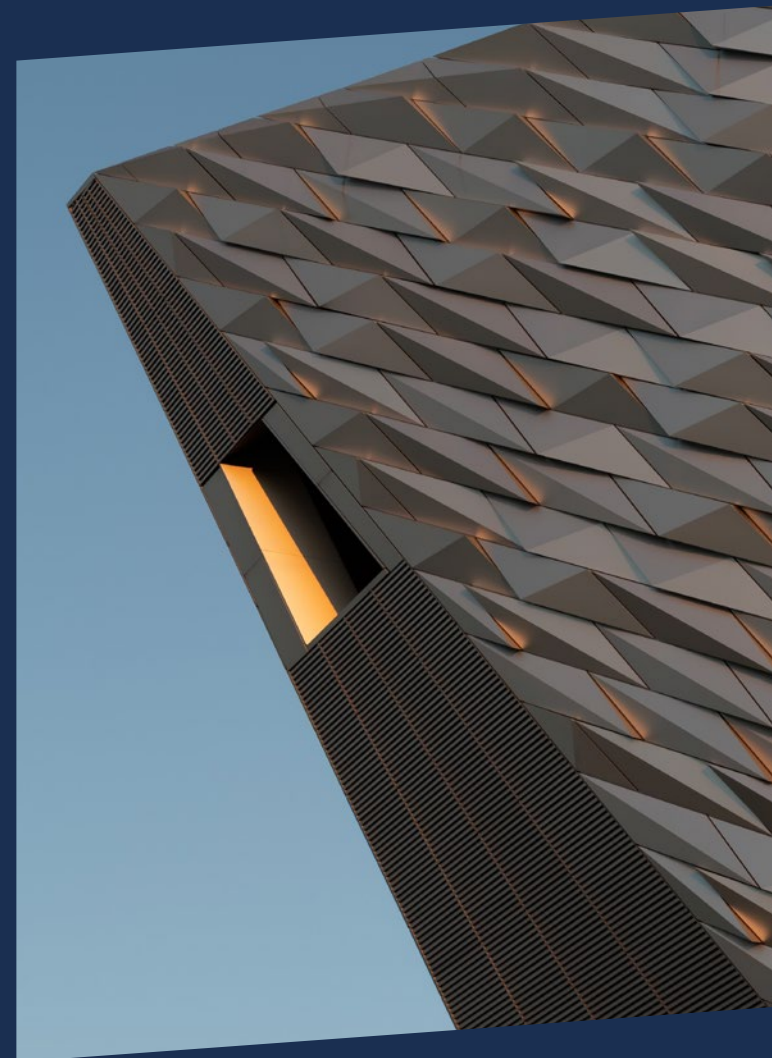




THE GLOBAL CITY

Our global offer to business:
London and the UK's competitive
strengths in a critical time



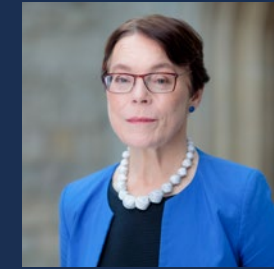
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Foreword



Alderman Vincent Keaveny
Rt Hon Lord Mayor of the
City of London



Catherine McGuinness
Policy Chair of the City
of London Corporation

Pandemic recovery, digital transformation, climate change: finance is key to overcoming global challenges. And, as the gateways to global capital, international financial centres have an essential role to play.

In this report, we identify the competitive strengths of the UK as an international centre for financial and professional services. We highlight challenges and opportunities. And we note areas for growth.

Our fundamental strengths remain: a global outlook, a world-class business environment and a skilled and entrepreneurial workforce. Stretching from Glasgow to Cardiff, from Belfast to London, financial and professional services in the UK are innovative. They are globally connected and provide services to partners around the world.

But the UK's future success is not preordained. We must give people the skills and opportunities to thrive and progress. The UK's infrastructure must be fit for the future, making us more competitive and allowing us to reach net zero. We also need to remain open to trade and investment from around the world.

The City of London Corporation is dedicated to ensuring a vibrant and thriving Square Mile, within a diverse and sustainable London, as part of a globally successful UK. It is one of our priorities to support the UK's position as a leading centre for financial and professional services.

This report is the second annual study of the UK's global offer to business – a central building block in our work to ensure the long-term competitiveness of the UK as an international financial centre. It highlights the opportunities ahead.

It demonstrates what we can learn from other global centres. But it also evidences London and the UK's enduring competitive offer.

We are determined to secure our competitive offer going forward, and we look forward to working with you all on this.

Our global offer to business: London and the UK's competitive strengths in a critical time

This second edition of the City of London Corporation's global benchmarking study takes place while centres across the world are responding and adapting to significant challenges and change. COVID-19 continues to challenge global economies and physical flows, to accelerate the pace of digital change, and to necessitate new ways of working. In addition, climate change requires the support of global finance for global solutions. And despite continuing geopolitical shifts, we need global cooperation to effectively address these challenges.

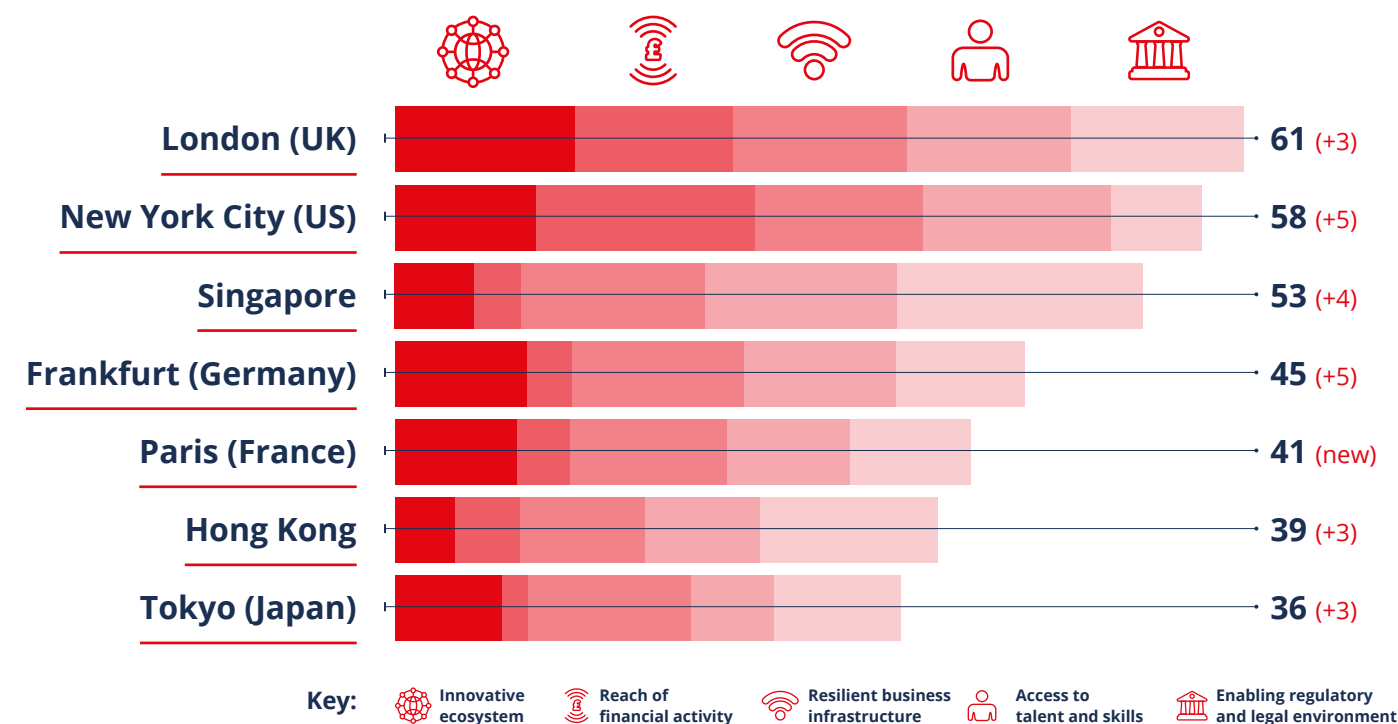
This report examines what makes international financial centres competitive through five core dimensions: innovation, financial reach, infrastructure, talent and business environment. Reinforcing the key role of financial centres in their national and regional economies at this critical time, all the centres examined in this study have remained resilient. They are playing a key part in supporting economic recovery. And they have all strengthened their offers in

various ways: the US saw more financial activity than ever; Hong Kong supercharged its digital infrastructure; Singapore further improved aspects of its regulatory system.

Overall, the UK is the only centre to perform consistently well across all five dimensions. Once again it demonstrates that the depth and breadth of its offer make it a world-leading centre for financial and professional services. While

challenges such as physical connectivity have hit London harder than some, given the UK's role as a global hub for business travel, over the past year the UK's capability to innovate has further strengthened, and financial and professional services firms across sectors have remained strong.

This new edition in the series 'Our global offer to business' helps explain how the challenges these centres have faced in the past year



Note
Bracketed numbers show year-on-year change.

have affected their competitiveness – disruption to international travel, the need for increased use of technology across all stages of supply chains, the importance of agile regulatory frameworks – and how centres, in particular London and the UK, have responded. Given the critical importance of sustainable finance, this year's edition adds new metrics on green finance activity across all asset classes. And for the first time it includes Paris (France) as a second European comparator centre.

In these fast-changing times, all centres have opportunities to learn from each other and grow. For the UK, it is essential to maintain its enduring competitive offer and future focus. As this study shows, while responding to the challenges of the past twelve months, the UK continues to have a leading innovative ecosystem, its financial markets are boosted by international activity, and its regulatory regime for financial services remains the most favourable in the world. There

will undoubtedly be considerable change to come in the next year, so understanding how centres adapt – and thrive – will be key.



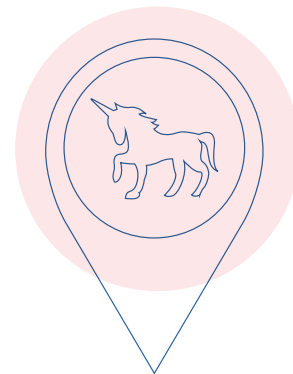
Innovative ecosystem

1. London (UK) | 2. New York City (US) | 3. Frankfurt (Germany)

Financial and professional services in the UK are part of the world's most innovative ecosystem. Businesses have access to a globally connected market, future-focused talent and strong policy support. The UK is pioneering ideas and products in tech and bringing sustainable finance into the mainstream. The interplay of these elements continues to create a one-of-a-kind ecosystem that helps businesses succeed and shapes the future of global financial services.

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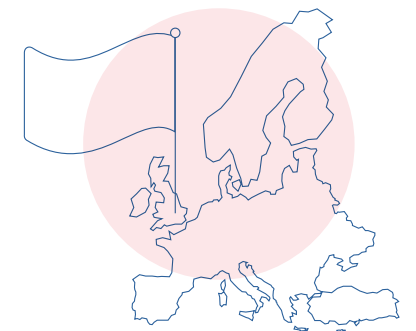
of Europe's 268 unicorns – startup companies valued at over \$1bn – **have their home in London**



Reach of financial activity

1. New York City (US) | 2. London (UK) | 3. Hong Kong

The size of financial markets in the US is the largest worldwide – a reflection of the size of the US economy. The UK's financial markets are boosted by their international activity. The UK remains the most globally connected banking centre and provides financial services to partners around the world. It is the world's largest centre for international debt issuance, commercial (re)insurance and foreign exchange trading, and is becoming an increasingly attractive centre for asset management. Listing rules changes in the coming years will make the UK and London Stock Exchange an even more attractive market for foreign companies to raise capital.



The UK remains Europe's leading centre for asset management



Resilient business infrastructure

1. Singapore | 2. London (UK) | 3. Frankfurt (Germany)

Businesses located in London and the UK continue to benefit from unrivalled global connectivity and strong operational resilience. The UK's location on the world map and favourable time zone make it easy for firms to cover major markets from a single location. Its leading cyber security and anti-money laundering frameworks, as well as its digital security measures, provide firms with a safe business environment. But the country's digital infrastructure needs an upgrade to offer businesses and individuals faster and more reliable internet connections.



London increased its share of headquarters of Fortune Global 500 firms **by more than a third**



Access to talent and skills

1. Singapore | 2. New York City (US) | 3. London (UK)

World-leading universities and MBA programmes, an international workforce and a high quality of life driven by a rich cultural scene make London and the UK a global financial centre where financial and professional services firms can find great talent. With a strong supply of digital skills in Singapore, and a US business environment that is increasing its attractiveness to international talent again, the UK needs to address skills gaps and remain open to people from around the world to become more competitive in the future.



19%

of the UK's total university enrolment is made up of **international students**



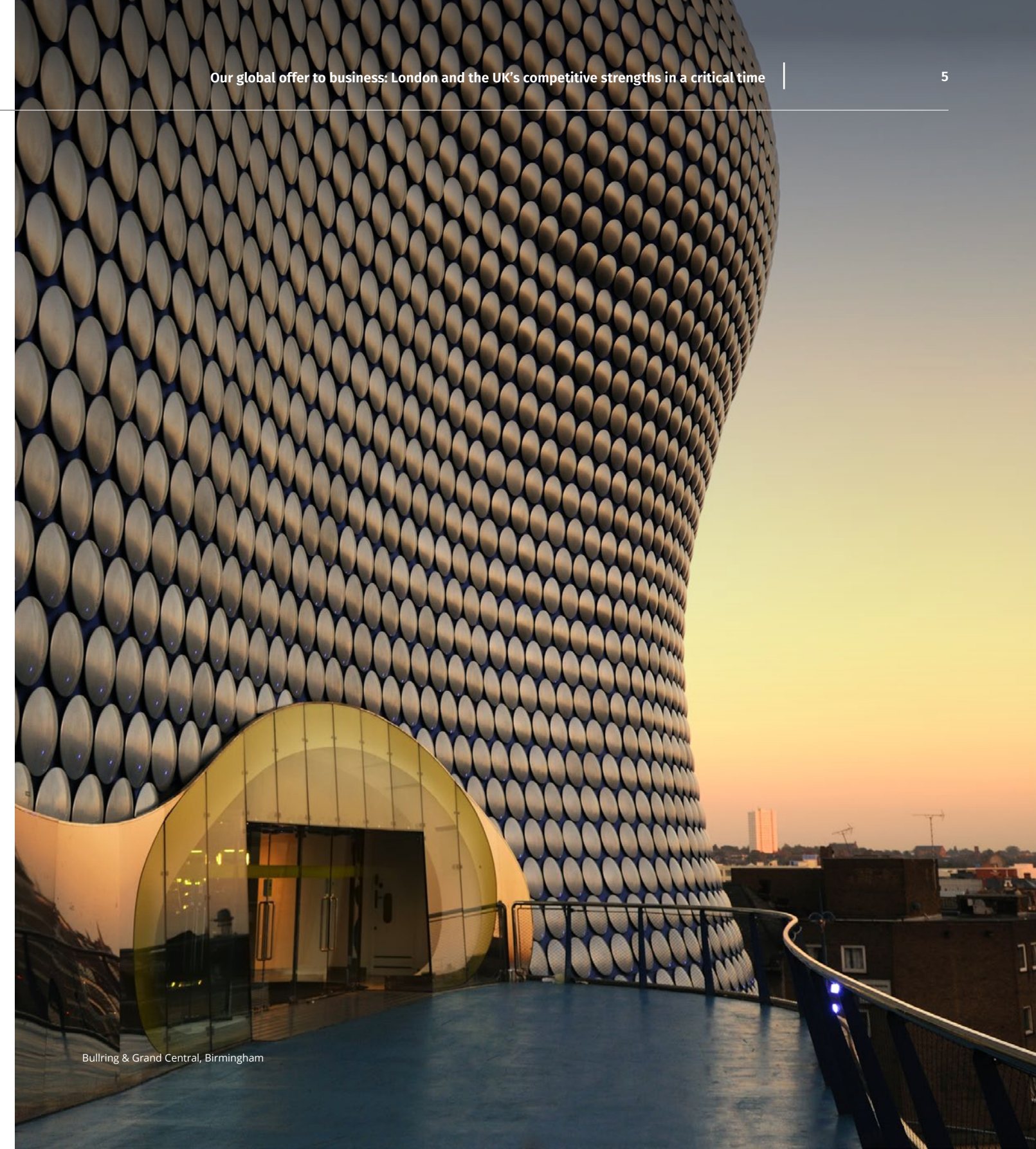
Enabling regulatory and legal environment

1. Singapore | 2. Hong Kong | 3. London (UK)

The UK continues to have the most favourable regulatory regime for financial services. Firms located in the UK benefit from innovative regulators, a strong legal system and a transparent business environment. However, the tax and contribution rates of banks in the UK are higher than in other centres. Services trade is at the heart of the UK's economy and needs to be central in new economic relationships with the rest of the world if the UK is to maintain open market access. And governments around the world, including in the UK, need to renew business confidence in the effectiveness of regulation and policymaking.



The **UK has the most favourable** regulatory regime for financial services



Bullring & Grand Central, Birmingham



1. Innovative ecosystem

Financial and professional services in the UK are part of the world's most innovative ecosystem. Businesses have access to a globally connected market, future-focused talent and strong policy support. The UK is pioneering ideas and products in tech and bringing sustainable finance into the mainstream. The interplay of these elements continues to create a one-of-a-kind ecosystem that helps businesses succeed and shapes the future of global financial services.



Metrics

1. Fintech investment
2. Number of fintech investment deals
3. Number of unicorns
4. Sandboxes (e.g. regulatory or digital) (yes/no)
5. Open banking (yes/no)
6. Share of financial and professional services (FPS) and tech-relevant graduates
7. Digital skills among population
8. Adoption rate of fintech
9. Number of patent applications, per resident
10. Green and ESG bonds, overall amount outstanding
11. Green and ESG bonds, annual issuance
12. Sovereign green bond (yes/no)
13. ESG scores of listed companies
14. Size of domiciled sustainable funds
15. Size of sustainable loan issuance
16. Number of M&As involving sustainable companies
17. Number of FPS firms with science-based climate targets
18. Number of firms reporting in line with Task Force on Climate-related Financial Disclosures (TCFD) principles
19. Signatories to UN Principles of Responsible Investment
20. Signatories to UN Principles of Sustainable Insurance
21. Signatories to UN Principles of Responsible Banking
22. Sustainable stock exchange (yes/no)
23. Stock exchange with a sustainable bond segment (yes/no)
24. Sustainable finance taxonomy (yes/no)
25. Better World MBA ranking
26. CDP A-list ranking

1.1 Tech and innovation

The UK has a world-class fintech offering: it brings together innovative minds, supportive policymakers and the finance required for ideas to take off. The UK’s tech ecosystem provides a strong alternative to the US, which has less regulatory coordination, and Asian centres, which lack market size and activity. Improved digital skills will give the UK’s innovation capability a further boost in the future.

The UK’s regulatory environment continues to be at the forefront of innovation. Government and regulators are committed to keeping the UK at the global cutting edge of technology, and London’s innovative ecosystem creates market access and client development opportunities.

With innovative new products and services being increasingly data-centric, the UK’s Financial Conduct Authority created the world’s first regulatory digital testing environment in 2020. The ‘digital sandbox’, piloted in partnership with the City of London Corporation, provides additional support to innovators by giving them access to synthetic data assets, an application programming interface (API) marketplace, a coding environment, as well as access to mentors and observers. A further ‘lawtech sandbox’ fast-tracks transformative ideas, products and services that address the legal needs of businesses and society.

To continue the nation’s tech and fintech successes, the UK government commissioned an independent review of UK fintech, conducted by Ron Kalifa OBE. Published in February 2021, it sets out a series of proposals for how the UK can build on its existing strengths, create the right framework for continued innovation and help UK firms expand. At an international level, the Financial Conduct Authority chairs the Global Financial Innovation Network (GFIN) and helps innovative firms navigate between countries as they look to scale and test new ideas.

Case study

Simmons Wavelength: why the UK was the natural place for their launch

The UK has a really strong regulatory regime and there are initiatives like the UKLTA’s Innovation Sounding Board where like-minded people can share ideas or bodies like Tech Nation that are doing a lot to promote growth in the legal sector. The UK is a space where folks are not afraid of collaboration. I’ve seen competitors time and time again join up for the greater good. That is not something that you find in most markets.

London being a global city also helps us to attract global talent. It is a very easy and attractive place for people who want to impact change on a global scale.

Erika Concetta Pagano

Head of Legal Innovation and Design, Simmons Wavelength

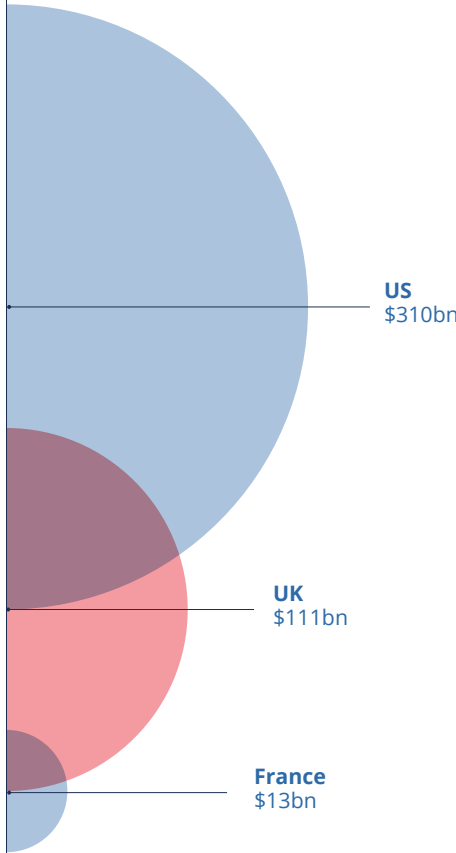
→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

The UK’s tech ecosystem is one of the most competitive in the world: in size and activity second only to the US, it offers a wealth of opportunities to both fintech founders and investors.

London is home to one of the biggest and most diverse financial services cluster in the world. In 2021, its startup ecosystem ranked second globally behind the Silicon Valley. The UK’s fintech sector benefits from this deep and broad ecosystem. Between 2016 and 2020, across more than 1,380 venture capital, private equity and M&A deals, investors poured \$111bn into UK-based fintechs. With the pandemic

accelerating commercial use of tech solutions, the UK saw a further \$24.5bn of fintech investment in the first half of 2021. UK fintech firms attracting investment are diverse and come from subsectors such as payments, wealthtech, insurtech, regtech and cyber security. To provide additional support to growth-stage fintechs, the Financial Conduct Authority is taking forward the Kalifa Review recommendation to create a regulatory ‘scalebox’. A further proposal to amend listings rules to make the UK a more attractive location for tech IPOs, and subsequent steps taken, are

Total **fintech investment** between 2016 and 2020:



already bearing fruit. Tech and consumer internet firms accounted for 40% of all capital raised through initial public offerings (IPOs) on the London Stock Exchange in 2020. In 2021, there were more blockbuster IPOs by fintech companies such as Wise, Darktrace and PensionBee. They saw a combined valuation of more than £10bn.

Sources

KPMG/PitchBook 2021, Startup Genome 2021, Tech Nation 2021.



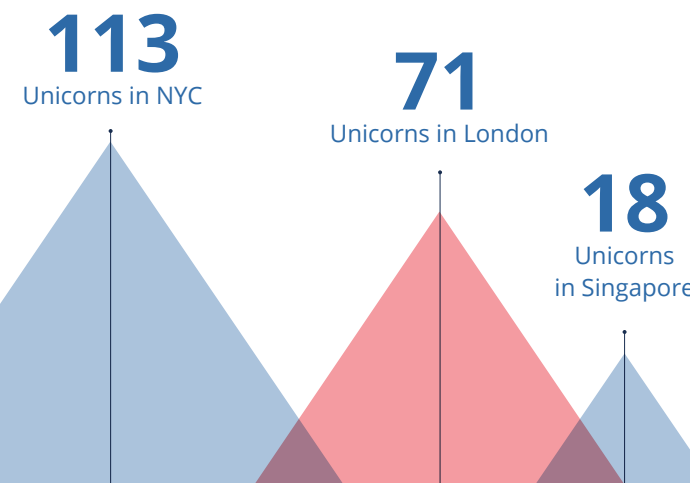
London is Europe's capital for tech and innovation, and it is home to more than a quarter of Europe's unicorns.

Of Europe's 268 unicorns – startup companies valued at more than \$1bn – 71 have their home in London. This makes the UK's capital by far the biggest unicorn hub in Europe, and the fourth biggest in the world. And the trend points upwards: since 2015, the UK has seen a threefold increase in its number of unicorns. It is testament

to the UK's strong environment for tech firms and innovative business ideas, supported by more than 350 startup incubators and accelerators. This provides ample opportunity for investors looking to invest in a fast-paced, high-growth sector.

Sources

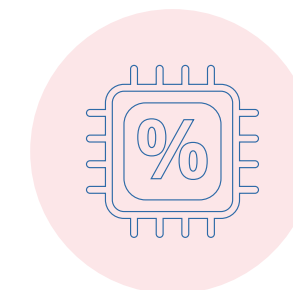
dealroom.co/sifted 2021, Tech Nation 2021.



Cardiff Bay



The UK has the highest consumer fintech adoption rate of all global financial centres, reflecting a fast-growing industry, widespread awareness and a large customer base.



71%

The UK's fintech adoption rate

Of all comparator centres, the UK's population is most ready to embrace innovation in financial services – with 71% of the digitally active population having adopted fintech solutions already. This compares with 67% in Singapore and Hong Kong, 64% in Germany, 46% in the United States, 35% in France and 34% in Japan. Fintech adoption is growing across all markets and the UK is at the forefront. The UK's adoption rate reflects a fast-growing industry and widespread awareness. The increasingly growing customer base will have positioned the UK well to cope with the accelerated demand driven by the COVID-19 pandemic.

Source

EY 2019.

The UK's graduates and entry-level talent base continue to be a globally unrivalled resource for the tech sector.

The UK offers a graduate pool that is well equipped to help tech firms provide innovative financial and professional services. The country continues to have a higher share of graduates in natural sciences, mathematics and statistics, and information and communication technology than other global financial centres. Universities such as Imperial College London and the University of Birmingham run dedicated masters degree courses in financial technology, and many more include fintech modules in their wider programmes.

Source

World Economic Forum 2020.

Share of graduates in **natural sciences, mathematics and statistics, and information and communication technology** in 2019:

UK
17.4%

Singapore
14.7%

Germany
12.6%



Digital skills remain a global challenge. The UK is taking active steps with targeted upskilling efforts to prepare its workforce for a digital future.

The pandemic has accelerated demand for digital services both in the UK and worldwide. However, according to the World Economic Forum, the extent to which people possess the digital skills needed to fulfil this demand has decreased between 2019 and 2020. Executives surveyed stated that digital skills are now in shorter supply across financial centres around the globe.

The shortfall is a bigger problem in the UK than in the US or Singapore, but is most pronounced in France and Japan. Initiatives such as FutureDotNow are helping people and businesses across the UK to boost their digital skills. In addition, the Financial Services Skills Commission, supported by the City of London Corporation, is working with firms to better identify and address skills gaps via a dedicated training framework.

Source

UNESCO 2019.

1.2 Sustainable finance

The future of finance is green, and Europe is at the forefront of sustainable finance. While other world regions are catching up, London remains the only financial centre that tops both conventional and green financial centre rankings. After hosting COP26 in 2021 and securing strong commitments on financing net zero from across the financial services industry, the UK will now further develop itself as a one-stop shop. It aims to become the easiest place for sustainable finance, where global actors can find the fullest spectrum of services and products across the value chain.

With the world transitioning to a zero-carbon economy, UK financial and professional services are leaders in setting targets to reduce their emissions in line with climate science.

Setting science-based climate targets makes business sense – it future-proofs growth, saves money, provides resilience against regulation, boosts investor confidence and spurs innovation and competitiveness. UK-based financial and professional services have strong green credentials: as of October 2021, 43 firms had set targets in line with the newly established Science Based Targets initiative (SBTi) to reduce their emissions and meet the goals of the Paris Agreement. This compares with 13 in the US, 12 in Japan and considerably fewer in other financial centres. A further 49 UK financial

and professional services firms are committed to setting targets. They are supported by initiatives and action from within the industry – for example, the Climate Change Roadmap by the Association of British Insurers (ABI). They can also count on thought leadership and expertise from UK institutions such as the Green Finance Institute.

Source

Science Based Targets initiative 2021.



Across all sectors of financial services, market players in the UK are highly committed to sustainable principles – and government and regulators are setting out measures to further drive this.

Businesses seeking funding for sustainability projects can find investors with the appetite and expertise to invest in green in the UK. UK asset owners and investment managers lead the assessment on implementation of responsible investment for the United Nations Principles for Responsible Investment (PRI). As of October 2021, there were 676 UK PRI

Sources

TCFD 2021, PRI 2021, PRB 2021, PSI 2021.

signatories with more than £8.8tn assets under management – second only to the US. More UK insurance firms have signed the UN Principles for Sustainable Insurance (PSI) than insurance providers in the US or Asia, and more banks support the Principles for Responsible Banking (PRB) in the UK than in any other global financial centre.

This commitment is turning to action: the value of responsible investment funds under management in the UK has almost doubled in a year. And it will further be driven by the UK government's plan to develop the UK into the world's first net zero aligned financial centre. The plan includes implementing a green taxonomy; asking asset managers, regulated asset owners and listed companies to publish transition plans; and mandating climate reporting in alignment with TCFD principles. This will bring ESG disclosure and sustainable investment into the mainstream and promote best practices locally and internationally.

Additionally, the City of London Corporation has been selected as a founding sponsor of the Integrity Council for Voluntary Carbon Markets (IC-VCM), a global body that will oversee standards in the voluntary market. The Green Finance Institute will play a key role in coordinating the body's executive secretariat, and the British Standards Institution will provide granular expertise on standard-setting.

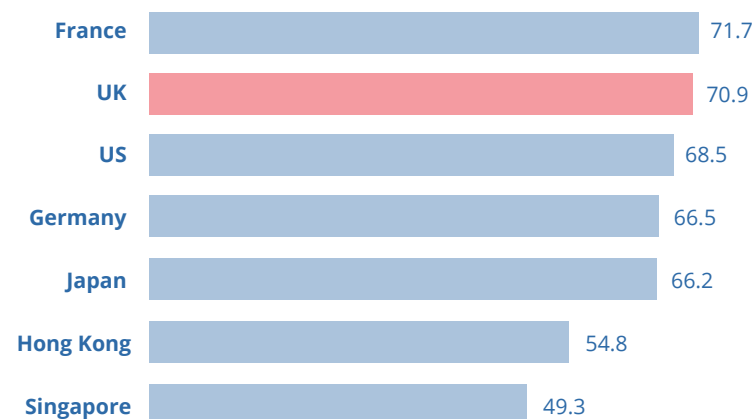
The UK is an attractive market for sustainable investors, with listed companies on the London Stock Exchange achieving high ESG ratings.

In 2020, the average environmental, social and governance (ESG) score of the top 100 companies listed on the London Stock Exchange was 70.9 – higher than all comparator centres apart from France. Between 2016 and 2020, this average ESG score improved by 11% – faster than in Germany, France and the US. ESG scores in Asia are improving even faster, but from a lower starting point. This suggests that the UK is an attractive market for sustainable investors, and that other markets are looking to the UK as an example and ESG leader.

Source

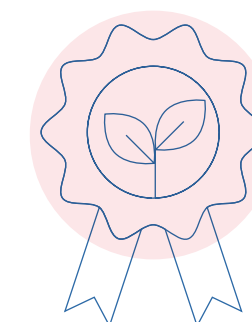
Refinitiv 2021.

Listed companies on the London Stock Exchange achieved high average ESG ratings in 2020:



The first Green Gilt, the largest inaugural green sovereign issuance ever, has underlined the UK's sustainable finance commitment and offer.

With its long-awaited green sovereign issuance in September 2021, the UK joined France, Hong Kong and Germany in the group of global financial centres that have issued green debt. Investor demand reflects the interest in the UK's green transition: the UK's first Green Gilt was the largest inaugural green issuance by any sovereign, with the largest ever order book for a sovereign green transaction. The initial £10bn raised will be used to fund zero-emission buses, offshore wind farms and schemes to decarbonise homes and buildings. A second issuance raised a further £6bn. The UK also issued the first standalone retail Green Savings Bonds, giving savers the opportunity to help address the challenge of climate change.



The UK had the **largest ever** green sovereign bond issuance

With the UK's comprehensive ecosystem championing sustainable finance, activity is growing across asset classes – particularly in equity markets.

Sustainable finance market activity is picking up across asset classes in the UK, albeit at different speeds.

In debt markets, the UK still has room to grow. In 2020, green and ESG bonds worth nearly \$12bn were newly listed on the London Stock Exchange. This was a 52% increase year-on-year, and the highest volume yet, but the figure trails the amounts raised in France (\$16bn), Singapore (\$20bn) and Germany (\$60bn). In the same year, UK issuers closed £21bn worth of sustainable loan facilities – more than the £17bn closed in Germany but less than in France (£26bn) and the US (£36bn).

In equities, the UK is in a stronger position. The size of the more than 80 newly launched green, ethical and alternative energy funds in the UK in 2020 was much bigger than in other centres – £21bn in the UK versus £12bn in Japan and £6bn in France. In addition, 24 UK-based 'green' companies were acquired, making the UK the second largest market for sustainable mergers & acquisitions (M&A) activity in 2020, behind the US.

Source
Refinitiv 2021.

In 2020, **the UK's sustainable finance market** saw more activity than ever before:



Issuance of Green & ESG bonds:
+52%
year-on-year

Size of newly launched green, ethical, alternative energy funds:
+116%
year-on-year

Size of sustainable loan facilities closed:
+12%
year-on-year

Case study

NatWest Group: why the UK is a great market for climate and sustainable finance

Beating climate change will require collaboration and the UK is a great spot for this with its international mix of students in our excellent universities to the diverse communities here which bring people together. The UK is also a great market for climate and sustainable finance. It is a long-standing financial centre and there is a lot of experience and knowledge.

There are also a lot of the right partners here in the UK such as the Green Finance Institute and we have had leadership from the Bank of England and these have helped to bring people together across sectors such as pensions, insurance and banking. We are seeing a sea change in how all parts of the circle of capital view sustainable finance and London is uniquely positioned to really champion that.

Rishi Madlani

Head of Sustainable Finance and Just Transition, NatWest Bank

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

The UK's pool of talent is future-ready and prepared to work on achieving ambitious climate goals, with three of the five most sustainable business schools worldwide located in the country.

The UK is well placed to produce a talent pipeline that is trained and skilled in sustainability matters. In 2020, the UK government, the Green Finance Institute and 12 leading financial professional bodies launched the Green Finance Education Charter. The Charter demonstrates a commitment to

integrating green finance and sustainability into core curricula, new qualifications and the continued professional development within member organisations. Analysis shows that UK-based business schools already achieve high sustainability scores. In the Better World MBA ranking, which assesses factors such as the number of sustainability institutes and sustainability integration in core courses, Warwick Business School

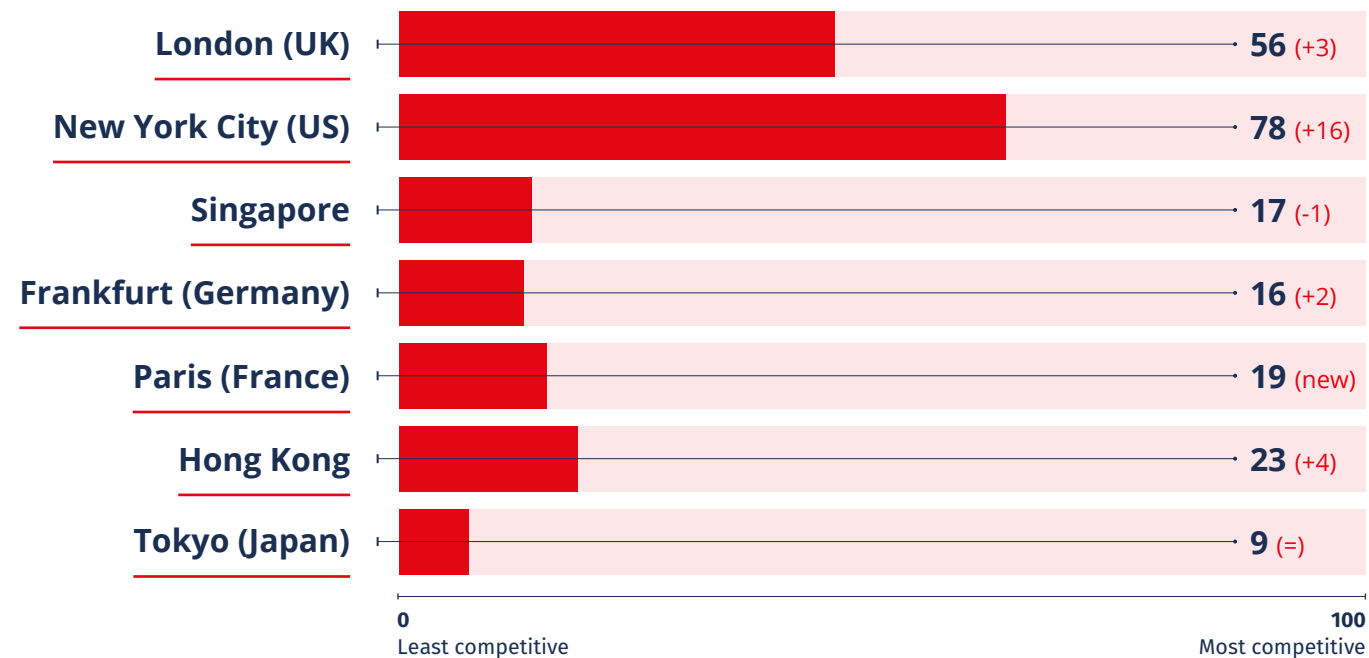
and the University of Bath's School of Management claim second and third place after Griffith Business School in Australia. Access to skilled talent will be a crucial success factor in a global economy that is turning green, and the UK has a rich supply and future pipeline.

Source
Corporate Knights 2020.



2. Reach of financial activity

The size of financial markets in the US is the largest worldwide – a reflection of the size of the US economy. The UK’s financial markets are boosted by their international activity. The UK remains the most globally connected banking centre and provides financial services to partners around the world. It is the world’s largest centre for international debt issuance, commercial (re)insurance and foreign exchange trading, and is becoming an increasingly attractive centre for asset management. Listing rules changes in the coming years will make the UK and London Stock Exchange an even more attractive market for foreign companies to raise capital.



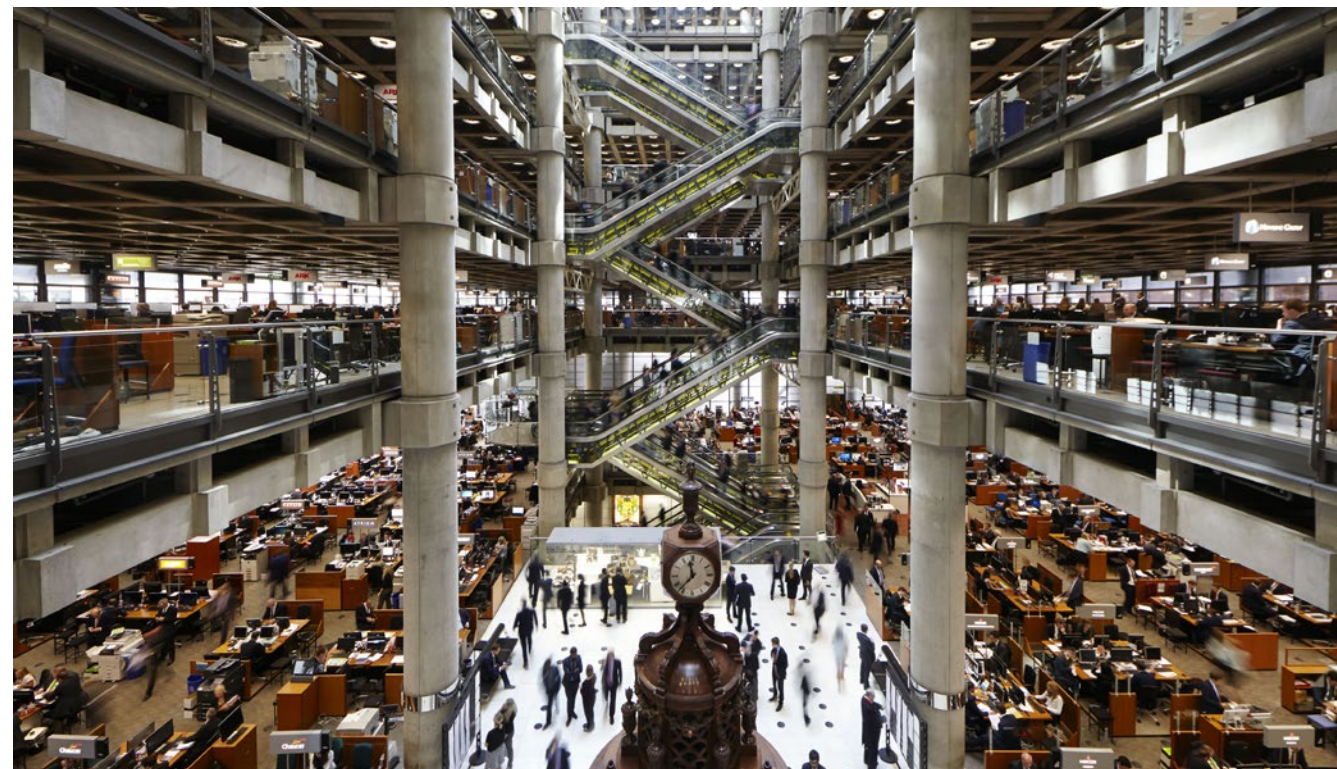
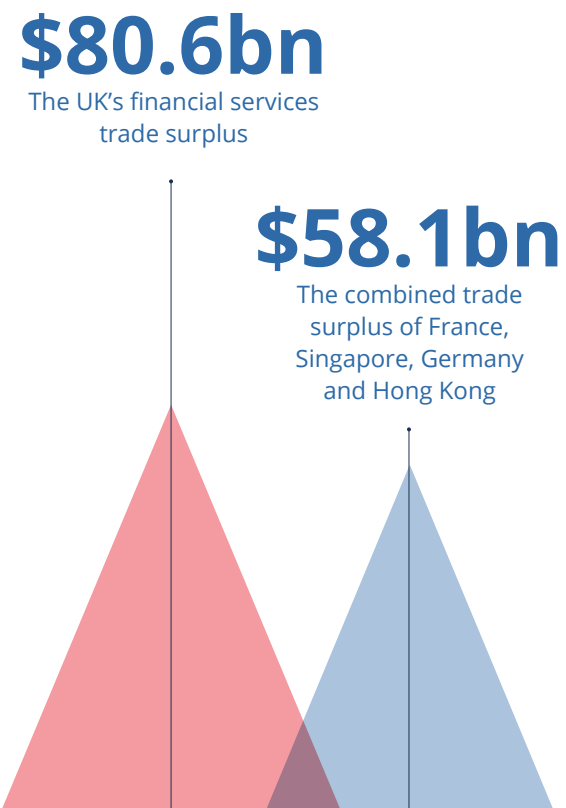
Metrics

- 27. Assets under management
- 28. Investment funds
- 29. Net financial services exports
- 30. Foreign direct investment in financial services
- 31. Number of foreign companies listed
- 32. Number of IPOs by foreign companies
- 33. Value of IPOs by foreign companies
- 34. Value of foreign equity trading
- 35. International debt securities, amount outstanding
- 36. International debt securities, gross issuance
- 37. Cross-border banking
- 38. Foreign exchange trading turnover
- 39. Over-the-counter interest rate derivatives trading turnover

The UK's international financial reach continues to be unmatched. Against the backdrop of a challenging 2020, UK financial services exports increased and the UK's trade surplus remains higher than in all other global financial centres.

Financial services firms located in the UK benefit from deep and global connections. In 2020, against the backdrop of a challenging year, the UK's financial services trade surplus increased to \$80.6bn. This is an 8% year-on-year increase. The surplus was higher than the US's net financial services exports (\$66.9bn) and higher than the value of France, Singapore, Germany and Hong Kong's surplus combined. The US and the EU remain the top destination markets for UK financial services exports, while exports to key Asian markets are increasing. London and the UK's international financial reach continues to be unmatched and demonstrated resilience through the pandemic.

Source
UNCTAD 2021.



Lloyd's of London

Case study

Silicon Valley Bank: serving innovation companies and their investors around the world

The UK is our main hub in the EMEA region and was the first formal international outpost of Silicon Valley Bank. Back in 2005, we found an increasing amount of our clients were using the UK as a jumping off point to cover broader European expansion and several of our US venture capital and private equity clients were starting to do more investments in the region. Since then the activity across the board has increased substantially and the market is really going from strength to strength.

Erin Platts

Head of EMEA and President of the UK Branch, Silicon Valley Bank

➔ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

The UK is the fourth largest insurance market in the world and the largest in Europe, with the London Market remaining the largest global commercial (re)insurance hub.

The UK combines a sophisticated domestic market for insurance, including the unique London Market for specialty cover. It is the fourth largest insurance market in the world, and the largest in Europe, with a total premium volume of \$338bn in 2020. Every one of the top 20 global insurance and reinsurance firms is active in London, and the Lloyd's insurance and reinsurance

market operates in more than 200 countries worldwide. Globally, the London Market provides 60% of aviation insurance, 52% of energy insurance and 33% of shipping insurance. Further demonstrating its international connectivity, the London Market's capital is increasingly global in source: 85% of London Market premium is written by companies domiciled outside the UK.

Sources
Swiss Re Institute 2021, London Matters 2020.

London and the UK remain Europe's leading destination for investment in financial services.

The UK is a top destination for financial services foreign direct investment (FS FDI). Between 2016 and 2019, UK financial services' inward FDI stock grew by 14% from \$487bn to \$553bn. This makes the UK the largest destination for FS FDI in Europe. Likewise, London is the most attractive city in Europe for FDI. The UK's capital regained the title from Paris in EY's 2021 UK Attractiveness Survey. On a global scale, the UK is trailing the US and Singapore. In 2019, the US' value of inward FS FDI stock stood at \$947bn, a reflection of the size of the US economy. Singapore is benefiting from high growth rates: between 2016 and 2019, the city state's FS FDI stock grew by 57% from \$485bn to \$763bn.

Sources
OECD 2021, National Statistics Agencies 2021, EY 2021.

Listing rules changes will make the UK and London Stock Exchange a more attractive market for foreign companies to raise capital.

By the end of 2020, 368 foreign companies were listed on the London Stock Exchange (LSE). This made it one of the most international stock exchanges. But between 2019 and 2020, the number of foreign companies listed on the LSE decreased by 4%. This trend contrasts with increasing numbers of listed foreign companies on NYSE and NASDAQ (combined +8% year-on-year), Euronext Paris (+38% year-on-year) and HKEX (+5% year-on-year). Still, with 13 IPOs by foreign companies in 2020, LSE saw more international initial public offerings than Germany, Singapore and Japan combined. In total, the 13 IPOs raised nearly £1.5bn. Listing rules changes proposed by the

UK government and the Financial Conduct Authority will make the UK and London Stock Exchange a more attractive market for raising capital. As recommended by Lord Hill's Listings Review and the independent review of UK fintech, the Financial Conduct Authority is proposing to introduce dual-class share structures, reduce the free-float requirement and review the LSE's listing segments. Together with proposed changes to the prospectus regime and to the way special purpose acquisition companies (SPACs) can list in the UK, this overhaul of the UK's listings regime will make it easier for companies to go public in the UK and tap into the wealth of capital that is available in London.

Sources

World Federation of Exchanges 2021, Refinitiv 2021.



London Stock Exchange, London

The UK is Europe's leading centre for asset management, and its global market share is increasing again.

The UK is becoming a more attractive asset management centre. It is Europe's leading centre, and its global market share is increasing again. The size of assets under management (AuM) in the UK grew by 18.6% between 2019 and 2020 – from \$7.3tn to \$8.6tn – outstripping the 14.5% global average growth of AuM. Subsequently, the UK's global market share increased from 6.9% in 2019 to 7.2% in 2020 – though this is still below the UK's global market

share of 8.6% in 2015. AuM in the US, the world's leading centre for asset management, grew by 13% from \$56.9tn to \$64.5tn between 2019 and 2020. The size of assets managed from France, Europe's next largest centre, grew by 17% from \$6.3tn to \$6.7tn. The value of investment funds domiciled in the UK grew as well – from \$1.9tn in 2019 to \$2.1tn in 2020, a year-on-year growth of 11%.

Sources

Thinking Ahead Institute/Willis Towers Watson 2021, National Statistics Agencies 2021, Investment Company Institute 2021.

Case study

BNP Paribas Asset Management: London is a world-leading asset management centre

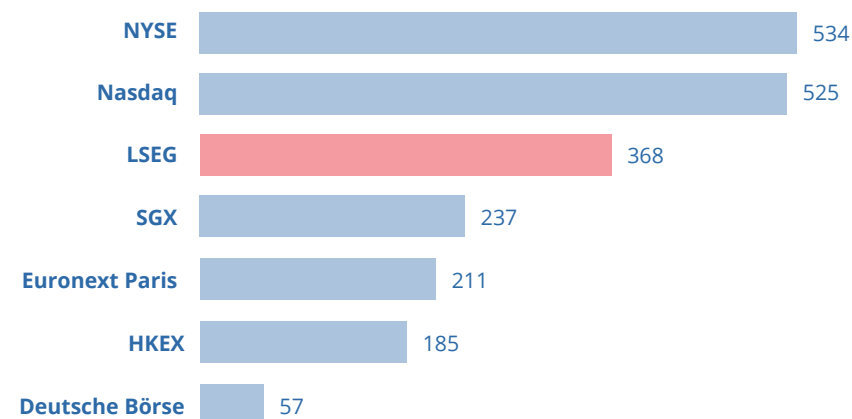
The UK has a very sophisticated and well-developed investor base offering significant opportunities for us in the asset management industry. As an international financial centre, London offers the benefits of language, legal structures that are highly respected globally, and the most sophisticated regulatory environment in the world. I typically speak to people in Asia and North America almost every day, so the time zone that spans Asia and North America is a distinct advantage. The Square Mile of the City of London is also a concentrated area within which to access senior management at many of the companies we invest in.

Roger Miners

Global CMO and CEO Asset Management UK, BNP Paribas Asset Management

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

At the end of 2020, **368 foreign companies** were listed on the London Stock Exchange:

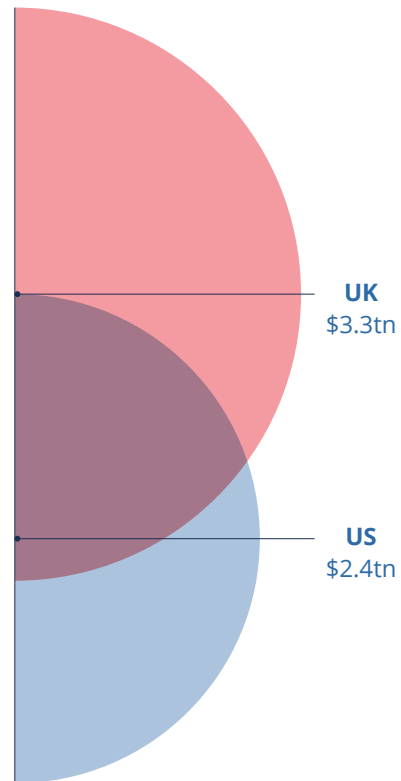


Of all global financial centres, the UK remains the biggest centre for issuance and trading of international bonds.

The UK's international reach and deep capital markets are demonstrated by its status as a major centre for issuing and trading international bonds. At the end of 2020, the UK's outstanding value of international bonds was the largest in the world, totalling more than \$3.3tn – a year-on-year increase of 3% and an increase of 18% since 2016. This compares with \$2.4tn in the US, \$1.5tn in France, \$1.4tn in Germany and considerably less in financial centres located in Asia. During 2020, gross issuance of international bonds in the UK reached nearly \$1tn – 60% more than the \$0.6tn issued in Germany, and more than in the US, France and Japan combined.

Source

Bank for International Settlements 2021.



At the end of 2020, **the UK's outstanding value of international bonds was the largest in the world** and totalled \$3.3tn



The UK is home to the most international and globally connected banking sector, with France closing in.

The UK is the world's largest centre for cross-border banking: 15.2% of the outstanding value of international bank lending at the end of 2020 was owed to banks located in the UK – more than \$5.4tn. Likewise, with a share of 17.7%, the UK was the largest centre for cross-border borrowing. This puts the UK ahead of France (lending: 12.6%, borrowing: 15.5%), Japan (lending: 12.1%, borrowing: 4.7%) and the US (lending: 9.5%, borrowing: 12.2%). France is gaining ground as a centre for international banking, however. While the UK lost a little market share between 2016 and 2020, France gained five percentage points. Building on London's dense and comprehensive financial services ecosystem, including around 200 foreign banks or branches in the City and its expanding connections to markets in Asia and the Pacific, the UK has an opportunity to grow its market share again.

Sources

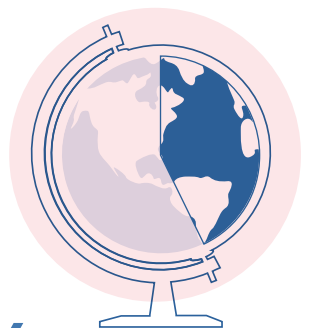
Bank for International Settlements 2021, TheCityUK 2020.

London is the world's leading foreign exchange trading centre.

A deep foreign exchange market provides liquidity and facilitates currency exchange for investments or international trading. Due to their location on the world map, their favourable time zone and the shift to more electronic trading, London and the UK see the deepest pools of liquidity in foreign exchange (FX) and remain the leading international location for FX trading. In 2019, the UK accounted for 43% of global FX turnover – more than the US, Singapore, Hong Kong, Japan, France and Germany combined. Bank of England data demonstrates that average daily UK foreign exchange turnover continues to grow: from \$2.88tn in April 2019 to \$2.99tn in April 2021.

Source

Bank for International Settlements 2021.



43%

The UK's share of global FX turnover – more than the US, Singapore, Hong Kong, Japan, France and Germany combined

3. Resilient business infrastructure

Businesses located in London and the UK continue to benefit from unrivalled global connectivity and strong operational resilience. The UK's location on the world map and favourable time zone make it easy for firms to cover major markets from a single location. Its leading cyber security and anti-money laundering frameworks, as well as its digital security measures, provide firms with a safe business environment. But the country's digital infrastructure needs an upgrade to offer businesses and individuals faster and more reliable internet connections.



Metrics

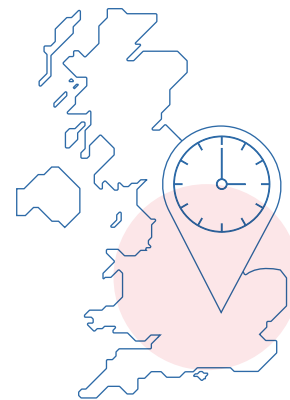
- 40. Fortune Global 500 corporate headquarters
- 41. Office occupancy costs
- 42. International airport capacity
- 43. Quality of road and rail infrastructure
- 44. Congestion levels
- 45. Time zone
- 46. English proficiency
- 47. Risk exposure to money laundering
- 48. Control of corruption
- 49. Broadband speed
- 50. Mobile network availability
- 51. Mobile network speed
- 52. 5G roll-out (yes/no)
- 53. Level of internet freedom
- 54. Cyber security strength
- 55. Secure internet servers
- 56. Digital security measures

3.1 Global business connectivity

Businesses located in London and the UK benefit from unrivalled global connectivity. The UK's location on the world map and favourable time zone make it easy for firms to cover major markets from a single location. London continues to have a higher international airport capacity than any other financial centre and is open for business: The UK capital is home to more Fortune Global 500 company headquarters than Singapore and offers more affordable office space than Hong Kong. To remain competitive, the UK's transport infrastructure needs improvement – providing ample opportunity for financial services firms on the road to net zero to invest in green projects.

London and the UK's favourable time zone makes it easy for businesses to cover major markets to both east and west from a single location.

London and the UK are ideally located on the world map. The favourable time zone makes it easy to do business with major markets to both the east and west within the working day. Market trading hours in the UK overlap with those in Asian, European and American financial centres. This is an asset, especially at a time when business is increasingly taking place online.



Market trading hours in the UK overlap with those in Asian, European, and American financial centres

The business world speaks English – and London is the world's English-language capital.

English is the world's business language – and London is the world's English-language capital. The natural availability of English-speaking talent in both London and New York City helps businesses connect with partners around the globe. At the same time, English proficiency levels are picking up in other global centres, with the uptake particularly pronounced in France, Germany and Hong Kong. Japan remains the global financial centre with the lowest English proficiency.

Source
EF 2020.



Despite a challenging 2020 and a changing world economy, London increased its share of headquarters of Fortune Global 500 firms by more than a third.

Financial and professional services firms succeed when they can access clients with global networks. While hybrid working, video calls and webinars are here to stay, physical proximity to partners remains crucial to building and fostering relationships. Firms located in London benefit from the UK capital being a major hub for Fortune Global 500 firms. And despite more non-European companies entering the Fortune Global 500 list – a sign of a changing world economy – London increased its share of headquarters of Fortune Global 500 firms by more than a third between 2019 and 2020. It is now home to 15 of those firms. This is more than Hong Kong (7), Singapore (2) and Frankfurt (2) combined, and puts London broadly on a par with New York City and Paris (16 each). Overall, Tokyo is home to the most Fortune Global 500 companies – there were 37 at the end of 2020.

Source

Fortune Global 500 2021.

Case study

Tribosonics: the North of England has the right facilities and transport links

In the North of England we have got the right facilities, the talent and skills, the investment structures, great transport links and ambition. This is where innovation and tech happens. International customers value the engineering heritage and the hardware and software engineering skills in the UK, especially when used to drive innovation and enable digital transformation.

Glenn Fletcher
CEO, Tribosonics

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

The cost of renting high-quality office space in the City of London is more affordable than in Hong Kong, Tokyo or Singapore.

With businesses rethinking their offices and physical presence within markets, the cost of renting commercial space is becoming an even bigger factor for businesses deciding where to locate. Value for money is key, and firms want their offices to be outstanding environments to attract staff. The average cost of renting high-quality office space in the City of London remained broadly stable between 2018 and 2020 and stood at \$109/sq ft at the end of Q4 2020. This is more affordable than office space in central Hong Kong (\$240/sq ft), Tokyo's Marunouchi district (\$170/sq ft) or Singapore (\$113/sq ft). While

Tokyo's commercial rents increased by 15% between 2018 and 2019, Hong Kong saw a sharp 29% decline, possibly reflecting uncertainty around the city's future as a financial centre. The City of London is already seeing an increasing return to the office by workers and will further enhance its vibrant offer in the coming years in collaboration with firms present in the Square Mile.

Source

JLL 2020.



Crossrail Place, London

London's airport capacity and central location on the world map will enable the City to become a financial centre with unmatched global connections again.

With business travel grinding to a halt in 2020, London – like cities all around the world – saw a significant drop in the number of international travellers at the city's five major international airports. At -74%, this drop was less pronounced, however, than in American (New York City: -76%) and Asian financial centres (Tokyo: -81%, Singapore: -83%, Hong Kong: -88%). The UK reopened its borders earlier than other jurisdictions, too, and dropped travel restrictions quicker than the US and Asian centres. As the world opens up again, London's international airport capacity and central location on the world map will enable the city to become the financial centre with the best global connections again.

Source

City of London Corporation analysis of airport annual reports and aviation department statistics.

Investment in London and the UK's transport infrastructure is crucial to build a more competitive business environment – and to achieve net zero.

Efficient and well-maintained transport infrastructure is essential to remaining competitive. Measured by road connectivity, quality of road infrastructure, railway density and efficiency of train services, Singapore and Japan have the highest quality transport infrastructure. The UK ranks second to last, with only the US behind. Poor road infrastructure and inefficient train services are the main reasons behind the UK's low rating. London is also a more congested city than Hong Kong, Singapore, New York City or Frankfurt.

Investment and improvements will help the UK achieve the high-quality infrastructure other financial centres already have. In mid-2022, London's Elizabeth Line opens, connecting Canary Wharf and the Square Mile with major rail hubs and Heathrow Airport. New high-speed rail services will also connect London with key regions across the UK. And the UK's push to reach net zero in 2050 will make much more investment in infrastructure necessary. This will not only help build a more competitive business environment in the UK, but also provide ample opportunity for financial services firms to invest in green infrastructure projects.

Sources

World Economic Forum 2019, TomTom 2020.

3.2 Operational, digital and cyber resilience

Strong operational resilience and cyber security frameworks underpin London's business environment. The UK ranks highly in ITU's Global Cybersecurity Index, with London making the most improvement in digital security measures. But the country's digital infrastructure needs an upgrade to offer businesses and individuals faster and more reliable internet connections, and to capture a larger share of global data flows and trade.

Money laundering presents a risk to the UK because of the size, sophistication and reputation of its financial system. But the UK is a leader in combating illicit finance.

Businesses need to be able to operate with confidence in centres that are effective at preventing money laundering and enforcing anti-money laundering (AML) rules. This especially applies to financial services firms, but also to related professional services such as legal or accounting. Money laundering presents a risk to the UK because of the size, sophistication and reputation of the nation's financial system. But the UK is a global leader in combating illicit finance, according to the Basel AML Index. Assessing factors such as the quality of AML frameworks, financial transparency and standards, and public transparency and accountability, the analysis shows that the UK is

one of the financial centres most resilient to such threats – with only France ahead. The UK has made the most progress between 2016 and 2020 and is one of only two jurisdictions excelling in prevention and effectiveness. But money laundering and illicit finance remain a global problem and can only be tackled through collaboration and joint measures.

Sources

Basel AML Index 2021, Bureau of International Narcotics and Law Enforcement Affairs 2021, World Bank 2020.

The UK has one of the strongest cyber security frameworks worldwide – the country's digital infrastructure, however, needs an upgrade.

London and the UK have one of the strongest government-led cyber security frameworks worldwide. According to the latest ITU Global Cybersecurity Index, the UK further improved its cyber security initiatives across legal, technical and organisational areas, as well as building capacity and cooperation. Only the US has a stronger cyber security offering, albeit marginally.

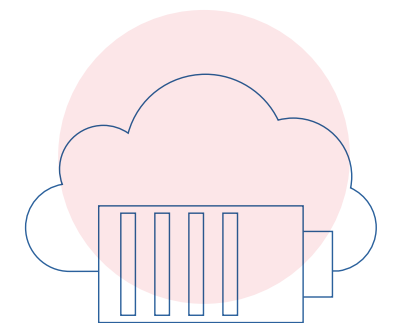
At city level, London, New York City, Tokyo and Singapore are all leading centres for digital security, with London having made the most improvement in recent years. The rich ecosystem security created by UK government and industry, supported by the City of London Police and the City Corporation's collaboration with businesses, underpins this.

The UK is the third biggest investor in cloud computing (£10bn) – 90% of UK companies use cloud at least some of the time, and many

more services are moving online. Strong cyber security measures and frameworks are crucial to enhancing a centre's operational resilience. The UK's digital infrastructure now needs to follow its strong frameworks. Although capacity has increased between 2019 and 2020, the number of secure internet servers – 36,000 per one million people – is still significantly lower than in other global financial centres (US: 142,000, Singapore: 128,000, Germany: 97,000).

Sources

ITU 2020, EIU 2019, World Bank/Netcraft 2020.



90%

of UK companies use cloud at least some of the time

The level of internet freedom in the UK remains one of the highest worldwide, enabling businesses to operate freely and efficiently.

Unrestricted internet access and the protection of content and user rights allow businesses to operate more freely and efficiently. Between 2019 and 2020, the UK's level of internet freedom slightly improved, with the nation remaining one of the freest worldwide in terms of internet access and usage. The one global financial centre to offer only 'partly-free' internet, according to Freedom House assessments, is Singapore.

Source

Freedom House 2020.



Broadband speeds in the UK are increasing, but not fast enough, and remain the slowest of all global financial centres.

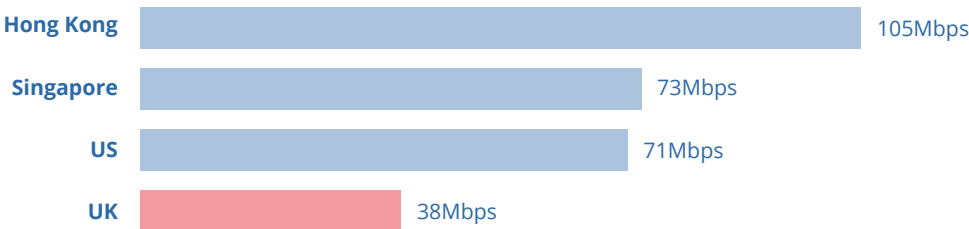
In a digitised world, broadband speeds are crucial to business success. And with staff working remotely, commercial and personal internet connections count. The UK's broadband speeds are increasing – in 2020, they were 69% faster than in 2019, and 129% faster than in 2017 – but the average nationwide speed of

38Mbps is still slower than all other global financial centres. Hong Kong has the fastest broadband on offer, with speeds reaching 105Mbps, and Singapore follows with 73Mbps. The UK government and telecom providers are working jointly to deliver better speeds to offices and homes, with a target of reaching 85% gigabit broadband coverage by 2025.

Source

cable.co.uk/M-Lab 2021.

Average broadband speeds in 2020:

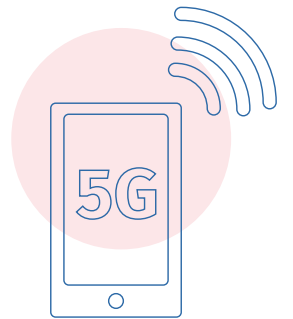


London benefits from an early 5G rollout, but mobile network availability and speeds need to improve UK-wide.

London's early 5G rollout gave the centre a competitive advantage. With more staff moving flexibly between offices, homes and third spaces such as cafes to work or meet clients, seamless connectivity is key. This is already possible in pockets within the Square Mile, but UK-wide mobile network availability and speeds must be improved. In 2020, UK mobile users had access to a fast mobile network for 89% of the time. This is an improvement on 2019, and a higher mobile network coverage than in Germany and France, but trails network availability in Asia and the US. At 23Mbps, UK mobile network speeds remain slow, too, and have not significantly increased between 2016 and 2020. Increasing UK-wide 5G coverage will give the country the speed boost it needs.

Source

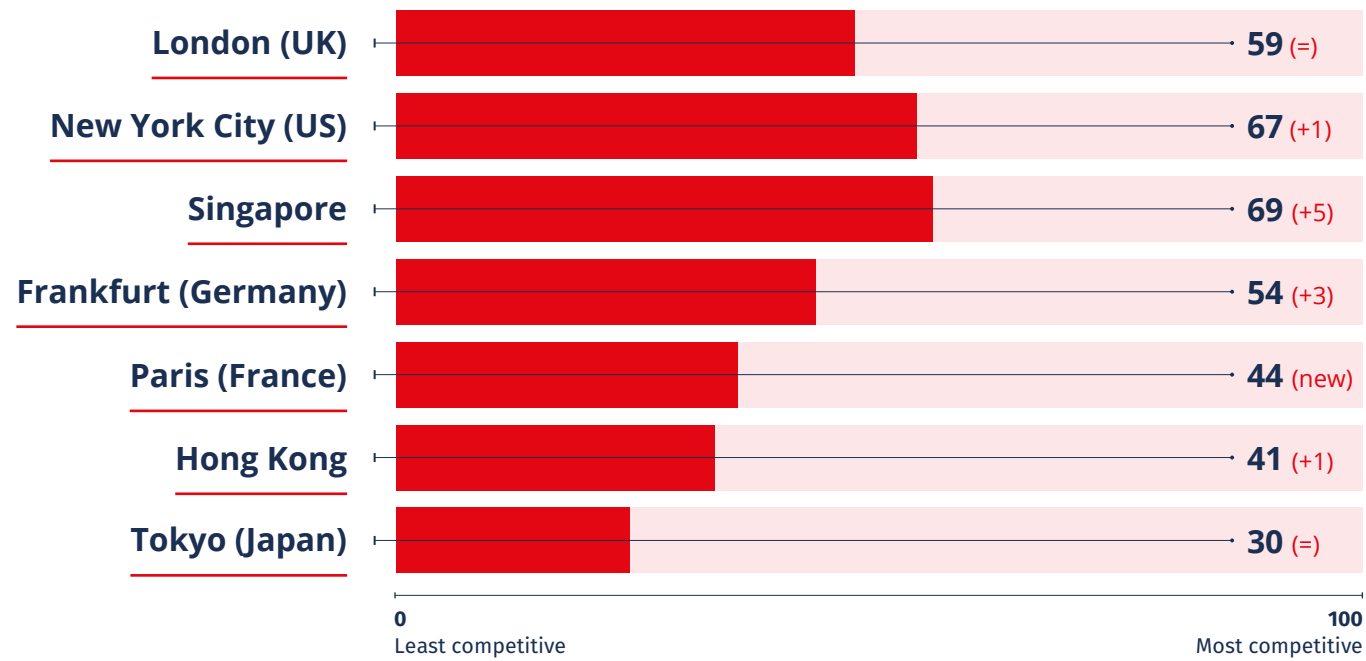
Opensignal 2021.



London's early 5G rollout gave the centre a competitive advantage

4. Access to talent and skills

World-leading universities and MBA programmes, an international workforce and a high quality of life driven by a rich cultural scene make London and the UK a global financial centre where financial and professional services firms can find great talent. With a strong supply of digital skills in Singapore, and a US business environment that is increasing its attractiveness to international talent again, the UK needs to address skills gaps and remain open to people from around the world to become more competitive in the future.



Metrics

- 57. Share of FPS relevant graduates
- 58. Maths and science skills attainment
- 59. University rankings
- 60. Top-level business schools
- 61. Digital skills among population
- 62. Skills in workforce
- 63. Extent of staff training
- 64. Flexibility of labour laws
- 65. Productivity
- 66. Diversity
- 67. Attractiveness to foreign highly skilled personnel
- 68. Share of foreign-born population
- 69. Visa costs
- 70. Inbound international students
- 71. English proficiency
- 72. Cost of living
- 73. Cultural interaction
- 74. Air quality
- 75. Share of green spaces
- 76. Happiness

4.1 Skills, hiring and training

The UK has some of the world's best universities, leading MBA programmes and a growing share of graduates gaining degrees in courses directly related to financial and professional services. This enables firms located in the UK to have access to a world-leading pool of highly qualified graduate talent. But improving workforce skill levels in the UK remains a challenge. Public institutions and businesses have joined forces to identify and address gaps, especially in digital.

Financial and professional services firms in the UK have access to a vast pool of highly qualified graduate talent.

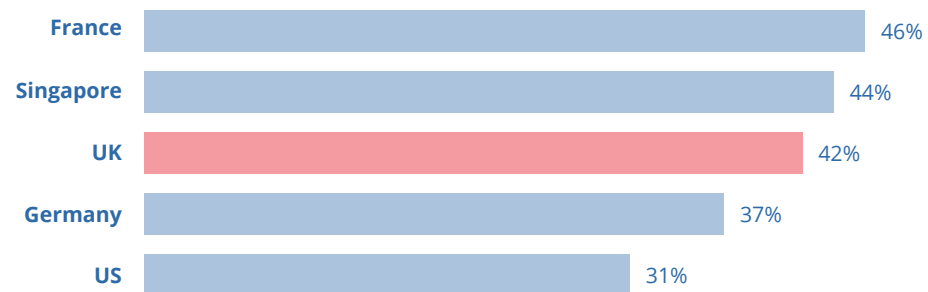
Financial and professional services firms in the UK can recruit from a vast supply of skilled graduates: 42% of all graduates from UK universities graduate from business, mathematics or information technology programmes. This share is growing – rising two percentage points since 2016 – and it is only topped by Singapore (44%) and France (46%). With many of the UK's universities and business schools being world-leading, this provides for highly skilled entry-level talent. Businesses across the UK can fill their junior roles with young people who are ambitious and qualified.

Source

UNESCO 2019.

42%

of all graduates from UK universities **graduate from business, mathematics, or information technology programmes**



Case study

Nossa Data: the advantage of being based in the UK

The academic institutions in the UK are a huge advantage for us. We have definitely been able to find the talent we need and we intend to recruit our initial team all within the UK because we think all the talent we need exists there.

Julianne Flesher
CEO, Nossa Data

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

The UK's leading higher education sector is home to the world's best university.

The university landscape of the UK and the US is unmatched. Businesses located in these markets do not only benefit from pools of skilled graduates but also from world-leading research and innovation capabilities. In 2021, the University of Oxford was again named best university in the world – for the fifth year in a row. The University of Cambridge ranked sixth, and nine other universities

from across the UK featured in the global top 100. The UK has more universities in the global top 100 than France, Hong Kong, Singapore and Japan combined. Over the past five years, the ratings of UK universities have further increased, demonstrating their improving offer.

Source

The Times Higher Education World University Rankings 2021.

Nearly 60% of the 100 world-leading MBA programmes are located in the US and the UK.

The strength of the UK's and US' higher education sector is also reflected in business school rankings. Nearly 60% of the 100 world-leading MBA programmes are located in the two countries – 48 in the US and nine in the UK. In 2021, the London Business School's MBA programme was named the second best programme worldwide, with graduates seeing a salary percentage increase of 103% after completion. The number of UK programmes in the global top 100 has decreased from 14 in 2017, but the UK's business schools still demonstrate a considerably better performance and quality than those in any other global financial centre outside of the US.

Source

Financial Times Global MBA 2021.



Nearly

60%

of all world-leading MBA programmes are located in the US and the UK



Leeds Dock

Workforce and wider population skill levels in the west trail those in the east. Public institutions and businesses in the UK have joined forces to identify and address skills gaps.

The UK is a leading centre for innovation, and home to some of the world's best universities. Reskilling and upskilling efforts will ensure the UK's current workforce is equipped to fulfil business and societal needs too. The latest PISA assessment results showed a stark east/west divide for pupils' mathematics and science skills attainment. While Singapore, Hong Kong and Japan scored best, the UK was in the bottom half of results, although ahead of Germany, France and the US.

Digital skills remain a global challenge, with workforce digital skills in financial centres around the globe less sufficient now than they were before the pandemic. Executives state that the extent to which skilled talent is readily available in the UK is increasing, more so than in France and Germany, but at a slower pace than Singapore or Hong Kong. Employee training is perceived as being most important in Germany, Singapore and Japan, though the importance placed on it by businesses in the UK is growing. Initiatives such as FutureDotNow are helping people and businesses across the UK to boost their digital skills. In addition, the Financial Services Skills Commission, supported by the City of London Corporation, is working with firms to better identify and address skills gaps via a dedicated training framework.

Sources

PISA 2018, World Economic Forum 2019, IMD 2020.



30 St Mary Axe, London

Productivity is high in London and UK financial services.

Productivity varies hugely by sector and industry. In the UK, financial services are one of the UK's most productive sectors, with an output of \$146,584 per job in 2019. London is the UK's most productive region with a productivity of \$103,952 across all industries. However, according to ILO figures, the average UK-wide annual GDP output of \$86,673 remains below that of other financial

centres (US: \$113,114, France: \$107,256), with only Hong Kong seeing lower productivity (\$75,229). Levelling-up efforts need to ensure that other UK cities and regions are supported in achieving their productivity potential to achieve a fairer, more balanced and overall more competitive economy.

Sources

ILO 2019, ONS 2021.

More than a quarter of posts on executive committees of financial services firms in the UK are held by women. Whilst still far away from achieving gender parity, this puts the UK in the lead.

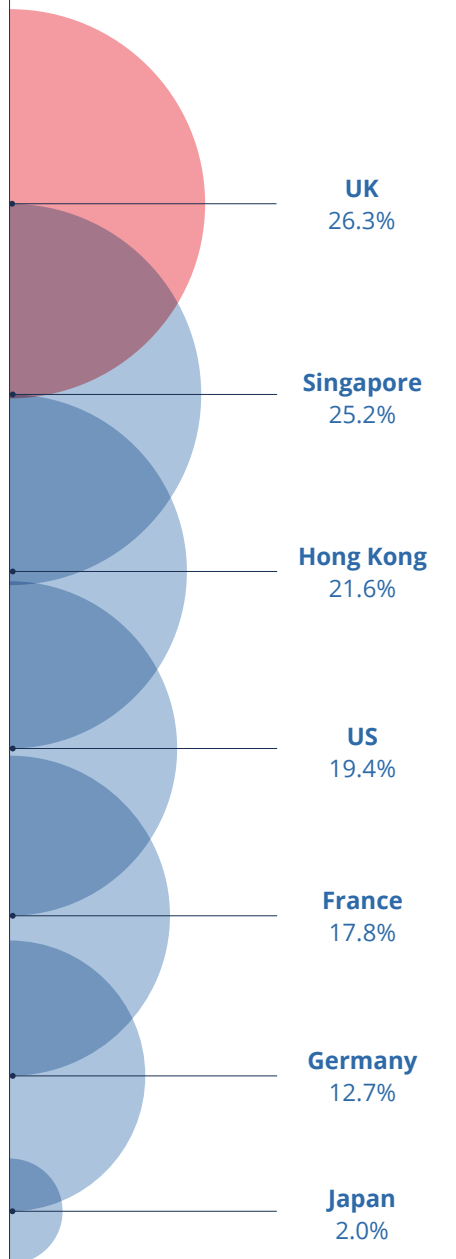
Women in the financial services sector are underrepresented. Oliver Wyman research shows that women control two thirds of global household spending and hold 40% of total global wealth, and of all entrepreneurs, 40% are women. Yet the global average of female representation on financial services executive committees is much lower. Trends are going in the right direction, however. Of all global financial centres, the UK has the highest share of women on executive committees: 26.3%. This puts it ahead of Singapore (25.2%) and Hong Kong (21.6%).

Japan ranks at the bottom of the group with a share of only 2.0%. The UK saw the largest increase of women on financial services executive committees too, with its share increasing by 35% between 2016 and 2020. Organisations in the UK are promoting diversity in the round, with for example HM Treasury's Women in Finance Charter, the Financial Services Skills Commission's focus on diversity and inclusion, and the City of London Corporation-led taskforce to boost socio-economic diversity at senior levels in UK FPS. Opportunities in financial services are becoming more equal around the globe, and businesses will benefit from this as teams better represent their customer base and unlock unused potential.

Sources

Refinitiv 2021, Oliver Wyman 2020.

Share of **women** on executive committees of financial services firms in 2020:



4.2 International talent

An already international workforce makes London one of the most globally connected financial centres in the world. Students from abroad continue to contribute to the UK's international talent base. But UK policymakers need to guarantee that its businesses continue to enjoy unrivalled access to the most important source of future growth available: the best of global talent.

London remains one of the most international financial centres. Businesses located in the UK's capital can recruit from a diverse pool of talent, which helps them establish relationships with clients and partners from around the world.

London is one of the most international financial centres worldwide. At 38%, the UK capital had a higher share of foreign-born population than any other global financial centre before the pandemic. With 37% of its population born abroad, New York City came in second behind London. At a share of just 3%, Tokyo was the centre with the least international population. Initial data suggests that London's share of international workers has not fallen dramatically during the pandemic. In 2020, 15% of workers in the City of London came from the European Economic Area (EEA), and a further 25% came from the rest of the world. This demonstrates London's attractiveness for people from all

over the world and benefits the city's talent pool. Businesses can hire from a multitude of backgrounds, which helps them facilitate relationships with global clients and partners.

Sources

World Cities Culture Forum 2021, Migration.



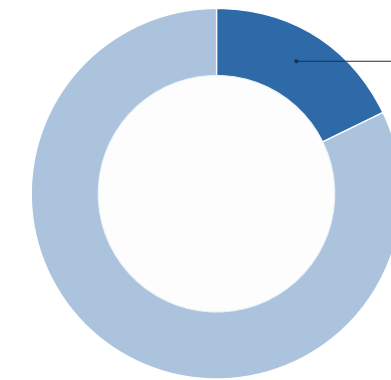
Observatory 2021, ONS 2021.

The UK is a world-leading destination for international students – and the UK's graduate visa scheme makes this a valuable resource for firms.

With 11 of the world's top 100 universities, the UK acts as a magnet for bright talent from all around the world. In 2019, the UK was home to nearly 500,000 international students – 13% more than in 2016. The UK's international students are from 189 countries, with the largest groups coming from China, India and the US, and they make up 19% of the UK's total university enrolment. The US hosted more than 976,000 international students, but at 5% they made up a smaller share of total enrolment. Germany was the third largest destination for international students, where around 333,000 international students made up 10% of total enrolment. The UK's graduate visa scheme allows international students to stay in the country for at least two years after graduation to work or look for work, making the high number of international students in the UK a valuable resource for firms. But the pandemic and increased tuition fees for students coming from the EEA may affect this competitive advantage.

Source

UNESCO 2019.



19%

of all enrolled students in the UK were from abroad, which compares to just 5% in the US

UK policymakers need to guarantee that its businesses continue to enjoy unrivalled access to the most important source of future growth available: the best of global talent.

The UK continues to be an attractive business environment for foreign highly skilled personnel – more attractive than Germany, France and Japan. But no economy's attractiveness has declined as much as the UK between 2016 and 2020, according to executives surveyed by the IMD. The perception of the UK as an attractive business environment for international talent dropped by 21% in this period. In comparison, perceptions of the US dropped by 8%, while France increased by 26%. Likely reasons for this are the UK's withdrawal from the EU, the end of freedom of movement, and the introduction of the UK's new immigration system. Fragomen analysis shows that under the UK's new system, the total visa cost for

a skilled worker entering the UK to work for a large company is £5,681 – much higher than comparable visa costs in the US (\$2,650/£1,923), France (€324/£278) or Germany (€175/£150). Organisations with significant turnover can absorb these costs, but for employers with less disposable income, they are a significant concern. Alongside lowering costs, stripping out unnecessary bureaucracy is key. Encouragingly, after industry feedback, the UK government has already signalled its intention to introduce a new points-based, unsponsored 'High Potential Individual Route' for highly skilled talent to enter the UK, to simplify the sponsor process, and to fast-track visas for those with a job offer from a recognised UK scale-up – such as within the fintech sector.

Sources

Fragomen 2021, IMD 2021.

4.3 Quality of life

London remains the global ‘city of choice’. Despite a challenging 2020, the UK capital’s cultural scene remained more vibrant than any other and is ready to welcome back the world. Air quality in London is fast improving, and the City of London’s Climate Action Strategy will make the financial centre a cleaner, greener and healthier place to live and do business. But London’s attractiveness comes at a cost: only New York City and Hong Kong are more expensive.

London remains the global ‘city of choice’ – and the UK capital’s vibrant cultural scene is ready to welcome back the world.

Recent research by Boston Consulting Group (BCG) set out London’s global credentials – its diverse leisure scene, its inclusivity and its dense transport network. In BCG’s ranking, London claimed the top spot ahead of New York City, with other financial centres further behind. In the Institute for Urban Strategies’ 2020 Global Power City Index, London maintained its first-place position for the ninth consecutive year, despite the large impact of COVID-19 on the city. London’s number one strength is its cultural offering: the number

of theatres, concert halls and museums; its shopping and dining options; the high population of visitors from abroad; and its creative activities. Recovery plans by the City of London Corporation aim to expand the financial centre’s liveliness and verve, and to enable and animate the City’s weekend and night-time offer.

Sources

Boston Consulting Group 2021, Mori Memorial Foundation 2020.



Leadenhall Market, London



BBC Television Centre, London

Air quality in London is fast improving, and the City of London's Climate Action Strategy will make the financial centre an even cleaner, greener and healthier place to live and do business.

London's air quality is fast improving. Between 2016 and 2020, pollution levels fell by 35%. This was a bigger improvement than in any other comparator centre. While London's air is still more polluted than the air in New York City, Frankfurt, Tokyo or Singapore, measures such as more space for pedestrians, enhanced infrastructure for cyclists and an expansion of

London's Ultra Low Emission Zone will ensure that the city's air quality will continue to improve. London already has more green space than the European city average – 33% compared with 18% – and the City of London's Climate Action Strategy will further transform the way streets and buildings look through the creation of living walls, planters on pavements and streets, and green rooftops.

Sources

World Air Quality Index 2021, World Cities Culture Forum 2021.



Between 2016 and 2020, air pollution levels in London fell by 35%

Case study

BJSS: The UK is a great place to access clients and talent

From a talent pool perspective, we take in a lot of apprentices and graduates and there is a great flow of bright young talent from universities across the UK. The regional cities around the UK have provided us with a good talent pool and a good platform from which to grow.

The UK is very advanced when it comes to technology and there are also strong regional tech hubs like Leeds which have a lower cost base but still really strong access to talent. Leeds is becoming a bit of a hotbed for tech in the UK.

Stuart Bullock
Managing Director, BJSS

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London's attractiveness comes at a cost: only New York City and Hong Kong have a higher cost of living.

Despite a temporary dip in inner-city rent levels during the height of the pandemic, London remains one of the most expensive cities in the world. The cost of living is higher only in New York City and Hong Kong. It remains most affordable in Frankfurt. Stable or increasing costs of living in financial centres around the world suggest that these cities have not lost their attractiveness during the past two years. The possibility of more remote and flexible working can, however, enable businesses to look for talent beyond a city's boundaries, opening up economic opportunities for further bright minds and new demographics.

Source

Numbeo 2021.



Tate Modern, London

5. Enabling regulatory and legal environment

The UK continues to have the most favourable regulatory regime for financial services. Firms located in the UK benefit from innovative regulators, a strong legal system and a transparent business environment. However, the tax and contribution rates of banks in the UK are higher than in other centres. Services trade is at the heart of the UK's economy and needs to be central in new economic relationships with the rest of the world if the UK is to maintain open market access. And governments around the world, including in the UK, need to renew business confidence in the effectiveness of regulation and policymaking.



Metrics

- 77. Government effectiveness
- 78. Regulatory quality
- 79. Control of corruption
- 80. Regulatory coherence
- 81. Sustainable finance taxonomy (yes/no)
- 82. English law (yes/no)
- 83. Financial centre = political centre (yes/no)
- 84. Sandboxes (e.g. regulatory or digital) (yes/no)
- 85. Open banking (yes/no)
- 86. Perception of favourability of financial services regulatory regime
- 87. Preferred seat of arbitration
- 88. Total tax and contribution rate
- 89. Individual income tax rate
- 90. Tax complexity
- 91. Size of international tax treaty network
- 92. Additional financial services taxes (yes/no)
- 93. Services trade restrictiveness
- 94. Cost of regulatory barriers to financial and professional services trade
- 95. Controls of the movement of capital and people

5.1 Regulatory stability and innovation

The UK continues to have the most favourable regulatory regime for financial services. It remains at the forefront of innovation, with government and regulators committed to keeping the UK at the global cutting edge of technology. London is one of the world's top seats for arbitration. But the handling of the pandemic has eroded trust in the effectiveness of public services and policymaking. Governments around the world, including in the UK, need to renew business confidence.

The UK's regulatory environment continues to be at the forefront of innovation, with government and regulators committed to keeping the UK at the global cutting edge of technology.

With innovative new products and services being increasingly data-centric, the UK's Financial Conduct Authority created the world's first regulatory digital testing environment in 2020. The 'digital sandbox', piloted in partnership with the City of London Corporation, provides additional support to innovators by giving them access to synthetic data assets, an API marketplace, a coding environment, as well as access to mentors and observers. A further 'lawtech sandbox' fast-tracks transformative ideas, products and services that address the legal needs of businesses and society. Many other markets look to the UK for examples of how innovation can be embedded in regulatory frameworks.



Scottish Event Campus, Glasgow

Case study

iwoca: how the UK market has underpinned its success

Open Banking in the UK – which lets businesses give verified third parties like us access to their bank data through a secure API – has been really great for us. One of the things that we need to look at to decide whether we can fund a customer is their transaction history. With Open Banking, rather than the customer having to upload bank statements, they can instead – via a couple of clicks – connect via Open Banking and then we've got access to this. Incessant form-filling is replaced by a fast and frictionless process where businesses can be approved for finance much more quickly (even instantly).

Seema Desai
COO, iwoca

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)

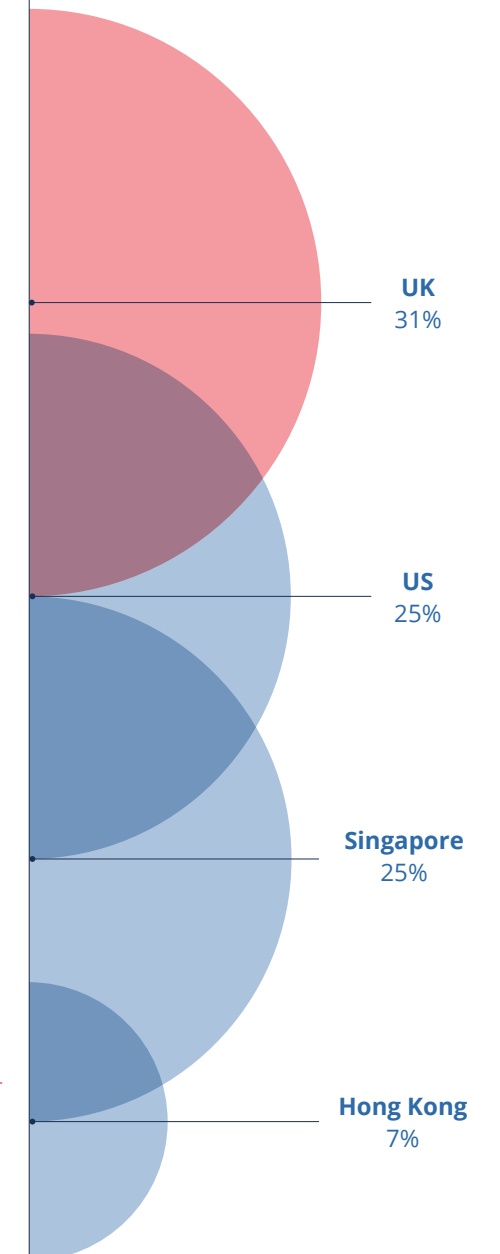
The regulatory regime for financial services in the UK remains the world's favourite.

The UK is still the world's preferred regulatory regime, named by 31% of senior financial services executives surveyed by Duff & Phelps. This compares with 25% for the US and for Singapore. The perception of the UK's and Singapore's regulatory regimes has improved since 2019/20, whereas the perception of the US has declined. One of London's strengths is that important elements of the financial and professional services landscape are concentrated in one location: finance, professional services, tech and policymaking are all in close proximity to each other. In its Future Regulatory Framework Review, the UK government is proposing measures to keep the country's financial services regulation coherent, agile and internationally respected. One of the changes proposed is a new growth and international competitiveness objective for both the Prudential Regulation Authority and the Financial Conduct Authority. This would reflect the importance of the financial services sector as an engine for growth across the wider economy.

Source

Duff & Phelps 2021.

In your view, which market currently has the **most favourable regulatory regime** for financial services?



The UK is aligned with the Basel III recommendations on strengthening bank capital requirements, providing businesses with reliable and predictable operating environments across borders.

Multinational banks benefit from reduced regulatory compliance costs if they find comparable regulatory standards in the markets in which they operate. The Basel Committee on Banking Supervision provides a forum for regulatory cooperation on banking supervisory matters. It aims to provide guidelines and standards to enhance the quality of banking supervision worldwide. While its frameworks are voluntary, their adoption by markets is providing banks with a predictable and stable regulatory environment. Of all comparator centres, the UK, Singapore and EU financial centres have made the most progress in recent years in aligning their regulation of banks with Basel III recommendations. Alignment and coherence increase a market's attractiveness. As of 2020, the US is the least aligned market. While the UK has followed EU legislation in the past, this is changing. Government engagement with industry is allowing banks and other financial services firms to share their views on divergence from or coherence with EU legislation and regulation.

Source

Bank for International Settlements 2021.



22 Bishopsgate, London

Businesses located in the UK benefit from the best legal advice in the home of the world's business law – and London is one of the world's top seats for arbitration.

English law is the preferred governing law for business transactions worldwide. It is well known, well developed and predictable, and used by 40% of all corporate arbitrations globally. The law is so well respected that it is commonly used even for contracts that do not have any geographical connection to the UK. Oxera analysis estimates that English law governed at least £550tn of global OTC derivatives trading in 2018, £250bn of global M&A transactions in 2019 and £8.5tn of global metals trading in 2020.

The strength of the UK's legal offer is also reflected in London being one of the world's top seats for arbitration. In 2021, 54% of respondents to Queen Mary University research named London as one of their organisation's five most preferred seats. Singapore was the other seat named by 54% of respondents. London continues to be a top choice for respondents from Africa, Europe, the Middle East and North America, and remains the only European centre of significance to Asia-Pacific. The three key factors that make London attractive are:



great support for arbitration by local courts and judiciary, the neutrality and impartiality of the local legal system and a good track record in enforcing agreements to arbitrate and arbitral awards.

Sources

Queen Mary University/White & Case 2021, Oxera/LegalUK 2021.



London is a top seat for arbitration

The handling of the pandemic has eroded trust in the effectiveness of public services and policymaking. Governments around the world, including in the UK, need to renew business confidence.

The perception of government effectiveness, the quality of public services, and the ability of governments to formulate and implement policies and regulation that promote economic growth, has sharply declined during the past year. This applies both in the UK and worldwide, according to World Bank research. During 2020, the UK's government was rated more effective than governments in Germany, the US and France,

but only because the latter three experienced an even more pronounced drop in satisfaction (Germany -11%, US -11%, France -9%) than the UK (-7%). Singapore (+5%) was the only market where perception of government effectiveness significantly increased during the pandemic.

Assessments of regulatory quality paint a similar picture: the UK was rated better than Japan, the US and France, but suffered a -9% drop in satisfaction with its regulatory quality between 2019 and 2020. Hong Kong's administration is still rated better than the UK's, but its ability to foster private sector development through effective regulation saw a 17% lower rating in 2020 than it did in 2016. Between the UK's withdrawal from the EU, an unorderly transition of power in the US, an escalating fourth COVID-19 wave in Germany and the implications of Hong Kong's new National Security Law, trust in the effectiveness of public services and policymaking has eroded. Governments around the world, including in the UK, need to renew business confidence.

Source

World Bank 2020.



Bank of England, London



5.2 Tax

Singapore and Hong Kong are the two global financial centres with the most competitive tax systems, but the fundamentals of their economies differ from many others. Firms located in the UK benefit from one of the largest global tax treaty networks, relatively low tax complexity and competitive income tax rates. However, banks located in London face a higher total tax and contribution rate than their counterparts in Frankfurt and New York City, and recent announcements on for example corporation tax will further reduce the UK’s tax competitiveness.

Income tax rates in London are more competitive than in New York City, Tokyo or Frankfurt – but the total tax and contribution rate of UK-based financial services firms, in particular banks, is relatively high.

The UK’s tax rates are competitive overall. At 45%, the highest marginal income tax rate in London is lower than in Tokyo (55.95% including local inhabitant tax), New York City (49.7% including state and local taxes) or Frankfurt (47.5% including solidarity surcharge). And the UK’s corporation tax rate of 19% is currently the lowest rate of all G20 economies. But recent announcements will make the UK’s tax rates less competitive, and the total tax contribution of financial services firms – in particular banks – is already higher than in other centres. The UK is one of the few markets

that levies a tax on bank liabilities and has a bank corporation tax surcharge. While this surcharge will be reduced from 8% to 3% in 2023, corporation tax rates will increase from 19% to 25%. Analysis by PwC and UK Finance shows that banks in the UK already face a higher total tax and contribution rate than their counterparts in Frankfurt and New York City. Banks are committed to paying their fair share to support the wider economy, with the sector contributing £37.1bn in taxes last year. But it is also important that the UK’s tax rates remain internationally competitive to support the sector in continuing to create jobs and spreading prosperity across the country.

Sources

PwC/UK Finance 2021, KPMG 2021.



The UK has the largest international tax treaty network of all global financial centres and continues to expand it.

Double tax treaties help avoid the double taxation of profits from foreign sourced income. Businesses located in globally connected markets with large tax treaty networks have an advantage over firms in locations with more limited networks. Employees working in multiple locations benefit from these treaties as well. In 2020, the UK had the largest international tax treaty network, with 133 double taxation

agreements. This number has consistently grown over the past five years. France ranks second with 125 tax treaties but did not sign any new treaties between 2016 and 2020. At just 42 tax treaties, Hong Kong’s network remains the smallest.

The UK has a less complex tax code than Germany, France or the US.

The UK’s tax code and framework are less complex overall than in any other global financial centre in the west. This reduces operational costs faced by firms located in the UK but leaves further room for improvement. In the Global MNC Tax Complexity Project’s Tax Complexity Index, which measures the complexity of a country’s corporate tax system faced by multinational corporations, the UK’s tax complexity is rated as ‘medium’. The complexity of the UK’s tax code (regulations on, for example, depreciation, royalties and dividends) has slightly decreased over the past five years, whereas the complexity of its tax framework – arising from features and processes of the tax system (guidance, payments and filing, and audits) – has increased. The US has the most complex tax code and framework, and it has increased in complexity in recent years. Singapore and Hong Kong have the overall least complex tax frameworks.

Source

Global MNC Tax Complexity Project 2021.

5.3 Market access

The UK remains one of the most open and global financial centres, with better access to international markets than the US, France or Japan. It levies fewer restrictions on the movement of capital and people than other centres, and firms located in the UK currently face low policy-induced trade costs. But this competitive advantage is at risk. Services trade is at the heart of the UK's economy and needs to be central in new economic relationships with the rest of the world if the UK is to maintain open market access.

The UK levies fewer restrictions on the movement of capital and people than the US and Germany, making it a more open centre for business and international trade.

International financial centres are hubs for global capital flows. To facilitate international trade, they depend on low regulatory barriers. The Fraser Institute's annual Economic Freedom of the World report describes the UK as a centre that is open for international business. Based on an assessment of the country's restrictions on

foreign ownership and investment, capital controls and the freedom of foreigners to visit for short-term business purposes, the UK is more open than the US and Germany. However, the UK's openness has been slowly but steadily declining since 2016 as the country has imposed more restrictions on the movement of people. Hong Kong and Singapore are the most open financial centres.

Source

Fraser Institute 2021.

Case study

PrinSIX Technologies: how the UK's regulators foster innovation

The regulatory environment in the UK has definitely been a plus for us. It is demanding so you have to be good and that by its nature helps to breed innovation. The regulator is also very open to innovation. We were part of the City of London Corporation and the Financial Conduct Authority's first digital sandbox which is an example of the support that both the regulator and the City of London give to innovation within the UK.

The UK regulator clearly has a strong reputation internationally which is inevitably helpful to us in the conversations that we have as our clients are regulated businesses.

Julian Graham-Rack

CEO, PrinSIX

→ [Find out more at theglobalcity.uk](https://theglobalcity.uk)



St Paul's Cathedral and the City of London

As one of the best global financial centres to conduct services trade from, firms located in the UK currently face lower policy-induced trade costs than those in other centres.

Based on an OECD assessment of restrictions on foreign entry, restrictions to movement of people, other discriminatory measures, barriers to competition and regulatory transparency, the UK is one of the best global financial centres from which to conduct international services trade. The country is on a par with Germany. Both centres are more open

than the US, Japan and France. Despite global trade tensions, this assessment has changed relatively little in recent years. According to further OECD analysis, financial and professional services firms located in the UK currently face lower policy-induced services trade costs than their counterparts in Japan and the US. In its new position outside the EU, the UK is now rewiring its economic relationship with the rest of the world to maintain this competitive advantage. As part of this, the UK is aiming to further support international services trade through the inclusion of financial and professional services

in free trade agreements, mutual recognition agreements and regulatory cooperation. Early success stories include agreements with Australia, Japan and Singapore. Negotiations with further key markets such as India are underway.

Source

OECD 2019, 2021.

Methodology

This City of London Corporation 'Our global offer to business' benchmarking research provides an assessment of the competitiveness of major financial centres.

The centres have been chosen based on their rankings in other major indices, such as the WEF Global Competitiveness Report and Z/Yen's Global Financial Centres Index, as well as their overall international financial activity.

Where the report refers to 'global financial centres', it refers to the following centres: London (UK), New York City (US), Singapore, Hong Kong, Tokyo (Japan), Frankfurt (Germany) and Paris (France). Paris and France are a new addition to this year's assessment.

The benchmarking model is based on analysis of 89 unique metrics across five key competitiveness dimensions. Six of these metrics are used to support the assessment in more than one competitiveness dimension. For example, 'digital skills' are relevant in both 'innovative ecosystem' and 'access to talent and

skills'. This results in the analysis using 95 metrics in total.

In general, data is collected at a national level. Where metrics are at city level – such as 'cost of living' – data has been collected for each market's main financial centre.

Where possible, the data collected is covering the five-year period between 2016 and 2020.

The data is normalised to make relative comparisons between different types of data (values, ratings, index scores, percentages) possible. The most competitive data point between 2016 and 2020 across all centres – for example, the largest amount of assets under management – is assigned a score of 100. The least competitive data point is assigned a score of 0. All other data points are scored relative to the maximum and minimum values.

The mean of all metrics scores in each of the five competitiveness dimensions constitutes a centre's score in this dimension. Where data is unavailable for a centre, the mean has been adjusted accordingly.

A centre's overall score is produced by calculating the mean of the centre's five dimensional scores, with each dimension having an equal weighting of 20%.

The relative year-on-year competitiveness score change has been calculated using revised figures and cannot be compared with the competitiveness scores published in the City of London Corporation's 2021 'Our global offer to business' report.

To discuss this report, contact:

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About the Global City campaign:

The Global City campaign is the City of London Corporation's overarching initiative to promote the UK as a world-leading international financial centre. It showcases the UK as a great place for financial and professional services firms to invest, locate and grow.

theglobalcity.uk



**THE
GLOBAL
CITY**

About the 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.

www.cityoflondon.gov.uk