

Committee(s): Economic Crime & Cyber Committee	Dated: 05/05/2021
Subject: Innovation & Growth – Overview of Cyber & Economic Crime related activities	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	1, 6, 7
Does this proposal require extra revenue and/or capital spending?	No
What is the source of Funding?	NA
Report of: Executive Director, Innovation & Growth	For information
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Summary

The core objective of Innovation & Growth (IG) is to strengthen the UK’s competitiveness as the world’s leading global hub for financial and professional services (FPS). This includes promoting the strengths of the UK’s offer and enhancing the UK’s position as a leader in FPS technology and innovation.

Economic crime and cyber represent a hot topic for firms across the FPS sector. In 2020 the UK payments industry alone suffered total fraud losses of £1.26bn. IG’s activities include promoting the UK’s strengths, including in relation to both cyber and economic crime. They also support the development of the UK business environment and technology to equip FPS to respond to evolving threats.

This report summarises the relevant activity taking place across IG. It also highlights opportunities for IG to promote work being undertaken by the City of London Police.

Links to the Corporate Plan

1. IG’s activities relating to economic crime and cyber help deliver against the Corporate Plan aim to support a thriving economy. This includes outcome 6c - to lead nationally and advise internationally on the fight against economic and cybercrime. It also supports outcome 7, positioning the UK as a global hub for innovation in financial and professional services.

Recommendations

Members are asked to note the report.

Main Report

Background

2. IG delivers a range of activity to support its overarching objective of strengthening the UK’s competitiveness as the world’s leading global FPS hub. There are many important aspects to competitiveness. These include ensuring that the surrounding eco-system is supportive, both from a regulatory aspect and in terms of nurturing

innovation. The activities set out below aim to enhance the UK's competitiveness and are relevant to the broader work being undertaken by the City Corporation and City of London Police on economic crime and cyber.

Recent Innovation & Growth Activity

Digital Sandbox

3. For UK FPS to thrive and remain competitive it needs to have access to innovative products and services that it needs. In 2020 the Financial Conduct Authority and City Corporation partnered to develop and deliver a Digital Sandbox pilot. The Digital Sandbox provides a virtual eco-system where technology companies can develop and test products responding to specific challenges faced by UK FPS. Out of 28 participating teams, 12 focused on products to prevent fraud and scams.
4. The technology being developed included solutions to detect and intervene in unusual behaviour by customers likely to be in response to payment fraud. There were also technologies used to identify suspicious behaviours and anomalous transactions amongst payment transactions and the development of networks to enable better information sharing between financial institutions.
5. Over 1000 users registered for the Digital Sandbox pilot including FPS firms, regulators, investors and other technology providers. Positive feedback on the pilot was received from participants and the broader FPS sector. The Chancellor also gave his support for developing a second phase of the Digital Sandbox during a recent speech at UK Fintech Week.
6. The City Corporation and FCA are in the process of developing a second iteration of the Digital Sandbox. This will focus on technology solutions to help FPS firms tackle sustainability and climate change-related activities. However, there are also plans to open up the platform for organisations that may wish to access the data and/or testing environment for other products. This includes discussions around technologies relating to cyber and economic crime.

Cyber Insurance Report

7. To remain globally competitive it is vital that UK FPS provides thought leadership in areas of emerging interest. In December 2020 the City Corporation launched the report 'The Future of Cyber Insurance: Next Steps for the London Market', in association with Accenture. The report stressed the importance of cyber insurance as a key growth area for the London market. It highlighted the opportunity for London, as the world's premier insurance centre and Europe's most concentrated cyber security centre. It also addressed some challenges. These include a persisting trust gap and the limited adoption of cyber standards. It was agreed that there needs to be collaboration across sectors, and that the City Corporation could play a key convening role.
8. On 28th January, the Chair of Policy opened the Global Cyber Insurance Summit 2021, which the City Corporation co-hosted with GIC Re and the Data Security Council of India. Discussions focussed on how London's cyber security ecosystem and the London Market can provide solutions and cyber insurance products that will benefit both India and the UK insurance industry.

Benchmarking Report

9. To track the UK's competitiveness, it is important to benchmark its position internationally. In January the City Corporation released benchmarking research entitled "Our global offer to business: London and the UK's competitive strengths in a changing world." The report considered competitiveness across 91 different metrics and highlighted London's competitive strengths as the leading city for FPS.
10. In particular, the report showed London as leading in terms of offering both an innovative ecosystem and a resilient business infrastructure. The work cited "the country's strong cyber security framework and digital security measures [which] offers firms a business environment they can operate in with trust." It also referred to the UK's top ranking in the ITU Global Cybersecurity Index and the Cyber Griffin programme.

RegTech Report

11. For UK FPS to evolve and improve its service offering it needs a supportive regulatory environment. On 16th April the City Corporation launched a report with RegTech Associates entitled '2021: A critical year for RegTech.' The report identified the key challenges and opportunities for UK RegTech as well as international best practice for driving growth. Information for the report was collated from 161 global RegTech firms along with both domestic and international regulators and financial institutions.
12. The report highlighted that almost one-third of global RegTech products relate to Financial Crime and around 16% to Cyber, Identity and Privacy. Adoption of RegTech is on the rise in these critical areas, but significant barriers to adoption remain. The recommendations for overcoming these barriers include increasing the awareness of the benefits of RegTech. There was also a call to the regulator to adopt a 'tech embracing' stance and issue clearer guidance on technology risk.

City of London Police

13. IG provided support to the City of London Police during the two-year pilot of the Cyber Griffin programme. This included promoting Cyber Griffin across stakeholder networks and raising its profile at both a domestic and international level. This was achieved by incorporating information about the programme into briefings, on the Global City website and in various reports and articles.
14. IG is keen to continue promoting Cyber Griffin and the broader work of the City of London Police. A broader dialogue has recently been developed between IG and City of London Police. This will continue to inform activity of mutual interest and identify areas where promotional or other support may assist either team.

Conclusion

15. A positive response to cyber and economic crime is an important component of the UK's competitiveness as a global FPS hub. Innovation & Growth is keen to share information about its activities relating to this topic. It is also well positioned to promote the broader work of the City Corporation and City of London Police.

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