



**THE
GLOBAL
CITY**

Our global offer to business: London and the UK's competitive strengths supporting investment and growth

Fifth edition



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Foreword



Alastair King
The Rt Hon the Lord Mayor
of the City of London



Chris Hayward
Policy Chairman of the
City of London Corporation

For the fifth year in a row, the UK is ranked as the world's leading international finance centre due to its all-round offer to international business. The UK is home to world-leading sustainable finance expertise. It provides a global hub for companies and partner markets to meet their net-zero needs. The UK is the largest tech ecosystem in Europe. Making it the ideal place for founders to launch products, find top tech talent, and scale their business. Our capital markets are larger and deeper than the EU. The UK was the third largest market in the world for raising equity in 2024.

London's top ranking is due to its consistently strong performance in areas that support international financial and professional services (FPS) firms. However, there are lessons to learn from other world leading financial centres. The US leads in sheer size of its capital markets, benefiting from its huge domestic market. Although we cannot match that, we can offer international partnerships and investment. Singapore continues to top the regulatory and legal dimension due to its focus on growth

and international competitiveness. A competitive regulatory regime is attractive to international businesses when choosing where to locate their operations. Paris increased its score this year, the French government's promotional activities are paying off and attracting investment.

Last year saw new governments installed in the UK, US and Japan; France and Germany will hold general elections in 2025. The geopolitical landscape continues to shift and present opportunities for British and international FPS firms located here. The UK offers a hub for global firms to access the markets, services, and talent they need to succeed.

The UK's position as a leading international hub has never been more important. Last year the Prime Minister announced, at the Guildhall, plans for an industrial strategy to boost UK economic growth. FPS is one of the eight key industries identified to drive growth.

The Financial Services Growth and Competitiveness Strategy should

highlight the FPS industry's strengths and promote them on the world stage. It should position the UK as the world's most attractive financial centre for scaling business - addressing the gap in scale-up investing. The UK has the potential to be the go-to destination for sustainable finance innovation - leading on ESG standards and transition finance. Our world-class education system can be teamed with a modernised visa regime and upskilling system to future-proof the UK's workforce.

Building on the regulatory secondary objective, the UK can be a pro-growth leader by developing a pro-business, dynamic regulatory regime and a model for AI and fintech governance. The City of London Corporation is ready to support the government and industry in developing the strategy and monitoring key areas of success and growth. Firms located in the UK will benefit from this, as regulators and government policy focus on creating the conditions that drive growth and release investment.

Executive summary

This is the fifth edition of the City of London Corporation's analysis of UK Financial Services (FS) international competitiveness. This analysis uses over 100 independent metrics to rank the seven most important global financial centres (GFCs). London ranks top in this analysis for the fifth year in a row due to its consistency across all five dimensions studied – Innovative ecosystem, Financial activity, Regulatory environment, Access to talent and skills, and Resilient business infrastructure. London is the only GFC to rank in the top three of all dimensions.

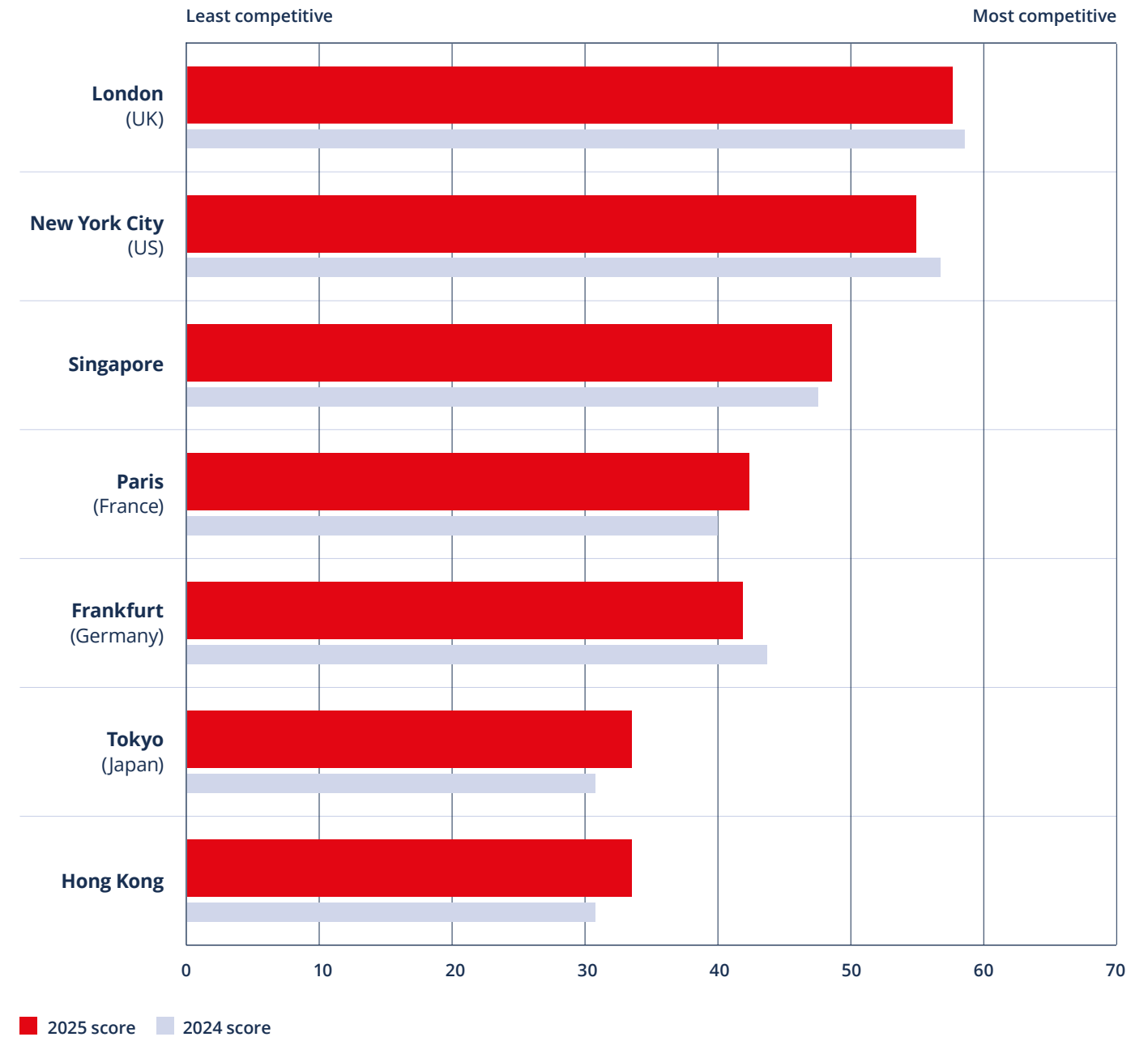
The government's Industrial Strategy, launched at the Guildhall, recognises the importance of the FS industry in producing economic output and supporting the wider economy. The FS industry is responsible for 13% of the UK's economic output, or £294bn in 2023. It employs nearly 1.1 million people with a further 1.4 million in related professional services. The wider financial and professional services (FPS) industry is also a significant contributor to UK taxes, £110bn in 2023, which is 12% of total tax revenue. In short, the UK FS industry is one of the most important drivers of the country's economic growth. To ensure this growth reaches its potential, the UK government will release a Financial Services Growth and Competitiveness Strategy in Spring 2025.

When reading this report, it is important to consider that this is a relative ranking of GFCs. The score is calculated by ranking each GFC in 100 independent metrics that contribute to a city's success as a financial centre. On a relative basis the UK retains its top position, but the absolute size and volume of financial markets activity has declined. As we show in this report, the FS industry faces significant headwinds. But in this global economy, our competitors are facing many of the same challenges as the UK. The rampant global inflation experienced in the last two years has been tamed but has resulted in a higher cost of living and tighter monetary policy around the world. These macroeconomic conditions feed directly into the FS industry and opportunities to generate growth. Business surveys indicate negative sentiment across many industries, but financial markets remain buoyant.

Since our last report, London increased its scores in tech, market access, and quality of life, but these were countered with lower scores in tax, regulatory stability and innovation, skills hiring and training, and international talent.

London's financial activity score fell one point as the US extended dominance in equity markets and investment management. The UK remains the top market for international bonds, cross-border banking, FX and derivatives trading. It is also the top net FS services exporter but is behind the US and Singapore for FS foreign direct investment (FDI).

Overall score



London ranked behind NYC and Tokyo for equity capital raised in 2023 but is now second behind the US. In 2024 £25bn of equity capital was raised in London, making the London Stock Exchange the fifth largest in the world. More equity was raised in London than the next three European exchanges combined – Frankfurt, Paris and Milan. Over the five years the City of London Corporation has undertaken this analysis 196 UK companies have IPO'd in London raising £24bn. Furthermore, 860 UK companies have raised £126bn through follow-on equity raising.¹

London increased its score in tech, thanks to the ubiquity of fintech in the country – the UK is one of the highest ranked adopters of fintech products. The UK is Europe's largest tech ecosystem and only behind the US globally. Fintechs based here benefit from a ready customer base, eager investors and a high-quality workforce. The UK also ranks top for tech-relevant graduates thanks to its highly-ranked universities and MBA programmes. The UK adoption of AI is supported by a high number of data centres, but the data and energy infrastructure needs improvement. NYC is the undisputed leader in tech due to the large ecosystem built around the US tech majors, but its score fell this year due to slower adoption of fintech and a lower share of relevant graduates.

In spite of a decrease on its score, the UK remains the world leader in sustainable finance: UK companies are committed to ESG and transition policies and investor capital is flowing

to sustainable finance strategies. The UK's early adoption of sustainable finance has also resulted in an ecosystem of best in-class advisors and experts in emissions reduction. The FS industry has world-leading expertise in financing and insuring green, sustainable and social impact projects, which is in high demand around the world. However, the UK cannot compete with the volumes of green bond issuance in the US and EU. The US, Japan and Singapore all increased their sustainable scores, while the UK, France and Germany saw a decrease – suggesting other countries are catching up with Europe's lead.

Transition finance is a key area where the UK can be a global leader, as outlined in the recent Transition Finance Market Review (TFMR), of which the City of London Corporation was the secretariat. TFMR's focus is on how the UK can leverage its existing strengths to become the best place in the world to credibly raise transition capital, invest, and obtain financial and professional services to support a net zero future. The Review puts forward recommendations on how to unlock the required levels of finance by creating the right policies, pathways and signals for investment through collaboration between government, investors, business and civil society.

The UK's highly skilled and experienced FS talent pool is often cited as a reason for international businesses to locate here. The UK is home to some of the world's best universities and business schools,

producing future leaders in FS, professional services and tech. The UK government has also made considerable efforts to address inequality, and this is evident in our analysis. The UK is a leader in addressing the gender gap and the FS industry has implemented multiple programmes to improve diversity.

London's score in talent and skills is unchanged from last year, however, Singapore increased its score in areas related to international talent, skilled labour and employee training. Employee training is a red mark for the UK: employers often see training as an investment in the employee rather than an investment in the business. This is particularly acute in the tech industry where workers tend to be highly educated but lacking in leadership skills. Addressing this skills gap is a priority for the City of London Corporation.

The City of London Corporation launched our Vision for Economic Growth in autumn 2023. This landmark report set out big moves where government and industry can partner to boost growth and investment. We have updated the progress of these big moves in [this document](#) and through this report. By working together, the FPS industry and government can set the right conditions to generate growth and investment across the UK.

¹ Follow-on equity raising is when a company that is already listed returns to the market to raise equity capital.



City of London skyline

1. Innovative ecosystem

This is the largest dimension in our analysis, with 30 metrics across tech and innovation and sustainable finance. Both areas are at the forefront of innovative thinking and recipients of high levels of investment. The UK has an opportunity to further cement its position as the world's leading sustainable finance centre and become a leader in tech with appropriate policy intervention. For example, by introducing cross-border sandboxes and implementing the recommendations of the Transition Finance Market Review (TFMR). The UK is Europe's largest tech ecosystem, second only to the US in global terms. Ensuring UK tech companies can secure the investment they need through private and public markets is key to generating economic growth.

London ranks second overall in the innovative ecosystem metric with 58 points, only a point behind leader New York. These positions remain the same, but changes in the underlying scores demonstrate further development in sustainable finance across Asia and a narrowing of the US lead in tech.

Because the US is home to the largest tech companies in the world, its tech ecosystem is naturally larger. The UK's tech-positive regulatory regime, high level of fintech adoption and pipeline of relevant graduates has boosted its tech and innovation score by 13 points this year. This brings London within two points of NYC in this category. Although the US still leads in fintech investment, there was a significant decline in the amount invested last year. Elsewhere

in Europe, Paris saw an increase in the number of relevant graduates, and both Paris and Frankfurt benefited from the EU launch of regulatory sandboxes.

Both industry and government are eager to harness the potential of AI. The UK government recently accepted all the recommendations of the AI Opportunities Action Plan to grow the UK's AI sector, drive adoption of AI across public and private sectors, and improve products and services. The City of London and KPMG have shown that integrating AI into FPS could boost economic growth by £35bn, and Google estimate AI could boost the economy by £400bn.

London remains the world's top sustainable finance centre, but New York increased its sustainability

score by five points this year. This was driven by increased green bond issuance and listed companies scoring higher ESG ratings. Again, the large tech companies in the US are the driver of this listings trend as they tend to score highly on ESG.

The Asian GFCs – Singapore, Hong Kong and Tokyo – also saw an increase in their sustainability scores. Tokyo's score increased due to higher ESG scores of listed companies and sovereign green bonds. Singapore's sustainability score increased due to its sovereign green bond and more companies becoming signatories of sustainable programmes. Hong Kong saw an increase in green bond issuance.

Innovative ecosystem

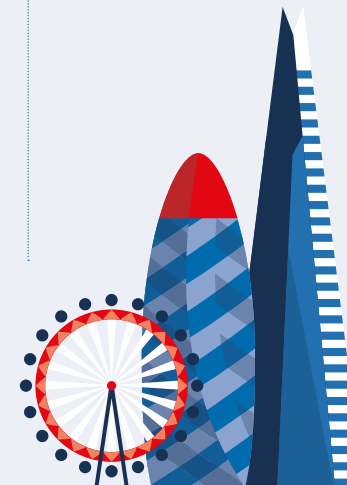


London ranks

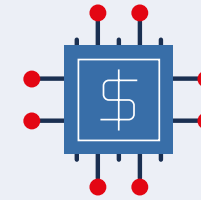
1st
in sustainable finance

2nd
in tech and innovation

2nd
overall



Tech and innovation



£10bn

invested in UK fintech by VC/PE in 2023 – more than France, Germany, Hong Kong, Singapore and Japan combined.¹

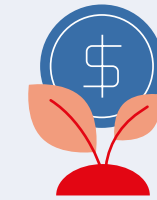
746

new UK fintechs launched in 2023 – the same as Paris, Frankfurt, Hong Kong and Singapore combined.²

163

unicorns currently in the UK – the third highest in the world, behind the US and China.³

Sustainable finance



22%

reduction in UK CO2 emissions over five years.⁴

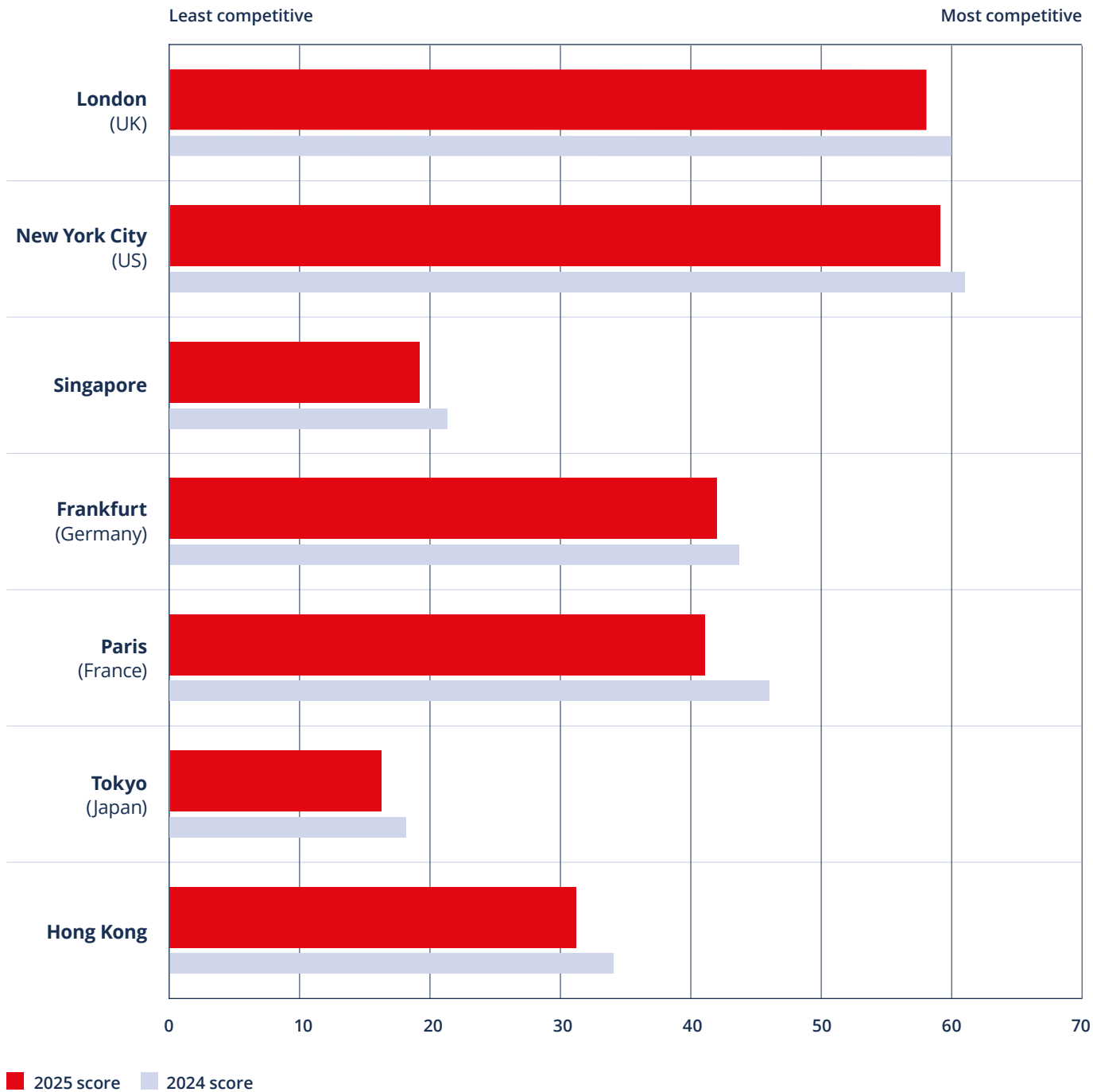
US\$95bn

of UK Green bonds in 2023, a 52% annual increase.⁵

£172bn

market cap of companies and funds with LSE's Green Economy Mark. Up from £55bn over five years.⁶

Source: (1) Pitchbook 2024, (2) Pitchbook 2024, (3) Dealroom 2024, (4) Integrated Carbon Observation System 2024, (5) Climate Bonds Initiative 2024, (6) LSEG 2024.



1.1 Tech and innovation

The UK is home to the largest tech ecosystem in Europe and the second globally behind the US. The UK's eagerness to adopt new tech and its strong pipeline of tech-related graduates from some of the world's top universities are positives for companies based here. The UK has one of the highest adoption rates of fintech in the world: more people are banking, investing and managing their savings online or via apps. However, the UK has the lowest internet speeds of any GFC and this needs to improve to keep the UK competitive in the race for AI and tech mastery.

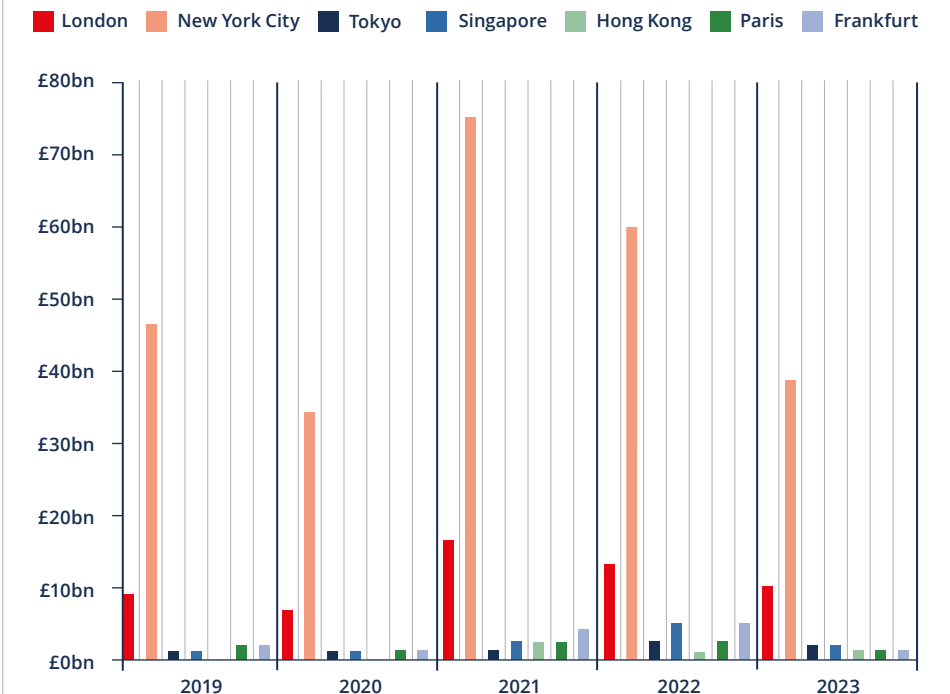
Fintech firms based in the UK have seen an average of £10bn a year invested in their growth in the past five years; the highest in Europe by far and more than France, Germany, Hong Kong, Singapore and Japan combined. The US is the world leader in fintech investment with an average of £51bn invested annually over five years.

UK founders can access Seed and Series A capital from UK investors, however, scale-up capital (£100m and more) often comes from overseas. It is crucial that UK investors fill this gap in the market to ensure high-growth companies remain in the UK.¹

Source: (1) Pitchbook 2024

The UK is the largest tech ecosystem in Europe

Investment in fintech, £bn (Pitchbook 2024)



1.2 Sustainability

The UK is the world's leading centre for sustainable finance. Our expertise in financing and insuring green, sustainable and social impact projects is in high demand around the world. Business leaders and the UK government have committed to achieving net zero emissions. The UK also demonstrated leadership at COP29 with ambitious new climate goals, including reducing emissions 81% by 2035. The government reinforced the Department for Energy Security and Net Zero (DESNZ) with a mission-driven approach of greater collaboration between departments.

Connecting green businesses with investors is an essential part of achieving the UK's sustainability goals. The FPS industry plays a critical role in this connected green finance ecosystem, providing specialist support including capital structuring, insurance, and consultancy, which contributes to services exports.

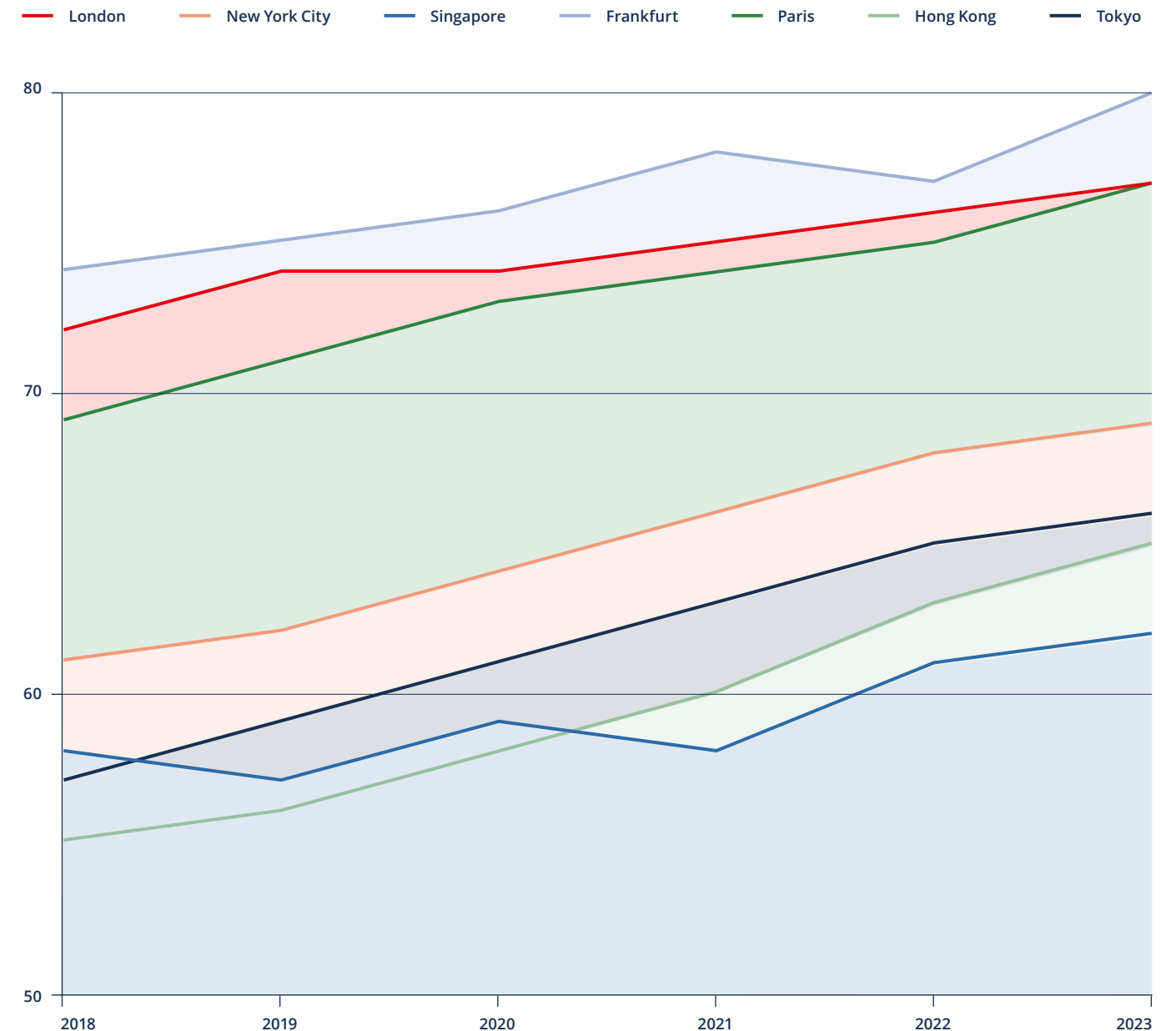
Companies listed on UK stock exchanges were among the first to embrace ESG commitments and have therefore achieved high ESG scores for the past five years. In 2023, the average ESG score of the 100 largest companies in the UK was 76 (out of 100). New York listed companies have a higher average ESG rating due to the greater number of listed tech companies, which tend to achieve high ESG scores.¹



Sources: (1) Refinitiv 2024

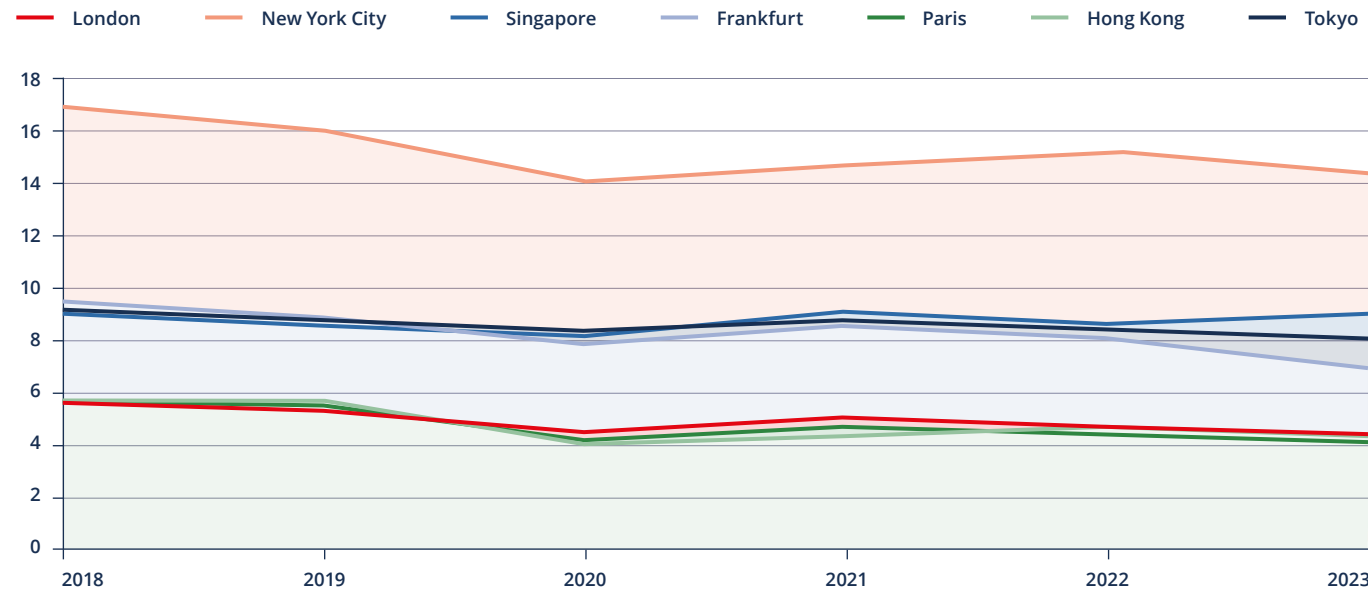
London listed companies have lower ESG scores than NYC and Tokyo

ESG scores of listed companies (Refinitiv 2024)



The UK has reduced CO2 emissions by 22% over five years

Annual CO2 emissions per capita (Integrated Carbon Observation System 2024)



£172bn

the market cap of London-listed companies and funds achieving the LSEG Green Economy Mark

Companies and funds achieving the Green Economy Mark have a combined market cap of £172bn, a 200% increase over five years. The London Stock Exchange Group (LSEG) introduced the 'Green Economy Mark' in 2021 with a market cap of £55bn. The Green Economy Mark identifies the LSEG-listed companies and funds with 50% or more of total annual revenues from products and services that contribute to the global green

economy. LSEG's Sustainable Bond Market has admitted more than 300 bonds since its inception, raising £70bn for sustainable businesses.¹

UK FS businesses are committed to achieving net zero. The Science Based Targets Initiative (SBTI) is a corporate climate action organisation that enables companies and financial institutions to tackle climate change. Japan had the highest number of companies setting SBTi targets in 2023 (453), followed by the UK (385) and the US (214). However, the UK has the highest number of financial institutions committing to reducing emissions. In 2023, 268 UK financial firms had signed up to SBTi, the highest of all the GFCs. The US ranks

second (136) and Japan third (40).

The UK has reduced its CO2 emissions by 22% in the past five years. France is the GFC with the lowest emissions per capita, with the UK in second place. London's air quality has also improved over the past five years as Low and Ultra-Low Emission Zones have been introduced and electric vehicles, particularly taxis, vans and buses, are increasingly in circulation. New York has the best air quality of all the GFCs monitored in this report.²

Sources: (1) LSEG 2024, (2) Our World in Data 2024, World Air Quality Index 2024.

Key policy changes to generate growth

The transition to net zero is a key opportunity to generate growth and improve the UK's environment. Effective policy is essential to a successful net zero transition. At City of London Corporation we are committed to supporting the

transition and reducing the carbon footprint of the City and have set out core activity and recommendations in this area below.

Key policies and their impact on growth and investment

Implement recommendations from the Transition Finance Market Review (TFMR)

The City of London hosted the Secretariat of the Transition Finance Market Review commissioned by government. The Review explored the barriers to scaling transition finance and how the UK could become a global hub for funding the global net zero transition. Implementing these recommendations at pace will be key.

Ensure the UK is the best place to raise transition capital

The City of London in partnership with HM Government recently launched the Transition Finance Council. The Council aims to make the UK the world's top destination for high-integrity transition finance by driving the TFMR's recommendations, building capacity, and engaging with stakeholders.

Maximise the UK's potential as a global centre for carbon market activities

The City of London Corporation convenes the UK Carbon Markets Forum, and the UK government has announced that it will issue a public consultation on carbon markets in early 2025. This consultation will inform measures to raise the integrity and use of Voluntary Carbon and Nature Markets as mechanisms to achieve and enhance domestic and global climate and nature goals.

Position the UK as a Centre of Excellence in impact investing

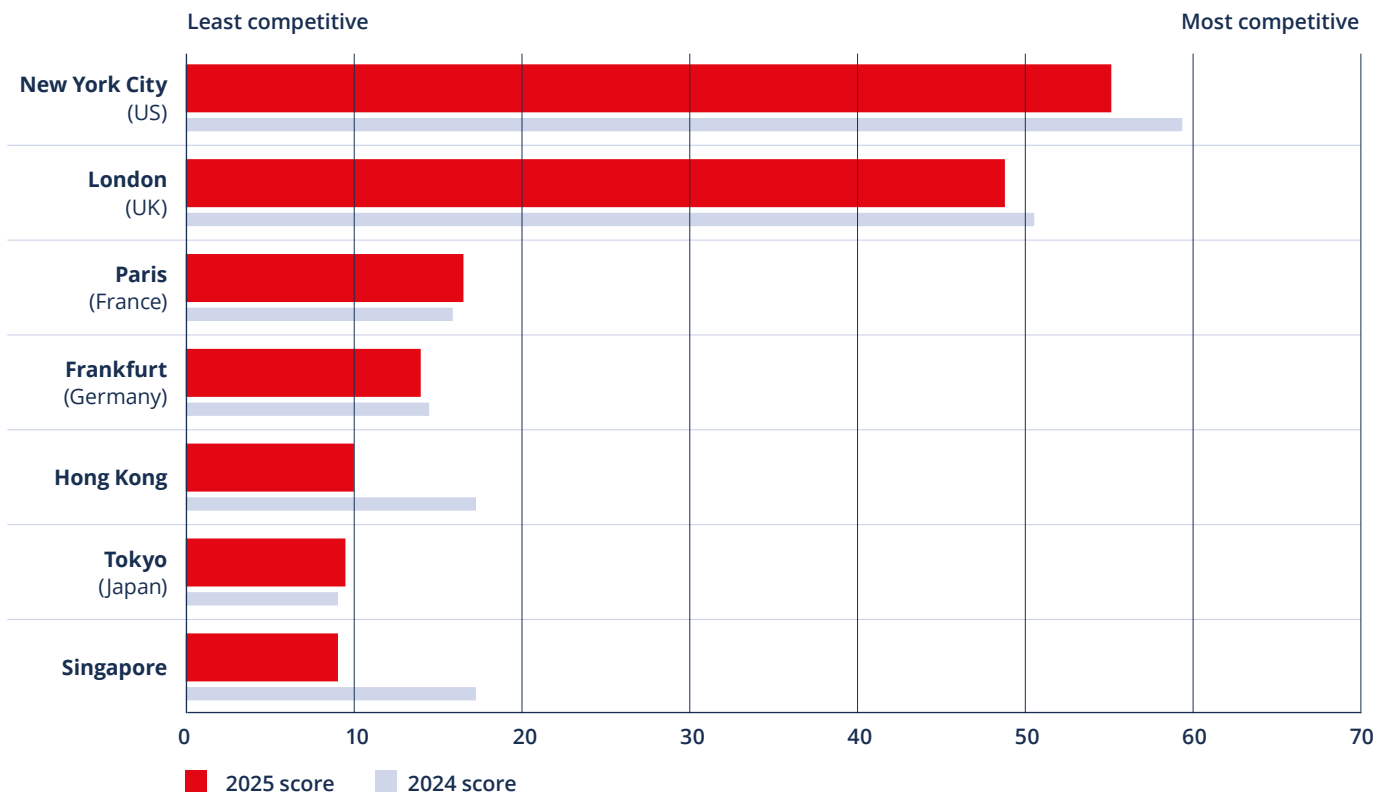
Impact investors are playing an active role in delivering growth, health, safer places, opportunities for all and clean energy. The UK's impact investing market is worth £76.8bn. There is room to grow this investment capital through a strong enabling environment.

Proceed with targeted and proportionate policies on sustainability reporting and transition plans

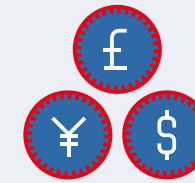
The government should prioritise the adoption of UK Sustainability Reporting Standards aligned with the standards developed by the International Sustainability Standards Board. It should also consult on the adoption of transition plan disclosures, and integrate the Code of Conduct for ESG ratings and data products providers into a future regulatory framework (the Code was co-led by the City of London's International Regulatory Strategy Group).

2. Reach of financial activity

London and New York have a clear lead on the other GFCs in our financial activity analysis. Both are home to far larger capital markets than other GFCs and, between them, take the first and second places across all metrics in this dimension. London ranks first or second in ten of the 13 metrics. The UK's leading position in FS exports, international bonds, FX and derivatives, is supported by strength in investment management assets under management (AUM) and foreign companies listing and launching IPOs on UK equity markets.



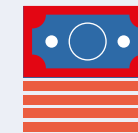
**London ranks
2nd
for financial
activity**



The UK is the second largest asset management centre in the world, with

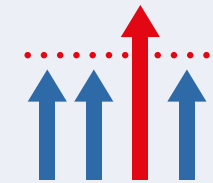
£10.9tn

of AUM managed in the UK; up 6% from 2023.¹



US\$1.1tn

of international bonds issued in the UK in 2023 – the highest on record and more than the US, Japan, Singapore, France and Hong Kong combined.²

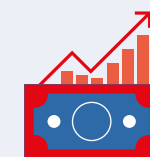


US\$3.8tn

of daily FX trades in London – double the size of the US market.³

US\$2.6tn

in OTC interest rate derivatives traded.⁴



£17bn

in equity capital raised – London Stock Exchange is the only European market to consistently feature in the world's top ten.⁵

Source: (1) Investment Association 2024, (2) BIS 2024, (3) BIS 2024, (4) BIS 2024, (5) LSEG 2024.

However, both London and New York saw their score decline this year. London's score fell by one point as an increase in international bond issuance was offset by a 29% decrease in FS FDI and foreign companies launching IPOs. International bond issuance reached a record high in the UK of US\$1.1tn in 2023. Foreign IPOs in the UK dropped to just two, equal with Hong Kong, compared to New York's 71 (which also decreased, contributing to the

city's four-point overall drop). The largest driver of this decrease overall was a significant decline in FS FDI – our methodology tracks trend as well as size – and US FS FDI reduced 63% in 2023.

Although Singapore and Hong Kong have vibrant FS industries, their capital markets are significantly smaller than the UK and US. Both GFCs dropped points due to a lower amount of foreign equity traded and

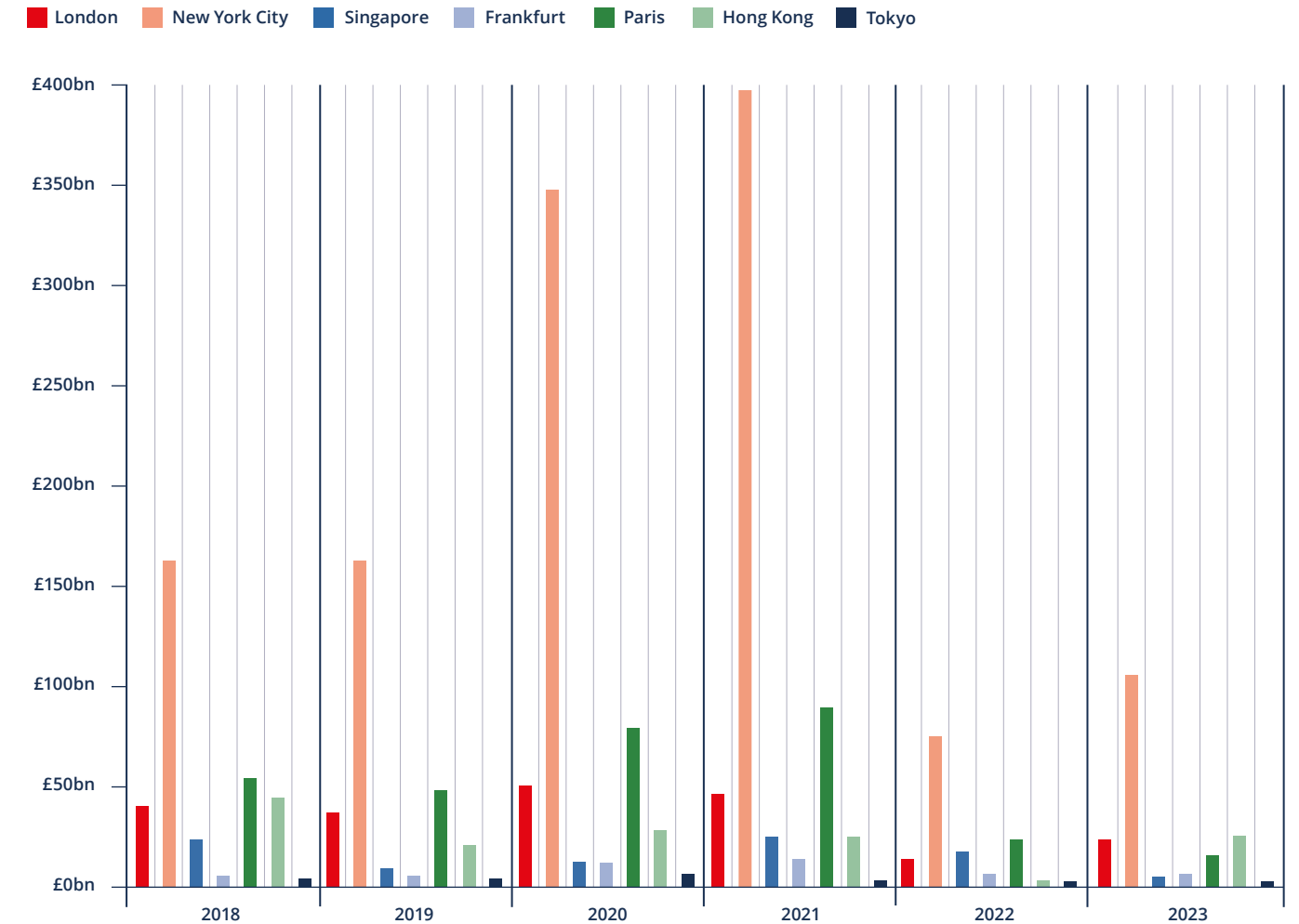
fewer foreign IPOs – the US leads in both aspects. Paris and Tokyo were the only GFCs to increase their financial activity scores this year. Paris's score increased through higher net FS exports and cross-border banking. Tokyo's score increased due to higher FS FDI, cross-border banking and equity capital raised.



Manchester City

The UK is Europe's leading market for raising equity capital

Total equity capital raised, £bn (Refinitiv 2024)



London was the largest market for equity capital raising in Europe in 2023, with companies raising almost as much as Frankfurt and Paris combined. London was the third-largest equity market, behind

New York and Tokyo, with £17bn raised by British and international companies. The US has a clear lead over all other markets in both IPOs and FPOs (Initial Public Offerings and Follow-on Public Offerings), but

volumes are subdued compared to recent years. In 2023 companies raised £105bn on NYC markets, compared to £398bn in 2021.¹

Source: Refinitiv 2024

The UK is the world leader in cross-border banking. Our banking expertise is complemented by the UK being one of the most open markets for movement of capital and people. The UK ranks top in terms of cross-border lending (14.4% market share) and borrowing (15.7% market share), with each business area worth £4.4tn. France has grown its cross-border banking industry, but without affecting the market share of either the UK or other GFCs - indicating

that other markets are available with appropriate trade agreements in place.¹

London is home to the largest specialist insurance underwriting market in the world with £159bn in gross written premiums (GWP) in 2022; a 32% increase from 2020. The US is second with £76bn of GWP in 2022. The UK is the third-largest commercial insurance market in the world (£363bn of GWP in 2023). The

US is the world leader for commercial insurance business, due to its large population and health insurance structure, with more than £2.5tn of premiums in 2023.²

Source: (1) BIS 2024, (2) LMG, SwissRe 2024

The recent CoL report Catalysing UK growth through FS FDI showed that foreign SWFs and pension funds that set up an office in the UK are likely to double their investment here.

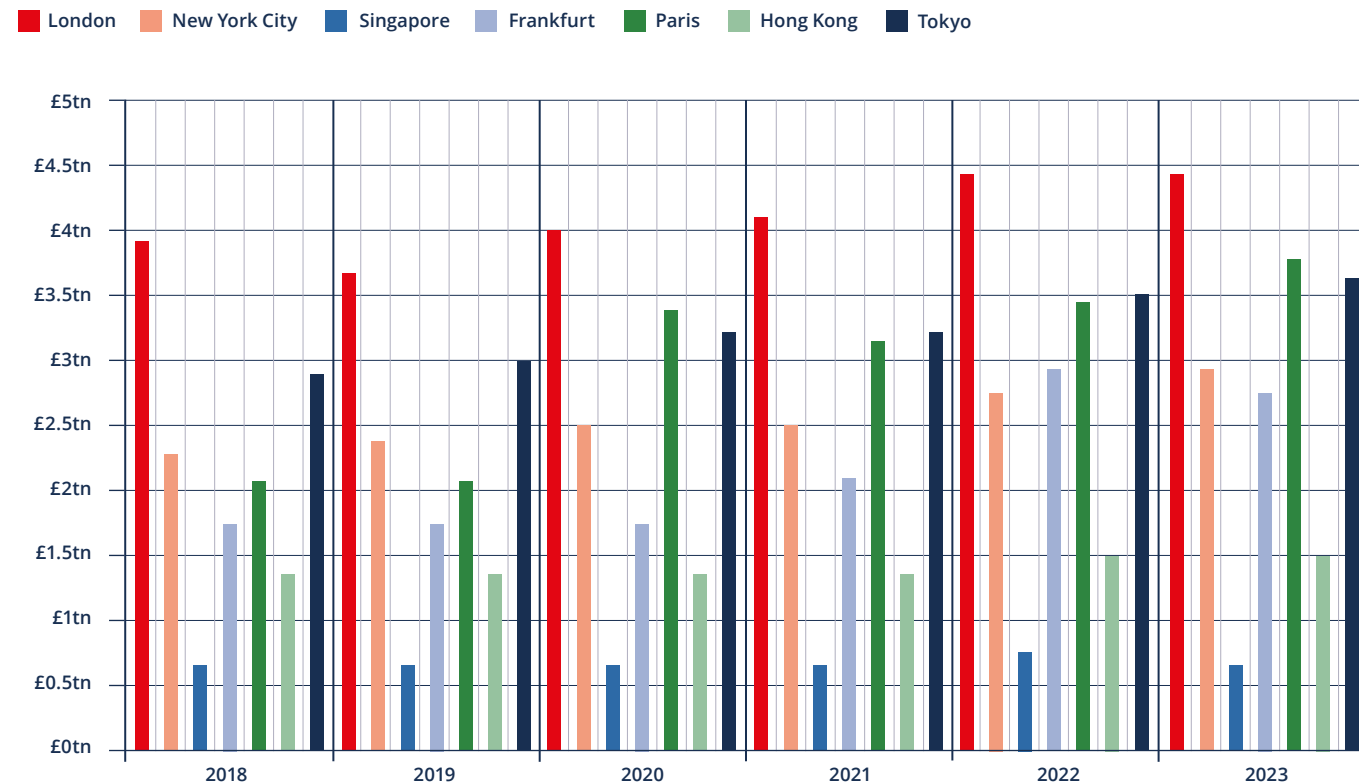
Investment manager AUM increased by 6% in 2023 to reach £10.9tn. The increase was driven by investment returns: net sales were negative due to rising interest rates, making cash saving more attractive. In 2023, global AUM increased by 22% to £95.5tn, US AUM increased by 12%, whereas European fund AUM was unchanged in sterling terms. At a country level, France saw AUM increase by 12% whereas Germany saw a decline of 12%.

The global investor shift toward passive investing and ETFs has benefited other markets such as the US, Luxembourg and Ireland. UK asset managers are adopting new technology, such as fund tokenisation, to improve investor experience and operational efficiency.

Source: The IA, BCG, Hong Kong Securities and Futures Commission, Monetary Authority of Singapore 2024

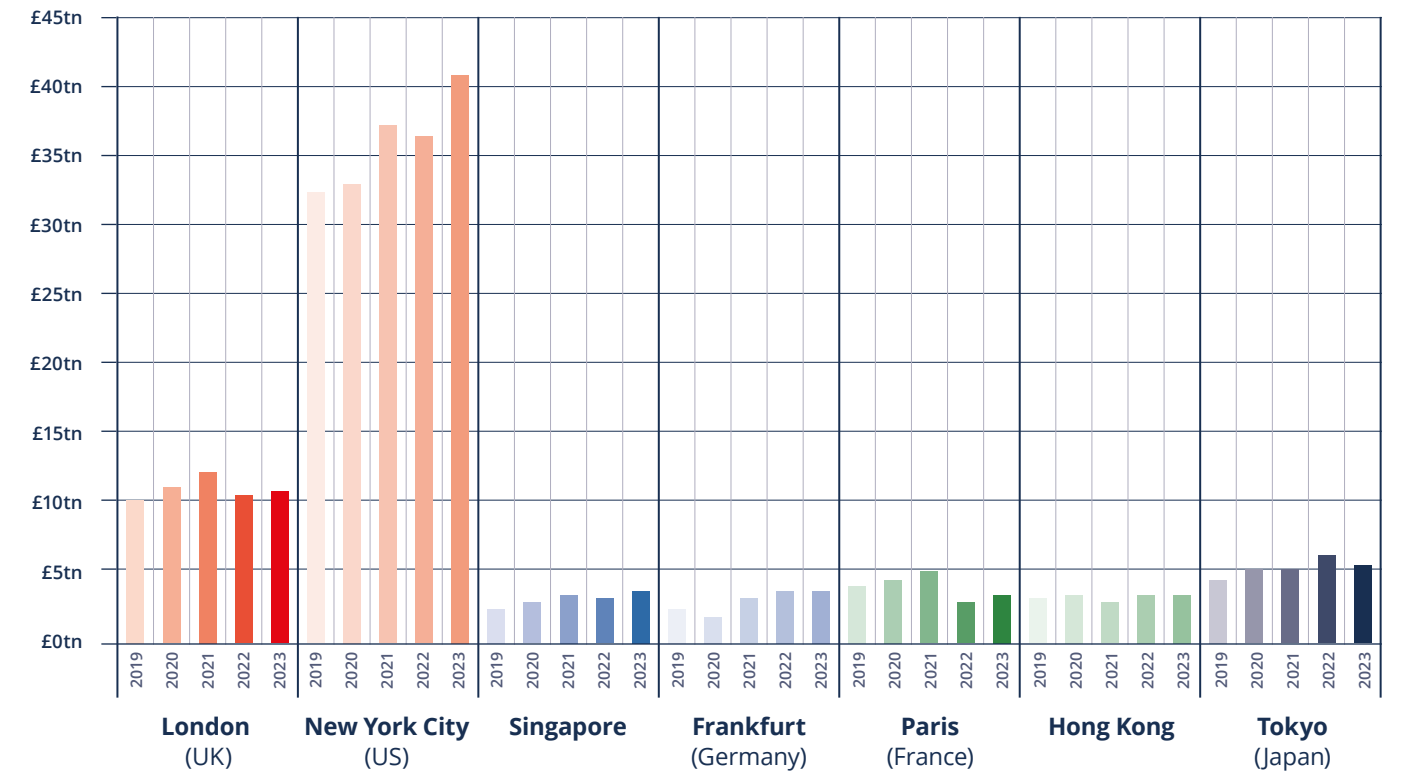
The UK is the world's largest cross-border banking centre

Cross-border lending, £tn (BIS 2024)



The UK is the second-largest asset management centre in the world

AUM, £tn (IA, BCG, HKSFC, MAS 2024)



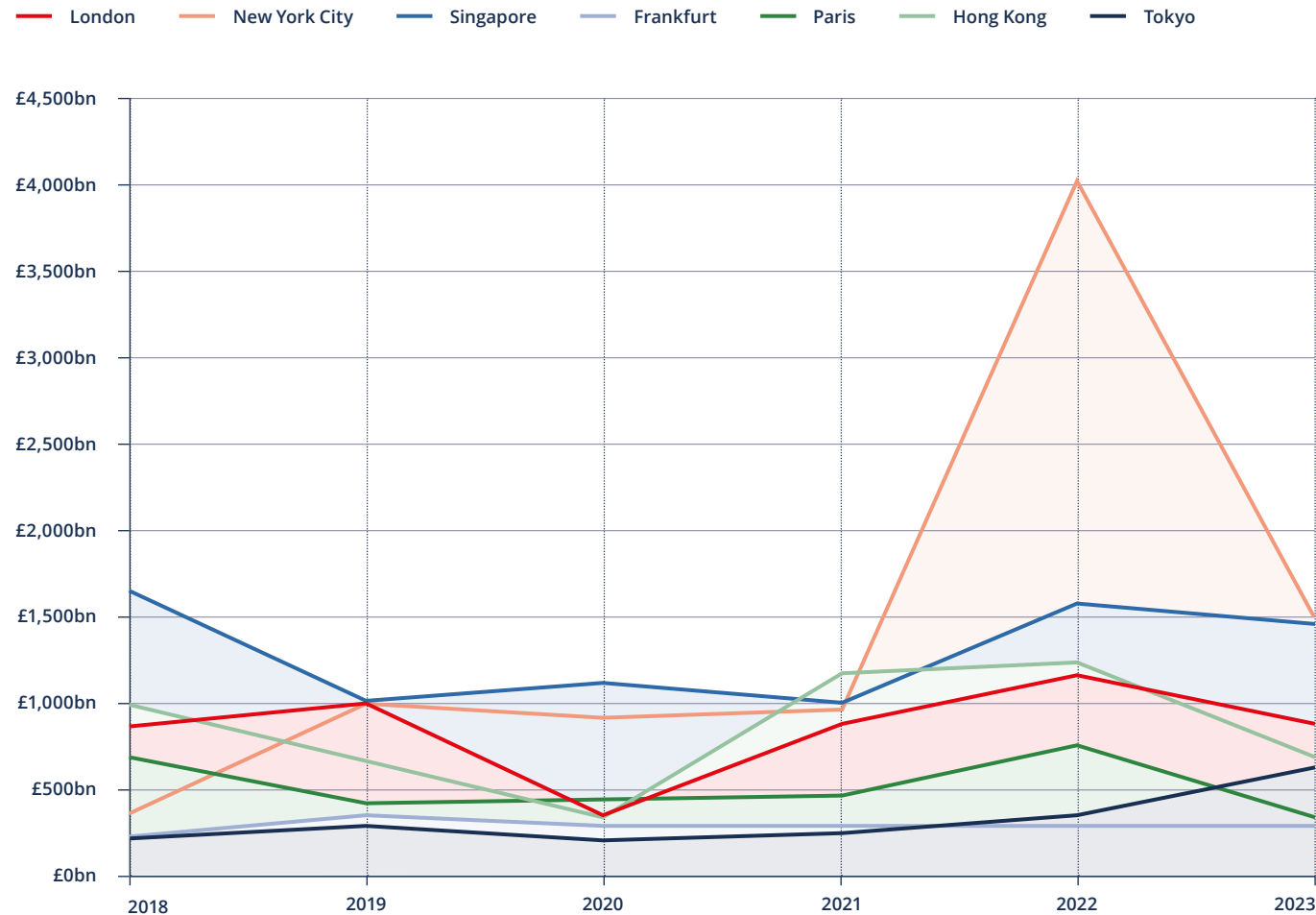
The UK is still the European leader in FS FDI, but investment fell from £1.1bn in 2022 to £829m in 2023. FS FDI into GFCs reduced by 40% in 2023. London improved its rank to second place this year as Hong Kong FS FDI fell by around 50% to £689m.

New York retains the top spot, yet saw a significant 63% drop from £4.1bn to £1.5bn. Tokyo was the only GFC to see an increase in FS FDI but remains lowest ranked in value terms.

Source: FT FDI 2024

The UK is the largest recipient of FS FDI in Europe

FS FDI, £bn (FT FDI 2024)



Key policy changes to generate growth

The world's largest FS companies have a presence in the UK, and London remains the top European location for many international banks, asset managers, insurers, pension funds and Sovereign Wealth Funds (SWFs). It also has a larger number of operational offices for foreign SWFs and

pension funds than any other GFC. However, more can be done to attract international firms to London through promotion and guidance. Our recent report showed that foreign SWFs and pension funds that set up an office in the UK are likely to double their investment here.

Key policies and their impact on growth and investment

Develop new Industrial Strategy and Council; potential sub-group to focus on financial services

The Prime Minister announced a new Industrial Strategy in October, at the International Investment Summit, hosted at Guildhall. Financial and Professional Services (FPS) were two of the eight growth sectors identified. We are feeding into the associated consultations to help shape this and make the case for an FPS-specific strategy. Next steps include setting up a sub-group of the Industrial Strategy Council, focusing on the Financial Services Growth and Competitiveness Strategy. This would help drive investment and growth across the UK.

Implement the recommendations of Lord Harrington's review of FDI

The government is acting on Lord Harrington's Review of Foreign Direct Investment, enhancing the role of the Office for Investment and appointing a Senior Investment Minister. We have evidenced the key role FPS plays in supporting investment across the UK. Our international engagement programme targets and supports FPS inward investment. We are now developing a dedicated FPS investment hub – as the first step towards a standalone cross-sector National Investment Agency. This would play a significant role in helping to unlock these streams of foreign investment.

Implement Pension Schemes Bill

The government's new Pension Schemes Bill and the Pensions Investment Review will support savers while enabling economic growth. This aligns with the goals of the Mansion House Compact. Six Compact signatories have announced or are developing plans to enable defined contribution (DC) pension funds to access private markets. Delivering these complex pension reforms transparently and at speed will unlock significant investment potential.

Implement National Wealth Fund and develop the British Growth Partnership

The British Investment Bank has a new initiative — the British Growth Partnership — to encourage more pension fund investment into innovative UK companies. The new National Wealth Fund will expand the UK Infrastructure Bank's remit beyond infrastructure to invest in future industries, alongside the British Business Bank.

Fulfil Mansion House Compact – Future Growth Capital Fund

This aligns with the goals of the Mansion House Compact. Six Compact signatories have announced or are developing plans to enable DC pension funds to access private markets.

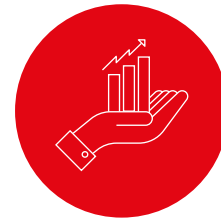
3. Regulatory environment

The top three positions remain unchanged in this year's regulatory environment analysis with Singapore (first) and Hong Kong (third) improving their scores while London's score dropped. Singapore is renowned for its accommodative regulatory regime focused on economic growth and expansion of financial services. London scores well in metrics related to market access and ease of doing business but is weaker in tax metrics due to the UK's high personal and corporate tax rates and additional levies on FS companies. London has previously led the Most Favourable Regulatory Regime metric, which this year has been removed as it is no longer being updated.

A culture of risk aversion in the UK – including within regulators – is a hurdle to growth and competitiveness. We expect UK regulators' secondary objective of promoting growth to help address this, encouraging appropriate risk-taking for finance professionals in the UK and boosting domestic investment. The Chancellor wrote to the PRA and FCA to make clear that they need to support more responsible and informed risk-taking across the economy. The regulators have responded with ideas to encourage economic activity.



UK regulators have already improved processes and introduced several regulatory changes to boost UK competitiveness. Last year, the FCA implemented a complete overhaul

of the UK's Listing Rules which aims to ensure our regulatory regime can compete on the global stage and provide greater flexibility for firms and founders listing on our markets. The government has also committed to take forward the new Private Intermittent Securities and Capital Exchange System (PISCES). This provides an exchange for UK private company shares and will be exempt from Stamp Duty. The Pensions Investment Review announced by the government is also focused consolidating pension schemes into fewer, larger funds, which are better placed to invest in productive assets. Furthermore, as part of its Industrial Strategy, the UK government is due to release a Financial Services Growth and Competitiveness Strategy in Spring 2025.



London scores well in metrics related to market access and ease of doing business

London ranks 2nd for regulatory environment

UK is the preferred seat of arbitration¹

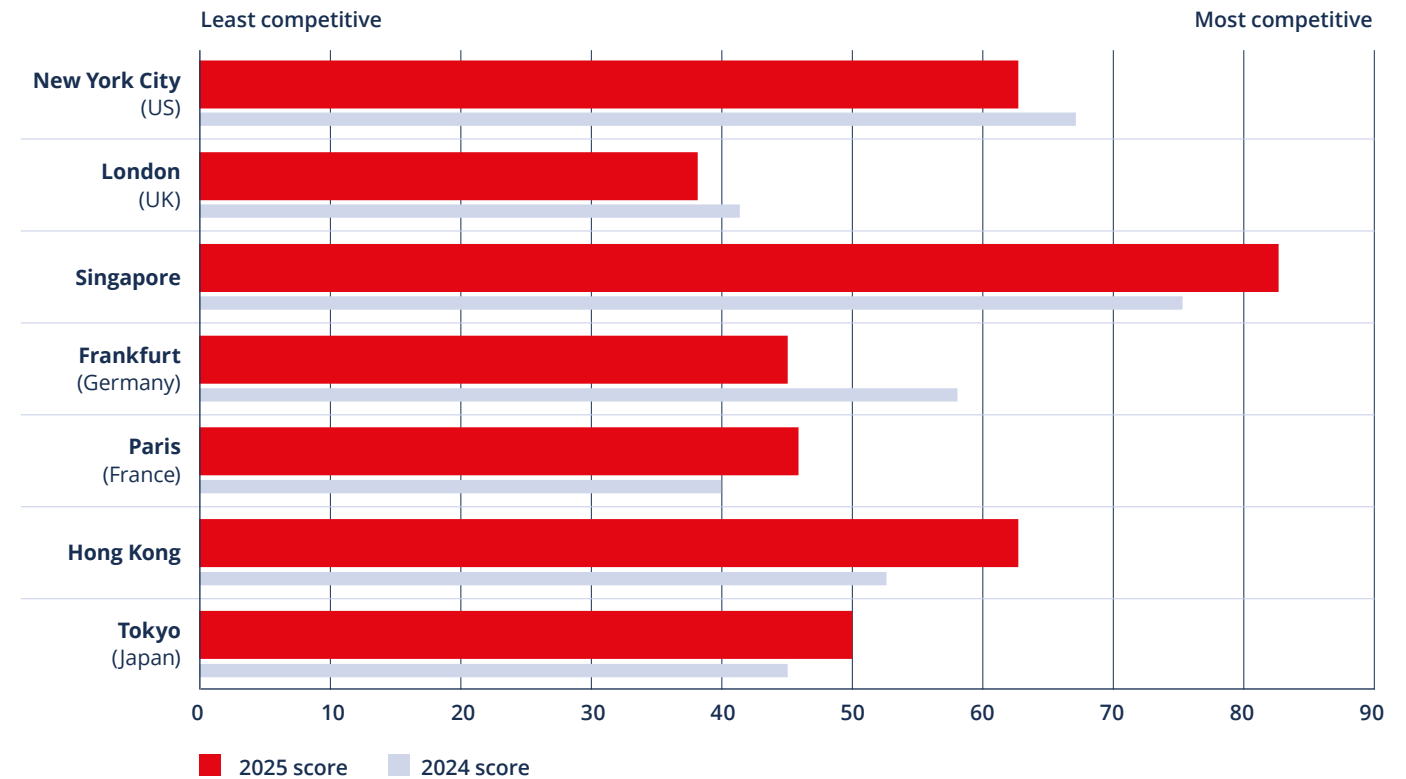
UK has the least restrictive services trade regime²



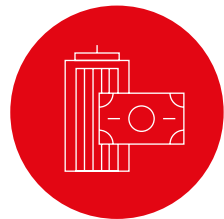
UK is one of the least complex business environments³

UK regulators are innovative and accommodating to new business

Source: (1) QMUL 2024, (2) OECD 2024, (3) TMF 2024.



Context is important when comparing regulatory regimes. As demonstrated in this report, the UK is home to some of the largest financial markets in the world, whereas Singapore and Hong Kong have far smaller and less complex markets to regulate. UK regulators must tailor regulations for a wide range of FS companies, from those serving domestic retail clients through to international firms operating in wholesale markets.



The UK is home to some of the largest financial markets in the world



The UK is the most accessible market for international business



Belfast

Regulatory burden weighs heavily on the competitiveness of the UK FS industry. Firms have reported high costs of responding to regulatory information requests as well as the increased cost of staffing compliance and legal teams to implement any changes. Through our engagement with industry, we were informed that

some regulatory changes have cost FS firms far more than was forecast during the consultation process. The FCA's new Cost Benefit Analysis Panel should address this slippage and drive rigour.

The UK ranks fifth amongst GFCs for tax regime competitiveness. Additional taxes levied on the FS sector by the UK and EU make them less competitive than other GFCs. However, the UK, France and Germany rank poorly across both corporate and individual tax rates with both the UK and Germany

recently increasing corporate tax rates. Singapore and Hong Kong's lower tax rates and simpler tax regimes boost their competitiveness ranking. The UK does, however, have the largest tax treaty network among GFCs which is a positive for international workers and businesses.

The UK is one of the most accessible markets in the world for international business. The metrics used in this analysis show that the UK has the least restrictions on services trade. It is one of the least complex business environments for international companies. It also has fewer restrictions on the movement of capital and people. These are all essential factors for an international business hub. The UK is improving market access for businesses located here and their international partners. The UK-Switzerland Berne Financial Services Agreement is the first time that two countries have agreed a broad mutual recognition agreement based on aligned regulatory outcomes. The agreement breaks down barriers to UK firms providing cross-border services. The UK FPS sector welcomes the government's intention to 'reset' the UK-EU relationship. A positive, constructive and forward-looking relationship will be beneficial for both sides.

The UK government introduced a secondary objective for regulators to consider growth and competitiveness. Removing regulatory barriers to growth is essential to improving UK FS competitiveness. The FCA and PRA have responded by outlining changes to regulatory operations and rules that will encourage responsible risk-taking and remove unnecessary or outdated rules. Both the FCA and PRA have made improvements to operations to reduce authorisation times, and are working together to

improve the Senior Managers and Certification Regime (SM&CR). The PRA has removed the bankers bonus cap, an EU-era rule, which will encourage businesses to locate here and make the UK more attractive to top talent. The PRA has implemented the new Solvency UK prudential regime for insurers, which has removed overly complex rules and allows UK insurers more opportunity to invest in the UK. The PRA will also simplify data reporting requirements for banks to reduce regulatory burden.

The FCA has already introduced changes to boost UK growth through investment and reducing regulatory burden. These include a new prospectus regime, easing retail access to corporate bonds, and enabling a new market for private companies. The FCA has worked with industry to streamline its Handbook and removed or simplified rules. It will also review the proportionality of reporting requirements which will reduce regulatory burden for smaller firms. Insurers and asset managers will also benefit from streamlined regulatory requirements.

Key policy changes to generate growth

The UK government has announced multiple reviews and policy changes to target economic growth and UK FS competitiveness. The City of London Corporation supports the government's Industrial Strategy announced at the

Guildhall in October 2024. FPS is recognised as one of the key industries that has the potential to drive future UK economic growth, and an appropriate regulatory framework is vital to that aim.

Key policies and their impact on growth and investment

Embed secondary growth objective at regulators

The City of London Corporation supports the secondary growth objective for regulators. Going forward, it is for the regulators to properly embed the secondary objective and support responsible risk taking.

Launch PRA reforms for banks and insurers

The PRA announced reforms that would speed up the investment process for insurers. The current process is slow due to insurers needing to get regulatory approval before they can make an investment.

Address gaps in cost benefit analyses at regulators

The FCAs Cost Benefit Analysis Panel should address the large differences in the actual cost of implementing new regulations compared to the forecast costs divulged during the consultation period. The Panel should also consider the cost of undoing regulations that prove to be ineffective.

Reform UK listings rules

The UK has seen a significant decline in new equity listings with many founders preferring to IPO in the US. New listings rules are designed to make the UK a more appealing market for IPO with more flexible rules for firms and founders.

Launch PISCES (Private Intermittent Securities and Capital Exchange System)

PISCES is a new exchange for private company investment and will provide greater investor access to high-growth potential companies. PISCES has been launched in the FCA's regulatory sandbox, which allows stakeholders to live-test the system prior to its launch.

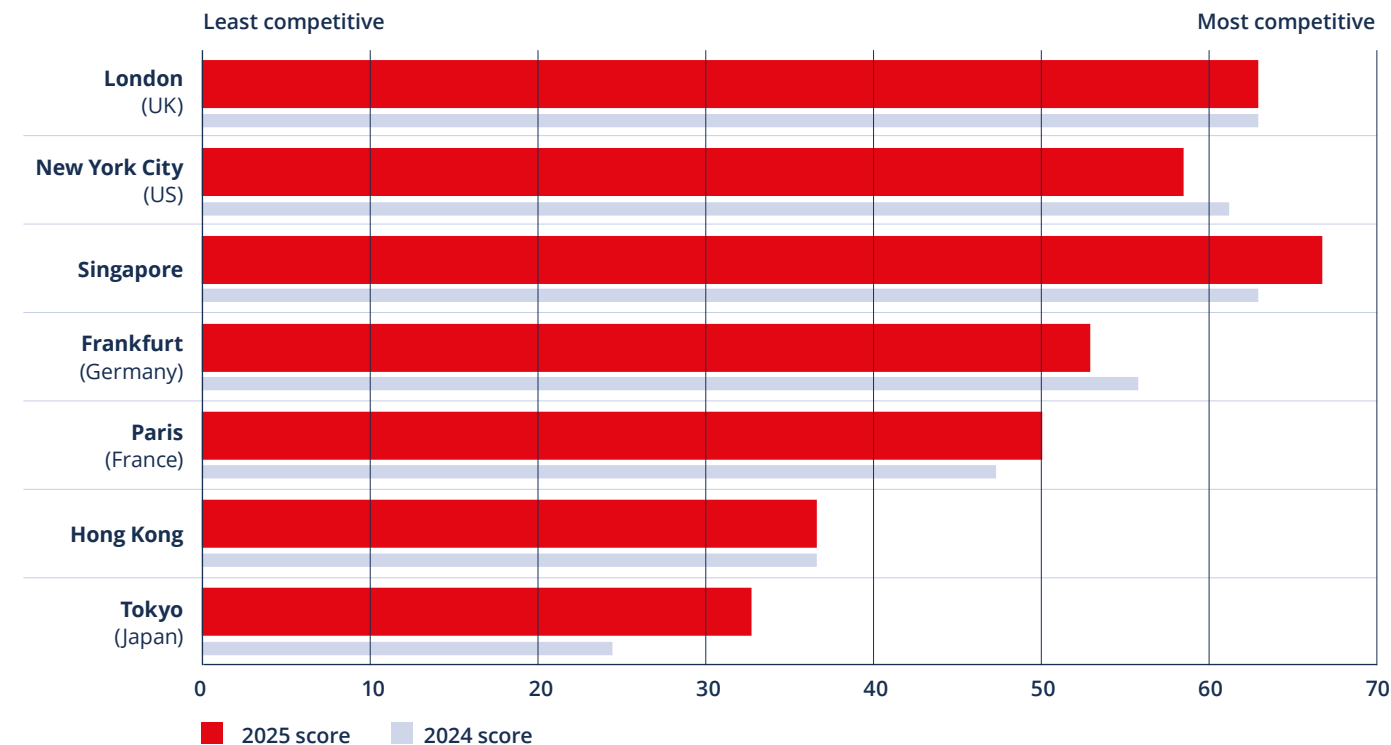
Complete Pensions Investment Review

The Pensions Investment Review is a key part of the government's plans to boost growth and investment. The Review will seek to boost investment, increase pension pots, and reduce inefficiency in the pensions system.

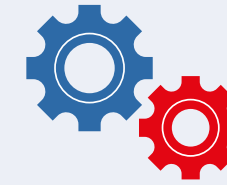


4. Access to talent and skills

International businesses often cite the UK's highly-skilled and experienced FS talent pool as a reason for expansion or relocation. The UK is home to some of the world's best universities and business schools, producing future leaders in finance, professional services and tech. The UK government has made considerable efforts to address inequality, and this is evident in our analysis. The UK is a leader in addressing the gender gap and the FS industry has implemented multiple programmes, such as Investment2020, the Women in Finance Charter and Progress Together, to improve diversity.



London ranks
2nd
for talent
and skills



FS is one of the most
productive industries in the UK
with each worker producing

£189k
in 2023.¹



£294bn
of economic output in 2023.³



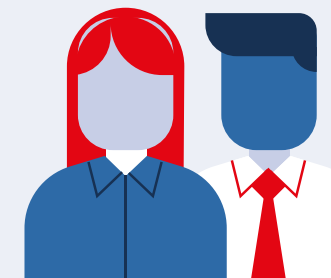
2.4m
people in the UK
employed in financial and
professional services.²



3
of the world's top 10
universities are in the UK.⁴

11

of the top 100 business schools
are in the UK.⁵



Source: (1) ONS 2024, (2) ONS 2024, (3) ONS 2024, (4) Times Higher Education Rankings 2024, (5) FT Global MBA Ranking 2024.

London's score in talent and skills is unchanged from last year, as an increase in quality of life was offset by decreases in training and international talent. However, Singapore increased its score in areas related to international talent, skilled labour and employee training to move back into top position. Employee training is a red mark for the UK as employers often see training as an investment in the employee rather than an investment in the business. This is particularly acute in the tech industry where workers are often highly educated but lack leadership skills.

£189k

FS is one of the most productive industries in the UK with each worker producing an average £189k of economic output

£35bn

Predicted boost to the FPS sector in the next five years following the integration of AI

Financial services is a key driver of growth in the UK. FS is one of the most productive industries in the UK. In 2023, it produced £294bn of economic output – 13% of the UK's total. Of this, each FS worker produces an average £189k, an increase of 7% from 2022. London is the most productive area of the

UK in this regard, with 'output per worker' 40% higher than the UK average. But the UK ranks behind the US and Singapore in terms of individual productivity.¹

Improving tech and digital skills is vital to keep the UK internationally competitive. The rapid integration of AI across financial and professional services is predicted to add £35bn to the sector over the next five years. Rather than replacing workers, AI is expected to complement human skills and knowledge to boost productivity. However, to benefit, we need the workforce to implement these tech advancements - and the skills needed to do so are changing quickly. Both the FPS industry and government must invest in tech

and digital skills to be ready for the future.²

The UK's overall attractiveness to highly-skilled international talent has declined since 2018. However, this trend is observed across most GFCs. Singapore and Paris are the only GFCs to increase their score over five years. London ranks fourth for the most attractive GFC for international talent. The increased cost of visas is an important factor for international moves. But tight Labour markets in the UK and US mean there are fewer opportunities for foreign talent to move into those markets.³

Source: (1) ONS, ILO 2024, (2) City of London/ KPMG 2024, (3) IMD 2024.



University of Edinburgh

UK and US visas are costly, but in high demand. The US overtook the UK as the most expensive GFC for a skilled worker visa in 2023, but visas for both countries are far more expensive than other GFCs. It is also now harder for UK firms to hire international talent because of minimum salary thresholds and other restrictions introduced by the UK government. This has proven to be an issue for FS firms hiring graduates in offices outside of London.¹

The UK is closing the gender gap. The annual WEF Global Gender Gap Index benchmarks the state of gender parity across four key dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment. Germany was the top ranked GFC in 2024, followed by the UK. The UK ranks 14th globally and has closed 79% of its gender gap compared to the global average of 68%. No country has achieved parity yet, but European countries are getting closer than other regions.²

Source: (1) Fragomen 2024, (2) WEF 2024.

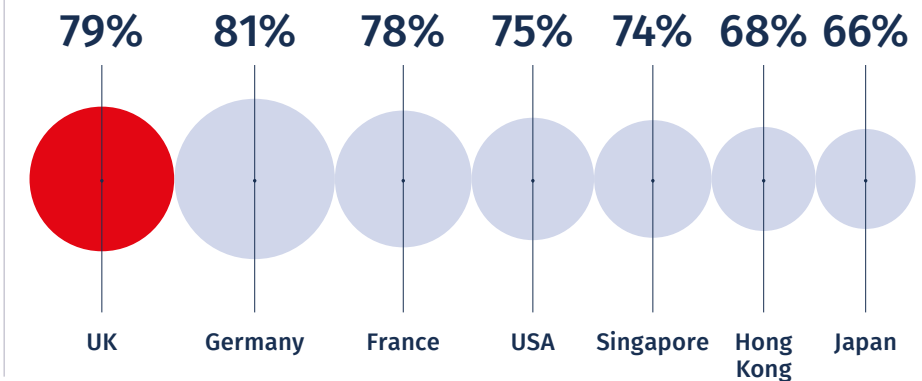
UK and US visas are costly, but in high demand

Total visa application fees for a single skilled worker working for a large company for three years (Fragomen 2024)



The UK is closing the gender gap

WEF Global Gender Gap Index 2024



The share of women in senior leadership roles at FS companies peaked across GFCs in either 2020 or 2021. For each GFC we observe a reduction of women in senior roles in 2023. The UK peaked in 2021 with 33% of senior roles held by

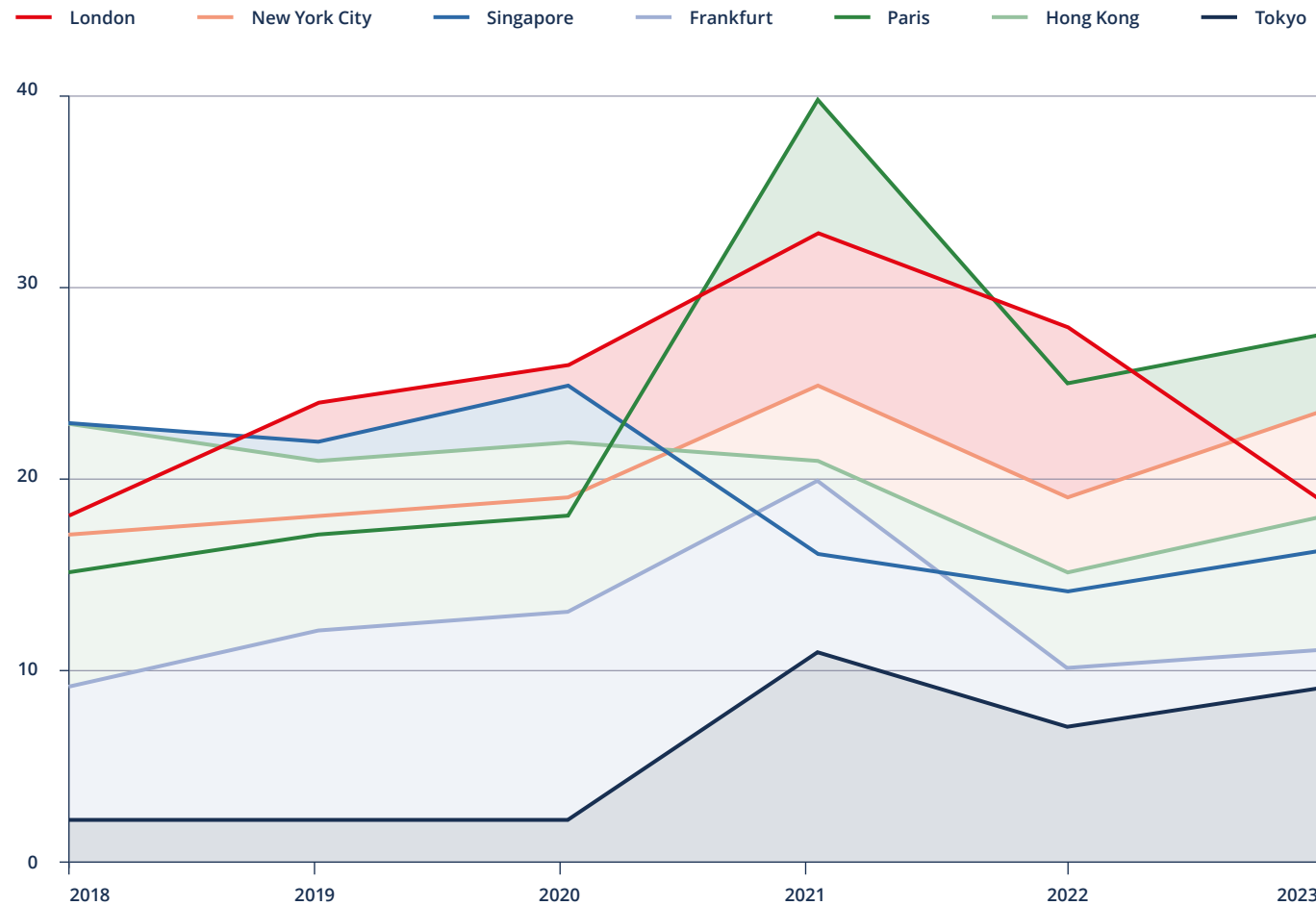
women; this fell to 19.6% in 2023. The UK has dropped from being the highest-ranked GFC to third as France and the United States have higher representation of women in senior FS roles. Industry sources report women are more likely to take up redundancy

offers than men, which means more women will leave senior roles when FS firms reduce headcount.

Source: Refinitiv 2024.

Female representation in senior FS roles is declining

Share of women in senior FS positions (Refinitiv 2024)



Key policy changes to generate growth

UK businesses can rely on a highly educated and skilled workforce which is both homegrown and international. However, UK employment practices need to be addressed to ensure we have the right talent and skills to remain competitive in the future. Tech and digital skills gaps are a global issue, which means we are in hot competition for the next generation of talent.

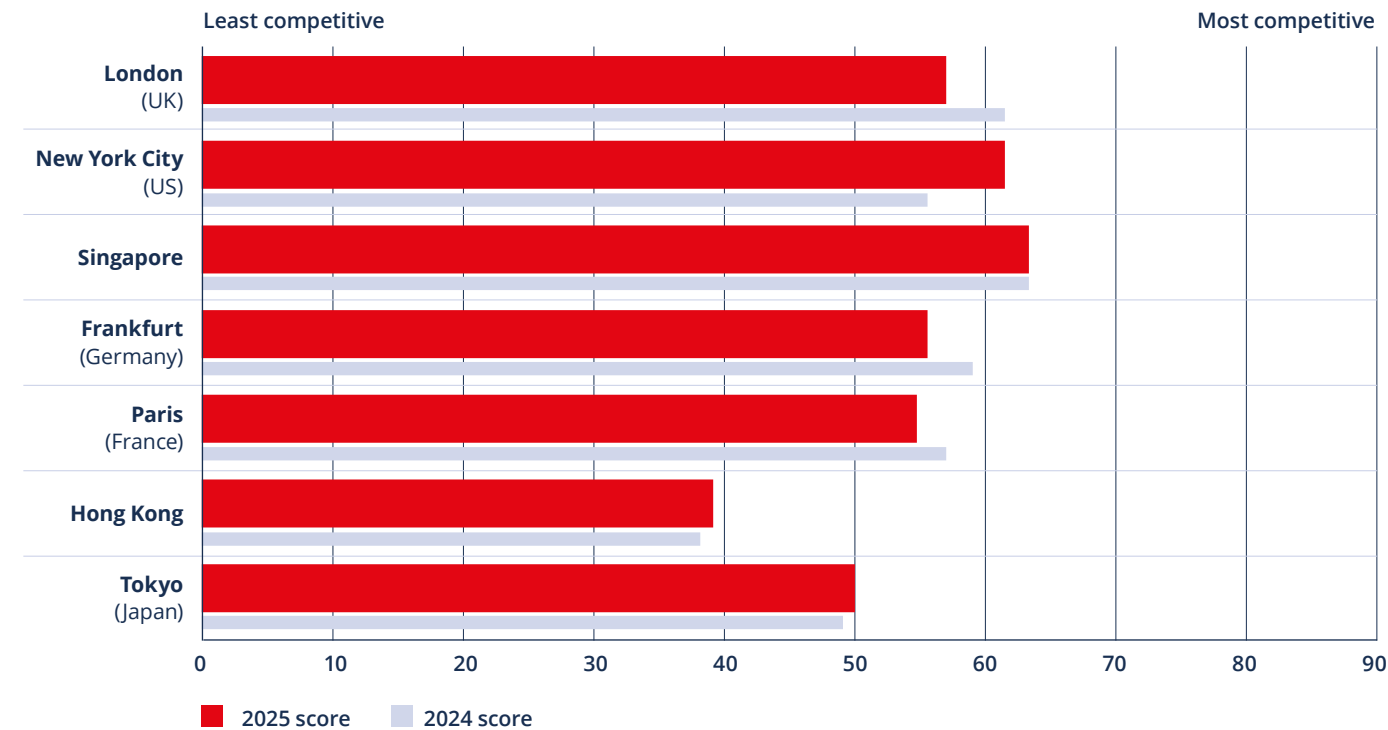
Other countries prioritise training, reskilling and redeployment to ensure staff longevity and loyalty, and protect company culture. Conversely, many employers in the UK see training as 'time away from the job', preferring to temporarily contract skills as and when needed. This process of 'fire and rehire' increases costs and makes UK companies less competitive. Action needs to be taken by government and industry to address these issues.

Key policies and their impact on growth and investment

Category	Action	Impact
Government actions	Enhance skills development and lifelong learning	The government should prioritise policies on developing the skills required to benefit business, including digital and AI skills expertise, to reskill and upskill the workforce. Offering more flexibility with apprenticeships could facilitate reskilling and support efforts to boost reskilling in firms. It could also expand the Lifelong Learning Entitlement to provide more support while retraining, including when studying below higher education level. The newly proposed Growth & Skills Levy should include more flexibility for employers to use the levy for current and future upskilling needs.
	Improve immigration policies	Align immigration policies to a global talent strategy to ensure businesses have access to the best global talent. Streamlined visa processes, Youth Mobility Schemes and recognition of international qualifications could help bring young talent into the FS industry.
	Support for digital and green skills	Roll out the Digital Skills Partnership to more regions in the UK to improve digital skills among adults. Promote and support green skills initiatives, such as the Green Jobs Taskforce and the Ten Point Plan for a Green Industrial Revolution, to meet the growing demand for green skills.
Industry actions	Adopt skills-based hiring and training	Firms should ensure skills are integral to their business strategy, transformation plans, and risk registers. Reskilling and upskilling needs to be encouraged in the workforce to meet current skills gaps and future demands.
	Promote diversity and inclusion	Support initiatives to improve socio-economic diversity at senior levels and promote social mobility. Change hiring practices to increase a diverse range of applicants, including those without degrees and with apprenticeships.

5. Resilient business infrastructure

Businesses in London benefit from high-quality office space, reliable technology and a world-class transport system. The trend for hybrid working continues, but workers are now spending more time in the office than at home. Recent surveys show Londoners are in the office an average of three days a week and several high-profile companies in the US have announced a return to office five days a week. Businesses and landlords have responded to new working patterns with flexible working spaces and better amenities. Retrofitted and renovated office buildings that meet energy efficiency targets are also attracting new tenants to the City.



London ranks
3rd
for business
infrastructure



#1
for cyber security¹

456
data centres in the UK –
3rd highest in the world²



London has the **busiest**
airports and **most**
flight connections³



10
Fortune 500 companies
HQd in London⁴

Source: (1) ITU Global Cybersecurity Index 2024, (2) datacenternews, business wire, JLL 2024, (3) CAA 2024, (4) Fortune 2024.

To accelerate this growth, the City of London Corporation is proud to have launched the Skyline Skills Hub – a one-stop shop for developing green skills in the built environment. Central London urgently needs a larger skilled workforce to decarbonise its commercial buildings. The Skills for a Sustainable Skyline Taskforce has been working at pace since its launch in 2022 to identify and bridge green skills gaps. This crucial work ensures that Central London has access to globally competitive and sustainable

office buildings, to retain our world-leading financial and professional services sector.

Cyber security is another leading area for the UK that is key to supporting sustainable growth. As new aspects of daily life move online, strength in this area gives both businesses and consumers peace of mind. The UK insurance industry's lead in cyber insurance improves security for everyone as businesses must meet insurers' policy requirements.

Digital infrastructure is also key to growth and development. Yet while the UK is a world leader in building data centres, it suffers from the slowest data transfer speeds among GFCs.

London remains the best connected GFC with more than 168m passengers travelling through its airports. Singapore, Hong Kong and Frankfurt have still not recovered to pre-Covid passenger levels.

5.1 Working practices and office trends

High quality offices, amenities and green spaces encourage workers into the office. As hybrid working continues to evolve and people return to office environments, these are transforming into flexible and remote working spaces. Vacancy rates for the best quality and most environmentally-friendly offices in London have fallen to record lows as businesses seek to attract top talent.



London office rents increased in 2023 as hybrid working patterns changed. Office space in London now costs an average of US\$113/sqft/year in 2023, up from US\$101/sqft/year in 2022. The vacancy rate in the city increased to 8% in 2023 but this varies with a West End vacancy rate of 7.5%, 4.9% in The City and 17.6% in Canary Wharf. Paris has the lowest office vacancy rate because high-quality office space is in short supply.

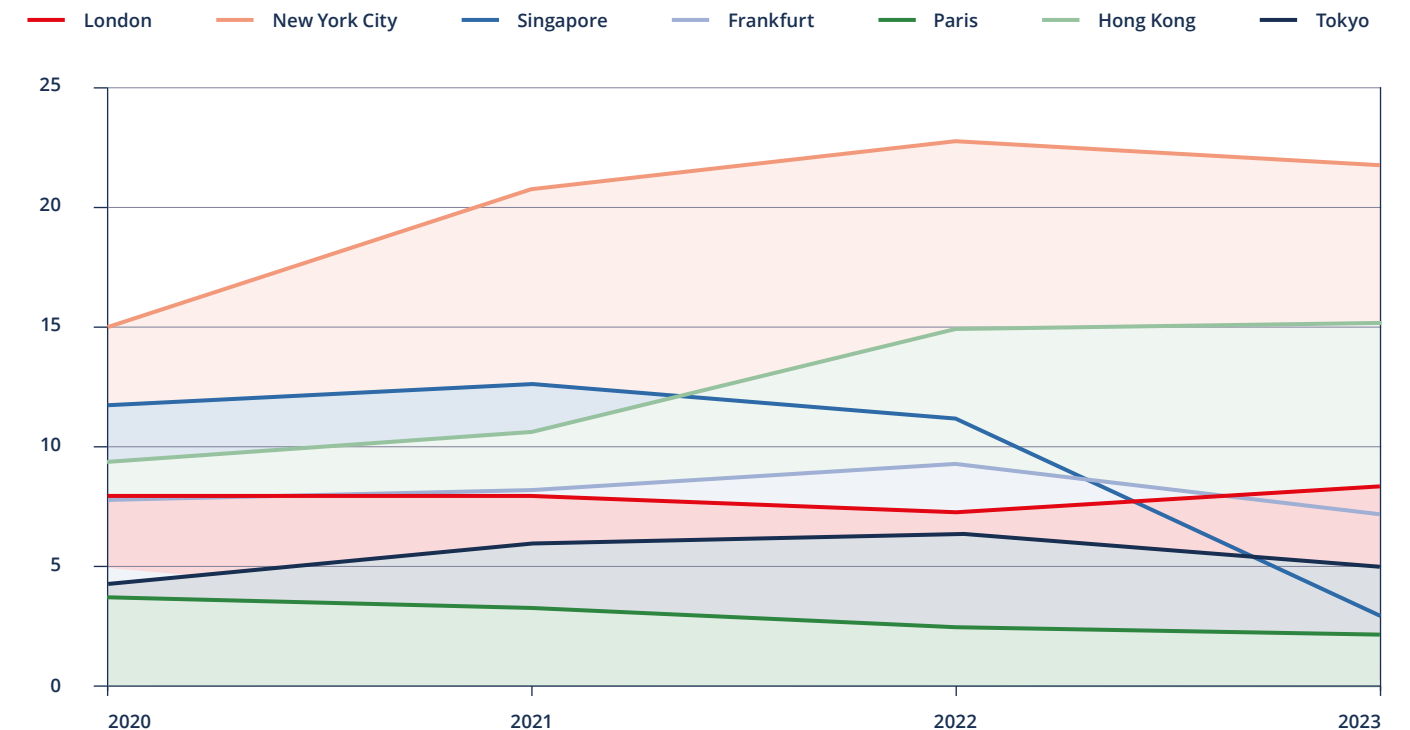
In London, high quality or Grade-A office space is in such high demand that vacancy rates are the lowest on record. Grade-A vacancy rates in the City and West End are 0.6% and 0.4%, respectively. Even in Canary Wharf, where the vacancy rate is much higher, Grade-A office space has a 3% vacancy rate. This demand has not gone unnoticed by investors and Aware Super, an Australian pension fund, announced plans to invest £1bn in London offices in the near term.¹

Ten of the largest companies in the world were headquartered in London in 2023, down from 13 in the previous year. This is a trend observed across all GFCs as 74 of the 500 largest companies in the world are now headquartered in GFCs, down from 100 in 2016. This is driven by the dominance of energy and tech companies within the Fortune Global 500. Although not headquartered in GFCs, all the largest companies in the world do have offices in our GFCs.²

Source: (1) Knight Frank, Savills, Colliers, Cushman & Wakefield 2024, (2) Fortune 2024.

London has low office vacancies as hybrid working evolves

Office vacancy rate, % (Savills, Colliers, Cushman & Wakefield 2024)



5.2 Digital and cyber

The UK is Europe's largest tech ecosystem. Tech companies need reliable, fast data to continue their growth and reach their full potential. The UK is among the best in the world for cyber security, which supports fintech growth and provides consumers with peace of mind. The UK is also a world leader in building data centres but needs infrastructure improvements to increase the speed and reliability of data transfer.



456

**data centres in the UK.
The third highest in the world.**

The UK has some of the best cyber security in the world according to the ITU Global Cybersecurity Index. The index measures countries' effectiveness across legal, technical, organisational, capacity and cooperation and the UK scores the highest in each category. This is a critical factor in fintech as it gives consumers the confidence to use new services. Payments companies make up a large proportion of the UK fintech industry: strong cyber security will help drive continued growth in this industry.

The UK has the third-highest number of data centres in the world, but some of the slowest fixed line and mobile internet speeds among the GFCs in this analysis. Fast, reliable data – in the office and at home – is a necessity for hybrid working and continuous business operations. As AI use grows, we must ensure we have the data infrastructure to meet its full potential.

Although UK broadband speeds have increased, Singapore now has broadband almost three times faster than the UK. Only Germany has slower broadband than the UK with both the US and Asian countries enjoying broadband at least 2.5X faster than the UK. Mobile internet speeds have generally remained the same across GFCs, however, they reduced in France and Germany, and increased in Singapore.

The UK has the highest level of internet freedom across GFCs. The UK places the least restrictions on online content and does not infringe on consumer rights. This is an important factor in generating growth as it allows new online products and services to reach their audience.

Key policy changes to generate growth

The UK's position between Asia and the US provides a natural time-zone advantage. This means businesses located in the UK can serve both markets throughout the day. Reliable and efficient business infrastructure is critical

when working with a global client base. The UK government has announced policy to strengthen business infrastructure for both online and in-person connections.

Key policies and their impact on growth and investment

New AI code of practice to protect AI systems from cyber attacks

British businesses will benefit from a world-first cyber security standard which will protect AI systems from cyber attacks, securing the digital economy. Security measures will unlock AI's potential to transform public services and boost productivity as part of the government's Plan for Change.

Data centres will be designated as Critical National Infrastructure (CNI)

CNI designation will allow the government to support the sector in the event of critical incidents, minimising impacts on the economy. Putting data centres on an equal footing as water, energy and emergency services systems will mean the data centres sector can now expect greater government support in recovering from and anticipating critical incidents. This will give the industry greater reassurance when setting up business in UK and helping generate economic growth for all.

Transport infrastructure improvements to boost growth

London has the most airline connections and highest passenger numbers of all the GFCs we monitor. Announcements to expand London's airports are welcomed by the City of London Corporation. This opportunity to boost visitor numbers and invest in UK infrastructure is a welcome boost to growth and the economy.

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' or 'GFCs', 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 98 unique metrics across five key competitiveness dimensions. Three 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 101 metrics in total.

Data is collected at a national and city level, depending on the availability of such data. 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 2019 and 2023. Where 2024 data is available the five-year period used is between 2020 and 2024. 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 2019 and 2023 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 updated metrics, therefore it should not be compared with the competitiveness scores published in earlier editions of City of London Corporation's 'Our global offer to business' report.

To discuss this report, contact:

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THE GLOBAL CITY

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



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.

cityoflondon.gov.uk