement and activity with key international markets including Switzerland and the USA.

2. The City Corporation will have visited Switzerland four times between October 2017 and October 2018; including the Lord Mayor's attendance at Davos, the Policy Chairman's visit in June 2018 and the Special Representative for the EU Jeremy Browne supporting the 3rd UK FinTech Mission to Switzerland. The City Corporation has also hosted Swiss State Secretary Gasser twice as well as hosting events for the British Swiss Chamber of Commerce and UBS. Future events planned include hosting a roundtable for Swiss Chief Negotiator Balzoretti.

3. An increase in US engagement has also seen 3 visits to the USA in the last 12 months; the Policy Chairman has led two policy-focused delegations to Washington and New York and the Lord Mayor lead an inaugural trade focussed delegation to Boston and Chicago in June 2018. Future visits are also planned by the Policy Chairman in November and the Lord Mayor in December. Other key

activity has involved the City Corporation hosting the US Treasury for a business focused roundtable and a recent trade focussed dinner with US Ambassador Johnson.

Opportunity

4. With the UK facing reduced access to EU markets, relationships with countries such as Switzerland and the USA become even more important. The US will be the UK's single largest post-Brexit trading partner and the US accounted for 1 in 3 of all UK financial services FDI in 2016. In Switzerland, there is a strong appetite for closer cooperation with London and as a major financial centre in Europe but outside the EU, there is much to learn from Switzerland in the Brexit context.

5. Deepening the trading relationship between the UK and Switzerland and the US is a priority and the City Corporation is in a unique position to act as a primary interlocutor and to help shape and inform future trading relationships.

Objectives

6. To further enhance and develop this international engagement, new cross-Corporation strategies have been developed to bring together the work of multiple teams, including Global Exports and Investment, Regulatory Affairs and Mansion House, and ensure all opportunities for the development and implementation of future trade and investment relationships are maximised.

7. The new strategies allow the City Corporation to put together a comprehensive commercial and regulatory offer to develop future trade and investment opportunities. This offer includes; working with government partners to help shape future trade policy, convening key stakeholders to gather intelligence and share policy updates, supporting existing investors through strong relationship management and identifying future trade and investment opportunities. The implementation of these strategies will also see a transition from ad hoc visits to the markets to a rolling programme of strategic engagement which will include an increase in visits by both the Chairman of Policy and Resources and Lord Mayor.

8. The new strategies revolve around key objectives to shape the bilateral relationships, drive export and investment opportunities and seek alliances in multinational arenas.

9. The strategies will be delivered using existing assets and tools across teams such as market visits, intelligence sharing and relationship management, and ensuring a more joined up and collaborative approach across the City Corporation. The delivery of the new strategies will also draw upon the City Corporation's existing strong network of partners such as TCUK, Department for International Trade, HMT, the US Embassy, regulators and trade associations.

Conclusion

10. An increase in both City Corporation ambition and global opportunity have lead to the development of these new cross-Corporation strategies with key markets.

Successful delivery of these strategies will position the City Corporation as a key player in future trade policy negotiation, a champion for the UK FPS sector and a facilitator of increased trade and investment.

11. The City Corporation will also look to develop cross-Corporation strategies for other key markets such as Australia and other Asian markets which we will present to your committee in the coming months.

Appendices

- Appendix 1 – Switzerland Engagement Strategy
- Appendix 2 – USA Engagement Strategy

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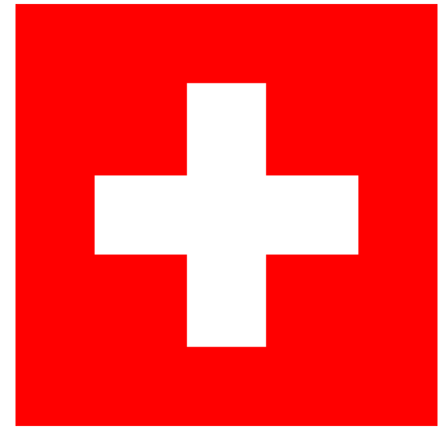


UK/Swiss Bilateral FPS Strategy

The Swiss see the UK leaving the EU as an opportunity to gain a powerful partner within Europe but outside the EU. This presents opportunities for the City to drive bilateral trade links and create partnerships to engage with the EU and in international fora, through focusing on improved industry-industry dialogue, further trade promotion, and addressing regulatory overlaps, with the potential to address these through the Government's new Global Financial Partnerships initiative.

Headline Objective: **Shape, maximise and exploit opportunities for increased trade and investment and joint global influence with Switzerland in support of the UK FPS sector.**

Current FPS trading relationship

Total value to UK: £1.9bn exports, £37.1bn stock of Swiss investment in UK FS firms

Areas of strength: established relationship, complementarity of financial centres

Potential FPS trading relationship

Potential value to UK: £17bn Swiss FS imports, £132bn stock of Swiss investment in global firms

Areas that should be developed: Innovation, regulatory cooperation, shared engagement agenda with EU, mutual recognition of funds, private banking/wealth management

Drivers of Change, UK

- Reduced EU market access
- Independent trade policy
- Global financial partnerships
- Innovation

Drivers of Change, Switzerland

- Seeking deeper post-Brexit r'ship
- Seeking partner in EU dialogues
- Demand for talent
- Innovation

Required facilitating activity

Not being addressed:
- Industry dialogue re. global reg
- Shared industry view on EU engagement

Being addressed to some degree:
- Understand Swiss experience as 3rd country
- FPS trade promotion
- Regulatory overlap
- Understand Swiss industry asks.

Being adequately addressed:
- Inter-govt dialogue
- X-sector industry dialogue
- Sub-sector dialogues

CoLC Strategic Objectives

- Work with UK-based partners to proactively shape future UK-US trading relationship
- Actively develop trade and investment opportunities for stakeholders
- Drive shared agenda on EU & global engagement.

EDO will deliver against these objectives using a wide range of tools across the regulatory affairs and exports & investment space, aiming to deliver wide-ranging cooperative strategies with the Swiss across the piece.

Headline Objective: Shape, maximise and exploit opportunities for increased trade and investment and joint global influence with Switzerland on behalf of the UK FRPS sector.

Objectives

Work with UK-based partners to proactively shape future UK-US trading relationship by strategic engagement in the US, providing policy intelligence, convening stakeholders and helping shape the trade policy agenda.

Actively develop trade and investment opportunities for stakeholders, through understanding UK and US industry priorities and seizing emerging opportunities.

Drive shared agenda on EU & global engagement.

Tools

Regulatory Affairs

- ✓ Outbound Policy & Regulatory Visits: CPR visits Berne and Geneva.
- ✓ Inbound UK Visits: Host relevant senior delegations.
- ✓ Sector Working Groups: Swiss MAG. : IA & SFAMA Investment Roundtable
- ✓ Standalone roundtables: On specific policy developments.
- ✓ Influencing trade policy: Coordinating industry responses to consultations. Global Financial Centres /GFPs.
- ✓ Thought leadership: IRSG. Swiss MAG. Policy briefings:
  - Bilateral regulatory cooperation/MRR
  - Multilateral regulatory approaches

Exports and Investment

- ✓ Outbound Trade Promotion Visits: LM visit to Switzerland
- ✓ Inbound Trade Visits: Host inbound trade delegations.
- ✓ Standalone roundtables: IA & SFAMA Investment Roundtable

Research Team

- ✓ Monitor and update – the Swiss presence in the City report.

Combined

- ❖ Cross EDO/MH engagement plan.
- ❖ Strengthen the City/UK bilateral & multilateral relationship with Switzerland.
- ❖ Strategic partnership working with Post and the Swiss Embassy in London to delivery better industry outcomes.
- ❖ Ensuring joined-up messaging.
- ❖ Focusing on complementary rather than competing activity with the Swiss.
- ❖ Combined communications strategy.

Outputs

Investment and Exports
Export promotion strategy
Inward investment strategy

Trade policy
Shape future UK/Swiss bilateral relationship.
Regulatory cooperation and coordination.
Shared global agenda.

International
Working with the Swiss to pursue common global policy and regulatory aims.

Outcome

Improved UK-Swiss FPS trading, investment & regulatory relationship

The City of London Corporation has the capacity to deliver key elements of this agenda, complementing the work of others.

Swiss Government activity:
- Switzerland and the UK have a strong trading history.
- Willingness for a future UK/Swiss relationship.
- Ongoing Swiss negotiation with EU

Swiss Influence on the World Stage
- Swiss experience in working to influence international organisations.
- Partner of choice in future global FS regulation.

UK & Swiss Governments

HMG activity:
- Confidence in the City post Brexit
- HMT led UK-Switzerland Financial Dialogue.

HMG gaps:
- Understanding the Swiss model for trade with the EU through bilateral agreements.
- Consistent & aligned policy & and regulatory thinking on MRR.

International Organisations

DOMINE DIRIGE NOS

Trade Associations

Business activity:
- Portfolio of account management relationships.
- Business retention – asset management; insurance.
- Map landscape of 3rd country banks in Switzerland with potential to invest in the UK.
- Promote UK products and services to Swiss clients.

Business

Trade Association activity:
- Decide what Swiss market opening the UK wants to achieve.
- Shared approaches to key Brexit risks: delegation; contract continuity and data flows.
- Broader sectoral analysis.
- Align messaging and promote industry asks on market access and regulatory dialogue.

COL offer distinct from government:
- COL is not a government.
- COL is politically neutral.
- COL is strongly linked with relevant HMG Swiss-facing departments (DIT and HMT).
- COL already contributes to HMG strategy-development and mechanisms.
- COL is a trusted partner.

COL offer distinct from trade associations:
- COL is not a trade association.
- COL has freedom to focus.
- COL is independent of fee paying membership.
- COL can be nimble.

COL offer distinct from business:
- COL is not a business.
- COL can take a uniquely broad scope and can present holistic arguments.
- COL does not pick winners.

Conclusion:

The City of London is well-placed to be a key partner in securing a post-Brexit trading relationship with the 20th largest economy in the world, with the seventh largest GDP per capita, which maximises mutual market access in FRPS.

The opportunity:

- The UK and Switzerland work together on the future framework for global trade and international regulatory cooperation.
- Both countries recognise the importance of the financial sector and are seeking open and free global financial markets.
- COL should shape, draw from, align and communicate trade, policy and regulatory insights with key City and Swiss stakeholders.
- Ensure the retention and expansion of Swiss investment in the UK (wealth management, FinTech, banking, insurance)
- Promote exports in key sectors - cyber, fintech, insurtech, regtech, green and development finance
- Partner with the Swiss to enhance global standards and to ensure the global regulatory architecture is ‘fit for purpose’.
- Maximise the opportunities offered by the City’s convening power to further develop existing and new business relationships with Swiss financial institutions.

The Corporation's Swiss programme will be integrated with numerous elements of the wider work of EDO, creating a mutually-reinforcing framework

Why the City? Why the EDO?

COL Corporate Plan objectives:

- Influence UK and global policy and regulation and international agreements to protect and grow the UK economy.
- Attract and retain investment and promote exports across multiple global markets.
- Strengthen international relationships to secure new opportunities for business, collaboration and innovation.
- Preserve and promote the City as a world-leading global centre for financial and professional services and commerce.
- Promote London for its competitive strengths.
- Promote the UK as open to business and enterprise.

Specific objectives:

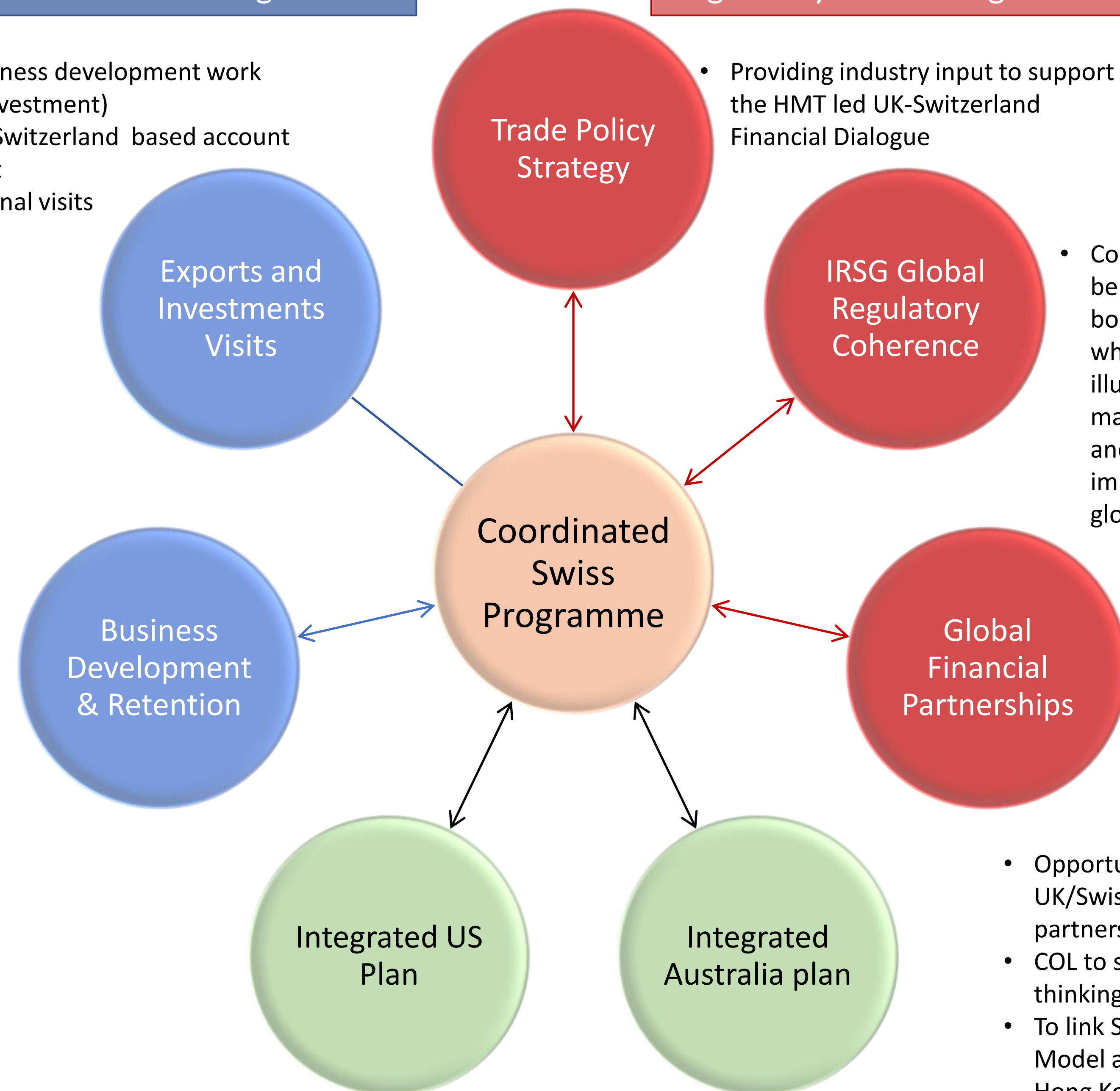
- Develop and strengthen access to London's most important markets.
- Ensure high regulatory standards and promote global regulatory coherence.
- Identify and address the key challenges London faces to remain a globally competitive city.
- Establish London as a market leader in innovation and use of technology.
- Ensure that London has the environment to attract investment and Green finance.
- Support and enable the movement of new FPS business into London.
- Identify and increase exports to priority markets.

Exports & Investment Programmes

- Ongoing business development work (exports & investment)
- London and Switzerland based account management
- LM promotional visits

Regulatory Affairs Programmes

- Providing industry input to support the HMT led UK-Switzerland Financial Dialogue



- Communicate the benefits of ross-border trade and where appropriate, illustrate the costs of market fragmentation and inconsistencies in implementation of global standards.

- Opportunity to develop UK/Swiss regulatory partnership.
- COL to shape HMG policy thinking.
- To link Swiss Financial Centre Model and wider engagement; Hong Kong; Singapore; NY

Coordinated Programmes

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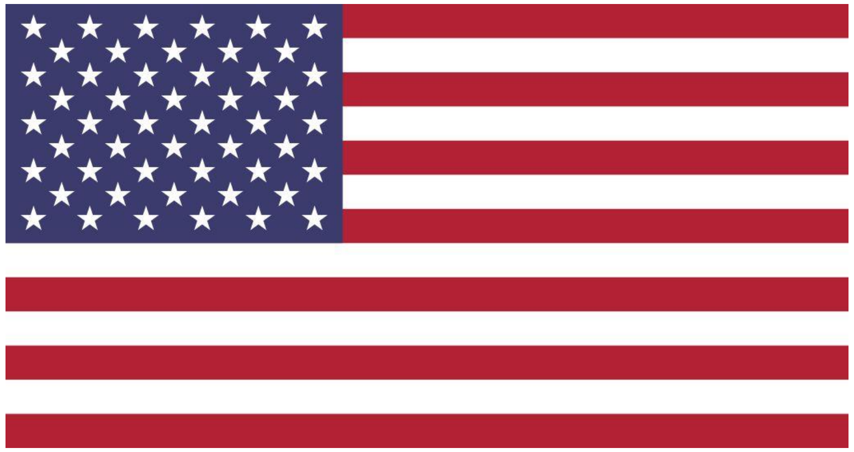


UK/US Bilateral FPS Strategy

The US is currently the UK's largest single-country trading partner and largest contributor of FDI. Securing a trade agreement with the US, that includes FPS, is a priority of HMG and this ambition is matched by political will in the US. This presents an opportunity for the City Corporation to help define this new trading relationship to support FPS based on regulatory cooperation, further trade promotion and strengthening existing government and business dialogue and engagement. While this approach could be taken forward via an FTA or a separate regulatory agreement, the work we propose will be relevant to whatever route HMG decides to pursue.

Headline Objective: Shape, maximise and exploit opportunities for increased trade and investment with USA in support of the UK FPS sector

Current FPS trading relationship

Total value to UK: £16bn exports, £183bn stock of US investment in UK FS firms

Areas of strength: established relationship, willingness to agree trade relationship, strong trading relationship

Potential FPS trading relationship

Potential value to UK: £74bn US FS imports, £2,802bn stock of US investment in global firms

Areas that should be developed: Innovation, global regulatory co-operation, international organisation engagement

Drivers of Change, UK

- Reduced EU market access
- New trade policy approach
- Innovation
- Global Financial Partnerships

Drivers of Change, USA

- Trump administration
- Changing global relationships
- Approach to global trade organisations
- Etc.

Required facilitating activity

- Industry engagement
- Business intelligence
- Understand US asks
- FPS trade promotion
- Regulatory cooperation
- Investor engagement
- Trade assoc. engagement
- Gov. dialogue

Not being addressed

Being addressed to some degree

Being adequately addressed

CoLC Strategic Objectives

- Work with UK-based partners to proactively shape future UK-US trading relationship
- Actively develop trade and investment opportunities for stakeholders

EDO will deliver against these objectives using a wide range of tools across the regulatory affairs and exports & investment space, aiming to deliver wide-ranging cooperative strategies with the US across the piece.

Headline Objective: Shape, maximise and exploit opportunities for increased trade and investment with USA on behalf of the UK FPS sector

Objectives

- Work with UK-based partners to proactively shape future UK-US trading relationship by strategic engagement in the US, providing policy intelligence, convening stakeholders and helping shape the trade policy agenda.
- Actively develop trade and investment opportunities for stakeholders, through understanding UK and US industry priorities and seizing emerging opportunities.

Tools

Regulatory Affairs

- Outbound US Visits:
  More regular visits to DC and NY.
- Inbound UK Visits:
  Host relevant senior delegations.
- Sector Working Group (lead):
  - Co-chair joint WG with TCUK.
  - Standing COL group.
- Sector Working Group (contributor):
  US MAG.
- Standalone roundtables:
  On specific policy developments.
- Global Financial Centres /GFPs:
  Twinning exercise with NY.
- Thought leadership:
  - Policy briefing digest.
  - Standalone articles.
  - Responses to consultation.
  - Statements of intent/position.

Exports and Investment

- Outbound Trade Visits:
  Regular trade focussed visits to wider US.
- Inbound Trade Visits:
  Host inbound trade delegations.
- Relationship management:
  Account management of key US FRPS investors
- Roundtables / events:
  Invite key stakeholders to join policy and trade focussed events
- Sector Working Group (contributor)

Combined

- Cross EDO/MH strategy / engagement plan
- Combined Communications Strategy:
  - US-facing newsletter.
  - Social media.
- Collateral:
  - US-facing newsletter.

Outputs

Direct trade promotion

- Export promotion strategy
- Inward investment strategy

Trade policy

- Shape UK industry policy priorities
- Shape UK and US Government policy priorities

Communications

- Concerted campaign to underline City of London role, alongside key partners

Outcome

Improved UK-US FPS trading, investment & regulatory relationship

The City of London Corporation has the capacity to deliver key elements of this agenda, complementing the work of partner organisations.

US Government activity:
- Treasury & USTR drive separate FS negotiation.

US Government gaps:
- Access to UK intelligence both business & political.

HMG activity:
- Owns mechanisms for influencing trade talks.
- Select committee high-level analysis.

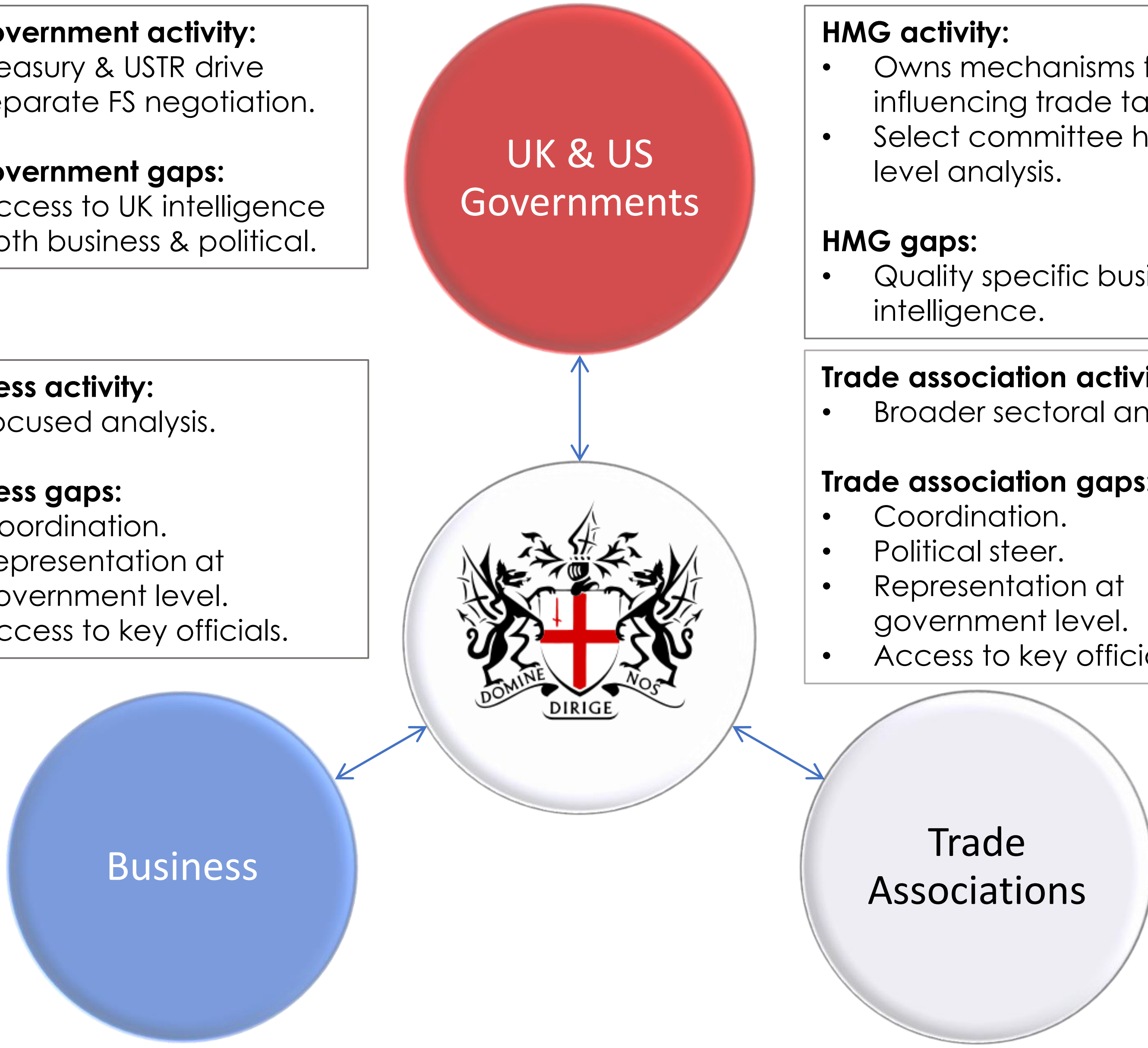
HMG gaps:
- Quality specific business intelligence.

Business activity:
- Focused analysis.

Business gaps:
- Coordination.
- Representation at government level.
- Access to key officials.

Trade association activity:
- Broader sectoral analysis.

Trade association gaps:
- Coordination.
- Political steer.
- Representation at government level.
- Access to key officials.



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- COL can be nimble.

COL offer distinct from business:
- COL is not a business.
- COL can take a uniquely broad scope and can present holistic arguments.
- COL does not pick winners.

The opportunity:
- COL occupies a unique space. COL should operate as a key link between these three stakeholder groups by assuming both coordinating and strategic roles.
- COL should shape, draw from, align and communicate work programmes across each grouping.
- COL's advantages include: in-house expertise in policy and research; access to IRSG intelligence; depth of contacts in UK and US; convening power; soft power.

Conclusion:
The City of London is well-placed to play a key role in securing a post-Brexit trading relationship with the UK's largest single future trading partner which maximises mutual market access in FPS.

The Corporation's US programme will be integrated with numerous elements of the wider work of EDO, creating a mutually-reinforcing framework

Why the City? Why the EDO?

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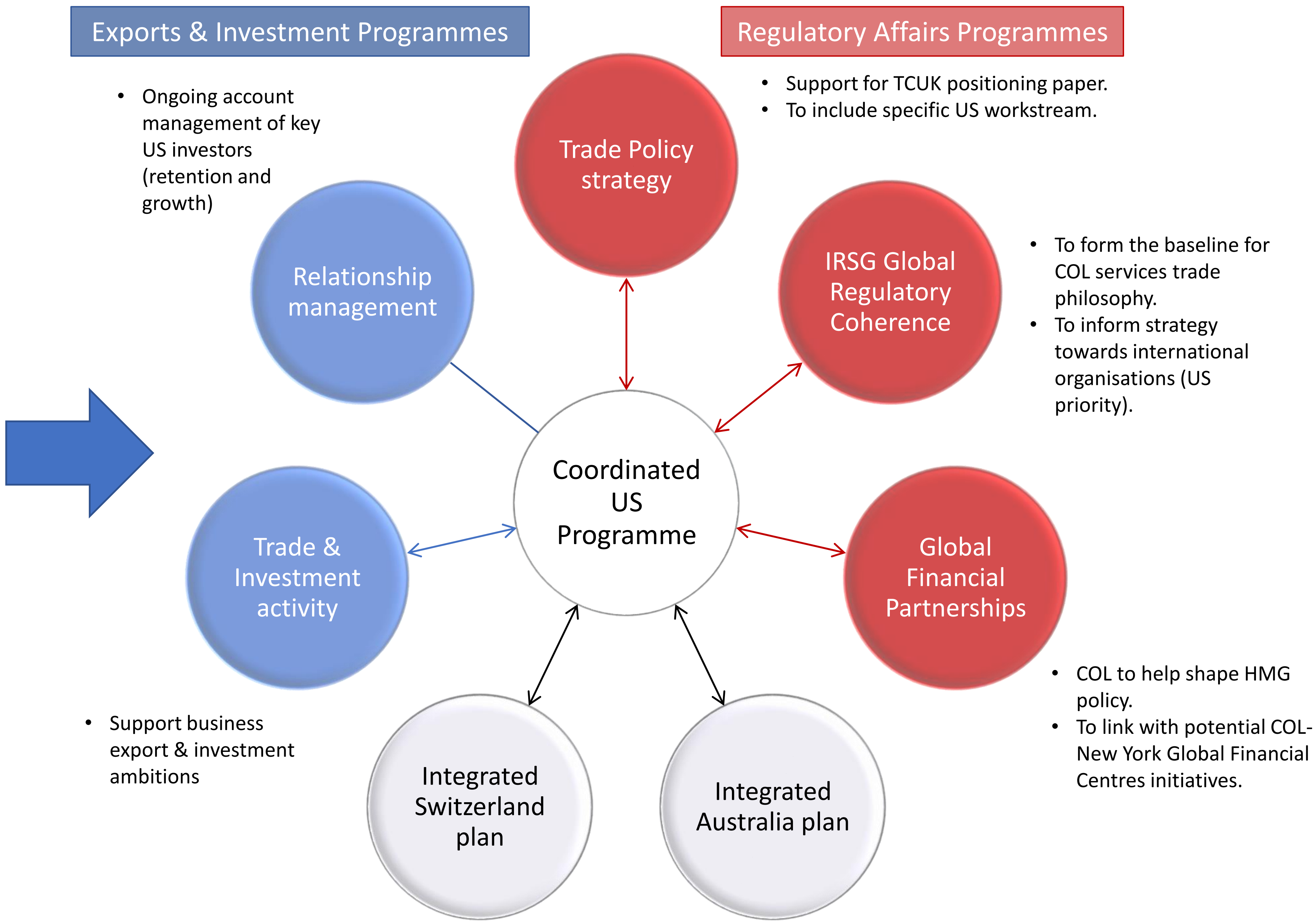

Coordinated Programmes

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Committee(s)	Dated:
Public Relations and Economic Development Sub-Committee Policy & Resources Committee	3 September 2018 6 September 2018
Subject: City Corporation Export & Investment Visits	**Public**
Report of: Director of Economic Development	**For Information**
Report author: Ben Shaps	

Summary

This is a background paper setting out plans for Member participation in a forthcoming export and investment visit:

- Alderman Alison Gowman to visit Peru in September

This visit forms part of the Corporation's new strategic ambitions for overseas visits and our intention to adopt a more joined-up approach and alignment with wider UK activity and plans for overseas visits.

Members are being informed of these visits as agreed at the September 2017 meeting of the Policy & Resources Committee.

Recommendation

Members are asked to:

- Note Alderman Alison Gowman visiting Peru as a member of the UK-Peru Infrastructure Taskforce in late September.

Main Report

Peru

1. The Lord Mayor visited Lima in Peru in April 2018, as part of a wider regional export and investment visit that included Chile and Brazil. One of the key focuses for the visit was the strength of the UK's offer on infrastructure: as a source of capital, especially the growing role of Green Finance, as well as project management, legal services and other advisory services.

2. One of the key follow up actions from the visit has been the City Corporation's support of a new Peru-UK Infrastructure Task Force, launched by HM Government and co-chaired my Mark Menzies, MP. The overarching aim of the Task Force is to share the UK's best practice to support Peru deliver a programme of vital infrastructure (approx. £120 billion) projects by 2025.

Alderman Alison Gowman has been asked by Alderman Sir David Wootton to represent the City Corporation on the Task Force, given her knowledge of Green Finance and legal services.

3. The inaugural meeting will take place in Lima the week commencing the 24th September 2018. It is anticipated there will be two face-to-face meetings of the Task Force each year, one in Peru and one in Lima. Alderman Gowman's travel costs will be met by the EDO budget.

Ben Shaps, Account Manager, Global Exports and Investment
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Committee(s) Public Relations and Economic Development (PRED) Sub Committee – For information Policy and Resources Committee – For decision	**Dated:** 3 September 2018 6 September 2018
Subject: The City of London Corporation's Social Mobility Strategy for 2018-28.	**Public**
Report of: David Farnsworth – Chief Grants Officer and Director, City Bridge Trust	**For information**
Report Author: Sufina Ahmad – Corporate Strategy Manager	

Summary

This paper presents the proposed final version of the City of London Corporation's (City Corporation) Social Mobility Strategy for 2018-28 at Appendix One, and a summary of proposed next steps relating to implementation. The strategy's vision is: '*People enjoy a society where individuals from all socio-economic backgrounds can flourish and reach their full potential'.* The strategy's aim is '*to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions'.*

The strategy aligns to the City Corporation's Corporate Plan for 2018-23 and is informed by the learning and achievements from the City Corporation's existing social mobility work. A cross-departmental Social Mobility Task and Finish Group (TFG), chaired by David Farnsworth, the Chief Grants Officer and Director for City Bridge Trust (CBT), which also includes an external representative from the Social Mobility Commission, has led on its development. A range of external social mobility expert practitioners and policy makers have also contributed to its development.

The strategy aims to take an ambitious and holistic approach to improving outcomes and opportunities across the life-cycle by working with our resident and worker population, businesses in the City, the charities we support through our charitable giving, our learners across our family of schools and cultural institutions and others we work with regularly including government and policy makers. The strategy is being taken to Public Relations and Economic Development (PRED) Sub Committee for information and to Policy and Resources (P&R) Committee for decision.

Recommendations

Members are asked to:

i. Endorse the Social Mobility Strategy for onward approval by the Policy and Resources Committee.
ii. Note the proposed next steps for its delivery.

Main Report

Background

1. In April 2018 a cross-departmental Social Mobility TFG was established, which includes representatives from the Department for Community and Children's Services (DCCS), CBT, the Economic Development Office (EDO), Human Resources (HR), the Town Clerk and Chief Executive's Office and an external representative from the Social Mobility Commission. The TFG is chaired by David Farnsworth, the Chief Grants Officer and Director for CBT. The TFG agreed to act as an advisory board with shared oversight and responsibility for:

   - *The design of an ambitious and robust Social Mobility Strategy, and*
   - *The successful adoption of the strategy.*

   The TFG meets on a monthly basis and it has overseen and supported a series of one-to-one conversations with various social mobility practitioners and policy makers from the public, private, charitable and community sectors. Those engaged are all listed under 'Acknowledgements' in Appendix One.

2. Furthermore, the Chairman of Policy and Resources and the Chairman of CBT have both received brief verbal updates on the progress of this work during face-to-face meetings with David Farnsworth.

The Strategy

3. For the purpose of this strategy, the proposed definition of social mobility is: *The ability and opportunity for individuals, families or groups to progress within a society to reach their full potential – in terms of income, education, employment, perceived social status, housing and place/postcode.*

4. The strategy, in terms of its vision, aims, outcomes, activities and success measures are summarised on the second page of Appendix One. The vision and aim intend to articulate a high level of ambition, to improve opportunities and outcomes across the lifecycle intra and inter generationally and to reduce, and ultimately remove, the barriers to equality that exist, whilst capturing clearly the breadth of the City Corporation's reach in terms of geography and stakeholders. Consequently, it is proposed that the strategy covers a 10-year period, whilst recognising that the City Corporation's commitment to social mobility is likely to extend beyond this time period.

5. The strategy considers the ways in which potential today can be converted to success tomorrow, with key enablers being identified for each outcome that will not only create a level playing field, but make it more equal too, thus ensuring everyone can participate and compete. The interventions designed for this strategy will focus predominantly on the outcomes, activities and enablers that have been articulated. The strategy includes sufficient detail and structure with which to design activities and interventions, as well as the flexibility required to ensure that internally and externally gained learning can be incorporated as delivery progresses.

6. There is a great deal of existing expertise and success for the City Corporation to build on when delivering this strategy, with the main focus areas of activity relating to education, skills, housing, homelessness, health and wellbeing, culture, philanthropy and employability. It will also be reflected in the work of CBT's charitable funding strategy, Bridging Divides. Information about the more specific roles departments and groupings of departments will play is included on the final page of the strategy at Appendix One.

7. Members are asked to review, discuss and endorse the Social Mobility Strategy today. If there are any changes required following today's discussions, then these will be incorporated into the final 'designed' version of the strategy, which will include infographics and pictures, before it is shared internally and externally.

Corporate and Strategic Implications

8. The strategy supports the City Corporation's Corporate Plan for 2018-23, in terms of its vision for a *'vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK'* and our strategic aims to *contribute to a flourishing society* and *support a thriving economy.* It specifically relates to the following outcomes in the Plan:
    - **Outcome 3:** People have equal opportunities to enrich their lives and reach their full potential.
    - **Outcome 5:** Businesses are trusted and socially and environmentally responsible.
    - **Outcome 8:** We have access to the skills and talent we need.

9. This strategy also links to the City Corporation's strategies on: Responsible Business, Housing, Education, Employability, Health and Wellbeing, Bridging Divides, Equality, Diversity and Inclusion, Skills, Philanthropy, Volunteering, Culture, Culture and Creative Learning, Culture Mile and Culture Mile Learning.

Resource Implications

10. This strategy has been developed using existing officer resources. If this strategy is approved in September 2018, it is proposed that existing resource will be used for a six-month period to develop a full implementation plan, which includes detailed action plans that state performance measures and articulation and agreement of ongoing resource requirements, including that which is over and above existing resources. It is likely that permanent additional resource will be required from 2019 onwards, to support with project and performance management. As far as it is possible to do so, all other work will be delivered through existing departmental budgets and resources.

11. David Farnsworth will lead on the strategy's implementation, with dedicated support from the Corporate Strategy and Performance Team in Town Clerk's until March 2019, and a cross-departmental group of colleagues within the City Corporation involved in social mobility. This implementation group will likely include representation from CBT, the City Corporation's cultural institutions,

including Culture Mile, DCCS, EDO, Human Resources and the Responsible Business Implementation Group.

12. By having the social mobility strategy signed off before beginning work on implementation plans, it means that all existing and new activities will align to it, including the City Corporation's internal and external messaging on social mobility. For example, this strategy makes no reference to terminology such as 'brightest and best', due to its emphasis on individuals needing to change, and not the systems they are part of – however, this phrase is currently oft-used in social mobility discourse externally and internally.

13. Appendix Two provides a summary of the City Corporation's existing social mobility activities, and their relation to this strategy – for your information.

Conclusion

14. Members are asked to approve the proposed final version of the Social Mobility Strategy at Appendix One, which seeks to take a 10-year view on the City Corporation's unique and diverse role in supporting people to *'enjoy a society where individuals from all socio-economic backgrounds can flourish and reach their full potential',* with an overarching aim '*to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by ensuring that benefits of social mobility are maximised within businesses, organisations, central and local government and educational and cultural institutions'.* This strategy seeks to encourage collaboration internally and externally, which harnesses the City Corporation's values and unique assets in pursuit of individuals, families and groups progressing within a society to reach their full potential.

Appendices

Appendix One – Proposed Final Version of Social Mobility Strategy, 2018-28.
Appendix Two – A summary of social mobility related activities.

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Corporate Strategy Manager

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E: sufina.ahmad@cityoflondon.gov.uk

Appendix One - Social Mobility Strategy – Proposed Final Version
Strategy Author: Sufina Ahmad, Corporate Strategy Manager

Social Mobility Strategy, 2018-28
Potential today, success tomorrow

Foreword by the Chairman of Policy and Resources and the Town Clerk

The City of London Corporation is dedicated to a vibrant and thriving City, supporting a diverse and sustainable London, within a globally-successful UK. Achieving greater social mobility is a central part of this, and something we wish to see championed at every level of the City Corporation.

Through this 10-year strategy, we will promote and implement activities that facilitate better social mobility with our resident and worker populations, businesses in the City, the charities and good causes we support through our charitable funding, learners across our family of schools and through the other stakeholder groups we work with regularly including government and policy makers.

This strategy represents an opportunity to effect real and lasting change and requires a sustained commitment from us all to act to ensure that where a person starts in life does not act as a barrier to success and progression in the future.

We look forward to you joining us as we seek to lead by example and meet our ambition of ensuring that potential today, succeeds tomorrow.

Deputy Catherine McGuinness Chairman of Policy and Resources Committee	**John Barradell** Town Clerk and Chief Executive

September 2018

Social Mobility Strategy, 2018 – 28: *Potential today, success tomorrow*

Executive Summary

Our definition of social mobility
The ability and opportunity for individuals, families or groups to progress within a society to reach their full potential – in terms of income, education, employment, perceived social status, housing and place/postcode.

Why us
The City of London Corporation is committed to championing social mobility throughout our work internally and with our unique combination of stakeholders spanning the private, public, charitable and community sectors across the Square Mile, the City, London, the UK and beyond. Social mobility is a key organisational priority outlined in our Corporate Plan (CP) for 2018-23, which will help to deliver our aims to contribute to a flourishing society and support a thriving economy.

Who we will work with
Our resident and worker population, businesses in the City, the charities and good causes we support through our charitable giving, our learners across our family of schools and cultural institutions, government and policy makers.

Our Vision

People enjoy a society where individuals from all socio-economic backgrounds can flourish and reach their full potential.

Our Aim

To bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.

Our Outcomes

Everyone can develop the skills and talent they need to thrive. *Links to CP Outcome 3*	Opportunity is accessed more evenly and equally across society. *Links to CP Outcome 3*	Businesses and organisations are representative and trusted. *Links to CP Outcome 8*	We role model and enable social mobility in the way we operate as an organisation and employer. *Links to CP Outcome 5*

Our Activities

• Prepare our learners for the jobs of the future. • Raise educational and employment aspiration and attainment.	• Remove barriers, overcome gaps and improve access and participation in order to improve attainment. • Support and deliver social action, social integration, networking and understand the impact of conscious and unconscious biases.	• Promote and encourage the need for and benefits of social mobility across business and government. • Support organisations, government and policy makers to improve their own practices and leadership to facilitate social mobility.	• Identify and address barriers to employment and progression inclusively. • Review our organisational working practices to ensure that these do not act as barriers to social mobility. • Champion equality, diversity and inclusion.

Our Success Measures

Over the next 10 years, we will be a valued advocate and thought leader for social mobility, committing to collaboration, partnership work, innovation and longitudinal evaluation, to ensure equality of opportunity for all and the removal of structural inequalities and barriers within our own organisation and beyond. We won't just work to level the playing field, we will make it fairer too.

Introduction

Purpose of this strategy

This strategy sets out the City of London Corporation's (City Corporation) vision, approach and commitment to social mobility over the next 10 years. It will guide all the work we do internally and externally. Social mobility is already a common and well-supported theme across different parts of our organisation, and this strategy enables us to build on our experience. It also aligns us to other ambitions highlighted in our Corporate Plan for 2018-23, including our commitment to be a responsible business that creates positive impact and reduces negative impact across all our activities and decisions.

The focus of this strategy is the City Corporation's ambition to play a leading role in encouraging social mobility, in a society where people can flourish and reach their full potential – regardless of their socio-economic background. This means that we want to bridge and reduce the social and economic divides that people experience, by supporting businesses, organisations and central and local government to understand and deliver the social and economic benefits of social mobility. This strategy outlines the positive and cumulative impact we hope to have as a valued advocate and thought leader which delivers on improving social monbility.

How this strategy was developed

The development of this strategy has been overseen by key senior officers and elected Members at the City Corporation, alongside a dedicated cross-departmental Social Mobility Task and Finish Group (TFG), which included an external representative from the Social Mobility Commission. There have been significant levels of external engagement with individuals and organisations that are expert in social mobility and, in order to identify key areas of focus, gaps, overlap and best practice in this strategy we also conducted a review of the work that we currently do around social mobility.

What is social mobility

Social mobility is an often-referred to term across central and local government, the private and business sectors, the education sector and parts of the charitable and community sector. It is usually used in conjunction with terms such as *'widening participation', 'levelling the playing field', 'equality of opportunity', 'potential'* and *'access for all'*. The City Corporation defines social mobility as:

> *The ability and opportunity for individuals, families or groups to progress within a society to reach their full potential – in terms of income, education, employment, perceived social status, housing and place/postcode.*

This definition recognises that *income, education, employment, perceived social status housing and place/postcode* are the ways in which social mobility can be measured, with *place* and *postcode* often missing from social mobility definitions.

It also acknowledges that social mobility occurs *inter-generationally* – the changes in social status between different generations within the same family or group – and *intra-generationally* – the changes in social status during a person's lifetime. The phrase *social stratification* is sometimes mentioned when discussing social mobility, and we feel that this is captured by the phrases *'to progress'* and *'perceived social status'.*

Why social mobility matters

The Organisation for Economic Cooperation and Development (OECD) routinely ranks the UK as one of the lowest performing countries for relative income and social mobility. In 2017 and 2018 the Social Mobility Commission and the OECD stated in separate reports that social mobility within the UK is stagnating, due to growing divides in attainment between those who are experiencing disadvantage or marginalisation and those who are not, based on: where individuals are born and grow up, unequal access to and availability of high-quality education, employment, housing, local authority services, and other public sector services, including transport links. Other factors that further contribute to this disadvantage - so called 'double disadvantage' - are income levels, wealth and asset accrual, race, ethnicity, disability and gender. We therefore think that it is important to champion the case for socio-economic diversity, as much as any other diversity-related campaign, such as gender and ethnic diversity.

The Sutton Trust and others argue that improving social mobility can result in an increase in the UK's economic performance, in terms of productivity and gross domestic product (GDP) – mainly because jobs are filled by people who are more likely to perform well and are therefore more productive, rather than by people who are less able, but have the necessary connections or are considered a better fit because of their socio-economic background. Additionally, by supporting people from diverse socio-economic backgrounds in all aspects of life, and not just employment, it is likely to result in a greater diversity and integration of thoughts, ideas and perspectives, which leads to improvements and benefits for all involved.

Why social mobility is important to us

We are uniquely placed to partner with stakeholders that span multiple sectors and geographies and include local and central government, the private sector and the charitable and community sector. As such, we can radically improve social mobility primarily for our resident and worker population, totalling nearly 500,000 people, our 11,228 learners across our family of schools and our learners across the cultural institutions we support. Our stakeholders can also support us to consider and respond to the unequal outcomes inherent barriers, biases and failures, including inequalities, within our systems and structures, that prevent social mobility and equality of opportunity for all. We will also use our leadership and influence to help improve social mobility across London and the UK more widely. In this way we are well placed to work with and support the individual and improve the systems that they are a part of.

Furthermore, as an independent and non-party political organisation, we can make this a long-term organisational priority and commitment for the next 10 years as a minimum. This is especially important as the lasting impacts of our interventions are unlikely to be fully realised immediately.

Our existing social mobility work

When delivering this strategy, we will draw on our existing expertise in social mobility. Examples include: promoting responsible business practices, sponsoring the 2017 and the 2018 Social Mobility Employer Index (SMEI), running a family of schools which includes a Multi-Academy Trust (MAT) and independent schools that now offer more bursaries, distributing circa £20million to hundreds of good causes each year that reduce inequality, improve social mobility and grow more cohesive communities through the City Corporation's charitable funder City Bridge Trust, being London Living Wage accredited and delivery of organisation-wide responsible business and philanthropy strategies, in which social mobility is prioritised.

Our vision

The City Corporation's vision for social mobility is that people enjoy a society where individuals from all socio-economic backgrounds can flourish and reach their full potential.

What we will do

The City Corporation aims to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.

Who we will work with

We will engage with local and national governments, the charitable and community sectors, policy makers and businesses, in order to continually inform, develop and deliver our thinking on social mobility and make lasting change. We are privileged as an organisation to already enjoy such connections across the Square Mile, the City, London, the UK and internationally. By building and convening engaged networks of stakeholders that are as passionate as we are about improving social mobility outcomes for all, with a particular emphasis on our own employees, and our residents, worker population and learners, we believe we can manage and remove the health, housing, income, education, employment, and other quality of life related inequalities and barriers that these groups may experience.

The following cohort labels, and their possible characteristics, offer us a shorthand through which we can target our work and measure its effectiveness:

Group	Possible Characteristics
Our pupils and learners, specifically those with a lower socio-economic status	• Pre-school to 18 years old or adult learners. • Not yet in work (i.e. people in school, education or training). • Considering employment, education and training options, such as apprenticeships, university etc.

	• The first generation in their family to consider higher or further education. • Showing potential to perform optimally in education. • Lacking social and cultural capital, networks or connections. • Experiencing disadvantage or poverty. • Caring responsibilities.
Our residents across the Square Mile and our estates	• All ages. • Lack of free/available time, due to for example caring or parenting responsibilities. • Limited opportunities to enhance their skills due to a lack of resources. • Out of work or not in employment, education or training (i.e. unemployed, retired, carers, medically unable to work etc.) – this may be the preferred choice in some cases. • Unstable or unsuitable housing. • Lack of access to required amenities, e.g. education, transport links etc.
Worker population in the Square Mile, specifically those in the Financial and Professional Services sector but those in lower paid sectors too	• Over 18 years old. • Facing barriers to progression and enhancement of their skills through employment – possibly because they are from diverse backgrounds or possess protected characteristics. • Applying to or are in entry level, managerial or senior roles and are from diverse socio-economic backgrounds. • In work or employment, including in entry level, managerial or senior roles, mainly in the Financial and Professional Services Sector. • Future leaders/innovators.
Organisations, employers, policy makers, specifically those championing social mobility	• Representative of multiple sectors, geographical areas and communities. • Organisations we procure services from. • A range of funding and staffing structures/sizes.
Employees, volunteers, elected Members and their representative groups at the City of London Corporation, specifically those from socio-economically diverse backgrounds	• 18 years or over. • From socio-economically diverse backgrounds. • Lacking further or higher education qualifications. • Did not attend an independent school or a Russell Group university. • Protected characteristics. • Limited opportunities for progression. • Limited opportunities to enhance their skills through employment. • Require flexible working patterns, due to for example caring or parenting responsibilities.

	• In lower paid roles. • Lacking useful networks. • Struggling to integrate.

Our social mobility outcomes, activities and enablers

We will progress equality of opportunity and access throughout our current and future work in employability, education, skills, housing, homelessness, health and wellbeing culture and philanthropy. However, with social mobility stagnating in the UK, this strategy prioritises and invests in four social mobility outcomes, for which we have outlined the associated high-level activities and enablers. These provide the detail and structure with which we will design all activities and interventions relating to this strategy, whilst also providing the necessary flexibility and breadth to allow us to continue to adapt our approaches from 2018 to 2028. They will support us to not only level the playing field, but to make it fairer too, thus ensuring everyone can participate and compete.

Outcome 1: Everyone can develop the skills and talent they need to thrive.

Our activities:

- Prepare learners in our schools/other educational establishments and workplaces for the jobs of the future, supporting them to gain the necessary behaviours, attitudes, competencies and fusion skills through the curriculum and lifelong learning, including meaningful and worthwhile creative and cultural learning activities, careers advice, guidance, training, social action and volunteering.
- Raise educational and employment aspiration and attainment for all.

Enablers for: A level playing field	→ Enablers for: A fairer playing field
Equal access to high quality education	• A varied and innovative curriculum, including extra-curricular activities, preparing pupils for the jobs and workforces of the future. • Investment in, and access to, talented and well-supported teachers and educators. • Access to stable and affordable housing. • Good health and wellbeing for all. • Social action and volunteering. • Social and cultural capital. • School readiness.
Skills development and lifelong learning	• Varied learning and development opportunities, which are accessible to the learner. • Good health and wellbeing. • Employment progression pathways.

Outcome 2: Opportunity is accessed more evenly and equally across society.

Our activities:

- Remove barriers, overcome gaps and improve access and participation in order to improve attainment for our residents, worker population and learners, e.g.

increased routes and fairer access to employment, high-quality housing, culture, lifelong learning, health and wellbeing services.
- Work with others to support and deliver social action, social integration and networking activities, and to understand the impact of conscious and unconscious biases.

Enablers for: A level playing field	→ Enablers for: A fairer playing field
Improving and increasing employability	• Access to stable and affordable housing. • Good health and wellbeing. • Further and higher education and employment progression pathways. • HR recruitment/practices that are exemplary in their inclusiveness. • Removal of biases. • Work with employers. • Better support into quality employment
The development of personal attributes and 'soft' skills, such as networking, communication etc.	• Good health and wellbeing. • Social integration and inclusion of all backgrounds in all facets of life. • Leadership that traverses sectors and generations. • Social and cultural capital. • Meaningful involvement of socio-economically diverse individuals in democratic processes.

Outcome 3: Businesses and organisations are representative and trusted.

Our activities:
- Promote the need for, and benefits of, social mobility across business and government, acting as a thought leader and advocate for social mobility.
- Support and encourage organisations, government and policy makers to improve their own practices and leadership in order to achieve social mobility.
- Support and encourage these organisations to recruit and promote people who are socio-economically diverse and can perform optimally within the roles.

Enablers for: A level playing field	→ Enablers for: A fairer playing field
Improved organisational practices to champion and enable socio-economic diversity.	• Informal and formal staff networks, champions and advocates that function internally and externally. • Collaborative working with internal and external partners to transform internal processes, particularly relating to recruitment, development and progression. • Empowering leadership, including those with lived experience, represented at all levels of the organisation. • Tailored support for socio-economically diverse people who may struggle to succeed.

	• Supportive challenge and removal of structural and systemic barriers and biases. • Meaningful involvement of socio-economically diverse individuals in democratic processes, e.g. in governance and trustee positions. • Commitment to data collection to develop baselines and measures to track progress against.

Outcome 4: We role model and enable social mobility in the way we operate as an organisation and employer

Our activities:

- Take an inclusive and cross-organisational approach to identify and address barriers to employment and progression.
- Review and improve our organisational working practices, at an employee, volunteer and elected Member level, to ensure that these do not act as barriers to social mobility and that they attract and nurture the signs of people's ability to succeed in our workforce.
- Champion equality, diversity and inclusion, particularly in terms of equality of opportunity and provision.

Enablers for: A level playing field	Enablers for: A more equal playing field
As detailed for outcome 3.	• As detailed for outcome 3.

Many of the enablers that we have identified for social mobility, relate to Abraham Maslow's 'hierarchy of needs' – a theory in psychology that he proposed in 1943 – shown below. Maslow's work outlined the developmental steps that all individuals take on their journey towards self-actualisation – the desire to become the most that one can be – which aligns to the principles within the definition of social mobility. In Maslow's hierarchy of needs, there is reference to the safety and psychological needs of individuals, which the City Corporation will address more fully in other strategies that it is delivering, including for example our Housing and Homelessness Strategies and City Bridge Trust's strategy Bridging Divides, which seeks to tackle disadvantage, marginalisation and inequalities.

Links to other strategies

This strategy is a key driver through which the City of London Corporation can fulfil its vision, as outlined in our Corporate Plan for 2018-23, of a *'vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK'*. We aim to do this by *contributing to a flourishing society, supporting a thriving economy and shaping outstanding environments* by strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. Social mobility is reflected in the following two outcomes and associated activities within the Corporate Plan:

- **Outcome 3:** People have equal opportunities to enrich their lives and reach their full potential.
  We will:
  - Promote and champion diversity, inclusion and the removal of institutional barriers and structural inequalities.
  - Provide access to world-class heritage, culture and learning to people of all ages, abilities and backgrounds.
  - Promote effective progression through fulfilling education and employment.
  - Cultivate excellence in academia, sport and creative and performing arts.

- **Outcome 5:** Businesses are trusted and socially and environmentally responsible.
  We will:
  - Model new ways of delivering inclusive and sustainable growth.
  - Support, celebrate and advocate responsible practices and investments.

- **Outcome 8:** We have access to the skills and talent we need.
  We will:
  - Promote the City, London and the UK as attractive and accessible places to live, learn, work and visit.
  - Champion investment in relevant skills and diverse talent pools.

This strategy links to the following strategies that support the Corporate Plan: Responsible Business, Housing, Education, Employability, Health and Wellbeing, Bridging Divides, Equality, Diversity and Inclusion, Skills, Philanthropy, Volunteering, Culture, Culture and Creative Learning, Culture Mile and Culture Mile Learning. Appendix A depicts the ways these strategies connect together.

Implementation and measurement

For the City Corporation to deliver this strategy successfully, we commit to collaborating with existing and new partners at all levels within organisations and the cohorts that we have identified. Internally, various teams and groups of staff will be responsible for embedding this work successfully throughout the organisation. Currently staff are based within the following teams and groups: City Bridge Trust, the cultural organisations that we are connected to and/or fund, including Culture Mile partnership, the Department for Community and Children's Service, the Economic Development Office, Human Resources and the Responsible Business

Implementation Group. Appendix B provides a more detailed overview of what their roles will entail.

We wish to measure the impact of this strategy over the short and long term, by collecting real-time feedback and high-quality data from those we work with, in order to assess fully their experience and perceptions of the quality of the interventions and activities they have been involved in. We will also consider connecting with a proportion of those we support from each of our cohorts on an annual and ongoing basis, in order to track and monitor the progress that they are making in their lives through our work and that of other organisations they are connected to. These individuals would assess the impact of the City Corporation's role in reaching their full potential, and the reasons for this. This would result in a longitudinal and multi-generational overview of the impact of our work, thus enabling us to determine if these interventions have helped to overcome barriers, biases and failures within our systems and structures that prevent social mobility and equality of opportunity for all. The over-arching measures of success for this strategy are:

1. The City of London Corporation is considered a valued advocate and thought leader for social mobility in the Square Mile, the City, London, the UK and beyond.

2. We demonstrate through collaboration, partnership work, innovation and longitudinal evaluation the ways to ensure equality of opportunity for all and the removal of structural inequalities and barriers within our own organisation and beyond.

3. Our employees, as well as the learners, residents and worker population we work with achieve positive social mobility outcomes, by nurturing their skills and talents to increase their access to opportunity within a society that understands the need for and importance of social mobility.

Conclusion

The City Corporation is pleased to make a 10-year commitment to social mobility to fulfil our vision for a society where people from all socio-economic backgrounds can flourish and reach their full potential. This strategy builds on our values, and unique commitments to the Square Mile, the City, London and the UK, across the public, private, charitable and community sectors. It ensures that social mobility is a central theme that underpins all our work, including with businesses and the worker population, through our economic development and competitiveness work, the charitable and community sector organisations we fund and support, through City Bridge Trust and our other civil society connections, our residents and learners we work with through our community and children's services and educational and cultural institutions, and central, regional and local government, policy makers and other organisations working in this area.

By expanding our existing social mobility work and networks, we will enhance our understanding and knowledge of social mobility in the context of the people, outcomes, activities and enablers that we have prioritised. As the strategy progresses, and undergoes annual reviews, we can use our learning to improve and develop existing and new interventions that will bridge and reduce the socio-economic divides that the people we are working with are experiencing or tackling. Ultimately, through this strategy we hope to not only level the playing field, but to make it fairer too, thus ensuring everyone can participate and compete.

Acknowledgements

We are grateful to everyone that has generously and thoughtfully contributed their expertise, ideas and feedback during the development of this strategy – thank you!

We owe a special thanks to our Task and Finish Group, made up of:

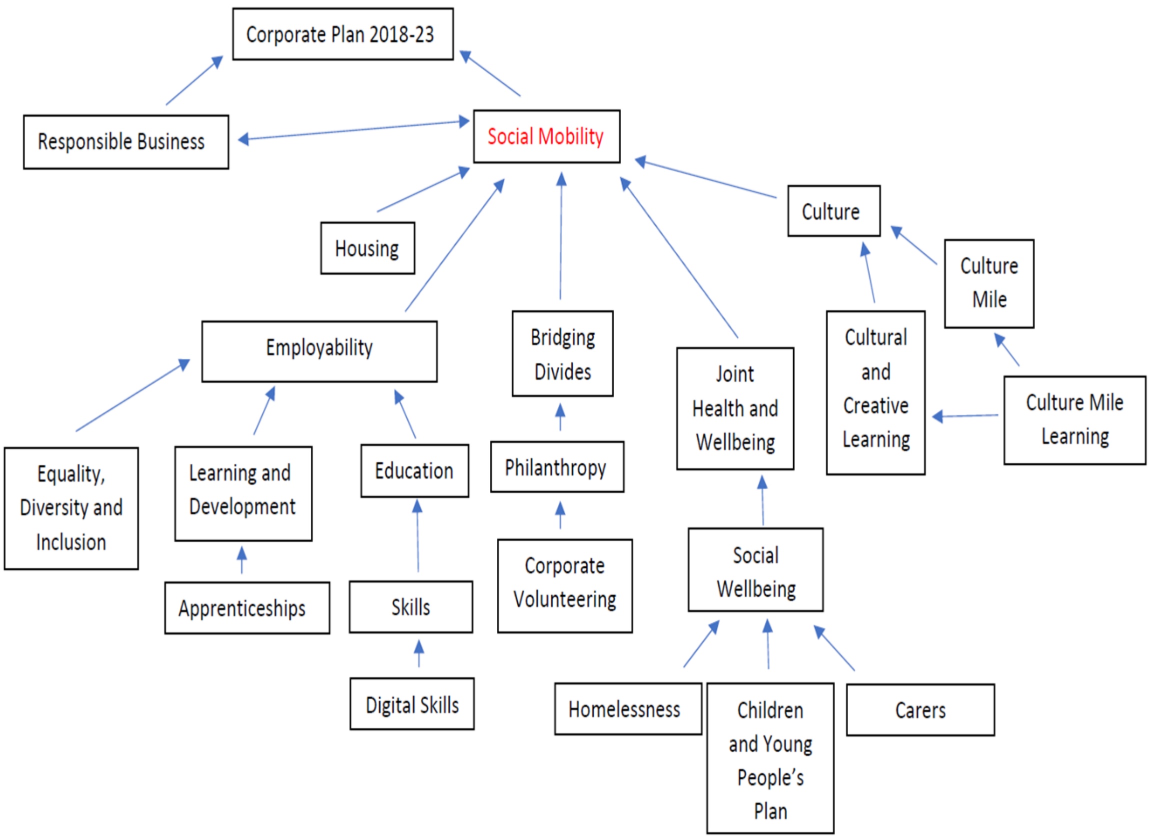
David Farnsworth (Chair)	Chief Grants Officer and Director of City Bridge Trust (CBT)
Sufina Ahmad	Corporate Strategy Manager, Town Clerk's Department
Anne Bamford	Strategic Education and Skills Director, Department for Community and Children's Services (DCCS)
Jenny Field	Deputy Director, CBT
Tracey Jansen	Assistant Director, Human Resources
Simon Latham	Head of the Town Clerk's & Chief Executive's Office, Town Clerk's Department
Rachael Millar	Head of Policy – Work and Skills, Social Mobility Commission
Fiona Rawes	Head of Philanthropy Strategy, CBT
Marcus Roberts	Head of Strategy and Performance, DCCS
Claire Tunley	Head of Employability, Economic Development Office

Our other contributors that have been directly involved in developing this strategy are:

Name	Organisation
Fiona Ellison	#iwill Campaign
Sonia Blandford	Achievement for All
Sue Wisbey	Allen and Overy
Jeanne Barnard	City of London Corporation
John Barradell	City of London Corporation
Andrew Carter	City of London Corporation
Simon Cribbens	City of London Corporation
Zoe Dhami	City of London Corporation
Lydia Dye-Stonebridge	City of London Corporation
Alderman Alison Gowman	City of London Corporation
Alex Green	City of London Corporation
Colette Hawkins	City of London Corporation
Tizzy Keller	City of London Corporation

Deputy Catherine McGuinness	City of London Corporation
Damian Nussbaum	City of London Corporation
Angela Roach	City of London Corporation
Marie Mohan	Common Purpose
Will Herbert	Essex County Council
Sarah Mitchell	Heart of the City
Natalie Tickle	Heart of the City
Colin Falconer	Inspire Chilli
Onyinye Udokporo	Kings College London Student
Felix Hebblethwaite	Linklaters LLP
Matt Sparkes	Linklaters LLP
Spike van der Filet-Frith	London Councils
Mark Winterburn	London Councils
Patrick Diamond	Queen Mary's University London
Louise Ashley	Royal Holloway, University of London
Greg Beales	Shelter
Kirsty Walker	Social Mobility Commission
Dan Paskins	The Big Lottery Fund
Sean Gregory	The Barbican
Jenny Mollica	The Barbican
Nik Miller	The Bridge Group
Jamiesha Majevadia	The Challenge
Richard Bell	The Challenge
David Barclay	The Good Faith Partnership

Appendix A – Strategies associated with social mobility



Appendix B – Roles of different teams and groups of staff

- **<u>City Bridge Trust (CBT)</u>**

  Deliver their funding strategy Bridging Divides, 2018-23 and the Philanthropy Strategy, 2018-23 to reduce inequalities, and improve social mobility.

  Lead on and coordinate the City of London Corporation's charitable activities relating to social mobility, using the learning from City Bridge Trust's existing investments made to charities which have cited positive social mobility outcomes.

- **<u>Cultural Institutions and Partners linked to or funded by the City Corporation, including Culture Mile Partnership</u>**

  Enable social mobility through inclusive cultural and creative learning activities that develop skills for residents, visitors, worker population and learners – including the learners in our schools.

- **<u>Department for Community and Children's Services</u>**

  Champion, promote and deliver activities relating to accessibility, attainment, exposure to the world of work and lifelong learning to our 11,228 pupils across our family of schools, through its Education Team and to our residents through our commissioned local authority services, including our libraries.

  Ensure the health and wellbeing of our residents, worker population and learners through our public health, social care and housing offers, including our commissioned services.

- **<u>Economic Development Office (EDO)</u>**

  Champion social mobility across its local, regional, national and international work with the financial and professional services sectors in pursuit of a competitive and thriving UK economy.

- **<u>Human Resources (HR)</u>**

  Support the recruitment, retention and progression of our employees and volunteers, as set out in the HR Transformation Programme, and related work on learning and development, apprenticeships and access to work initiatives.

  Deliver an organisational assessment and audit role on social mobility, through championing and supporting initiatives such as the Social Mobility Employer Index and the B-Lab Report relating to responsible business.

- **<u>CBT, DCCS and EDO</u>**

  Lead on the delivery of the Digital Skills Strategy for 2018-23, with other internal and external stakeholders, ensuring that people and businesses, across the City, London and beyond, are equipped to take advantage of digital technologies and innovations to help themselves and their economies thrive.

- **<u>DCCS, EDO and HR</u>**

  Lead on the delivery of the Employability Strategy for 2017-20, with other internal and external stakeholders, connecting City opportunities with the talent of Londoners to reinforce City competitiveness and support London communities.

- **<u>Responsible Business Implementation Group</u>**

  Lead on the delivery of our Responsible Business Strategy, including the objective relating to equal opportunities and social mobility specifically.

Appendix Two –
Social Mobility Strategy – Summary of current high-level activities, September 2018

Outcomes and Associated Activities

Social Mobility Strategy Outcome:
Everyone can develop the skills and talent they need to thrive.

Activities:

- *Prepare our learners for the jobs of the future.*

  The Adult Skills and Education Services (ASES) team continues to deliver community-based skills and lifelong learning activities for learners across London – including working with local businesses to close their 'non-apprenticeships' skills gaps.

  ASES continues to deliver both the levy and non-levy apprenticeships and traineeship programmes for businesses, including the delivery of national apprenticeship and trainee contracts, the provision of professional apprenticeship advice and apprenticeship services.

  Library services which continue to offer: free access to hard copy and online materials to support formal and informal education, especially basic skills, skills for life, languages, starting a business and self-improvement; careers advice, including CV builder sessions; one-to-one IT sessions; free access to computer workstations; speaking English with confidence group; literacy for children activities; maths and science clubs for children; advertisement of courses and training opportunities available locally; support from library staff for activities such as job application, understanding Job Centre requirements, support with Universal Credit, visa/right to remain applications etc.; a speakers programme to inspire confidence; and creative, cultural and learning workshops.

  Commissioned information, advice and guidance service offering one-to-one support and information on education, employment and training for 13-19 year olds.

  Targeted work is happening to ensure children in the Square Mile access universal early years services, including high quality and affordable early years education and childcare.

- *Raise educational and employment aspiration and attainment.*

  The City Corporation's family of schools, made up of 10 academies in four different London boroughs and its three independent schools, continue to provide excellent education and learning opportunities to 11,228 pupils.

  Commissioned services are offered to support: the education of all children and young people known to Social Care and Early Help; the employability prospects of residents; and the additional educational needs of look after children and care leavers.

Social Mobility Strategy Outcome:
Opportunity is accessed more evenly and equally across society.

Activities:

- *Remove barriers, overcome gaps and improve access and participation in order to improve attainment.*

  Libraries are a key way in which this is achieved, especially as they are free at the point of access.

  Culture Mile Learning widens access and participation to the City Corporation's cultural offer, including through activities such as the City School Visit Fun, which is a fund for schools and not-for-profit educational organisations in areas experiencing disadvantage in London to cover travel costs.

  Commissioned youth services have been targeted with ensuring inclusion for children and young people with special educational needs and disabilities, young girls and young Bangladeshi women.

  Invitations to community engagement events are distributed to everyone in as accessible a format as possible, with inclusive activities developed at the events. For example, the Aldgate Square Festival was co-designed through extensive outreach across the entire community of Aldgate.

  Commissioned work to support families in greatest need, through targeted evidence based early interventions to ensure they are supported with their parenting, life skills, employability etc.

  Awareness raising activities to increase take-up of support services for children and families across all areas of the City of London Corporation's work.

  Support provided to foster carers to provide ESOL-classes at home with looked after children.

  Distribute charitable funding to charities working in London in pursuit of this outcome, via City Bridge Trust's Bridging Divides funding programme.

- *Support and deliver social action, social integration, networking and understand the impact of conscious and unconscious biases.*

  Community Builders programme, where residents take ownership of their communities by connecting other residents that may be disconnected for various reasons – including social isolation. All residents are encouraged and enabled to develop their skills and talents, by participating and sharing in new local activities, courses and events.

Time Credits programme encourages volunteering by supporting each hour volunteered with a time credit that can be used on learning new skills, training courses or other opportunities.

DCCS' Community Engagement Team has been working with Aldgate Community Events to build their capacity through support and training and by helping them to set up their own Community Interest Company.

Healthy cooking classes have been commissioned for residents of the Square Mile. They aim to sustain long-term behaviour change with regards to improved diet, reduced household spend on food and reduction of social isolation.

Distribute charitable funding to charities working in London in pursuit of this outcome, via City Bridge Trust's Bridging Divides funding programme.

Social Mobility Strategy Outcome:
Businesses and organisations are representative and trusted.

Activities:

- *Promote and encourage the need for and benefits of social mobility across business and government.*

  Sponsorship of the Social Mobility Employer Index (SMEI) in 2017 and 2018 – a benchmarking tool that ranks Britain's employers on the actions they are taking to ensure they are open to accessing and progressing talent from all background, as well as showcasing progress in improving social mobility. In 2018, 106 employers entered the SMEI, an increase from the 98 entries in 2017. 29 of the top 50 ranked companies in 2018 are from the Financial and Professional Services (FPS) sector.

  Working with partners, such as the Social Mobility Foundation, the Social Mobility Commission and the Bridge Group, we organise and run events and activities that promote social mobility to business.

  Working with partners to pilot new approaches to digital skills provision in businesses, this includes new ways of identifying and attracting talent to deliver the digital skills that businesses need.

  Promote the City Active Guide which is a directory of trusted organisations within the Square Mile that benefit their local community to residents, learners, workers and visitors.

  Use relevant learning from the distribution of City Bridge Trust's charitable funding, to further the case for business and government to champion social mobility.

- *Support organisations, government and policy makers to improve their own practices and leadership to facilitate social mobility.*

Work to influence businesses to improve their inclusive employment practices through leadership and influencing activities.

Participate in activities that develop thinking on social mobility, e.g. the All Party Parliamentary Group on social mobility, as well as working in partnership with business, government and other organisations to influence policy and provide insights on social mobility.

Promote apprenticeships to businesses in the City as a way to secure new talent and skills. Additionally, we have been learning about the potential positive impact on businesses pursuing apprenticeships through our membership of the Professional Business Services Council and through a survey on businesses. This work has now resulted in us representing business sector views on apprenticeships with Government and actively participating in the development of a sector deal on apprenticeships.

Volunteers from businesses in the City support with some library services and with the Spice time Credits programme.

An Integrated Community Development Officer for the Aldgate area is seeking to engage with local organisations, businesses, commissioned services and other stakeholders to improve the experiences of the Aldgate community.

Use relevant learning from the distribution of City Bridge Trust's charitable funding, to further the case for business and government to improve their social mobility practices.

Social Mobility Strategy Outcome:
We role model and enable social mobility in the way we operate as an organisation and employer.

Activities:

- *Identify and address barriers to employment and progression inclusively.*

  ASES delivers both the levy and non-levy apprenticeships and traineeship programmes for the City Corporation.

- *Review our organisational working practices to ensure that these do not act as barriers to social mobility.*

  DCCS has completed a community audit, using asset based community development (ABCD) techniques, to identify and act upon the best ways in which to engage communities in the issues that matter to them – thus ensuring their views are represented and understood.

  DCCS seek to support looked after children to access work experience, practice interviews etc. across the City of London Corporation, including with Members.

Continue to build flexibility within our HR processes and procedures that consider the barriers and needs of excluded and protected groups to ensure their retention and employee satisfaction.

Analyse, identify and tackle issues within the recruitment and progression systems that present barriers to groups who experience more exclusion or disadvantage.

- *Champion equality, diversity and inclusion.*

  Develop an organisation-wide Equalities, Diversity and Inclusion strategy, to launch in 2018/19, building upon our existing thinking on the subject, as championed by the Equalities and Inclusion Board and staff diversity networks.

  Continue to support the staff diversity networks, including providing a dedicated staff post within Human Resources to support with their running.

  Implement the findings of the Equalities Working Party, chaired by Common Councilman Tom Sleigh.

  Develop our approaches to equality, diversity and inclusion collaboratively – consulting internally and externally.

  Our commissioned services include objectives and criteria that promote social mobility, equality, diversity and inclusion – meeting public sector equality duties.

  Ensure diversity and representation within our decision-making processes, groups and wider activity, in line with the Public Sector Equality Duty.

  Increase the gender-balance of our workforce, particularly at senior management levels, and progress gender pay equality.

  Take a lead role on advocating for diversity and inclusion within the sectors where we have influence.

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Committee(s)	Dated:
Public Relations and Economic Development (PRED) Sub Committee – For information	3 September 2018
General Purposes Committee of Aldermen – For information	4 September 2018
Policy and Resources Committee – For decision	6 September 2018
Education Board – For information	13 September 2018
Subject: Digital Skills Strategy for 2018-23	**Public**
Report of: Andrew Carter, Director of Department for Community and Children's Services Damian Nussbaum, Director of Economic Development Office	**For information**
Report author: Sufina Ahmad, Corporate Strategy Manager	

Summary

This paper presents the proposed final version of the City of London Corporation's (City Corporation) Digital Skills Strategy for 2018-23. The vision for the strategy is: *'People and businesses, across the City, London and beyond, are equipped to take advantage of digital technologies and innovations to help themselves and their economies thrive.'* It commits the City Corporation to working with others, internally and externally, to respond to current and future digital skills needs and opportunities to enhance the City's competitiveness, encourage digital creativity and ensure digital citizenship, where people feel digitally included and safe.

The strategy, which aligns to our Corporate Plan for 2018-23, has been developed by a cross-departmental Digital Skills Group with representation from the Department for Community and Children's Services (DCCS), including the City Corporation family of schools, the Economic Development Office (EDO) and City Bridge Trust (CBT). These departments will also oversee much of the work relating to the strategy's delivery. Alderman Peter Estlin is the Member Champion for this strategy. The strategy is therefore being taken in September 2018 to Public Relations and Economic Development (PRED) Sub Committee and Education Board for information, and to the Court of Aldermen and Policy and Resources Committee for decision.

Recommendations

Members are asked to:

i. Endorse the Digital Skills Strategy for onward approval by the Court of Aldermen and the Policy and Resources Committee.
ii. Note the proposed next steps for its delivery.

Main Report

Background

1. Since September 2017, a Digital Skills Group has been convened monthly by Andrew Carter, Director of DCCS and Damian Nussbaum, Director of EDO, who are the joint Senior Responsible Officers (SRO) for this strategy. The group includes Alderman Peter Estlin and Common Councilman Henry Colthurst. Alderman Estlin will be, subject to election, the Lord Mayor for the City of London from November 2018 for one year and has agreed to be the Member Champion for this strategy. Alderman Estlin is passionate about the digital skills agenda and will focus his mayoralty on the theme of 'Shaping tomorrow's City today'.

The Strategy

2. The Digital Skills Group has discussed and analysed the City Corporation's current and future work on digital skills, and has identified three priority areas: digital competitiveness, digital creativity and digital citizenship. A one-page outline of the strategy was shared with Education Board and PRED Sub Committee in May 2018 for Member input and steer. The feedback received has been incorporated in to the Digital Skills Strategy at Appendix One. The second page of this appendix summarises the strategy, in terms of its vision, priorities, outcomes and activities.

3. The strategy defines digital skills as the set of skills, attitudes and values that enable people and businesses to thrive and flourish in current and future digital environments. It is felt that the scale and potential for the City Corporation on the digital skills agenda is significant – hence the need to develop a five-year strategy. It provides a strong platform from which our outward-facing digital skills work with multiple stakeholders across different sectors and geographies can be developed and delivered.

4. In order to share the Digital Skills Strategy publicly in November, at the start of the 2018/19 Lord Mayoralty, PRED Sub Committee is asked to endorse the strategy today. If there are any changes required following today's discussions, then these will be incorporated into the final 'designed' version of the strategy, which will include infographics and pictures, before it is shared internally and externally.

5. The Corporate Strategy Manager is also working with the Corporate Affairs Team and Mansion House colleagues to ensure that the messaging that is being prepared for the Lord Mayoralty as a whole in 2018/19, is aligned with the messaging within this strategy.

Corporate and Strategic Implications

6. This strategy supports the City Corporation to fulfil its vision, as outlined in its Corporate Plan for 2018-23, for a *'vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK'*. The strategy supports all three aims that are outlined in the Plan of *contributing to a flourishing society, shaping outstanding environments* and *supporting a thriving economy,* and nine of the 12 outcomes that are listed as part of these aims.

7. It also links to our strategies on: Employability, Education, Skills, Cultural and Creative Learning, Bridging Divides (City Bridge Trust's five-year strategy), Philanthropy, Social Mobility, Culture, Culture Mile and Culture Mile Learning.

Implications

8. The Digital Skills Group will continue to meet on a monthly basis to design and implement the activities relating to this strategy, before and after it is shared publicly later in the year. Funding for a Project Manager to lead on coordinating the implementation of this strategy is being sought through the Priorities Investment Pot. As far as it is possible, all other work will be delivered through existing departmental budgets and resources.

9. The activities relating to the first year of this strategy can be summarised as: four influencing events with cross-sectoral stakeholders, a curriculum pilot in our Academies, the continuation of the She Can Be programme via The Lord Mayor's Appeal and a variety of work aimed at promoting work readiness. These activities are being designed by the Digital Skills Group, and will be delivered by DCCS, the City Corporation family of schools, CBT, EDO, Mansion House and the The Lord Mayor's Appeal Charity. A small group of external advisers is also likely to be convened by Alderman Estlin to support the successful delivery of the strategy.

Conclusion

10. Members are asked to endorse this organisation-wide strategy that has been developed collaboratively with leadership from the Digital Skills Group, and inputs from officer and Member governance groups, and various external stakeholders that are expert in current and future digital skills needs.

Background Papers

PRED Sub Committee - Digital Skills Strategy for 2018-23, May 2018
Education Board - Digital Skills Strategy for 2018-23, May 2018

Appendices

Appendix One - Digital Skills Strategy for 2018-23 – Proposed final version

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Appendix One - Digital Skills Strategy, Proposed Final Version
Strategy Author: Sufina Ahmad, Corporate Strategy Manager

Digital Skills Strategy, 2018-23
Shaping tomorrow's City today

Foreword by the Lord Mayor and the Chairman of Policy and Resources

From water and steam, to electric power, to electronics and information technology, we are now well into the Fourth Industrial Revolution. This time, it is about harnessing *digital* power. Digital encourages us to think without boundaries or limits. It empowers us to re-think the art of the possible for individuals, communities, places and the economy. In all areas of our lives we are feeling the impact and the rapid rate of change of the digital revolution.

We have been longstanding champions of the role of the City of London Corporation in shaping tomorrow's City today. This strategy will play a major role in bringing in those changes. It outlines the activities that we will prioritise to ensure that people and businesses are equipped to take advantage of digital technologies and innovations to help themselves and their economies thrive.

The City Corporation understands the importance of supporting the digital sector – one of the fastest growing sectors in the UK. In London this is particularly the case as the capital has developed and maintained its status as a global hub for digital innovation. Through organisations like Tech Nation, London's digital expertise is increasingly mirrored across the UK. As a result, we are committed to supporting the digital sector in London, with a specific focus on the City – the financial and commercial heart of the UK economy – and working with other cities across the UK to support a truly digital nation.

The UK has much to be proud of in terms of our contribution to digital innovation. We must continue to find new ways to unlock our creative and competitive edge. We want to work with individuals and communities – across business, education, and charities – to think about how we can use digital skills to compete in the ever-changing modern world. We want to progress at speed to prepare people for jobs now and in the future, filling any skills gaps or shortages that are identified, and ensuring that no one is left behind digitally.

Alderman Peter Estlin
The Rt Hon the Lord Mayor

Catherine McGuinness
Chairman, Policy and Resources

September 2018

EXECUTIVE SUMMARY: Digital Skills Strategy at the City of London Corporation, 2018 – 23

Shaping tomorrow's City today

About us:

The City Corporation's reach extends far beyond the boundaries of the Square Mile and the City, across the private, public, charitable and community sectors. Our digital skills strategy supports the aims set out in our Corporate Plan for 2018-23 to contribute to a flourishing society, support a thriving economy and shape outstanding environments.

Our vision:

People and businesses, across the City, London and beyond, are equipped to take full advantage of digital technologies and innovations to help themselves and their economies thrive.

Our outcomes:

1. The City, London and the UK have the skills, talent and digital expertise they need to drive digital productivity and competitiveness.
2. People and businesses have the digital skills they need to thrive in all aspects of their lives.

Who we will work with:

- The residents, learners and workers we work with directly.
- The businesses we support in the City, London and beyond and government.
- The communities we support through our charitable giving, distributed mainly via City Bridge Trust.

Our priorities:

Digital Competitiveness	Digital Creativity	Digital Citizenship
Our activities:		
Working with businesses we will explore the ways in which we can: • Support digital innovation and enterprise. • Enable businesses to better protect themselves from cyber attack. Links to Corporate Plan Outcomes 5, 6, 7, 8.	Working with businesses, educators and civil society, we will consider how we can: • Raise educational aspiration and attainment in terms of digital skills. • Prepare our learners, for the jobs of the future, in terms of the necessary digital skills, behaviours, attitudes and competencies. Links to Corporate Plan Outcomes 3, 8, 10.	Working with individuals and communities, we will consider how we can: • Use digital skills to address barriers and gaps to improve access and participation. • Use digital skills to connect the capital, enable positive transitions and provide advice and support. • Improve cyber, digital and financial inclusion and safety. Links to Corporate Plan Outcomes 1, 2, 3, 4.

Implementing this strategy:

We will embed collaboration, thought leadership and innovation across all aspects of our digital skills work, in order to deliver the vision, priorities, outcomes and activities set out in this strategy, developing responses and interventions to the issues and opportunities that digital skills present society and the economy. We will promote and share our learning, championing the DQ™ digital intelligence framework as part of this. We will look outwards to identify where we want to intervene and track our impact.

Definition of digital skills:

Digital skills are the set of skills, attitudes and values which will enable people to thrive and flourish in current and future digital environments.

Introduction

Purpose of this strategy

This strategy sets out the City of London Corporation's (City Corporation) vision, approach and commitment to digital skills from 2018-23, and will guide our digital skills work internally and externally.

There is already a clear focus on digital skills across many areas of our existing work, including employability, education, skills and cultural learning, which this strategy will develop further. It also aligns with our wider organisational ambitions as set out in our Corporate Plan for 2018-23.

How this strategy was developed

The development of this strategy has been overseen by key senior officers and elected Members at the City Corporation, alongside a dedicated cross-departmental Digital Skills Group. The group has included representation from our community and children's services, our education team, our economic development team, and City Bridge Trust – London's largest charitable funder. Together, they have assessed the effectiveness of our existing digital skills work and consulted externally with a wide range of individuals and organisations that are expert in digital skills, to identify the key areas of focus in this strategy, and the gaps, overlaps and best practice we can use to support with this.

Defining digital and digital skills

We consider digital to be an enabler which supports individuals, communities, businesses, government, the charitable and community sector and others to build skills, capabilities and value across a range of activities and processes, using data and advanced computerised technologies. Ultimately, digital skills are a set of skills, attitudes and values that enable people and businesses to thrive and flourish in current and future digital environments.

Digital skills and society

The UK Government's Industrial Strategy, produced by the Department for Business, Energy and Industrial Strategy in 2017, sets out a vision for building an economy that works for everyone. Alongside this, the Government published its digital strategy for a digital economy. It sets out seven strands of work that prioritise the availability of the necessary digital infrastructure throughout the UK for businesses to thrive and grow and for the UK to be the safest place in the world to live and work online. It cites several key enablers for this, including the safe use of data, the tools with which to start and grow businesses in the UK effectively, provision for all existing businesses to become a digital business, and support for everyone to have access to the digital skills they need.

The continued success and competitiveness of our economy depends on a skilled, talented and creative workforce, as well as engaged and included citizens. However, research and feedback from government, schools and employers regularly show that a paucity of digital skills training in schools, or through higher education, is resulting in too few skilled individuals being prepared to enter the workforce and contribute to the digital economy.

This supply and demand imbalance is a challenge that needs addressing in many ways. The City is looking at what the Financial and Professional Services sector can do to ensure it has the digital workforce it needs. Creativity within digital skills partners well with the City Corporation's emphasis on 'fusion skills', within our education, skills and cultural learning offer, which prioritises the pursuit of so called 'soft' and creative skills, alongside technical and digital skills, in order to succeed in the digital age.

This issue is further exacerbated by an increased demand for skills experience, particularly digital and creative skills, within their existing and future workforces. Furthermore, given the pace of change in digital technologies, this requires a commitment from employers to learning and development, including lifelong learning opportunities, to ensure that they have workforces with the creative, specialist and soft skills they need to thrive within the digital age.

Ensuring that citizens are digitally engaged and included comes with both challenges and opportunities. Access to digital technologies and the skills with which to use them effectively can reduce vulnerabilities, isolation and the barriers and gaps that prevent access and participation. The UK Government's Digital Inclusion Strategy, published in 2014, calls for all people to access, use and benefit from the internet, by ensuring access to the internet is readily available and affordable, and that citizens are then equipped with the skills, motivation and trust to use the internet effectively.

There is already much research and thinking available on what it means to be a digital citizen that is part of a digital society and economy. Digital technologies are being used to support our engagement with all facets of society, including business, education, politics, government and more. Through this strategy, we will lead and convene cross-sectoral and cross-generational thinking on the best ways in which to respond to existing and emerging digital skills and opportunities identified. We are committed to supporting people and businesses to thrive by having the skills they need to take advantage of existing and emerging digital technologies and innovations.

Our vision

People and businesses, across the City, London and beyond, are equipped to take full advantage of digital technologies and innovations to help themselves and their economies thrive.

Our priorities and outcomes

Over the next five years, working in partnership with others, we will prioritise digital competitiveness, digital creativity and digital citizenship.

These three inter-connected strands translate into the following outcomes:

1. The City, London and the UK have the skills, talent and digital expertise they need to drive digital productivity and competitiveness.
2. People have the digital skills they need to thrive in all aspects of their lives.

Who we will work with

We intend to work in partnership with businesses and employers and government, the charitable and community sectors, and our schools, cultural institutions and libraries to co-design and deliver the activities associated with this strategy.

Our work will be aimed at benefitting the residents, workers and learners we support across our existing portfolios of work, including the 11,228 pupils that attend our family of schools. This will mean that we work with people both in and out of work who are participating in education, training or lifelong learning activities. We will also target our work towards people and communities that are at risk of being left behind, due to a lack of digital skills, to address the implications that this has on their ability to manage their finances, their health, their wellbeing, their social capital and connections and much more.

This strategy is a priority throughout the organisation, including the City of London Police, with committed leadership being offered jointly through our education and economic development teams, who will target businesses and employers and the pupils at our schools primarily. Support is also being offered from City Bridge Trust, the Lord Mayor's Appeal Charity and our Department of Community and Children's Services to work with people and communities at risk of being left behind.

What we will do

This strategy will prioritise the following kinds of digital skills activities:

1. **Digital Competitiveness**

   We will:

   - Convene stakeholders in a range of ways to understand and help to define the digital skills requirement for the future world of work, and how these will be met.
   - Support businesses in the City, including leaders within the financial and professional services sector, as they manage the impact of digital changes on their businesses and workers.
   - In partnership with others, explore ways to address existing and emerging skills gaps that businesses have identified, e.g. cyber security.

2. **Digital Creativity**

   We will:

   - Prepare our learners, for the jobs of the future, by raising their educational aspiration and attainment, in terms of the necessary behaviours, attitudes,

competencies and digital skills, through careers advice, guidance, the curriculum, lifelong learning, and training.
- Offer meaningful work experience to our learners, to prepare them better for the digital world of work.
- Work with others to identify impactful digital ideas that can be scaled and developed by our learners, in partnership with others.
- Inspire under-represented groups to pursue technology and digital roles.

3. **Digital Citizenship:**

   We will:

- Consider the role of digital and digital skills in removing barriers, overcoming gaps and improving access and participation in the activities and services that we deliver to our residents, workers and learners.
- Support charitable and community sector organisations which meet the funding guidelines of City Bridge Trust's Bridging Divides strategy to enhance their digital skills and related activities for the people and communities they support.

This strategy builds on our existing work to raise awareness and respond to the different needs of our stakeholders in terms of digital skills – particularly in terms of the work we do in our schools and with businesses in the City. In partnership with others, we have already started to design and implement, the following:

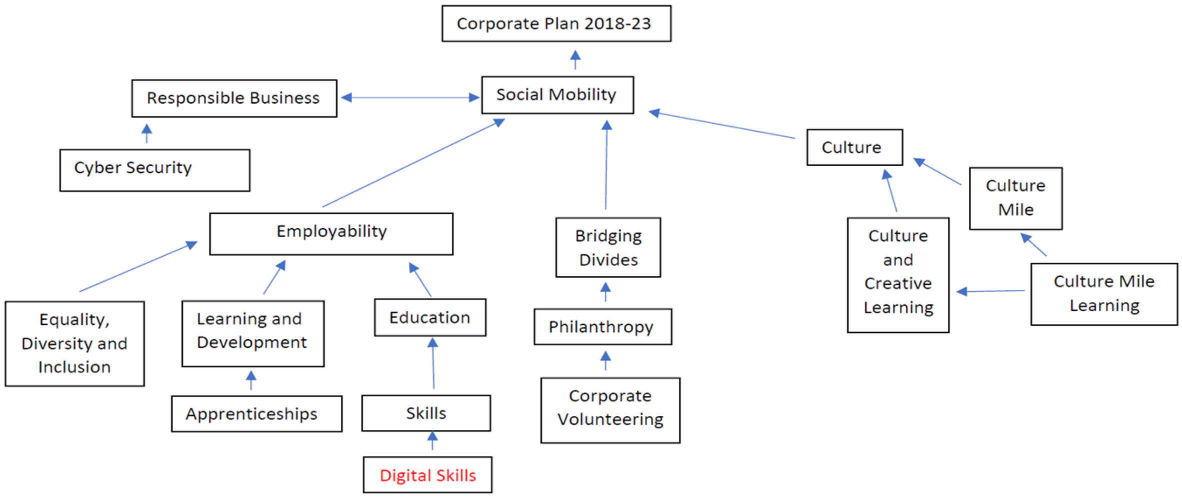
- **Influencing events:** Convening events that bring together different generations and different sectors to consider the digital skills issues of the day and their solutions.
- **A curriculum pilot:** A trial aimed at 165 Year 7 students at the City of London Academy Islington from 2018, with a further rollout to 240 Year 7 students at City of London Academy Highbury Grove in September 2019. The trial is a collaboration between pupils, learners, businesses and educators, which combines formal and informal learning methods to equip our pupils with the digital skills they require to thrive in digital work and non-work environments.
- **She Can Be:** A programme to inspire women and girls to take up careers in the City, including in technology and digital roles.
- **Work readiness:** Activities that explore the role of digital apps, such as Workfinder, in supporting young people from all social and economic backgrounds to access meaningful work experience in City businesses, as well as preparing learners and workers for the jobs of the future through careers advice, guidance, lifelong learning, education and training.

Links to other strategies

This strategy supports the City Corporation to fulfil its vision, as outlined in its Corporate Plan for 2018-23, for a *'vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK'*. We aim to do this by *contributing to a flourishing society, shaping outstanding environments and supporting a thriving economy,* which involves strengthening the character, capacity and connections of the City, London and the UK for the benefit of people who live, learn, work and visit here. It supports the following outcomes in the Plan:

- Outcome 1: People are safe and feel safe.
- Outcome 2: People enjoy good health and wellbeing.
- Outcome 3: People have equal opportunities to enrich their lives and reach their full potential.
- Outcome 4: Communities are cohesive and have the facilities they need.
- Outcome 5: Businesses are trusted and socially and environmentally responsible.
- Outcome 6: We have the world's best legal and regulatory framework and access to global markets.
- Outcome 7: We are a global hub for innovation in finance and professional services, commerce and culture.
- Outcome 8: We have access to the skills and talent we need.
- Outcome 10: We inspire enterprise, excellence, creativity and collaboration.

It also links to our strategies on: Employability, Education, Skills, Cultural and Creative Learning, Bridging Divides (City Bridge Trust's five-year strategy), Philanthropy, Social Mobility, Culture, Culture Mile, Culture Mile Learning and Cyber Security. The diagram below shows the ways in which these strategies, and several others, connect together.

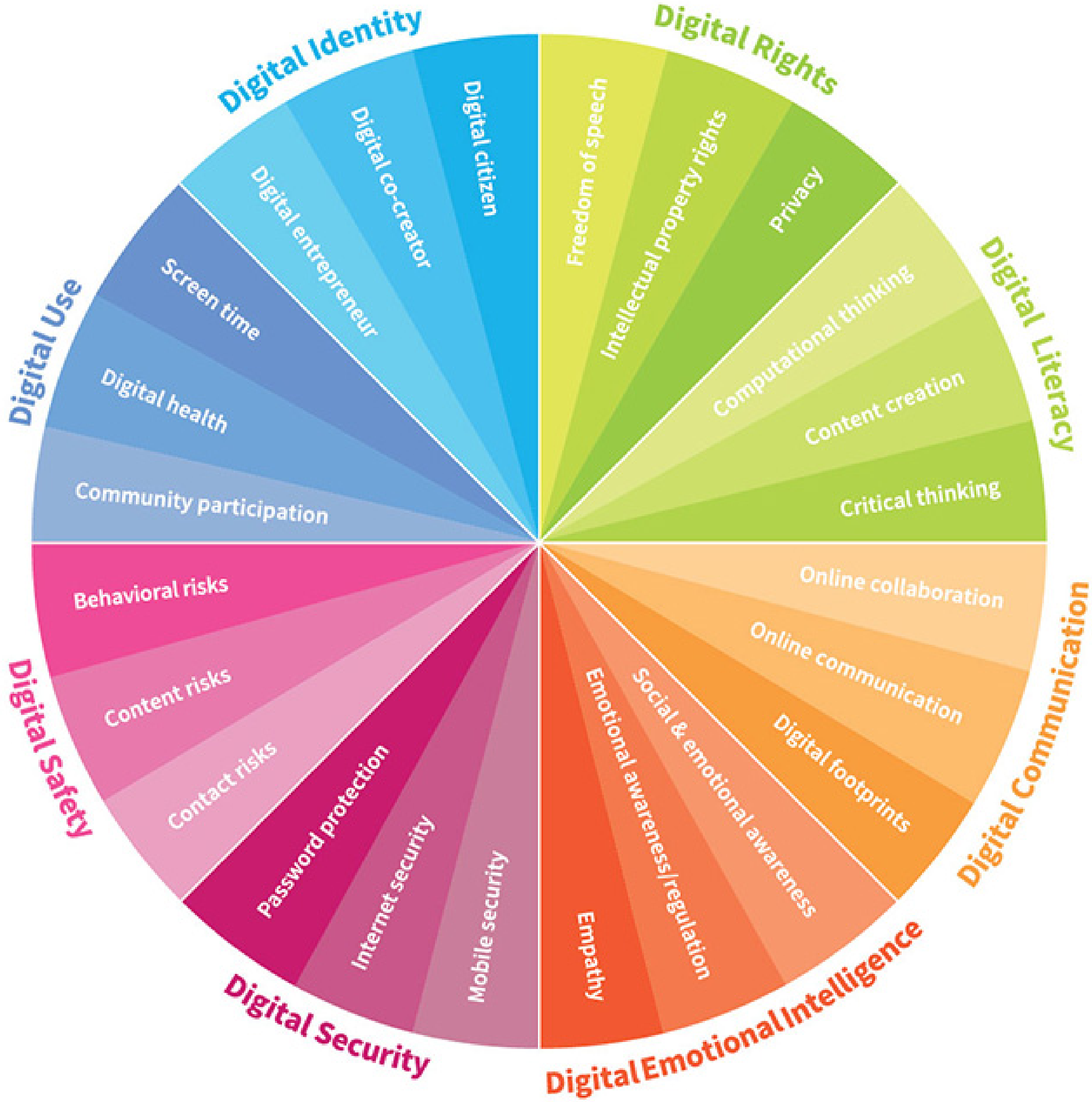


Implementation and measurement

To deliver this strategy successfully, the City Corporation will work in partnership with others to further define and understand the issues and opportunities that the digital skills agenda presents people and businesses we work with. Every activity or intervention that we deliver will be embedded within the relevant parts of the organisation, and their impact and effectiveness will be measured in terms of:

1. Its delivery of the vision, priorities, outcomes and activities within this strategy.

2. Its correlation to the sum of technical, mental and social competencies essential to digital life, as outlined by The DQ™ Institute, in the form of eight core digital skills in the DQ™ 'digital intelligence' framework below.



Conclusion

We are pleased to make a five-year commitment to digital skills through this strategy. The key measure of success for this strategy is that businesses and other communities and stakeholders that we support, including our residents, learners and workers, will have the digital skills they need to thrive in a digital economy and society. We will embed collaboration, thought leadership and innovation across all aspects of our digital skills work, sharing our learning, including our use and support for the DQ™ framework, with the stakeholders we work with internally and externally from different sectors and with a global outlook.

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