

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management	November 2021
<b>Subject:</b> CR02: Loss of Business Support for the City	<b>Public</b>
<b>Report of:</b> Director of External Relations – Innovation and Growth (IG)	<b>For Information</b>
<b>Report author:</b> Giles French	

## **Summary**

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

## **Main Report**

### **Background**

1. It is a major corporate risk that the City of London's position as the world's leading international financial centre is adversely affected, and that London loses its ability to attract and retain high value global business activity. This would have a significant economic impact on the UK, diminish the attractiveness of London and the UK as a place to do business, and damage the reputation and relevance of the City Corporation as a supporter and promoter of UK based financial and professional services firms.
2. London's place as the world's leading international financial centre is one that is continually challenged by other financial centres around the world. Business uncertainty has been increased in part due to the UK's withdrawal from the EU and from the impact of the pandemic on business operating models.
3. This report provides Members with an update of recent activity undertaken by the Innovation and Growth Department to mitigate this risk.

### **Current Risk Status**

4. The current risk status is Amber. This reflects the level of uncertainty following Brexit and the pandemic, but also the responses already undertaken by the Corporation in partnership with business. However, it is still essential that action

is taken to encourage investment in London and the UK as a financial centre and that firms see London as the place to develop new business and activities.

## **Current Activity**

5. Innovation & Growth (IG) works with partners in financial and professional services (FPS) and tech to inform and shape the UK's competitiveness. Our aim is to attract and retain investment, and to encourage innovation and growth in FPS across the UK.
6. Our main response to the challenges faced by the sector is the adoption of a new Competitiveness Strategy for the City Corporation, approved by the Policy & Resources Committee on 8<sup>th</sup> July 2021 ([here](#)).
7. The purpose of the strategy is to focus our work around four key outcomes:
  - a. NUTURE accelerate and drive investment towards FPS INNOVATION.
  - b. REDUCE FRICTIONS in the UK business environment and by increasing openness and access to markets.
  - c. Replace incumbent mindset with a service mindset to ATTRACT and RETAIN capital, firms, talent and exports.

## **Nurture Innovation**

8. Nurturing and driving innovation is key to the long-term competitiveness of the UK as a global financial centre. One of our ambitions is for the UK to be the global leader in sustainable finance and associated services. To help develop the UK's profile in this crucial area, we delivered the Green Horizon Summit at COP26 (GHS@COP26), which we co-hosted with the Green Finance Institute. GHS@COP26 was the most significant non-governmental platform for private finance at COP26, to enable them to explore how they can enable the global economy to meet net zero. It addressed four key questions to accelerate the flow of capital into climate and nature friendly investments: how can we finance transition and growth; how can we build a global playbook; how can we price carbon and nature; how can we meet and beat the \$100 billion promise?
9. GHS@COP26 had participation from major figures in global finance and regulation addressing these questions, and the City Corporation worked with 25 partners, including HM Treasury, BlackRock, NatWest, London Stock Exchange Group, Phoenix Group, EY, Aon, Standard Chartered and the major financial services trade associations, to deliver the full programme.
10. The Kalifa Review of UK FinTech was published in February 2021. IG provided the secretariat for the review and since then, considerable progress has been made to take forward its recommendations. For instance, the UK government have committed to introducing a new fast track visa system for tech scaleups by 2022. More recently in the Budget, HM Treasury confirmed the government will support the creation for the Centre for Finance, Innovation and Technology (CFIT) and IG will now work with government and sector to launch CFIT next

year. CFIT will help UK based FinTechs to address shared challenges with the aim of helping them to scale more quickly.

11. IG and the Financial Conduct Authority (FCA) have launched this year's Digital Sandbox whose purpose is to encourage innovation in UK financial and professional services. Operating on a virtual platform, it provides a space where innovators can access help to develop their proof of concepts and demonstrate proof of value. Its one-of-a-kind features address issues around lack of data, mis-matched channels between tech supply and demand, and an absence of opportunities for industry collaboration. It supports innovative firms with understanding market need and accessing necessary data to develop reliable and trustworthy products.
12. This year's participants will contribute towards creating a greener financial sector and aiding the transition to Net Zero. They will focus on ESG data and disclosure reflects common challenges cited by many stakeholders that we engaged with and is a vital part of mobilising private capital.
13. Since March 2021 IG has served as the secretariat to the UK Voluntary Carbon Markets Forum. This is a private sector initiative chaired by Dame Clara Furse, announced by the Chancellor in the latest budget speech. The Forum will build on the principles and recommendations set forth by the global Taskforce for Scaling Voluntary Carbon Markets (TSVCM) and drive commitments and momentum to scale UK-based trade.

## **Reduce Frictions**

14. The International Regulatory Strategy Group (IRSG) is shaping the agenda through our reports and responses to consultations – across multiple thematic areas. These have included:
  - a. Through the Environmental, Social and Governance (ESG) workstream, it published "Recommendations for reviewing the EU Taxonomy for UK application" (May), a report with KPMG on "Accelerating the S in ESG: a roadmap for global progress on social standards" (June), and a response to the IOSCO consultation on "ESG ratings and data product providers" (September).
  - b. The Global Regulatory Coherence Standing Committee also published "Financial Services Priorities for the UK's G7 Presidency" (June).These reports are produced in partnership with the FPS sector and help to inform the regulatory and policy framework, focusing on opportunities to support areas of innovation and potential growth.
15. Since the launch of the socio-economic diversity taskforce in November 2020, 30 taskforce members have been appointed alongside 80 representatives on an Advisory Board and three Working Groups. Ministers John Glen and Lord Grimstone attended the inaugural taskforce meeting in May. The taskforce's goal is to improve socio-economic diversity in UK FPS and strengthen available talent

to UK based FPS. Work is progressing on three workstreams, co-chaired by Sandra Wallace, Alderman Vincent Keaveny and Andy Haldane. The workstreams are focused on: an industry consultation and roadmap on how employer action can be incentivised; development of a peer network; and a productivity analysis.

### **Attract and Retain**

16. The Corporation has a vital role in promoting UK FPS internationally. We quickly switched to virtual visits after the start of the pandemic. The experience gleaned now allows us to deploy virtual, physical or hybrid visits. Members have supported a focus on the most impactful markets, in particular N America, Europe, India, China and Japan.
17. TheGlobalCity.UK acts as the Corporation's key digital platform for promoting UK financial services globally, working with partners such as TheCityUK, DIT, Innovate Finance and London and Partners. Having an established platform for digital engagement was particularly important during the pandemic, hosting our promotional material – reports, videos, infographics, case studies – on key sectors and competitive strengths and enabling targeted social media campaigns across the year accompanying new report releases, and in target areas like sustainable finance.
18. A major new initiative this year has been the publication of our new annual competitiveness benchmarking report – 'Our Global Offer to Business: London and the UK's Competitive Strengths in a Changing World'. Assessing London and the UK's competitive position relative to other major global financial centres – New York, Singapore, Frankfurt, Hong Kong and Tokyo. This is a key evidence base for London and the UK's leading offer across the innovative ecosystem, access to talent, business environment, financial reach, and business infrastructure, and fully integrated into the GlobalCity site. Published in January 21, the report for January 22 is well underway – and is forming the basis of a new partnership with HMT for new work assessing changes in the UK's FS offer.
19. The UK's asset management (AM) industry is the anchor tenant of our financial and professional services ecosystem and creates demand for related FPS, including investment banking, legal, consulting services and tech. Managing £9.9tn in assets for clients around the world, the industry directly employs 40,000 and indirectly employs an additional 70,000 in the UK. Historically, our depth of AuM has attracted asset management firms from around the world to open UK offices. In turn, this has created demand for talent – a key reason for our ongoing competitiveness. Our depth of talent is the driving force behind product innovation, such as ESG, which is the foundation of future competitiveness.
20. Faster economic growth elsewhere means savings in other jurisdictions are becoming more globally significant than UK savings. In turn, this is attracting firms and talent. This risks undercutting a key driver of UK competitiveness in portfolio management. European regulators preference for funds to be managed within the EU poses a threat to capital flight and associated job loss.

21. Extensive engagement with players across the asset management ecosystem  
the need for promotional campaign for AM. The City Corporation has led the way  
with the Department of International Trade (DIT) and the Investment Association  
(IA) on a joint venture to deliver this campaign and meet short, medium and long-  
term targets. We have commissioned KPMG to compile intelligence to inform and  
underpin the campaign. The campaign will formally launch in February 2022,  
running for three years and the first annual summit for investors will be held in  
Guildhall in summer next year.

### **The Future of the City**

22. Cross-cutting these dimensions, we have been looking at how London and FPS  
businesses are adapting to the challenges of the pandemic and can remain  
world-leading. This has included initiatives such as [London Recharged](#): Our  
Vision for London in 2025; and the conclusions of the cross-Corporation  
Recovery Taskforce, [Square Mile: Future City](#).

23. Our programme of work around *Return to the Office*, has meant we are speaking  
to major City firms to understand how they returning employees to work in the  
City, how ways of working are evolving. We are sharing best practice amongst  
City firms, and informing initiatives like the *Square Smile* campaign, and  
*Destination City*, looking at how the City can maintain its offer as a location and  
destination.

### **Conclusion**

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

**Giles French**  
**Director of External Relations – Innovation and Growth**  
[giles.french@cityoflondon.gov.uk](mailto:giles.french@cityoflondon.gov.uk)