

US and UK financial and professional services: growing together



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Chris Hayward, Policy Chairman, City of London Corporation

"US-UK leadership on the global stage has never been more important. As the world's two leading financial centres, deeper US-UK collaboration will shape global policymaking in areas of shared interest, helping to develop the international coalitions and standards needed for the future.

Policy leadership in new growth areas, such as data sharing, digital assets and AI, will bring together likeminded partners. This would enable innovation, the development of new commercial opportunities and ultimately supporting global growth for the sector.

The financial and professional services sector is inherently international. The US and UK recognise the importance of open global markets and the rules-based international order so vital for supporting innovation, providing security, and underpinning prosperity."



Michael Mainelli, The Rt Hon the Lord Mayor of the City of London

"The US-UK relationship in financial and professional services is already of huge value to both partners.

With new opportunities emerging in fintech, digital assets, AI, cyber and climate insurance, among others, now is the time to deepen the existing relationship and accelerate growth in our two leading financial centres.

Take the example of climate insurance. The US is the largest market for climate-risk related insurance by demand. Yet local US insurers cannot always take on these large complex risks. This is where the London Market comes in. As a leader in excess and surplus lines with large capital volumes and specialist expertise, it can complement US capacity to the benefit of firms in both countries."



Edward Price, Managing Director, City of London Corporation in the US

"The City of London Corporation has offices around the world. We promote global collaboration on shared opportunities and challenges. And we support the capital flows and investment so vital for economic growth.

Establishing a presence in the US for the first time reflects the City of London Corporation's commitment to deepen collaboration with a key ally and trading partner at a moment of profound technological, strategic, and geopolitical change.

I am delighted to be heading the new office at such a critical juncture and look forward to working with stakeholders on both sides of the Atlantic."

Introduction: the opportunity

The US-UK partnership runs broad and deep. We have much in common: shared values, language and cultural ties as well as a strong cooperation on defence and security, mixed market economies and comparable regulatory approaches. This solid foundation creates ample commercial opportunity for financial and professional services (FPS) firms in both countries.

It also makes sense for two highly sophisticated financial services jurisdictions, to collaborate to manage risks and capture opportunities.

The City of London Corporation is establishing an office in the US for the first time. This reflects our commitment to deepen collaboration with a key ally and trading partner.

Now is the time to work together to reduce friction and increase trade through two interconnected levers: policy and investment.



Policy and regulation: removing friction

The UK government is committed to keeping the UK at the cutting edge of global innovation, and is implementing a responsive and supportive policy environment with openness to global business at its heart.

The UK is one of the most open, connected and global financial centres. It levies fewer restrictions on the movement of capital and people than many of its competitors¹ and firms in the UK face lower policyinduced trade costs, according to an OECD assessment.² Combined with one of the largest global tax treaty networks, US firms located in the UK can expect lower barriers to trade and investment, reducing their operational costs. The country's new streamlined immigration system also allows FPS firms to recruit top talent from around the world. As of the first half of 2023, there was a 23% YoY increase in visas granted to workers in the financial and insurance industries.³

The UK's framework for financial services regulation is also internationally respected. It was voted the top regulatory market in a global survey of senior financial executives two years running.⁴ And it reached its first milestone in reforming its financial sector post-Brexit, the passing of the Financial Services and Markets Act of June 2023. This shows its commitment to keeping this regulation agile and coherent. It also presents the private sector in both the US and UK with a prime opportunity to shape the agenda.

The UK was the first financial centre globally to launch a digital sandbox and open banking framework. Since then, it has introduced a Financial Market Infrastructure (FMI) sandbox to provide the infrastructure services that underpin markets and make it easier for firms to adopt new technologies. It has also expanded its successful open banking regime to include 'open finance'. This will provide clear regulatory standards for a broader range of consumer products and services, helping firms identify new areas for growth. The UK's successful open banking framework has been emulated by many other jurisdictions looking for ways to embed innovation in regulatory frameworks.

More recently, government and regulators have turned their attention to high-profile and potentially transformative technologies. The government has announced it will introduce legislation to bring stablecoins into the UK payments framework. It will also consult on a regime for digital assets. In the AI space, the government is committed to international cooperation on regulation, engaging with global partners on setting up common standards and principles to establish an interoperable and innovation-friendly international framework. It has also launched a new AI sandbox to help organisations demonstrate that their innovations meet regulatory requirements.

This forward-looking policy and regulation provide a conducive and stable environment for international tech firms. The fact that close to 4,000 of them are based in the UK – making it the largest hub in Europe – is testament to that.⁵ This commitment to innovation also offers the right conditions for cutting-edge products and services to be launched and scaled in the UK, providing US investors with a steady pipeline of opportunities.

"We've been heartened by the government's enthusiasm to establish the UK as a global hub for digital assets. Our engagement with local policymakers has been extremely constructive. This collaborative approach, alongside the UK's worldleading financial ecosystem, makes London a natural place for a global company like Ripple to establish its regional presence." Eric van Miltenburg, SVP, Strategic Initiatives, Ripple

Sources:

1. Fraser Institute 2022

2. OECD 2019, 2021

3. Home Office 2023

4. Duff & Phelps 2021

5. fDi Markets accessed October 2023

Aligning US and UK approaches

There is a prime opportunity to signal alignment in our policy and regulatory approaches, help build wider coalitions and shape international norms.

From supply chains to governance, financial services to trade, the world is going through a period of fragmentation. This is a particular risk for open and outward-looking economies like the US and UK. Fragmented markets reduce growth and are inherently less stable.

Together the US and UK can work against fragmentation, especially in financial markets. There is a prime opportunity to signal alignment in our policy and regulatory approaches and shape international norms. This will also enable us to anticipate and address market concerns, taking action on high impact areas including safe digital assets, economic crime, free flows of trusted data, climate disclosure frameworks and transition finance strategies.

We have the mechanisms in place to do this, including the recently signed Atlantic Declaration which provides a clear roadmap for cooperation. The US-UK Data Bridge allows trusted data to flow freely between our countries. Plans for a US-UK Trade Partnership Forum commit us to dialogue on key issues. And the US-UK Financial Regulatory Working Group and US-UK Financial Innovation Partnership bring our governments and major regulators together. Industry engagement in these various mechanisms will be critical to their success. It is here that the British American Finance Alliance (BAFA) convening both US and UK trade associations can play a key role in coordinating cross-sector input.

Jurisdictions around the world are looking for a clear direction of travel when developing future-fit regulatory frameworks, and the US and UK's importance to international finance means that decisions made together will have an impact well beyond their respective borders. US-UK policy leadership could help to build wider coalitions with other like-minded partners, enabling innovation, catalysing new commercial opportunities and supporting the sector's global growth.

Global challenges need global responses, and the US and UK are leading the way.



Investment and capital flows

The UK serves as a critical node for the global economy, connecting regions under a common business language – UK common law governs 40% of international corporate arbitrations.

With a supportive policy environment working in parallel, we can continue to build on the strong investment flows between our two countries and capitalise on untapped opportunities within FPS, including banking, asset management, tech, insurance and professional services.

The US and the UK are key FPS trade⁶ and investment⁷ partners. Bilateral FPS trade stood at nearly \$80bn in 2022, while two-way foreign direct investment (FDI) reached around \$450bn⁸ – and supported close to 150,000 jobs.⁹ Our two leading financial services centres already invest strongly in each other, exchanging capital, talent, knowledge and innovation.

FDI stock in US FPS held by UK companies amounted to \$105bn,¹⁰ with many firms using their US presence as their regional North America HQ. Over 700 UK companies engaged in close to 1,300 direct investment projects that created around 60,000 US FPS jobs.¹¹

On the other side of the Atlantic, FPS FDI stock in the UK held by US companies was valued at \$341bn in 2022 – a third of the stock held abroad. This showcases the UK's strategic importance to US FPS companies. The UK is also the location of choice for many US businesses seeking European and Middle East (EMEA) headquarters, thanks to great domestic opportunities and international market access.

These strong bilateral trends have accelerated significantly over the last five years – close to 25% uplift in bilateral trade and 30% in two-way FDI. With new areas of growth emerging and strong collaboration between regulatory authorities on both sides of the Atlantic, there are further opportunities to grow together.

\$400bn+

Two-way FDI in financial and professional services in 2022



"The UK has been Blackstone's
European home for 23 years, and
we are proud to be building our
new expanded headquarters in
London. We believe that the ability
to attract global investment, great
businesses and world class talent
will see the UK continue to thrive
for years to come."

Farhad Karim, COO Blackstone Europe

Sources:

6. ONS 2022, BEA 2023

7. fDi Markets accessed September 2023

8. BEA 2023

9. fDi Markets accessed September 2023

10. BEA 2023

11. fDi Markets accessed September 2023



The UK is a globally-connected hub of specialist and leading-edge products and services. Opportunities for US firms abound in London and beyond – around two thirds of UK financial and professional services jobs are based outside of the capital.

Banking and capital markets

With more than 200 foreign banks,¹² the UK boasts the most international and globally-connected banking sector.¹³

The UK is also a great launchpad for new banking solutions, thanks to its pioneering open banking framework. In 2018, Goldman Sachs introduced its digital bank, Marcus, in the UK. By the end of 2022, Marcus had attracted £23bn in savings deposits.¹⁴

The sector is also growing steadily outside of the capital, driven by a boom in tech and cyber. US banks have opened in Manchester (BNY Mellon), Birmingham (Goldman Sachs), Edinburgh (J.P. Morgan), and Glasgow (Morgan Stanley).

Foreign banks have a UK presence



"London was Goldman Sachs' first overseas office in 1970, and over half a century later, our commitment to the UK is stronger than ever. We're proud of our broad and deep offering across UK financial markets – partnering with some of the country's largest companies as they tap the capital markets to evolve and grow; supporting innovative UK startups through our growth equity business; and offering market-leading rates to UK savers. With over 6,500 staff across our London HQ and strategic locations in Birmingham and Milton Keynes, we benefit every day from the UK's strong talent ecosystem and global links. And this longterm commitment to the UK goes beyond financial services, with our 10,000 Small Businesses programme supporting entrepreneurship and growth across the whole economy."

Richard J. Gnodde,

CEO, Goldman Sachs International

Sources:

12. Association of Foreign Banks and Bank of England

13. Bank of International Settlements 2023

14. Financial Times 2022



Sector focus

Asset management

Virtually all US managers among the world's Top 50 have a physical presence in the UK, often for their international headquarters. And they continue to expand, with Blackstone and M12 recently setting up a new infrastructure investment team in London and Rockefeller Asset Management International and Apollo Management opening their first international office. Firms are also setting up outside London, such as Vanguard (Manchester) and Blackrock (Edinburgh). Other firms like Franklin Templeton have portfolio managers in London, Edinburgh and Leeds. This is because the UK offers access to clients around the world, global investment opportunities and expertise in a wide range of asset classes and sectors.

Large US asset owners such as The New York State Common Retirement Fund (NYSCRF) and California Public Employees' Retirement System (CalPERS) have both allocated real estate and infrastructure mandates here. US investors consistently make up the largest single client base for the UK asset management sector. Assets managed in the UK on behalf of North American clients were valued at £845bn in 2022 – around 20% of assets managed for overseas clients. 17

£845bn

Assets managed on behalf of North American clients from the UK

Sources:

15. fDi Markets accessed October 2023

16. Pitchbook 2023

17. Investment Association 2023



Sector focus

Tech

From payments to regtech, insurtech and climate tech, the products and services launched and scaled in the UK provide investors with a steady pipeline of opportunities. The UK tech industry accounted for over half of the investment flows from US managers and institutional investors. In 2022, the US was the largest source of investment in UK tech.

UK fintechs also have enormous opportunities to expand in the US. For example, payment fintechs like SumUp and GoCardless are global leaders whose tested and low-cost solutions can fill a gap in the US market.

Over 1,800 US tech firms and counting have a UK presence.²⁰ As the largest tech hub in Europe, the UK serves as an ideal entry point for US AI firms looking to expand. Firms based here can also take advantage of an exceptionally strong and diverse talent pool that excels in both traditional and emerging specialisms: for example, London boasts the highest proportion of AI engineers in Europe.²¹

US tech firms in the UK

OpenAI, the San Francisco-based company and owner of ChatGPT opened their first international office in London this year.²² Likewise, C3, the AI digital transformation business listed on NYSE relocated their EMEA headquarters to London.²³

Many US financial services firms also pilot their innovation projects in the UK, thanks to an innovation-friendly regulatory and policy environment. For example, the Citi group kickstarted its blockchain and digital assets business in London in 2021. J.P. Morgan set up a new digital platform under the Chase brand and plans to double its UK headcount to 2,000 by 2024.²⁴



"We chose London as our first office outside of the US because the combination of incredible universities across the UK, a deep capital market, and the potential for clear and practical regulation all point to the UK's potential to become a global web3 centre and hub of innovation."

Brian Quintenz, Global Head of Policy, crypto, Andresseen Horowitz

Sources:

18. Pitchbook 2021

19. fDi Markets accessed October 2023

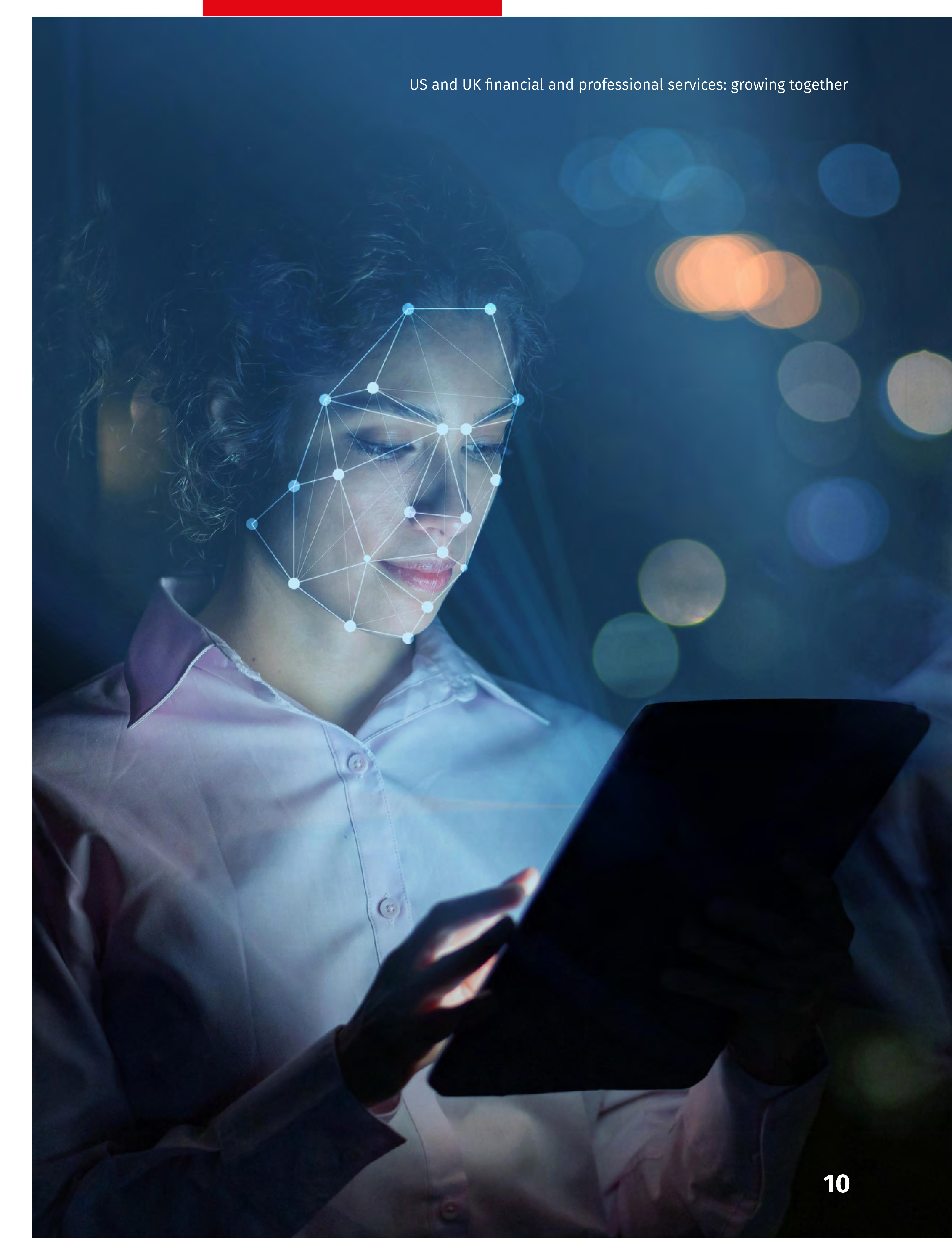
20. fDi Markets accessed October 2023

21. Sifted 2023

22. Silicon UK Tech News 2023

23. C3.ai 2023

24. fDi Markets accessed October 2023



Sector focus

Insurance

The UK is the world's largest and most mature commercial and specialist insurance market, operating in over 200 countries worldwide. Every one of the top 20 global insurance and reinsurance firms has a presence in London.

North America is the largest source of business for the London Market – around 38% of business comes from the region. The US is also the London Market's largest source of capital – 23% of the London Market premium was held by US companies.

Lloyd's of London is the largest provider of surplus lines insurance (insurance against large financial or uncommon risks) in the US with around 16% of the market share. It provides specialist insurance against risks that are too complex to be insured by local US providers. And it has the pool of capital that allows it to take on and pay out these complex risks. In 2022, \$15bn of the surplus lines premium was written through Lloyd's syndicates.²⁵

As demand for climate-related (re)insurance grows in the US, the UK's long-standing expertise in large and uncommon risks can be counted on in the absence of US solutions, to benefit firms in both countries.

London Market's share of US surplus lines, making it the largest provider



US and UK financial and professional services: growing together

Professional services

The UK is a global centre for professional services as well as a global financial centre – and the two are closely connected. Having access to high-quality and specialised management consulting, legal activities and accounting services is crucial for business success.

The UK is the largest supplier of professional services imports in the US – \$12bn in 2022, accounting for 19% of total imports in the sector.

The vibrancy and diversity of the UK's management consulting industry, from large international firms to boutique specialists, makes it well placed to advise US businesses on a variety of emerging areas. These include digital transformation and sustainability, where the industry has seen the largest growth globally.²⁶ The UK is also a great launchpad for US professional services firms looking to expand.

S12bn

US professional services imports from the UK



"The UK has always been the go-to market for US professional services businesses and their clients to expand their global presence. Finance, talent and access to customers across multiple sectors as well as business cultural alignment between the US and UK provide a natural entry point for expanding into the UK and beyond."

Steve Wilson, US Managing Partner, Osborne Clarke

26. MCA 2023

Looking ahead: how we can help

At a time of profound technological and geopolitical change and increasing fragmentation, strengthening ties with deeply connected partners becomes all the more important.

In the short term, both the US and UK need to address the challenges arising from a shifting macroeconomic environment, with high inflationary pressures and the end of low interest rates. Medium term, both will be focused on opportunities brought about by digitisation and the impact of disruptive technologies on the FPS sector. The transition to net zero, especially the energy transition, is another priority area. Longer term, the US and the UK need to ensure that FPS is a sector which powers equitable growth across both countries, delivering security and prosperity to all our citizens.

To support this growth into the future,
The City of London Corporation is delighted
to be launching a new office in the US,
including sustained engagement in both
New York and DC.

The US is a priority market for the Corporation and opening an office accelerates our commitment to supporting US-UK trade and investment in FPS, building on our existing engagement and programmes.

The City of London Corporation's work in the US covers both policy and regulatory engagement as well as promotion of trade and investment opportunities. We engage with government on both sides of the Atlantic to try and break down trade barriers for FPS firms looking to do more business with one another.

We look forward to working with you to support more businesses to trade and invest across the Atlantic, so we can continue to grow together.

Find out more at www.theglobalcity.uk/US or email us at USoffice@cityoflondon.gov.uk

Our offer to the US:

Expanding your access to an ecosystem of UK industry stakeholders, partners and policy leaders

Leading outbound trade delegations and welcoming inbound trade delegations from key FPS sectors to build networks and explore opportunities

Working with allies in the public and private sector in support of open markets and regulatory coherence

Providing insights on UK policy developments and their relevance to US stakeholders

Speaking at key FPS events and supporting engagement with UK firms



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.

www.theglobalcity.uk



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