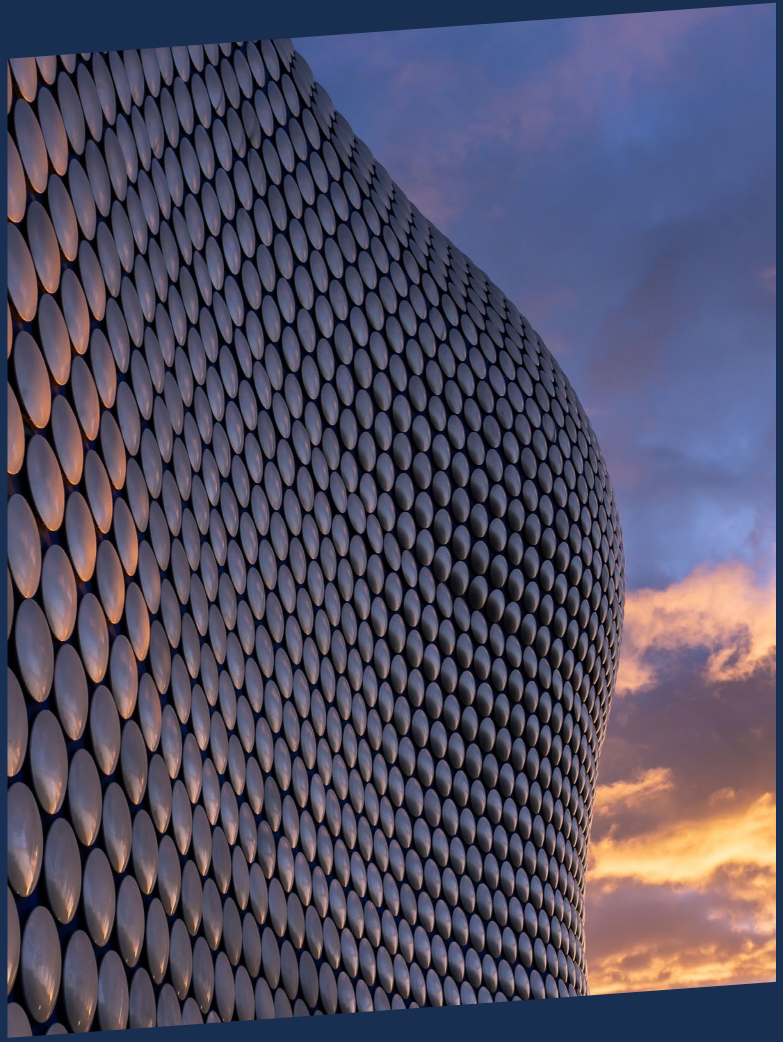
THE GLOBAL CITY

Our global offer to business: London and the UK's competitive strengths in support of growth



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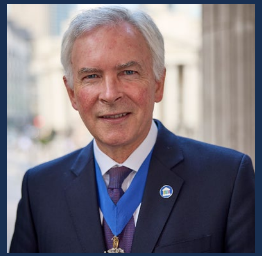
Foreword



Alderman Nicholas Lyons
Rt Hon the Lord Mayor of the City of London

Chris Hayward
Policy Chairman of the City of London Corporation

As financial centres around the world recover from the impact of the global pandemic, new macro-economic and geopolitical challenges have emerged. Securing long-term growth and meeting global challenges, including the drive to net zero, rely on the ability to adapt and innovate.

Our Global Offer to Business: London and the UK's Competitive Strengths assesses the UK as an international centre for financial and professional services. At the same time, it examines both the challenges and the opportunities that we must respond to. The UK offers a gateway to global capital and provides services to partners around the world. Firms doing business here benefit from a globally connected market, highly skilled talent, access to capital, and a strong regulatory and legal environment. These market advantages are underpinned by location benefits and a fantastic quality of life and cultural offer.

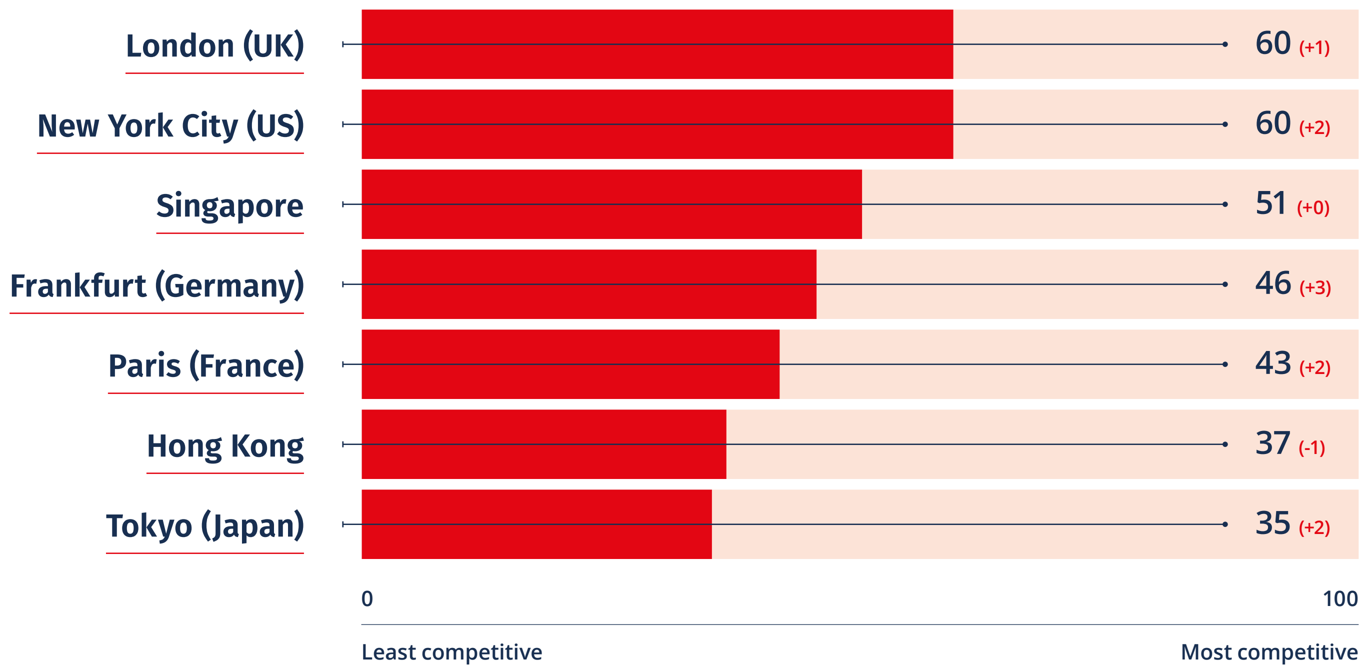
For the first time, however, London is not the clear leader and ranks in joint first position with New York. Although London's performance has remained consistently strong, New York, and other financial centres, have developed faster in the last year. Remaining a world class financial centre among a group of leading centres means keeping an eye to the future. Whilst London has enduring strengths across the board, we must act to secure its position over the medium to long term. This report highlights an opportunity to focus on growth – in key areas like sustainability and tech. While ensuring we can continue to attract and develop UK innovation, top talent, and global investment.

The financial and professional services industry is a key driver of the UK's economy, generating £278bn in economic output, or 12% of the entire economic output of the UK in 2022.

To ensure UK financial and professional service firms can continue to make this positive contribution to the UK economy, and compete as 'best in class' internationally, the City of London Corporation has launched *Finance For Growth: a Roadmap.* Spearheaded by a steering board of influential figures from across the financial industry, it will set out a long-term plan to reinforce and renew the UK's role as a global financial centre for the remainder of the decade and beyond. We look forward to working with you all on this.

Our global offer to business: London and the UK's competitive strengths in support of growth

This third edition of the City of London Corporation's global competitiveness study takes place at a time of significant change and opportunity. It has been a year of geopolitical shifts, a challenging global macroeconomic environment, and difficult financial market conditions. Financial and professional services (FPS) companies have adapted to hybrid operations and thrived through new ways of working and collaborating with global partners. FPS makes up 12% of the UK's economy, it generated £278bn in economic activity last year and employs 2.5m people across the UK.



This year's study covers a unique period when Covid-19 restrictions were eventually lifted in most parts of the world. That said, 2022 began with much of the world in the midst of the Omicron variant of Covid-19 which renewed varying levels of lockdown across the financial centres in this study. Also relevant to this report is the fiscal and monetary response of each government during the pandemic, reflected in the relative success of each financial centre.

As we show, financial centres do not operate in the same way as they did in 2019. While firms adjusted swiftly, hybrid working has reduced footfall across our financial centres, and business travel remains below pre-covid levels. 2022 also saw the Russian invasion of Ukraine. While this has had far-reaching consequences for geopolitics and the macro-economic landscape, the financial centres included in our study have remained resilient.

This report examines what makes international financial centres competitive through five core dimensions: innovation, financial reach, infrastructure, talent, and business environment. All the financial centres in this report have a key role in supporting economic recovery, reinforcing their importance at a national, regional, and global level.

For the first time, London is not the clear leader in our competitiveness ranking and is placed joint first with New York. However, the city has remained resilient in the rankings and is still the only financial centre to feature in the top three of each dimension. This demonstrates the breadth and depth of its offer across innovation, financial reach, infrastructure, talent, and business environment.

New York's score increased through high growth in tech investment, deal making and increased levels of sustainable finance issuance. Tech has clearly been a huge growth area in the US with tech companies becoming the largest listed companies in the world. This naturally generates greater interest in the tech ecosystem. The UK is second only to the US in fintech investment activity, both by number of deals and size of investment made. In 2022, the UK saw more fintech investment than Japan, Singapore, Hong Kong, France, and Germany combined.

The UK retains its place as the top financial centre for sustainable finance activity and continues to work alongside global partners in tackling climate change and the race to net zero. The UK's asset management industry is a leader in sustainable investing with more assets invested in sustainable investment strategies than any other market. ESG integration is applied to nearly half of the £11.6tn managed by UK asset management firms. UK listed companies have strong sustainability credentials, with the second highest average ESG score after Germany, and the highest number of signatories to science-based environmental targets.

The City of London has a long history of innovation and adapting to change. As the results of this year's analysis show, London is facing increasing competition from its peers – it continues to grow, but other financial centres are growing faster. To tackle the challenges ahead and retain our place as a global leader in financial services, the City of London Corporation has launched Finance for Growth: a Roadmap. Spearheaded by a steering board of influential figures from across the financial industry, it will set out a long-term plan to reinforce and renew the UK's role as a global financial centre. Using robust evidence and research, the roadmap will make recommendations for regulatory reform in UK FPS, focusing on tech and innovation, sustainable finance, a competitive marketplace and international promotion. It aims to ensure the UK FPS sector is best in class internationally and able to contribute positively to the UK economy and global growth for the rest of the decade and beyond.

London Bridge Street, London

1. Innovative ecosystem

1. London (UK)
2. New York City (US)
3. Paris (France)

UK financial and professional services are part of one of the world's most innovative ecosystems. Surrounded by pioneering technology and world-leading sustainable finance innovation, businesses can access a globally-connected market, future-focused talent and positive policy support. The interplay of these elements helps companies thrive and shapes the future of global financial services.

Go to section

2. Reach of financial activity

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

The UK is the largest financial centre outside of the United States and plays a key role in facilitating international and cross-border finance. It is also the most globally connected. It is the world's largest centre for international debt issuance, commercial (re)insurance, and foreign exchange trading, and the second largest asset management centre. Ongoing improvements to policy and regulations will make the UK an even more attractive place for finance and investment.

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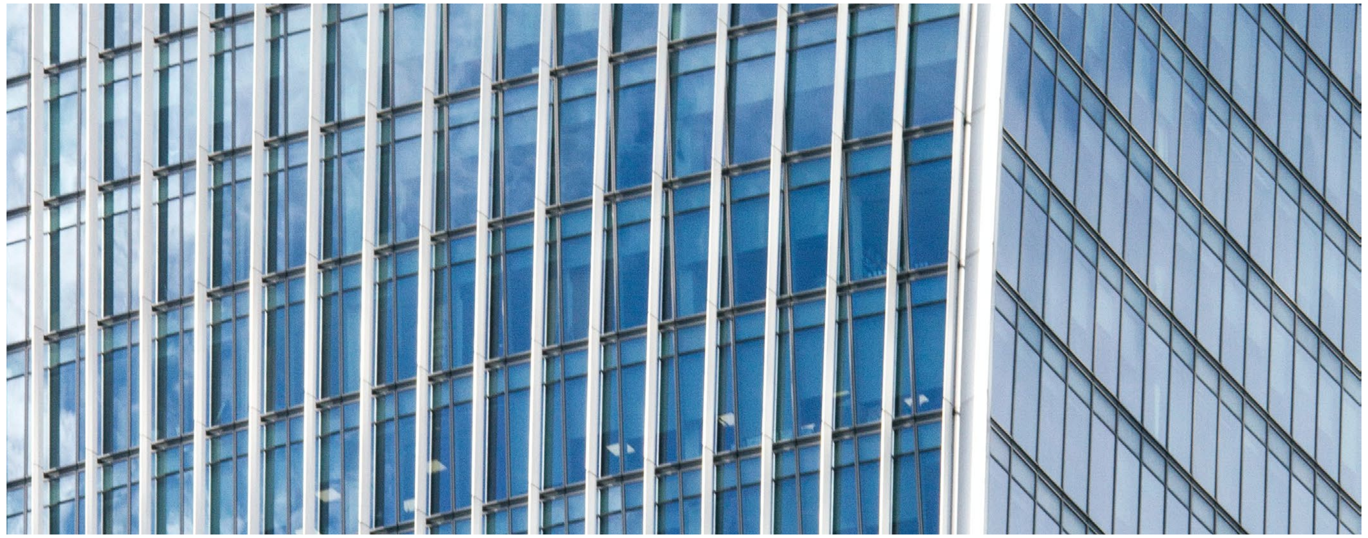

3. Resilient business infrastructure

1. Frankfurt (Germany)
= 2. London (UK)
= 2. Singapore

Businesses located in London and the UK benefit from unrivalled global connectivity. The UK's geographical location and favourable time zone make it easy for firms to cover all major markets from a single location. The city is home to more Fortune Global 500 headquarters than Paris and offers more affordable office space than New York, Singapore, or Hong Kong. To remain competitive, the UK's transport infrastructure needs improvement – providing many opportunities for financial services firms on the road to net zero.

Go to section

4. Access to talent and skills

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

With some of the world's best universities, leading MBA programmes, and a growing number of graduates with FPS-related degrees, firms located in the UK have access to a world-leading pool of highly-qualified entry level talent. But improving workforce skills remains a challenge. Public institutions and businesses across the UK have joined forces to identify and address gaps, especially in digital.

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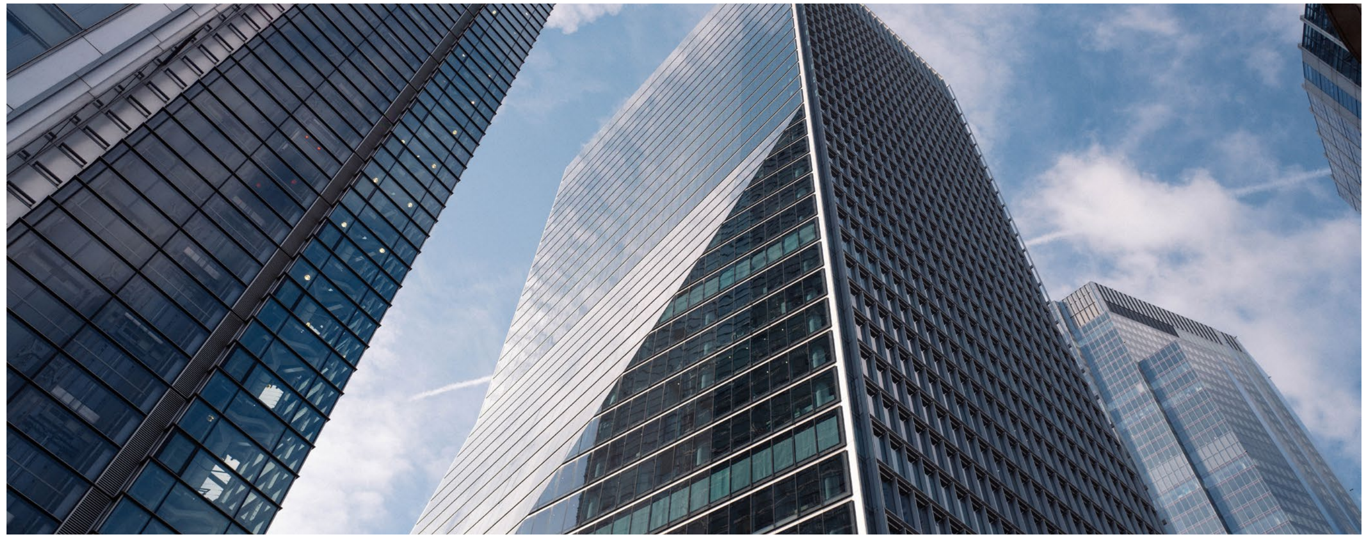

5. Enabling regulatory and legal environment

1. Singapore
= 2. London (UK)
= 2. Hong Kong

The UK continues to have the most favourable regulatory regime for financial services. Firms in the UK benefit from regulators at the forefront of innovation, a strong legal system, and openness. But tax and bank contribution rates are higher than in other centres. As the UK rewires its economic relationship with the world, services trade needs to be at its heart to keep market access open.

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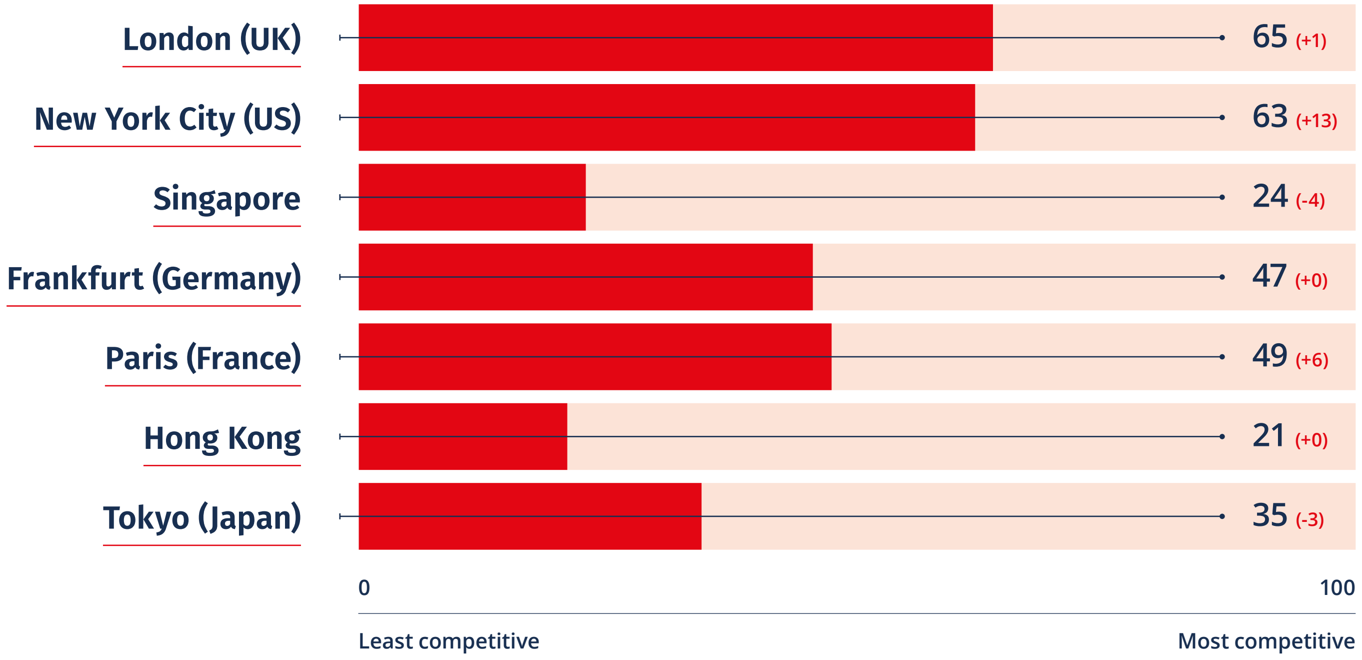
City of London

1. Innovative ecosystem

UK financial and professional services are part of one of the world's most innovative ecosystems. Surrounded by pioneering technology and world-leading sustainable finance innovation, businesses can access a globally-connected market, future-focused talent and policy support. The interplay of these elements helps companies thrive and shapes the future of global financial services.

Office interior



Metrics

- Fintech investment
- Number of fintech investment deals
- Number of unicorns
- Sandboxes (e.g. regulatory or digital) (yes/no)
- Open banking (yes/no)
- Share of financial and professional services (FPS) and tech-relevant graduates
- Digital skills among population
- Adoption rate of fintech
- Number of patent applications, per resident
- Green and ESG bonds, overall amount outstanding
- Green and ESG bonds, annual issuance
- Sovereign green bond (yes/no)
- ESG scores of listed companies
- Size of domiciled sustainable funds
- Size of sustainable loan issuance
- Number of M&As involving sustainable companies
- Number of financial and professional services firms with science-based climate targets
- Number of firms reporting in line with Task Force on Climate-related Financial Disclosures (TCFD) principles
- Signatories to UN Principles of Responsible Investment
- Signatories to UN Principles of Sustainable Insurance
- Signatories to UN Principles of Responsible Banking
- Sustainable stock exchange (yes/no)
- Stock exchange with a sustainable bond segment (yes/no)
- Sustainable finance taxonomy (yes/no)
- Better World MBA ranking
- CDP A-list ranking
- Signatories to Net Zero Banking Alliance
- Signatories of Race to Net Zero
- Signatories to Asset Owners Alliance

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. Its 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.

The UK government is committed to keeping the UK at the cutting edge of global tech innovation. Through forward-looking policy and regulation and investment in innovation, the UK's tech ecosystem creates market access and client development opportunities.

To continue the nation's tech and fintech successes, the UK government commissioned an independent review of UK fintech by Sir Ron Kalifa in February 2021. It made recommendations for how the UK can build on its existing strengths, create the right framework for continued innovation and help UK firms expand. These are now being put into action by UK policymakers and are outlined in the following sections. The UK's progressive and collaborative approach to regulation makes it easier to test and launch new FPS products, addressing barriers to growth in financial innovation.

Manchester

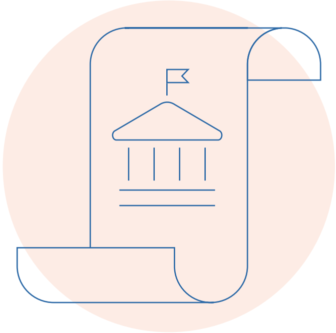
Cardiff

HMT and the Bank of England launched a formal consultation scoping out the role of Central Bank Digital Currencies (CBDC).

Following the Kalifa review, HMT and the Bank of England launched a CBDC taskforce in April 2021. The taskforce launched a consultation on the use of a 'digital pound' in the UK. The digital pound would be a new form of sterling, similar to a digital banknote, issued by the Bank of England. The consultation has been well received by fintech companies and runs until June 2023.

The City of London Corporation worked with HMT to launch a new Centre for Finance, Innovation and Technology (CFIT), focused on UK fintech.

CFIT was launched in March 2023 with £5m of funding from HM Treasury (HMT) and £500,000 from the City of London Corporation. It will bring together experts from across finance, technology, academia and policy-making, focusing on the UK's fintech hot spots like Cardiff, Leeds, Edinburgh, London, Bristol, Birmingham, Manchester and Newcastle. These coalitions will pool their knowledge and experience to tackle the complex challenges hindering the growth of UK fintech. Their work will be research-led and data-driven, with a laser focus on unlocking barriers and creating opportunities for the sector.



CFIT was launched in March 2023 to **create opportunities and unlock barriers for UK fintech**

London was the first financial centre to pioneer a digital sandbox, and has introduced more regulatory sandboxes to expedite growth.

The digital sandbox provides access to features such as synthetic data, an API marketplace, a testing environment, and a collaboration platform to address challenges in tech development and adoption. This supports startups and innovators in developing and validating new proofs of concept to real financial services industry challenges. In 2022, the FCA announced that it concluded a successful pilot for Early and High Growth Oversight. This is the 'Scalebox', which provides close supervision and help to newly authorised firms and those in their growth phase. The FCA has now grown the function to 300 firms. A Financial Market Infrastructure sandbox is also in development, designed to catalyse the use of new technology in financial markets.

City of London

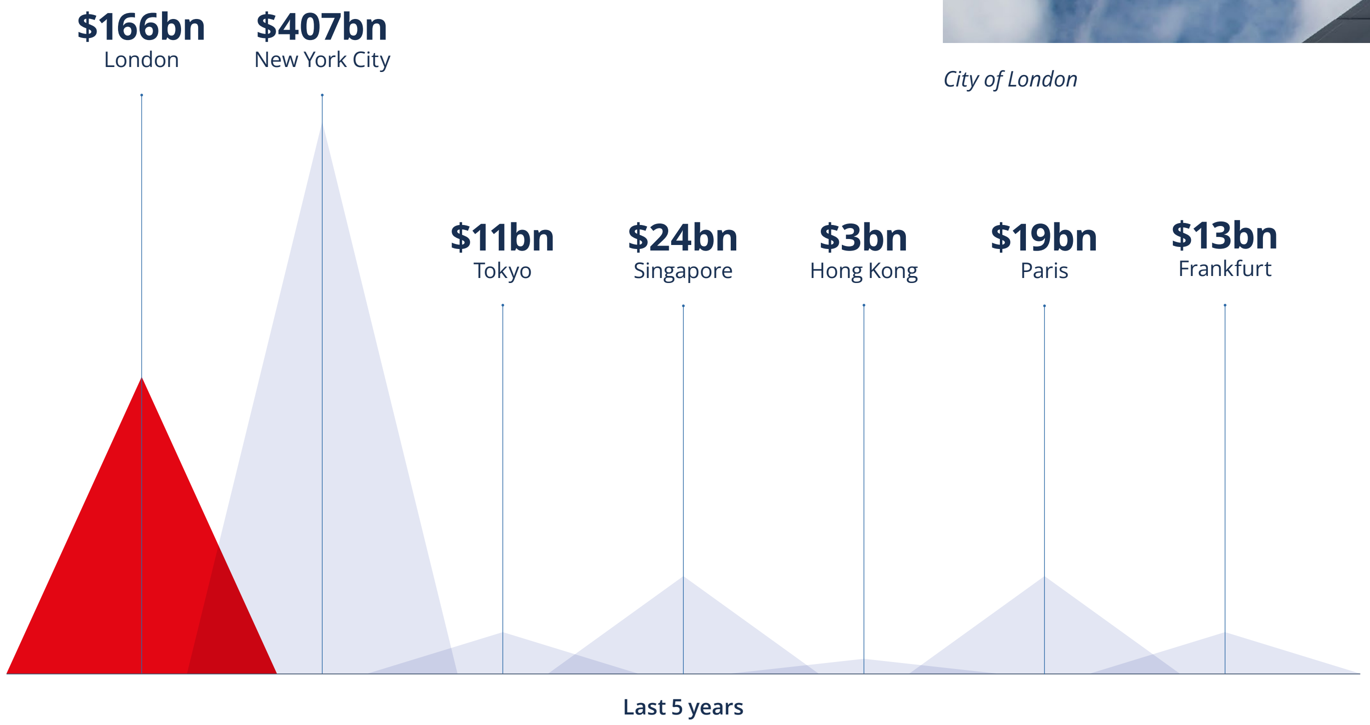
The UK is Europe's top financial centre for fast-growing tech companies.

In 2022, fast-growing UK tech companies continued to raise investment at near-record levels (£24bn), more than France (£11.8bn) and Germany (£9.1bn) combined. There are 135 unicorns – startups valued at $1bn – more than France (36), Germany, (63) and Singapore (31). There are also 243 future unicorns in the UK – fast-growing companies valued between $250m and $1bn. Only the US and China have more future unicorns, 2,100 and 620, respectively, indicating the UK's strength in startup culture.

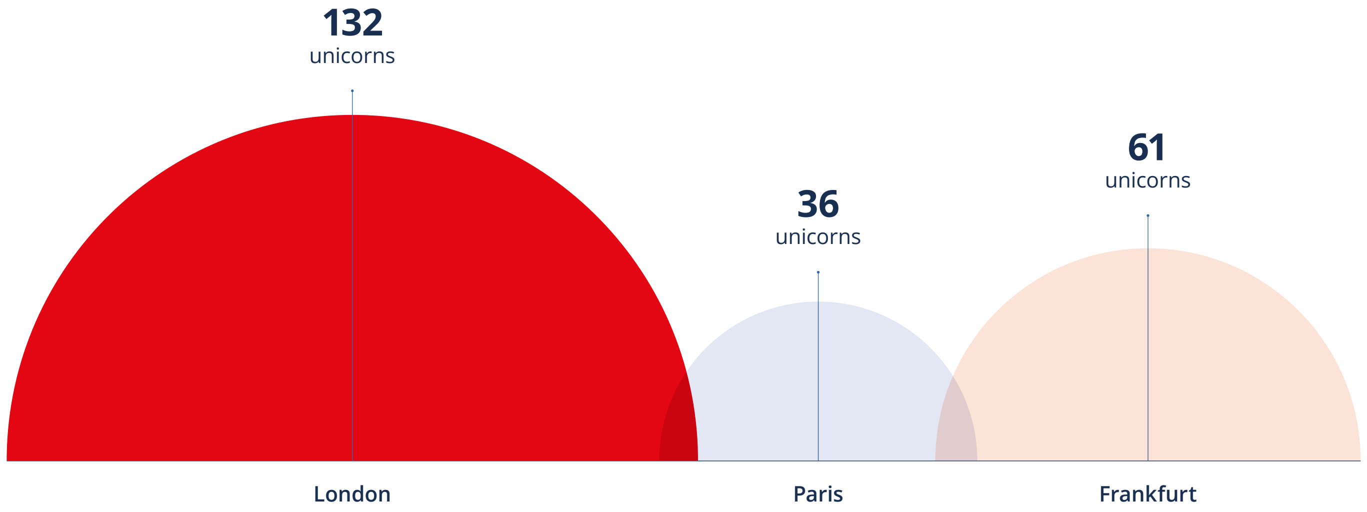
Source

Dealroom 2022

London is Europe's top financial centre for fintech investment



London has more unicorns than any other European city



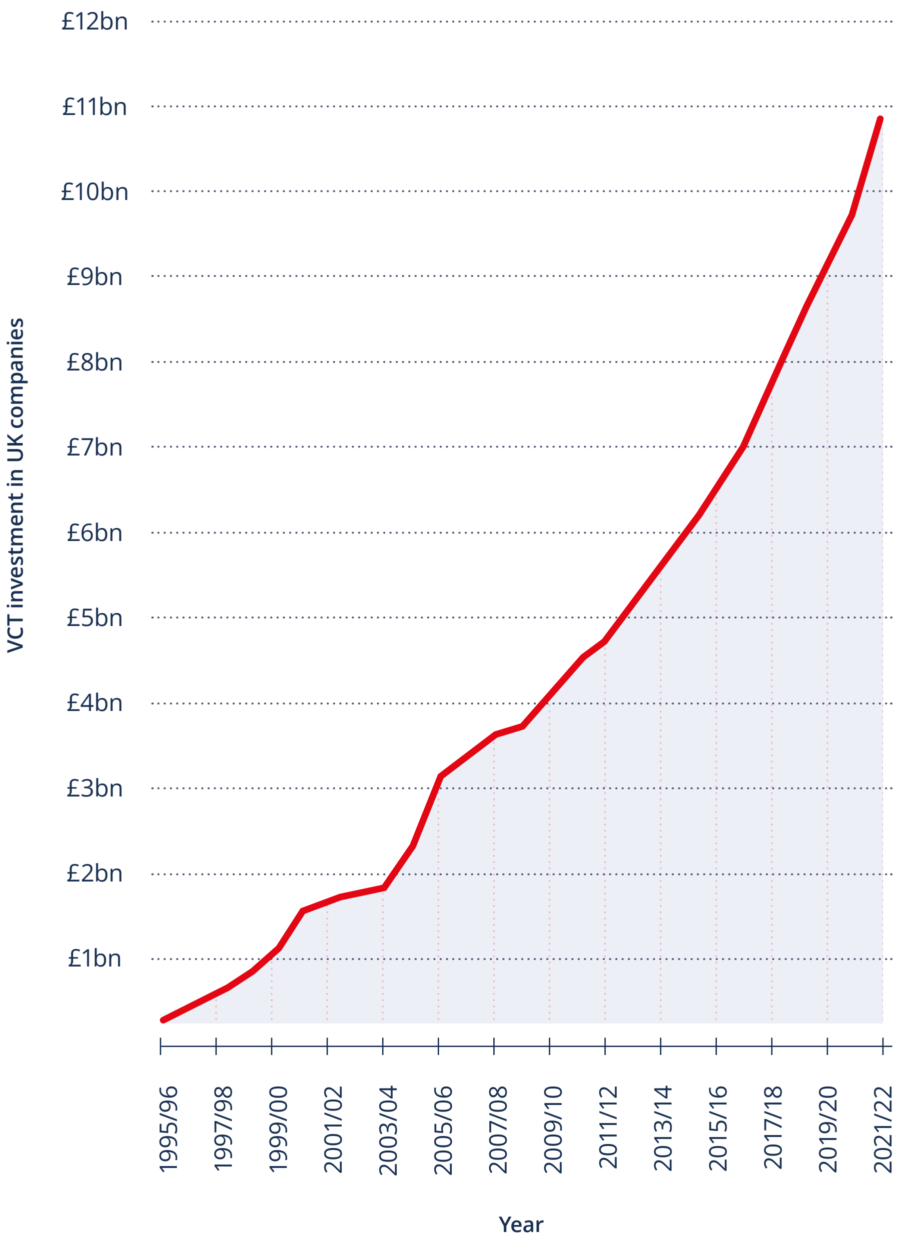
The UK's tax-efficient investment schemes provide further support for innovative companies to grow.

Given its position as a global finance hub, the UK has channelled £116bn in VC funding to new startups since 2015, second only to the United States. The UK government has supported startup investment through Venture Capital Trusts (VCTs) since 1995, which offer a range of tax benefits to encourage investment into new business. In the 2021/22 tax year more than £1.1bn was invested through VCTs. In accordance with the Kalifa Review, Enterprise Investment Schemes (EIS) and Venture Capital Trust (VCT) schemes have been extended beyond their original 2025 sunset clause and the Seed Enterprise Investment Scheme (SEIS) caps will be increased. 97% of founders have used these kind of tax-incentivised investment schemes. In addition, more than 350 startup incubators and accelerators connect tech firms and innovative business leaders with investors, providing them with access to high-growth, fast-paced sectors.

Source

HMRC Venture Capital Trust Statistics 2022

Tax efficient investments continue to support start-ups in the UK



Case Study

Lloyds Banking Group | Using CVC to invest for meaningful growth

Lloyds has led the way in pursuing Corporate Venture Capital (CVC) as an investment opportunity. For us growth is, on the one hand, making smart investments. But on the other hand, what I'm really doing is identifying opportunities that our business and the fintechs can benefit from to create a win-win synergy. We've got a lot to do, and we want to transform really quickly. The ability for a fintech to move fast is something that we want to be closer to and learn from. We're really lucky in the UK. About 10% of the world's fintechs are here, around 2,500 companies. We're the third largest hub of fintech globally, and that's a gift. Talent has come out of that – it's a body of talent you can't argue with.

Kirsty Rutter
Fintech Investment Director, Lloyds Banking Group

Find out more at the theglobalcity.co.uk

The UK continues to attract the best of global tech and finance talent.

The UK has a diverse international talent pool with a unique combination of technology and financial services expertise and a solid pipeline of future-ready skills. This gives both incumbent businesses and startups easy access to cutting edge research and people they need for their firms to succeed. The number of international students coming to the UK continues to rise and the UK is home to three of the world's most intensive science and technology clusters: Cambridge, Oxford and London. The 'Oxford-Cambridge Arc' is the fastest growing economic area in England and the UK government plans to develop it into a globally-renowned centre for business, innovation and investment. This will build on its existing reputation as a hub for industries including AI, advanced manufacturing, and life sciences.

Source

Department of Levelling Up Housing and Communities 2022, HESA 2022

1.2 Sustainability

Sustainable finance not only secures a cleaner planet but is at the forefront of technological advances. As governments and industries around the world integrate new approaches, there are boundless opportunities for investors to fund both mitigation and adaptation through infrastructure, industry and startups. London's place as the top financial centre for sustainable finance is due to its broad ecosystem across capital market issuance and dedication to sustainable targets across the spectrum of financial and professional services.

With the world transitioning to a zero-carbon economy, more 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 can future-proof growth, save money, provide resilience against regulation, boost investor confidence, and spur innovation and competitiveness. UK-based financial and professional services are taking the lead in reducing emissions. As of December 2022, 86 firms had science-based targets, 14 more than in 2021. This compares to 35 in the US, and 13, 11 and 10 in Tokyo, Paris and Frankfurt, respectively. A further 40 UK financial and professional services firms have committed to setting targets, supported by industry. For example initiatives from the Climate Change Roadmap by the Association of British Insurers (ABI) and expert insights from institutions such as the Green Finance Institute.

Source

Science Based Targets Initiative 2022

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

Project owners seeking finance can find investors with the appetite and expertise to invest in sustainable projects 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 September 2022, there were 854 UK PRI signatories – second only to the US. More UK insurance firms have signed the UN Principles for Sustainable Insurance (PSI) than in the US, and more banks support the Principles for Responsible Banking (PRB) in the UK than in any other global financial centre. The UK is the largest financial centre for sustainable asset management in the world in terms of assets under management, despite the US being a much larger asset management market overall. Growth will be driven further by government plans to develop the UK into the world's first net zero-aligned financial centre. The UK has the highest number of banks signed up to the Net Zero Banking Alliance with 14 signatories. It also has the highest number of companies committed to net zero targets with 4312 signatories of the Race to Net Zero campaign. The plan includes implementing a green taxonomy, asking asset managers, regulated asset owners, and listed companies to publish transition plans, and making climate reporting aligned with the Task Force on Climate-Related Financial Disclosures mandatory. This will mainstream Environmental, Social and Governance (ESG) disclosure and sustainable investment and promote best practices locally and internationally.

Source

TCFD 2022, PRI 2022, PRB 2022, PSI 2022

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

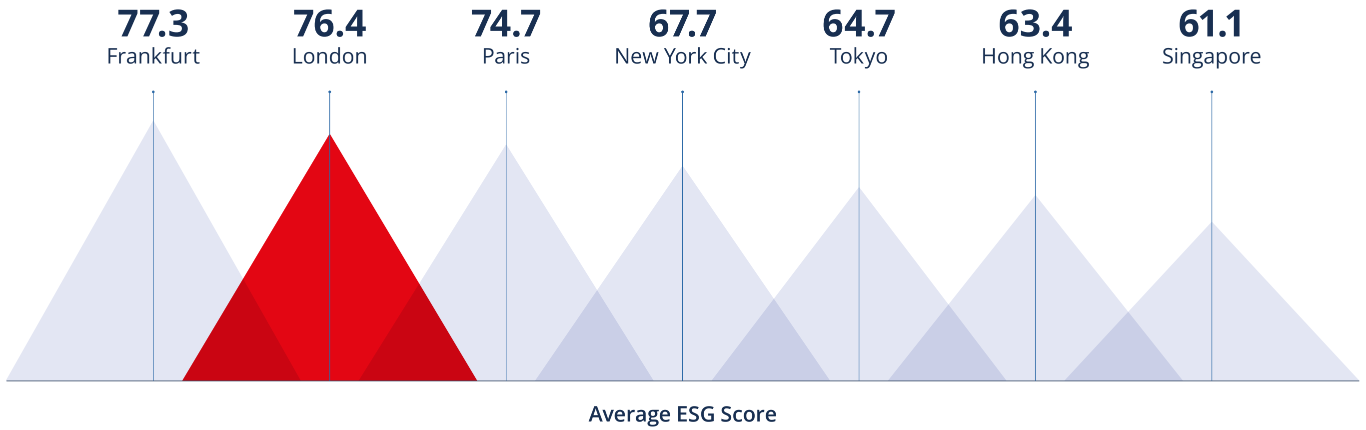
In 2021, the average ESG score of the top 100 companies listed on the London Stock Exchange was 76.4 – higher than in all comparator centres apart from Frankfurt. Between 2017 and 2021, the average ESG score in the UK improved by 6%. Hong Kong, Tokyo and New York all saw double digit improvements in their average ESG score, but this is largely due to companies listed in those financial centres having a far lower ESG score in 2017. This suggests that the UK was faster to move on ESG policies, is an attractive market for sustainable investors, and that other markets see the UK as an ESG leader.

Source

Refinitiv 2022

The Garden at 120, London

UK listed companies achieve high ESG scores



UK sustainable finance activity is growing across asset classes, spurred on by an enabling market ecosystem.

Green bond issuance has increased in the UK, however there is still further opportunity for growth. Green bond issuance was the highest on record in 2021 with $35bn of new issuance – an increase of more than 500% year-on-year. This brought the total amount of green bonds outstanding in the UK to $50bn. However, this was lower than the US, France and Germany, which benefit from deeper capital markets. In the same year, UK issuers closed £52bn worth of sustainable loan facilities – more than the £36bn closed in Germany but less than in France (£60bn) and the US (£209bn). In addition, 38 UK-based 'green' companies were acquired, making the UK the second-largest market for sustainable M&A activity in 2021, after the US.

Source

Climate Bonds Initiative 2022, Refinitiv 2022

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.

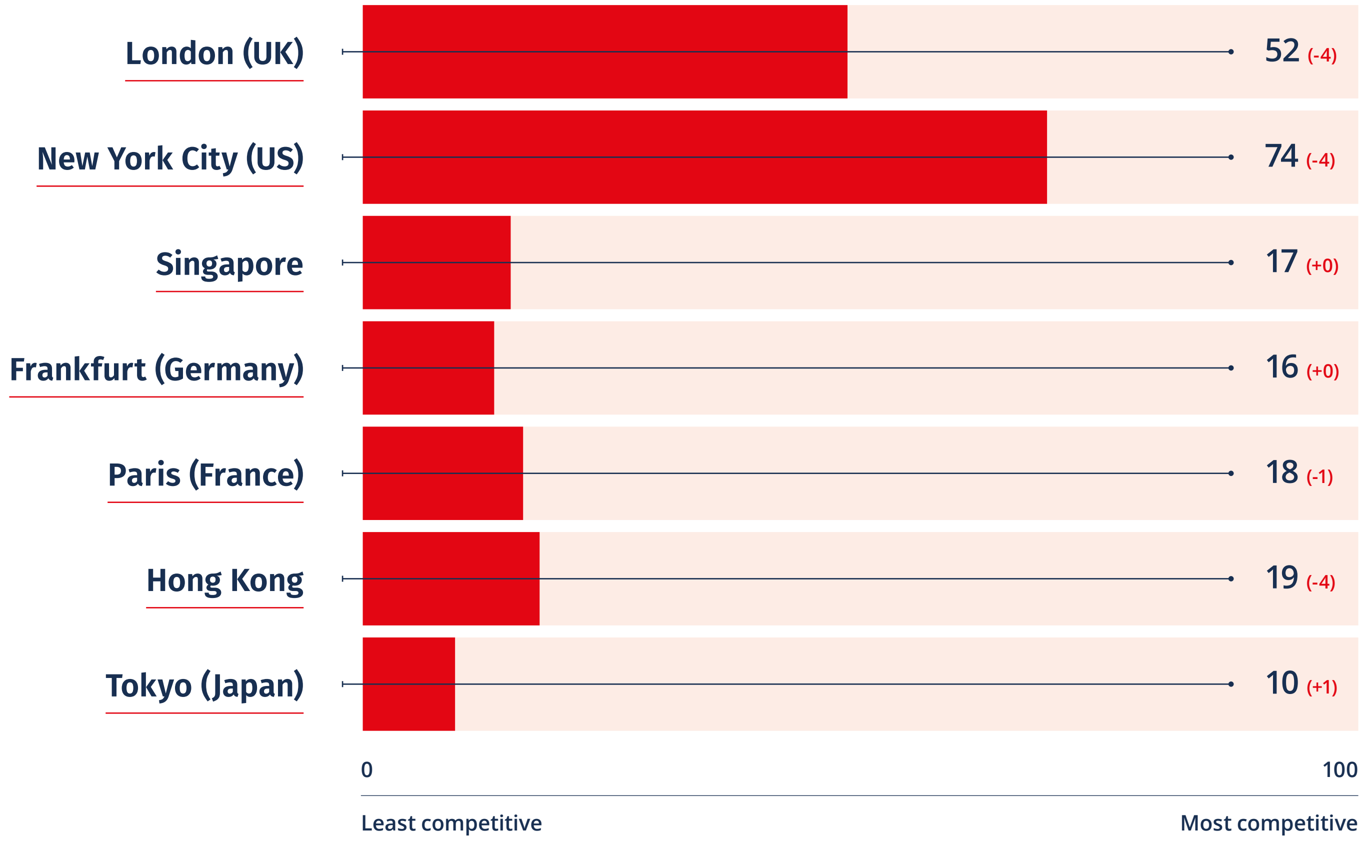
The UK is well placed to produce a talent pipeline skilled in sustainability matters. In 2020, the UK government, the Green Finance Institute, and 12 leading financial professional bodies launched the Green Finance Education Charter. The Charter demonstrates commitment to integrate green finance and sustainability into core curricula, new qualifications, and the continued professional development of their members. UK-based business schools already achieve high sustainability scores, including the highest average score in the 'Better World MBA' ranking. This assesses factors such as the number of sustainability institutes and sustainability integration in core courses. Access to skilled talent will be a crucial success factor in a global economy that needs a sustainable transition, and the UK is where businesses can find it.

Source

Corporate Knights 2020

2. Reach of financial activity

The UK is the largest financial centre outside of the United States and plays a key role in facilitating international and cross-border finance. It is also the most globally connected. It is the world's largest centre for international debt issuance, commercial (re)insurance, and foreign exchange trading, and the second largest asset management centre. Ongoing improvements to policy and regulations will make the UK an even more attractive place for finance and investment.



Millennium Bridge, London

Metrics

- Assets under management
- Investment funds
- Net financial services exports
- Foreign direct investment in financial services
- Number of foreign companies listed
- Number of IPOs by foreign companies
- Value of IPOs by foreign companies
- Value of foreign equity trading
- International debt securities, amount outstanding
- International debt securities, gross issuance
- Cross-border bank positions
- Foreign exchange trading turnover
- Over-the-counter interest rate derivatives trading turnover

Financial services generated £64bn in trade surplus last year. While the UK retains top position, the US is closing in.

The global connectivity of the UK's financial services industry provides wide ranging opportunities for firms in the City. Trade surplus reached £64bn in 2021 – the highest of global financial centres and greater than Paris, Frankfurt, Singapore and Hong Kong combined. The US is closing the gap on the UK's advantage in this area, with a significant year-on-year increase to reach £63bn in 2021. The United States is the largest export market for UK financial services (at 34% of exports), followed by the EU with 29% of exports.

Source

TCUK 2022

Glasgow

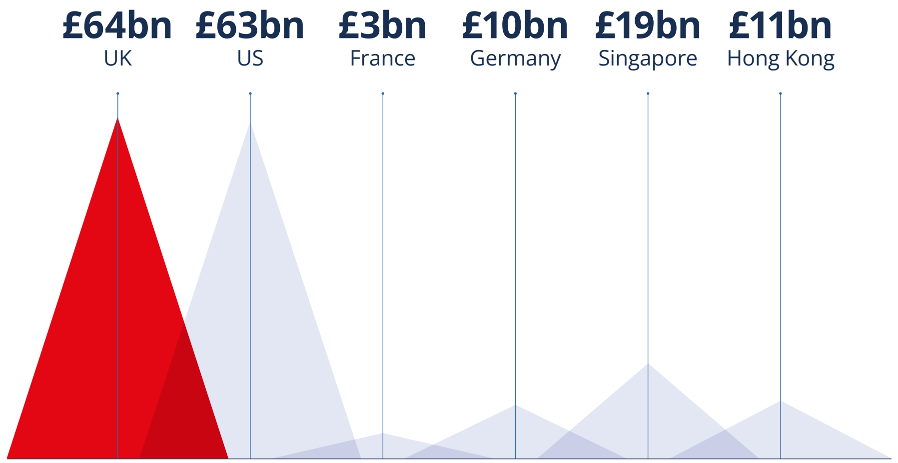
The UK is the fourth largest insurance market in the world and the biggest in Europe, with the London Market remaining the top global commercial (re)insurance hub.

The UK combines a sophisticated domestic market for insurance with 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 $399bn in 2021. Every one of the top 20 global insurance and reinsurance firms is active in London, and the Lloyd's market operates in over 200 countries worldwide. Globally, the London Market has an 8% market share of total premium volume. The US is the leader with 40% market share, however the London Market covers 42% of global marine, aviation and energy insurance, and is the market leader in Direct Insurance premiums. The London Market's capital is increasingly global in source: 89% of London Market premium is written by companies domiciled outside the UK.

Source

Swiss Re Institute 2022, London Market Group 2022

UK financial services generate the highest trade surplus in the world



Case Study
Phoenix Group | Helping people secure a life of possibilities

Phoenix Group is a long-term savings and retirement company with a history dating back to 1782. It is the largest in the UK with around 12m customers and £259bn of assets under administration. We are mainly a UK-focused business. It is important to us to be a FTSE 100 company listed on the London Stock Exchange as that gives us access to lots of investors globally.

The UK insurance industry is the largest in Europe and the fourth largest in the world. So being based here gives us lots of opportunities for future growth. We benefit from a skilled and experienced workforce in the UK, and a developed and sophisticated regulatory environment to support our work.

Catherine Foot
Director at longevity think tank Phoenix Insights, part of the Phoenix Group

Find out more at the theglobalcity.co.uk

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). In 2021 and 2022, UK financial services' FDI was £1.4bn which created 10,000 jobs. This makes London the largest destination city for FS FDI in Europe, with £964m in 2021/22, while Paris and Frankfurt had FS FDI of £763m and £222m, respectively. On a global scale, London is trailing Singapore and Hong Kong. In 2021/22, Singapore saw FS FDI of £2.6bn, while FS FDI in Hong Kong was £2.4bn. In the past two years, the United States has been the largest source of FS FDI into London, followed by France and Germany.

Source

fDi Markets, 2022

The UK is the largest asset management centre in Europe and second only to the US worldwide.

At the end of 2021, asset managers in the UK managed more than £11.6tn on behalf of retail and institutional clients. Nearly half of the assets under management (AUM) in the UK industry, £4.6tn, is managed on behalf of overseas clients, and £2.7tn is managed on a delegated basis – overseas domiciled funds that are managed by UK fund managers. The United States has the largest asset management industry in the world with £37tn in AUM. However, the UK is by far the largest asset management centre in Europe with AUM higher than France, Germany and Switzerland combined. The international nature of the UK's asset management industry contributed £6.1bn to services export earnings in 2020.

Source

Investment Association 2022

Edinburgh

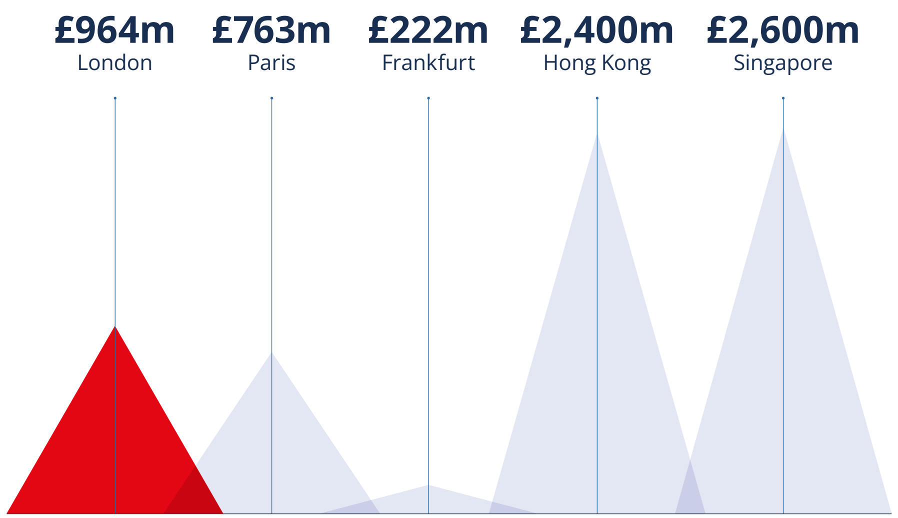
Case Study
AustralianSuper | Accessing global asset management expertise through the UK

AustralianSuper is an Australian superannuation (pension) fund headquartered in Melbourne. AustralianSuper established its European base in London in 2016. International connectivity and access to financial services talents are crucial to its operations. A London office location offers advantages that suit AustralianSuper's needs – access to talent, access to investment opportunities, market depth, networks, and liquidity, as well as a strong and highly advanced regulatory environment. Further, London's attractiveness as a destination means that secondees are quite happy to move to London over other locations.

Damian Moloney
Head of Investments, International, AustralianSuper

Find out more at the theglobalcity.co.uk

London is Europe's top destination for foreign investment in financial services



The number of international companies listed in London is falling and fewer international companies are choosing to list in London, despite changes to listing rules.

By the end of 2021, 352 foreign companies were listed on the London Stock Exchange (LSE). This made it one of the most international stock exchanges. But between 2020 and 2021, the number of foreign companies listed on the LSE decreased by 4%. This trend contrasts NYSE and NASDAQ (combined +32% year-on-year) and Euronext Paris (+21% year-on-year). Still, with 17 international public offerings (IPOs) by foreign companies in 2021, LSE saw more international IPOs than Germany, Singapore and Japan combined. Changes to listing rules proposed by the UK government and the Financial Conduct Authority (FCA) were intended to make the UK and LSE a more attractive market for raising capital. As recommended by Lord Hill's Listings Review and the independent review of UK fintech, the FCA has introduced rules on dual-class share structures, reduced the free-float requirement and reviewed the LSE's listing segments. Together with proposed changes to the prospectus regime, this overhaul aims to make it easier for companies to go public in the UK and tap into the wealth of capital available.

Source

LSEG, NYSE, Euronext, DBAG, HKEC, JEG, SE, 2022

The UK remains the biggest centre for issuance and trading of international bonds, and is the largest trader of bonds in the secondary market.

The UK's international reach and deep capital markets are demonstrated by its status as a major centre for issuing and trading international bonds. During 2020, gross issuance of international bonds in the UK reached $1.1tn – double the amount issued in Germany, and more than in the US, France, Hong Kong and Singapore combined. At the end of 2021, the outstanding value of the UK's international bonds was the largest in the world, totalling more than $3.4tn – a year-on-year increase of 2% and $285bn more than in 2017. This compares with $2.4tn in the US, $1.4tn in France, $1.3tn in Germany and considerably less in Asian financial centres.

Source

Bank of International Settlements 2022

Leadenhall Market, London

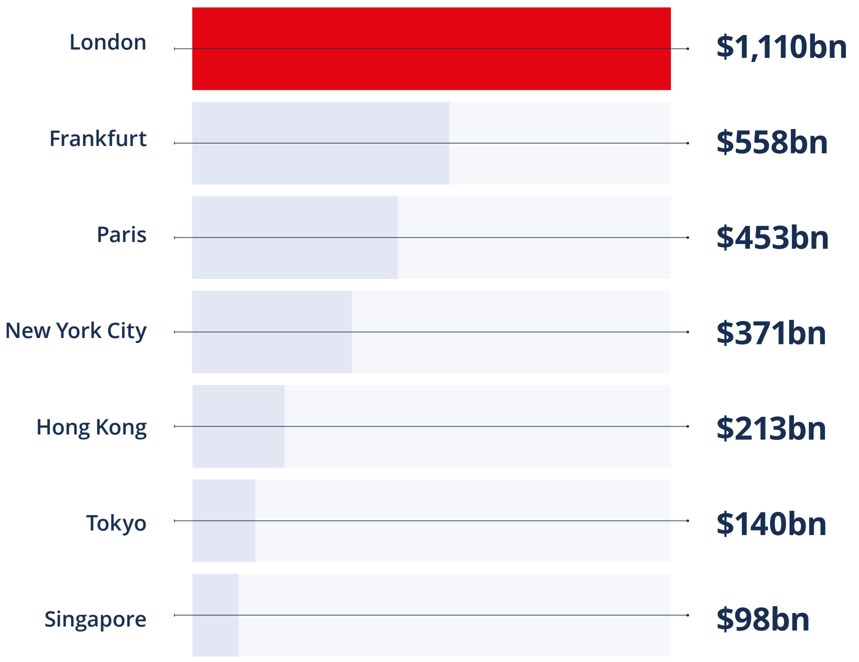
The UK is one of the most international and globally connected banking sectors, with the US closing in.

The UK is one of the world's largest centres for cross-border banking: 16% of the outstanding value of international bank lending in September 2022 was owed to banks in the UK – more than $5.8tn. Likewise, with a share of 19.5%, the UK was the largest centre for cross-border borrowing. This puts it ahead of France (lending: 6%, borrowing: 4.8%) and Japan (lending: 4%, borrowing: 2.8%). However, the US increased its share to overtake the UK in lending (lending: 18.2%, borrowing: 13.2%). There is an opportunity to grow UK market share by building on London's dense and comprehensive financial services ecosystem, including around 200 foreign banks or branches in the City, and expanding connections to markets in Asia and the Pacific.

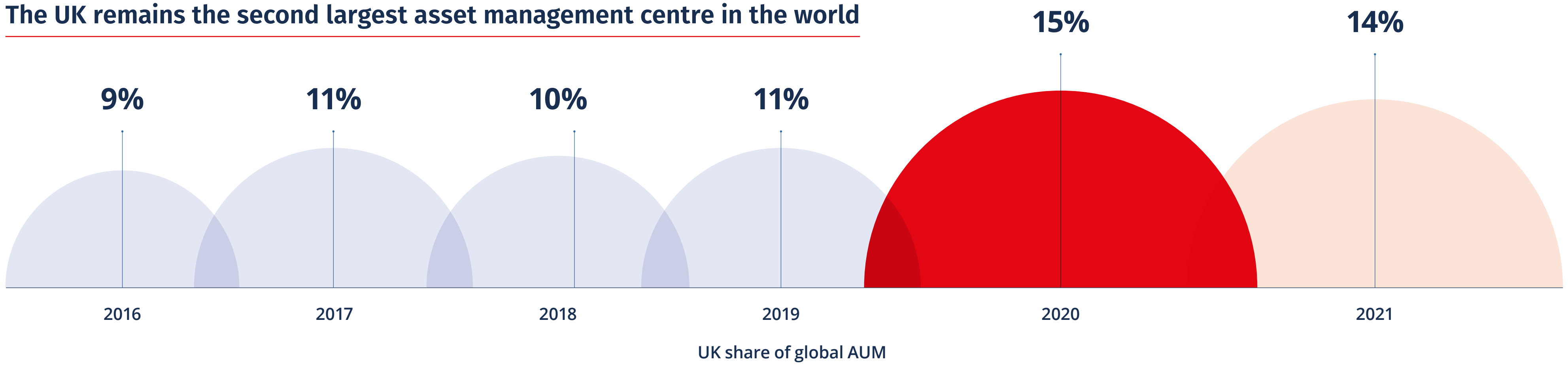
Source

Bank of International Settlements 2022

London is the world's largest centre for the issuance and trading of international bonds



The UK remains the second largest asset management centre in the world



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

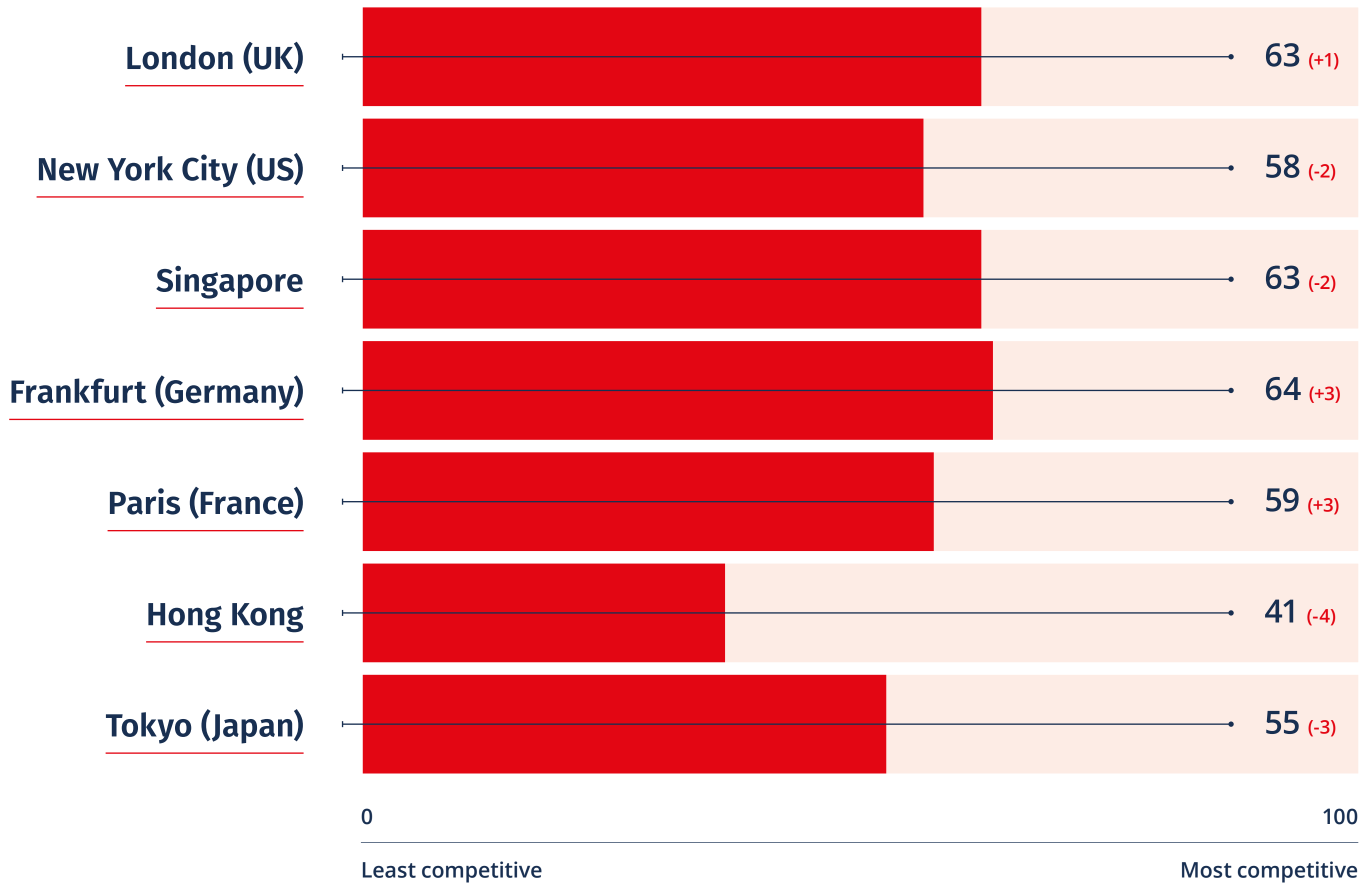
A deep foreign exchange market provides liquidity and facilitates currency exchange for investments, international trading and risk management. Geographical location and time zone made the UK a convenient global marketplace for FX trading, but advancements in technology and a highly experienced and expert ecosystem of market participants have made London the global leader. The '4pm London fix' is the global benchmark for investors and index providers. In 2022, the UK accounted for 38% of global FX turnover – more than the US, Hong Kong, Japan, France, and Germany combined. And this continues to grow, according to Bank of England data – from $2.76tn average daily turnover in October 2021 to $2.89tn in October 2022, with a peak of $3.27tn in April 2022.

Source

Bank for International Settlements 2022, Bank of England 2022

3. Resilient business infrastructure

Businesses located in London and the UK benefit from unrivalled global connectivity and strong operational resilience. The UK's location 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.



Metrics

- Fortune Global 500 corporate headquarters
- Office occupancy costs
- International airport capacity
- Quality of road and rail infrastructure
- Congestion levels
- Time zone
- English proficiency
- Risk exposure to money laundering
- Control of corruption
- Broadband speed
- Mobile network availability
- Mobile network speed
- 5G roll-out (yes/no)
- Level of internet freedom
- Cybersecurity strength
- Secure internet servers
- Digital security measures

3.1 Global business connectivity

Businesses located in London and the UK benefit from unrivalled global connectivity. The UK's geographical location and favourable time zone make it easy for firms to cover all major markets from a single location. The city is home to more Fortune Global 500 headquarters than Paris and offers more affordable office space than New York, Singapore, or Hong Kong. London office buildings are modern, environmentally friendly, and conveniently located. To remain competitive, the UK's transport infrastructure needs improvement – providing many opportunities for financial services firms on the road to net zero to invest in green projects.

London is home to 13 of the largest companies in the world – six of those are financial services businesses.

Financial and professional services firms succeed when they can access clients with global networks. Whilst hybrid working, video calls, and webinars are here to stay, physical proximity remains crucial to build and foster relationships. Firms located in London benefit from the UK capital being a major hub for Fortune Global 500 firms, 13 of which are now headquartered there. This is more than Paris (11), Hong Kong (7), Singapore (3), and Frankfurt (2). Overall, Tokyo is home to the most Fortune Global 500 company headquarters – with 34 at the end of 2022. Newcomers into the Fortune Global 500 came from Europe (12), United States (12) and China (13), indicating larger firms are located outside of global financial centres. Overall, the number of Fortune Global 500 firms headquartered in global financial centres fell by 10 between 2021 and 2022, with reduced numbers across all the financial centres in this study except for New York (16).

Source

Fortune, 2022

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

As businesses rethink their offices and physical presence within markets, the cost of renting commercial space is becoming an even more decisive factor. Value for money is key, and firms want outstanding environments to attract staff back. Financial services companies continue to drive the demand for premium office space around the world, with 72% of demand for new space. The cost of renting high-quality office space in the City of London reduced year-on-year and stood at $101/sq ft at the end of Q3 2022, down from $114/sq ft in 2021. This is more affordable than office space in Central Hong Kong ($259/sq ft), Midtown New York ($220/sq ft), Tokyo's Marunouchi district ($103/sq ft), or Singapore ($110/sq ft). Tokyo, however, saw a 30% drop in office space costs from $150/sq ft in 2021 to $103/sq ft in 2022, reflecting uncertainty around the city's future as a financial centre. The City of London has seen office working return almost to pre-pandemic levels with just 9% vacancy rate and midweek public transport use 80% below pre-lockdown levels. In comparison, New York public transport use is 65% below 2019 levels and 22% of offices remain vacant.

Source

JLL 2022

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 for global businesses. The time zone makes it easy to do business with major markets to both 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, particularly as more business moves online.

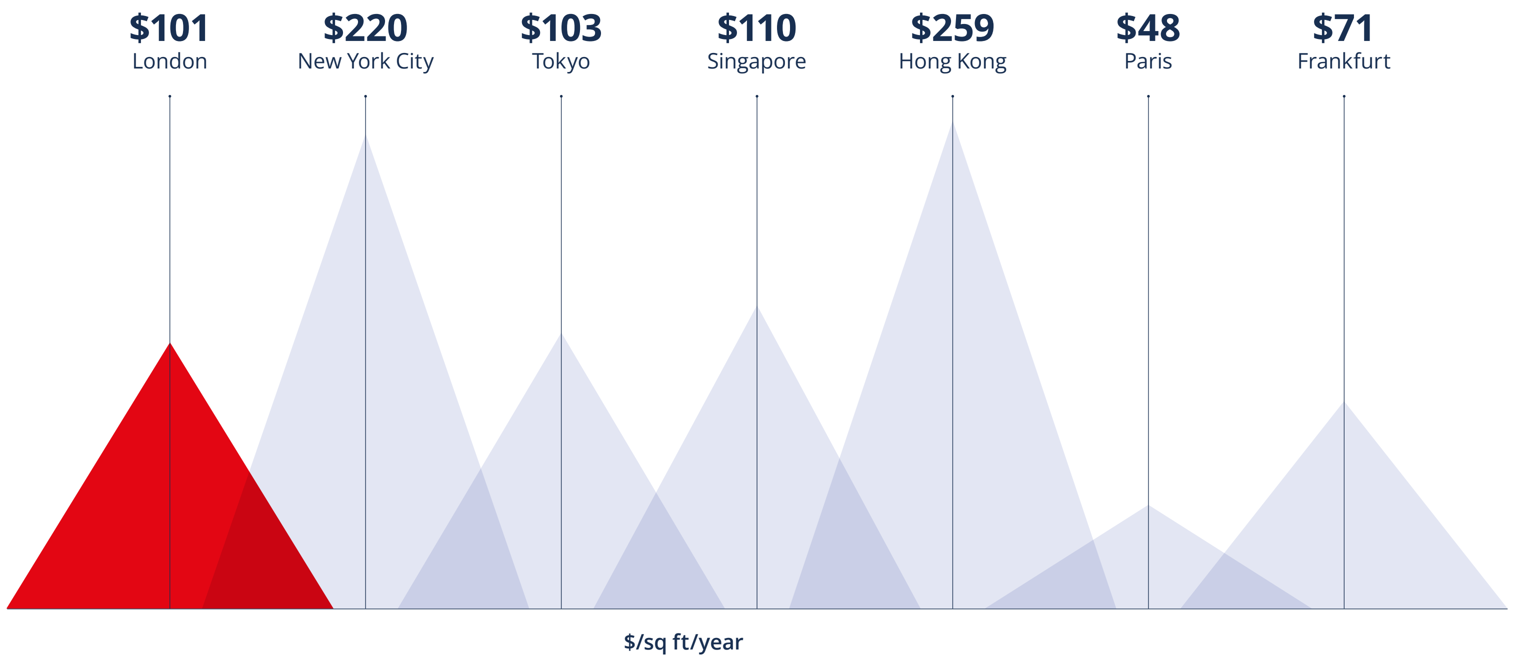
The business world speaks English – and London is the world's English-language capital.

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 uptake particularly pronounced in France, Germany, and Hong Kong. London also benefits from a global workforce offering multi-lingual skills to meet all business needs.

Source

EF 2020

London has more affordable office space than other financial centres

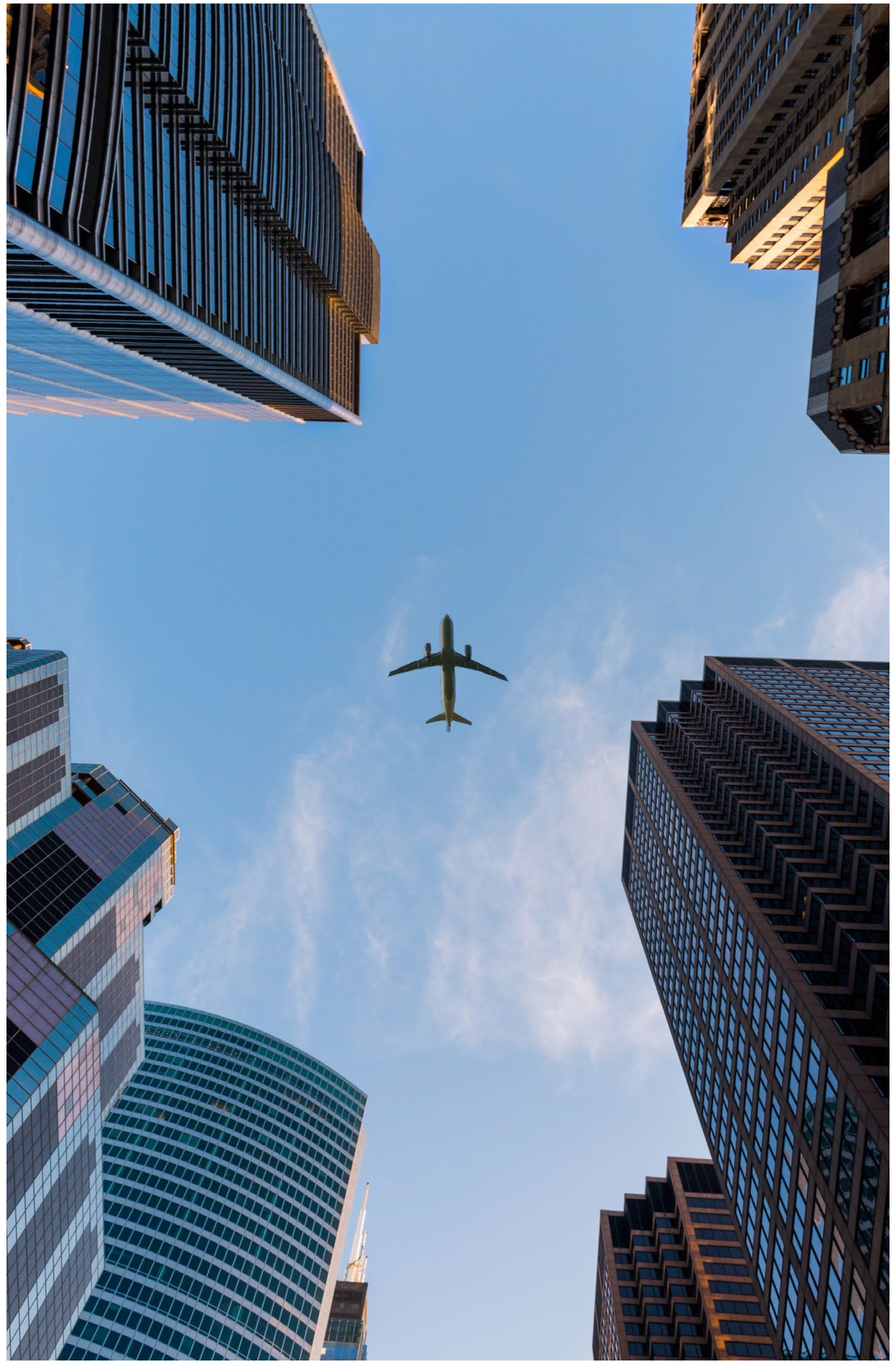


London's airport capacity and central location make the city a financial centre with unmatched global connections.

With business travel halting in 2020, London – like cities around the world – saw a significant drop in international travellers at the city's five major international airports. However, this drop (-74%) was less pronounced than in American (New York City: -76%) and Asian financial centres (Tokyo: -81%, Singapore: -83%, Hong Kong: -88%). The UK opened its borders earlier than other jurisdictions and dropped travel restrictions quicker than the US and Asian centres. Post-pandemic, London's high international airport capacity and central location has helped the city to remain the financial centre with the best global connections. In 2021, 46m passengers passed through London airports as travel restrictions were lifted. However, passenger numbers are still lower than in 2019, with London and Paris airports operating with around 10-15% fewer passengers than in 2019. New York is the only financial centre to see passenger numbers recover back to 2019 levels.

Source

Own analysis of airports annual reports and aviation department statistics



Plane overflying City of London

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 key to remaining competitive. Measured by road connectivity, the quality of road infrastructure, railroad density, and the efficiency of train services, Singapore and Japan are the top two financial centres in terms of quality transport infrastructure. The UK ranks second to last, with only the US further behind. Bad roads and inefficient train services are the main reasons behind the UK's ranking. In terms of cities, however, London is less congested than Hong Kong, Paris, New York City, or Tokyo. Frankfurt ranks highly for the quality of its infrastructure and is the least congested city in this study. Investment and improvements will help the UK catch up with other financial centres. London's new Elizabeth Line connects Canary Wharf and the Square Mile with major rail hubs and Heathrow Airport, and new high-speed rail services will connect London with key regions across the UK. The UK's push to reach net zero in 2050 will drive yet more investment in infrastructure. This will both help to build a more competitive business environment, and provide many opportunities for financial services firms to invest in green infrastructure projects. Infrastructure investors are keen to invest in the UK with significant appetite for energy transition, digital and renewable opportunities.

Source

Global Infrastructure Investor Association 2022, TomTom 2021

Canary Wharf Station

3.2 Operational, digital, and cyber resilience

Strong operational resilience and cybersecurity frameworks underpin London's business environment. The UK ranks highly in the ITU's Global Cybersecurity Index, and London made the most improvement in digital security measures. But the country's digital infrastructure needs an upgrade to offer businesses and individuals much faster and more reliable internet connections, and to capture a larger share of global 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, as well as related sectors such as legal or accounting. Money laundering presents a risk to the UK because of the size, sophistication, and reputation of its 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 most risk-free financial ecosystems – with only France being more resilient to threats. The UK is one of only two jurisdictions rated strong on both prevention and effectiveness criteria. But money laundering and illicit finance remain a global problem and can only be tackled through collaboration and joint measures.

Source

Basel AML Index 2022, Bureau of International Narcotics and Law Enforcement Affairs 2021, World Bank 2020

Data centre

The UK has one of the strongest cybersecurity frameworks worldwide – however, the country's digital infrastructure needs an upgrade to capture a larger share of global data flows and trade.

The UK is the third biggest investor in cloud computing (£10bn), with 90% of UK companies using cloud at least some of the time, and many more services moving online. This makes strong cybersecurity critical to the country's operational resilience, and London and the UK have one of the strongest government-led cybersecurity frameworks worldwide. According to the latest ITU Global Cybersecurity Index, the UK further improved its cybersecurity initiatives across legal, technical, and organisational areas, as well as capacity building and cooperation. Only the US has a (marginally) stronger cybersecurity offering. 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. This is underpinned by a rich security ecosystem created by UK government and industry, and supported by the City of London Police and the City Corporation's collaboration with businesses. The UK's digital infrastructure now needs to follow. Whilst some capacity has been added, the country's number of secure internet servers – 36k per 1m people – is still significantly lower than in other global financial centres (US: 142k, Singapore: 128k, Germany: 97k). Further capacity will not only make the UK a more resilient business centre but also allow it to capture a larger share of global data flows.

Source

ITU 2020, EIU 2019, World Bank/Netcraft 2020

The Gherkin, 30 St Mary Axe, London

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

Fewer obstacles to internet access, wide availability of content, and strong user rights allow businesses to operate more freely and efficiently. Between 2020 and 2021, the UK's level of internet freedom was consistent, and it remains one of the freest countries worldwide. The only global financial centre with just 'partly-free' internet, according to a Freedom House think tank assessment, is Singapore.

Source

Freedom House 2021

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

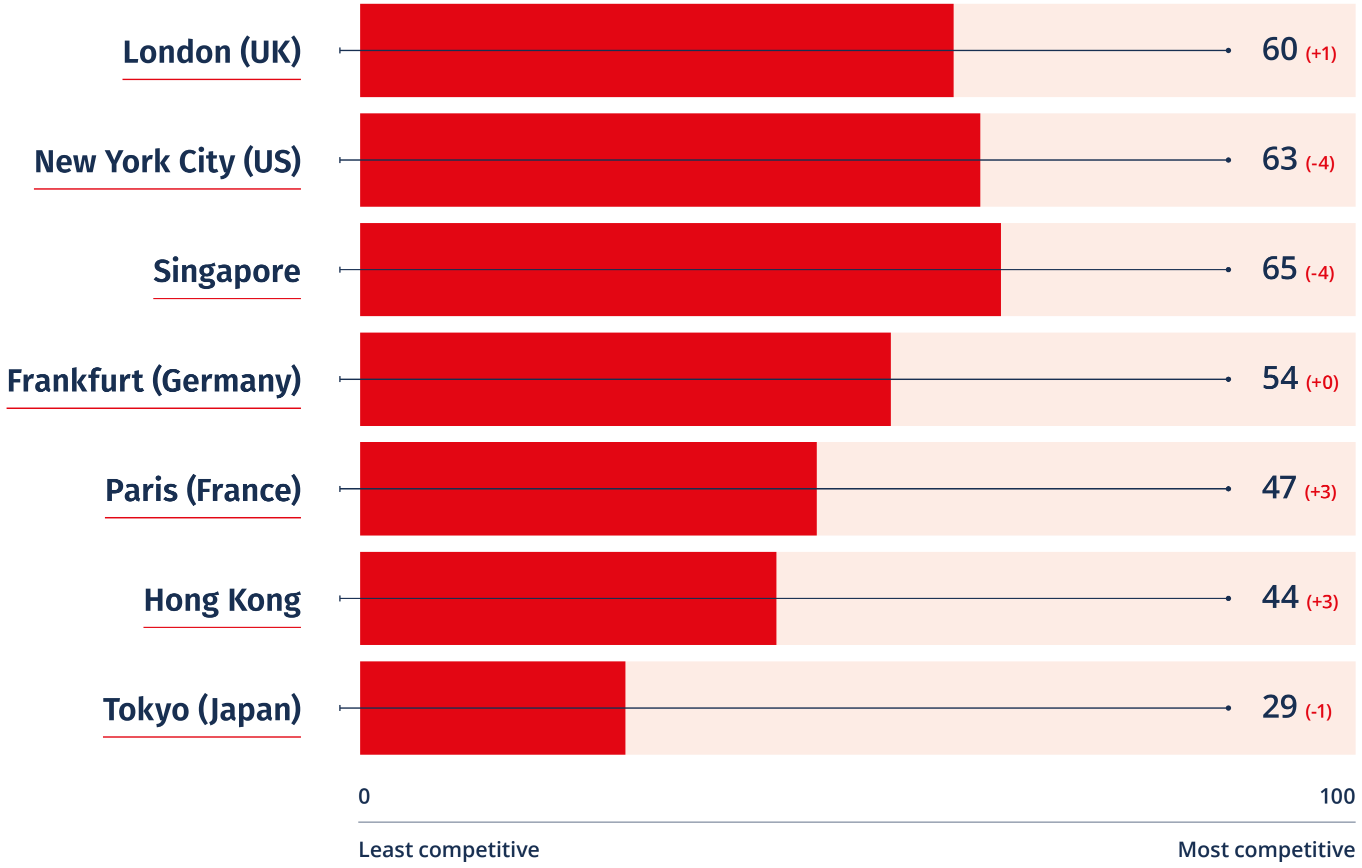
In a digitised world, broadband speeds are crucial to business success. And with staff working remotely, both commercial and personal internet connections count. The UK's broadband speeds were 36% faster in 2021 than in 2020, and 212% faster than in 2017, but the nationwide average of 51Mbps is still slower than in all other global financial centres. Hong Kong has the fastest broadband on offer with speeds reaching 105Mbps. Singapore's 97Mbps follow. The UK government and telecom providers are working jointly to deliver better speeds to offices and homes, with a target of 85% full-fibre broadband coverage by 2025.

Source

cable.co.uk/M-lab 2022

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

- Share of FPS relevant graduates
- Math and science skills attainment
- University rankings
- Top-level business schools
- Digital skills among population
- Skills in workforce
- Extent of staff training
- Flexibility of labour laws
- Productivity
- Diversity
- Attractiveness to foreign highly skilled personnel
- Share of foreign-born population
- Visa costs
- Inbound international students
- English proficiency
- Cost of living
- Cultural interaction
- Air quality
- Share of green spaces
- Happiness

4.1 Skills, hiring and training

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

In 2022, **the University of Oxford was named best university in the world** – for the sixth year running

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 pool of skilled graduates: 47% of all graduates from UK universities graduate from business, mathematics, or information technology programmes. Although this share is decreasing – down three percentage points since 2019 – it is only topped by Singapore (65%) and France (61%). 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 that are ambitious and qualified.

Source

UNESCO 2020

University of Oxford

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

The university landscapes of the UK and the US are 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 2022, the University of Oxford was again named best university in the world – for the sixth year in a row. The University of Cambridge ranked third and Imperial College London was tenth. In total there were ten 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 that their offering is becoming better and better.

Source

The Times Higher Education World University Rankings 2022

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

The strength of the UK and US higher education sectors is also reflected in business school rankings. Nearly 60% of all world-leading MBA programmes are based in the two countries – 50 in the US and 9 in the UK. 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 many other global financial centres.

Source

Financial Times Global MBA 2022

UK business schools demonstrate a **better performance and quality** than other global financial centres

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.

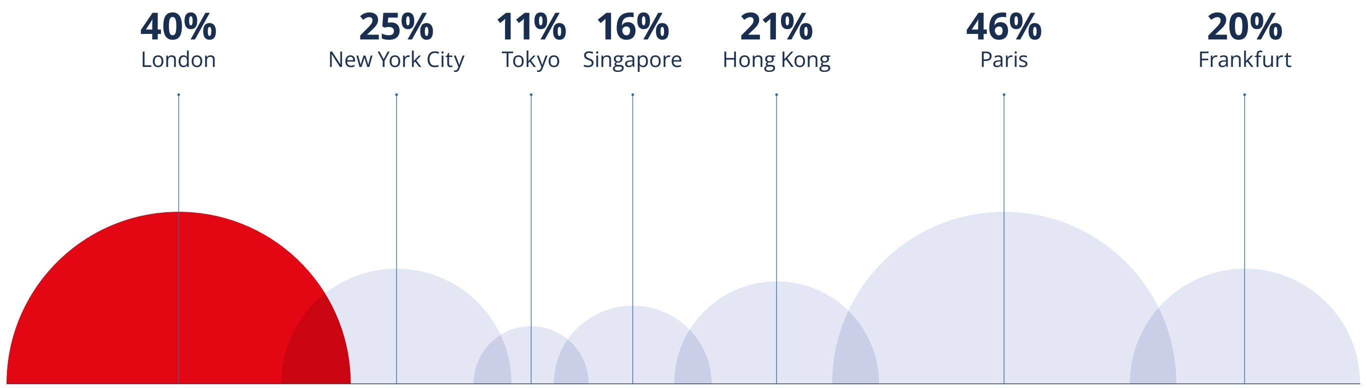
The UK is a leading centre for innovation, and home to some of the world's best universities. Reskilling and upskilling efforts will ensure the UK's current workforce has the skills to fulfil business and societal needs too. The latest PISA assessment results showed a stark east/west divide for pupils' mathematics and science skills attainment. Whilst 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 being less sufficient now than they were before the pandemic.

Executives state that the levels of skilled talent readily available in the UK are increasing, and that they are higher than in France and Germany, but they are increasing at a slower pace than for example in Singapore or Hong Kong. Employee training is gaining importance in UK-based companies too but continues to trail efforts by businesses in for example Germany, Singapore, and Japan. Initiatives such as FutureDotNow are supporting people and businesses across the UK to boost their digital skills, and the Financial Services Skills Commission is working with firms to better identify and address skills gaps with tailored training programmes.

Source

PISA 2018, World Economic Forum 2019, IMD 2020

Women on boards



Productivity in the UK is increasing but remains lower than New York and Singapore.

In 2022 the UK saw an average annual GDP output of $96,227 per worker. Whilst this is a 2% increase in productivity compared to 2017, UK output remains significantly below the US. The UK ranks third in productivity amongst global financial centres, but the US, Hong Kong and Singapore have all seen higher growth in productivity over five years. Japan and France are the only countries in this study to see productivity fall over five years, -3% and -1%, respectively. Whilst PwC analysis suggests that productivity in London is 40% higher than the UK average and parts of London are the most productive in Europe, levelling-up efforts need to ensure that other UK cities and regions catch-up with London and other markets to achieve a fairer, more balanced, and overall, more competitive economy.

Source

ILO 2022, PwC 2019

40% 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, 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 however moving in the right direction. The UK is second only to France in the level of female participation on company boards with women making up 40% of company boards in the UK - this target was reached in 2022, three years earlier than planned, and is expected to increase further. France has had a 40% female representation board quota since 2017. This puts the UK ahead of New York (25%) and Hong Kong (21%). Japan ranks at the bottom of the group with a share of 11%. The UK saw the largest increase of women on financial services executive committees too, with its share doubling between 2017 and 2021. Opportunities in financial services are becoming more equal around the globe, and businesses will benefit from this as teams will better represent their customer base and unlock unused potential.

Source

Refinitiv 2021, Oliver Wyman 2020, FTSE Women Leaders Review 2022

4.2 International talent

An already international workforce makes London one of the most globally connected financial centres of 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.

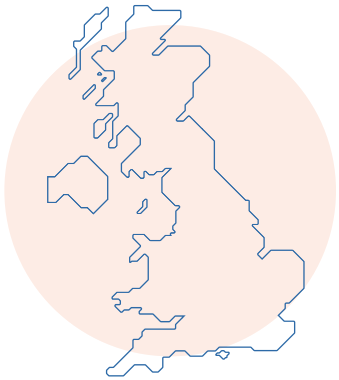
London is one of the most international financial centres worldwide. At 37%, the UK capital had an equal share of foreign-born population to New York in 2021. While at a share of just 4%, Tokyo was the centre with the least international population. In 2022, 14% of workers in the City of London came from the European Economic Area (EEA), and a further 27% came from the rest of the world. This demonstrates the attractiveness of the city for people from all over the world and benefits the city's talent pool. Businesses can hire from a multitude of backgrounds which helped them facilitate relationships with global clients and partners.

Source

World Cities Culture Forum 2021, Migration Observatory 2021, ONS 2022

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 10 of the world's top 100 universities, the UK acts as a magnet for bright talent from all around the world. In 2021, the UK was home to more than 600,000 international students – 40% more than in 2017. The UK's international students come from 189 countries, with the largest groups coming from China and India, and they make up 28% of the UK's total university enrolment. The US hosted more than 948,000 international students, but at 5% they made up a smaller share of total enrolment. France was the third-largest destination for international students. The 370,000 international students made up 11% 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



With 10 of the world's top 100 universities, **the UK is a magnet for talent from around the world**

of international students in the UK a valuable resource for firms. The number of EU nationals attending UK universities has risen annually since 2016. However, there has been a drop in students from Ireland, Germany, and Spain, but an increase in students from Italy, Portugal, and Poland.

Source

Higher Education Statistics Agency 2022

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.

Financial services executives in the UK report that London remains the top financial centre in Europe to recruit the highly skilled talent they need to succeed. However, the IMD World Talent Ranking shows the UK has become a less attractive option for foreign highly skilled workers with Germany, Singapore, the US and France all ranking higher. The UK's reputation as a country seeking to attract and retain global talent has fallen significantly over the last five years. Fragomen analysis shows that under the UK's new immigration 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 smaller employers, they can be a significant concern. Alongside lowering costs, stripping out unnecessary bureaucracy is key. After industry feedback, the UK government has introduced new faster visas routes designed to attract the best global talent to the UK. The 'High Potential Individual Route' is for highly skilled people with an appropriate degree from a select number of international universities. The UK government has also introduced a 'scale-up worker' visa for foreign workers with a job offer from an eligible, fast-growing business to complement the 'start-up visa', launched in 2019, for entrepreneurs who want to set up an innovative business in the UK.

Source

Fragomen 2021, IMD 2021

4.3 Quality of Life

London remains the global 'city of choice'. Despite a challenging pandemic, the UK capital's cultural scene remained more vibrant than any other and has welcomed 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.

In BCG's ranking, **London ranked equally to New York City as a 'city of choice'**

London remains the global 'city of choice' – and the UK capital's vibrant cultural scene has been crucial in attracting people from around 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 ranked equally to New York City, with other financial centres further behind. 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. A major new initiative by the City of London Corporation - Destination City - is enhancing the City's vibrancy, leisure offer and public realm. To ensure it remains a world-leading destination for workers, residents, and visitors.

Sky Garden, 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 and further action from the Mayor of London aims to make London's air quality better. While London's air is less polluted than the air in New York or Hong Kong, Frankfurt and Paris have cleaner air. 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.

Source

World Air Quality Index 2022

London's attractiveness comes at a cost; but New York City, Singapore and Hong Kong have a higher cost of living.

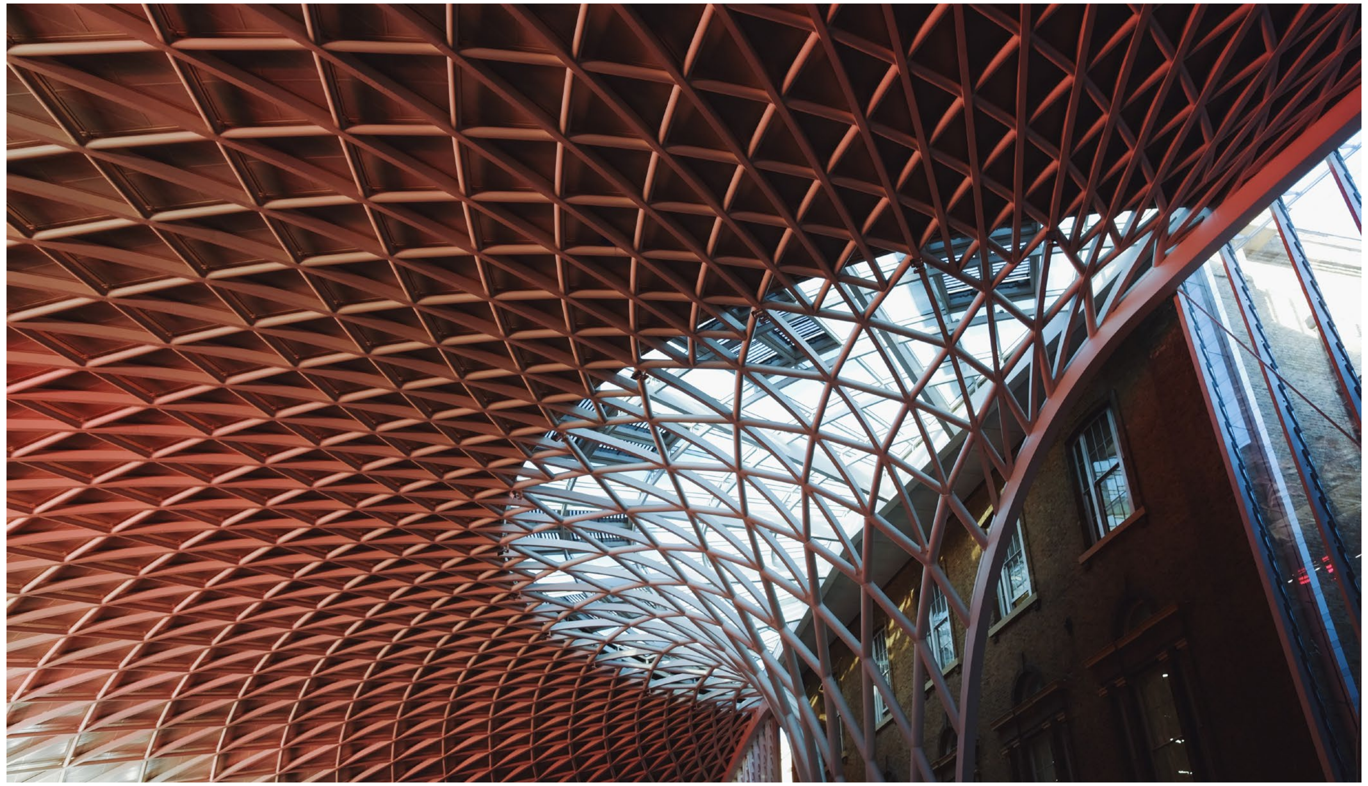
The sharp rise in residential rent since 2021 is a global phenomenon, coupled with high inflation around the world, the cost of living has increased considerably for urban dwellers. London has however fared better than other global financial centres. The cost of living is higher in New York City, Singapore and Hong Kong. Frankfurt remains the most affordable financial centre in which to set up home, but cost of living in Paris, London and Tokyo peaked in 2021. High demand for rental properties in London shows the popularity of the city with rents increasing 22% from last year. This shows that the covid-related exodus from cities is reversing and young people want to live in the city. 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

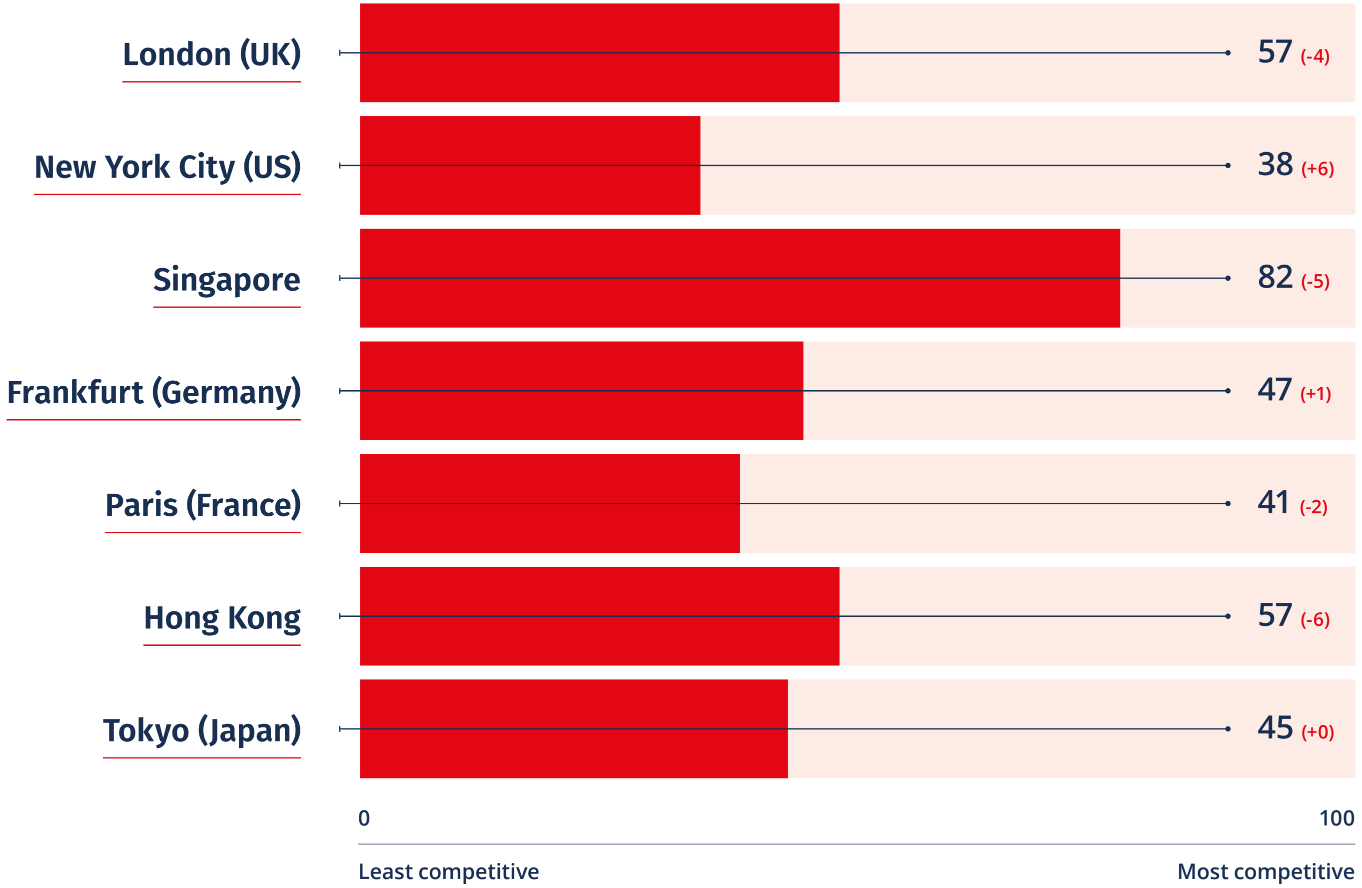
Numbeo 2022, OpenRent 2023

5. Enabling regulatory and legal environment

The UK continues to have the world's most favourable regulatory regime for financial services. Firms in the UK benefit from regulators at the forefront of innovation, a strong legal system, and openness. But tax and bank contribution rates are higher than in other centres. As the UK rewires its economic relationship with the world, services trade needs to be at its heart to keep market access open.



King's Cross, London



Metrics

- Government effectiveness
- Regulatory quality
- Control of corruption
- Regulatory coherence
- English Common Law (yes/no)
- Financial centre = political centre (yes/no)
- Sandboxes (e.g., regulatory or digital) (yes/no)
- Open banking (yes/no)
- Perception of favourability of financial services regulatory regime
- Preferred seat of arbitration
- Total tax and contribution rate
- Individual income tax rate
- Tax complexity
- Size of international tax treaty network
- Additional financial services taxes (yes/no)
- Services trade restrictiveness
- Cost of regulatory barriers to financial and professional services trade
- Controls of the movement of capital and people

5.1 Regulatory stability and innovation

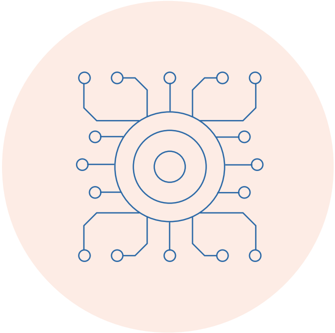
The UK continues to have the most favourable regulatory regime for financial services. It remains at the forefront of innovation, with government and regulators committed to keeping the UK at the global cutting edge of technology. The UK has plans in place to improve the effectiveness of its regulators which will contribute to economic growth. London is one of the world's top seats for arbitration.

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

The UK was the first global financial centre to pioneer both a regulatory sandbox and open banking. These were recognised by the World Trade Organization for facilitating both an effective regulator-innovator dialogue and cooperation between different markets. In response to the prevalence of data-centric new products and services, the UK's Financial Conduct Authority created the world's first regulatory digital testing environment. 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 now look to the UK for examples of how innovation can be embedded in regulatory frameworks.

Source

Own analysis



The UK was the first global financial centre to **pioneer both a regulatory sandbox and open banking**

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

The UK is still the world's most favourable regulatory regime for financial services, named by 31% of senior financial services executives surveyed by Duff & Phelps. This compares to 25% for the US and the same for Singapore. The perception of the UK's and Singapore's regulatory regimes has improved since 2019/20, whereas the perception of the US's declined. As part of the Financial Services and Markets Bill, the UK government proposed measures to keep the country's financial services regulation coherent, agile, and internationally respected. One of the changes proposed was a new growth and international competitiveness objective for both the Prudential Regulation Authority and the Financial Conduct Authority. This will reflect the importance of the financial services sector as an engine for growth across the wider economy.

Source

Duff & Phelps 2022

City of London

The UK is aligned with the Basel III recommendations on strengthening bank capital requirements, providing businesses with interoperability across borders.

Multinational banks benefit from reduced regulatory compliance costs if they find comparable regulatory standards in the markets they operate in. The Basel Committee on Banking Supervision provides a forum for regulatory cooperation which aims to enhance the quality of banking supervision worldwide. Whilst its frameworks are voluntary, adoption is providing banks with predictable and stable regulatory environments. Furthermore, alignment and coherence increase a market's attractiveness. 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. As of 2021, the US is the least aligned market.

Source

Bank for International Settlements 2021

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. 40% of all corporate arbitrations globally use English law. It is even used in contracts without 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. 54% of respondents to Queen Mary University research named London as one of their organisation's five most preferred seats – down from 64% in 2018 but up from 47% in 2015. 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. Great support for arbitration by local courts and judiciary, the neutrality and impartiality of the local legal system, and a good track record are the three key factors that make London attractive.

Source

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

5.2 Tax

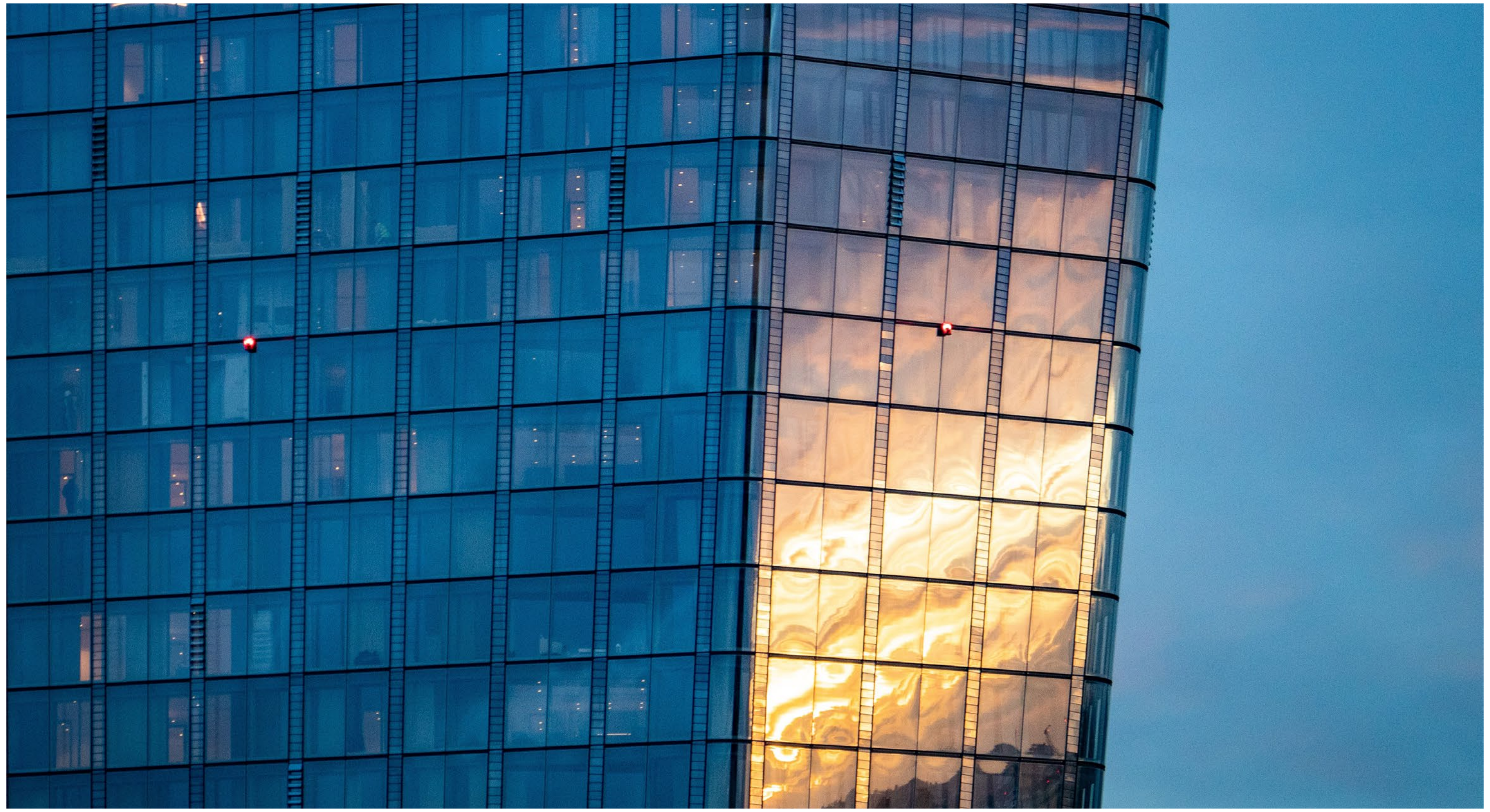
Singapore and Hong Kong have the most competitive tax systems, but their economies are based on different fundamentals than the UK's. Firms in the UK benefit from one of the largest global tax treaty networks, low tax complexity, and competitive income tax rates. But banks located in London are already facing a higher total tax rate than their counterparts in New York City.

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

The UK's tax rates are overall competitive. At 45%, the highest marginal income tax rate in London is lower than in Tokyo (55.9% including local inhabitant tax), New York City (49.7% including state and local taxes), or Frankfurt (47.5% including solidarity surcharge). But recent adjustments will make the UK's tax rates less competitive, and the total tax rate of financial services firms – particularly banks – is already higher than in other centres. The UK is one of the few markets that levies a tax on bank liabilities and that has a bank corporation tax surcharge. Whilst the surcharge will reduce from 8% to 3% in 2023, corporation tax rates will increase from 19% to 25%. In contrast, the EU is set to remove its bank tax levy whilst the UK bank levy remains in place. PwC and UK Finance analysis shows that banks in the UK are already facing a higher total tax rate than their counterparts in New York City. And from 2024 this is projected to be higher than Frankfurt too. Banks are committed to paying their fair share to support the wider economy, but the UK's tax rates need to remain internationally competitive to support the sector in continuing to create jobs and spreading prosperity.

Source

PwC / UK Finance 2022, KPMG 2021



One Blackfriars, London

The UK has the least complex tax framework of all global financial centres in the west, which reduces operational costs for firms in the country.

The UK's tax code and framework are less complex than in any other global financial centre in the west, rated as 'low' in the Global MNC Tax Complexity Project's Tax Complexity Index. This assessment has remained stable over the past five years. The index measures the complexity of a country's corporate tax system as faced by multinational corporations. It considers tax code regulations such as depreciation, royalties, and dividends rules, and assesses guidance provided by tax authorities, payment and filing processes, as well as efficiency of appeals. The US has the most complex tax code and framework and increased its complexity in recent years. Singapore and Hong Kong have the overall least complex tax frameworks and are taking steps to further simplify them.

Source

Global MNC Tax Complexity Project 2020

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 2021, the UK had the largest international tax treaty network with 154 double taxation agreements. This number has consistently grown over the past five years. Germany ranks second with 133 tax treaties, overtaking France which has not signed any new treaties in the past five years. At 56 tax treaties, Hong Kong's network remains the smallest.

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 needs to be at the heart of the UK's rewiring of its economic relationship with the rest of the world.

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 for international services trade. The country is on par with Germany. Both centres are more open than the US, Japan, and France. Despite global trade tensions, this assessment changed little in recent years. According to further OECD analysis, financial and professional services firms located in the UK need to bear lower policy-induced services trade costs than their counterparts in Japan and the US. In its new position, the UK is now rewiring its economic relationship with the rest of the world to keep 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 have been the agreements with Australia, Japan, and Singapore.

Source

OECD 2019, 2021

The UK levies fewer restrictions on the movement of capital and people than the US, 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 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. However, the UK's openness dropped significantly in 2021 as the country increased restrictions on the movement of people. Hong Kong and Singapore are the most open financial centres.

Source

Fraser Institute 2022

City of London

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).

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 2017 and 2021. Where 2022 data is available the five-year period used is between 2018 and 2022. 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 2017 and 2021 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 2022 '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

CITY OF LONDON

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.

cityofondon.gov.uk