



**THE  
GLOBAL  
CITY**

In partnership with:

 **OliverWyman**

# Vision for Economic Growth — a roadmap to prosperity



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# Foreword



**Nicholas Lyons**  
The Rt. Hon The Lord Mayor of the City of London

The UK has enjoyed numerous periods of strong economic growth in the past. After World War Two, the nation saw a sustained period of economic growth<sup>1</sup> and near-full employment until the 1970s.<sup>2</sup> But there's nothing preordained about growth: a peak won't necessarily follow this trough we find ourselves in, post-Covid. And while the City has for so long supported the UK's prosperity, there's no guarantee that will always be the case. The right conditions must prevail — good levels of investment, digital infrastructure, agile regulation, a coherent fiscal regime, a supportive political environment — or the sector will not be able to fuel our economy in the way it must to support 21st century industries.

At the moment, there are three key challenges hampering the UK economy and the financial and professional services (FPS) sector in particular.

GDP growth rates and labour productivity are not what they once were. Between 1995 and 2005, GDP growth and average wages grew by 29% and 30% respectively in real terms. But between 2010 and 2020, they grew by just 8% and 4%.<sup>3</sup> Between 2008 and 2020, the UK saw productivity growth of just 0.4% per year, compared to an average of 0.9% in the 25 richest OECD countries.<sup>4</sup>

One study suggests GDP growth booms are nine times more likely with a higher level of business investment.<sup>5</sup> But UK business investment as a proportion of GDP remains lower than in almost all other G7 economies — and it's been this way for decades.<sup>6</sup>

If the FPS sector is the engine of the UK economy, it's in urgent need of a service. Meanwhile, our competitors are revving their own engines — putting the UK's role as

the world's pre-eminent financial centre under increasing threat. The London Stock Exchange raised £16.3bn in 2017 — but, in 2021 the figure was just £10.5bn.<sup>7</sup> Meanwhile, London was not the clear leader in the City of London Corporation's annual benchmarking report for the first time ever this year — instead ranking joint first with New York.

These challenges are a wake-up call, and we cannot keep hitting the "snooze" button.

I'm happy to say that change is already underway to boost the FPS sector. Recent reviews including Hill, Kalifa, Austin and Kent have set wheels in motion. Organisations like TheCityUK, UK Finance, the Association of British Insurers, the Investment Association, the Financial Services Skills Commission, and the Capital Markets Industry Taskforce — to name just a few — are helping create real momentum. And the Financial Services and Markets Act and Mansion House Reforms are tangible products of this work. But we need to have a long-term strategy for FPS towards which we in the City can all work to boost the UK's competitiveness.

This "roadmap" builds on all of this — focusing on the "Big Moves" we need to make over the ensuing months and years to catalyse further change. There's no quick fix for sustained growth, prosperity and international competitiveness. So, this is a long-term approach that will extend well beyond my term as Lord Mayor and across the next Parliament. I'm confident if all the key stakeholders pull together and follow these recommendations, we will have an FPS sector that is fit to finance our future.

# Foreword



**Christopher Hayward**  
Policy Chairman of the City of London Corporation

Britain needs strong economic growth. A growing economy means more investment, more jobs, and more funding for public services. With the right conditions, FPS can help drive economic growth across the country.

The sector is already one of the United Kingdom's great success stories. Not only does it provide 2.5 million jobs,<sup>8</sup> but £100bn in tax contributions each year;<sup>9</sup> that's more than we spend on defence and policing combined.<sup>10</sup>

But with international competition growing — from New York in the west to Singapore in the east — our past success is no guarantee of our future.

If we want the UK to thrive, if we want FPS to remain the engine of our economy, driving economic growth and helping to fund the public services we all rely on, we must take action.

We must take action so that growing firms can get the financing they need to grow and succeed here in Britain, and not have to cast their nets further afield. Small firms that grow here today are the big employers of tomorrow.

We must take action to lead in the adoption of new technology, not follow on behind. We must give our regulators the licence to operate at the cutting edge and to lead on artificial intelligence (AI), machine learning, and other technologies. By setting global standards, we can lead the way, providing a competitive boost to our companies.

We must demonstrate how financial markets can help deliver the world's transition to net zero. The UK has made the early running and now we need to solidify that lead, becoming the go-to partner for green finance.

We must think bigger on exports. Financial services exports were worth £91bn to UK plc in 2022.<sup>11</sup> By the end of the decade they can be worth even more, a potential additional £24bn over 6 years, if we take action to promote our exporting firms. More exports will create more income for UK companies, meaning more money for our public services.

We must make sure we operate on solid ground: being a great place to do business, being competitive on tax and drawing in talented people from across the globe.

Our shared aim must be for our FPS sector to be the best-in-class, driving UK plc, creating the wealth and jobs that support the economy and supporting public services for the remainder of this decade and beyond.

*Vision for Economic Growth* has been produced with the input of more than 300 stakeholders from across FPS. It outlines the sector as it can be. A roadmap for policymakers and politicians to strengthen the sector right across the country, so that together, our economy can grow and our future can flourish. We now have an opportunity to back British success, promote our world-leading sectors, and drive economic growth. We can and we must take it.

# Introduction



**Lisa Quest**  
Partner and Head of UK & Ireland,  
Oliver Wyman



**John Romeo**  
Managing Partner, Oliver Wyman  
and CEO, Oliver Wyman Forum

It can be easy to take the UK's financial centre for granted, or even criticise its influence, as many did in the wake of the Global Financial Crisis. But if we hope to revive Britain's growth rate, extend prosperity across the UK, and build a sustainable economy that will deliver for future generations, we need to celebrate our financial centre and empower it to play a leading role in meeting the biggest challenges of our time.

The UK financial centre embodies so many of the qualities that make Britain great. It is a magnet for the best and the brightest talent in a wide variety of professions, from banking and insurance, to asset management and consulting, to the law and accounting. The density of these skills in and around the City of London make it an attractive place to do business and facilitate easy collaboration with policymakers, business leaders and civil society representatives.

We have a truly global financial centre. Our openness, legal and business traditions, and time zone and global connectivity make the UK a place where the world comes to do business. The UK is home to the largest share of international bank lending and borrowing,<sup>12</sup> and the largest centre for foreign exchange trading.<sup>13</sup> This openness, in turn, helps drive innovation in our financial ecosystem. The UK attracts more fintech investment than the next ten European countries combined, and globally ranks second only to the US.<sup>14</sup> This ability to attract money and talent is an asset few rival centres can match.

These strengths extend benefits far beyond London. Financial and related professional services employ one in every 13 workers in this country, two thirds of them

outside of London.<sup>15</sup> In 2020, 43% of financial and related professional services exports originated from other regions and nations across the UK.<sup>16</sup>

We cannot rest on our laurels, though. Rival centres from Europe, Asia, and the Americas are elevating their game, and new challenges are knocking at the door. The world needs to raise massive sums of money in the coming years to combat climate change and green the economy. And the UK must be able to keep up as countries around the world experiment with new technologies that have the potential to transform the financial system and make it more accessible.

This report provides a roadmap to build on the UK's existing strengths and bolster our financial centre to meet these challenges. We propose nine big moves, including developing a long-term growth strategy for financial and professional services based on partnership between government and the industry; implementing regulatory and structural reforms to unleash greater domestic investment by UK pension and insurance funds; becoming a digital first economy by forging internationally competitive data standards and promoting digital verification, asset tokenisation, and artificial intelligence; and aligning policy and industry standards on climate to accelerate financing for the transition to a low-carbon economy.

The opportunity is there for the taking. It's time for government and industry to join together and unleash the power of finance to create a more prosperous and sustainable future for all of us.

# Industry leads for this report

The City of London Corporation is particularly grateful to the expertise and commitment of the industry leads who helped to shape the chapters and overall report throughout the project.

**Vivienne Artz**  
Senior Data Strategy and Privacy Policy Advisor to the Centre for Information Policy Leadership

**Katharine Braddick**  
Group Head of Strategic Policy and Advisor to the Group CEO, Barclays

**Rebekah Clement**  
Corporate Affairs Director, Lloyd's

**Huw Evans**  
Partner, KPMG

**Danny Lopez**  
CEO, Glasswall

**Neylin Mutlu**  
Global Business Manager, Center for Carbon Transition and Sustainable Solutions, J.P. Morgan

**Sheila Nicoll**  
Senior Public Policy Advisor, Schroders

**Chris Woolard**  
Partner, Chair Global Regulatory Network, EY

With additional thanks to Baroness Kay Swinburne for her contribution in the early stages of the report prior to her ennoblement.

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# Executive summary



Nearly everyone in the UK interacts with financial and professional services (FPS) on a daily basis. For some consumers, those dealings may consist of daily purchases using a credit/debit card or keeping money securely in current accounts. For others, it is about milestone events such as taking out insurance for a new car, a mortgage for a new home, or a savings product to prepare for retirement. Individuals and businesses may seek investment advice, legal expertise, or other forms of professional services. FPS supports UK businesses to stay on top of their finances, invest in order to drive productivity, manage risk, and create jobs in the UK and abroad. Regardless of the specific interaction, FPS boils down to ensuring people can get through good times and bad, and plan for the future. It is vital that we have an industry that supports consumers and businesses right across the country and through all stages in their lives.

This report highlights five critical objectives to strengthen UK-based FPS as a driver of jobs and prosperity:

- Support the conditions for growth
- Raise investment levels
- Turn the UK into a digital-first economy
- Anchor the UK as a leader in sustainable finance
- Develop world-class promotion and interconnectivity

These objectives are delivered through a series of “big moves”, or strategic reforms, that are designed to create transformational change over time. Often they amplify existing recommendations and calls for change that have been brought forward by various industry bodies, government reviews, and civil society organisations. We expect these big moves to deliver even bigger impact than the numbers suggest as the benefits they will provide reach far beyond FPS. Through the role of FPS as an enabler, we believe these initiatives will deliver a significant knock-on impact on overall growth for the UK economy.

### Support the conditions for growth

Government, regulators, and the industry must support the conditions for growth. This is about getting the basics right. Some conditions, such as world-class infrastructure, apply to the whole economy. Others are specific to the FPS sector and can be far more effectively implemented as part of a wider FPS strategy (see below).

### Big move #1: develop a long-term strategy for UK-based FPS to support growth (an “FPS strategy”).

The strategy should outline the policy priorities that government, regulators and industry will focus on to support a competitive FPS industry to drive growth. This would include how FPS can best support the growth of potential areas of competitive advantage such as sustainable finance, and emerging technologies such as tokenisation. Clear timelines and routine reporting will be key. An FPS Partnership Council, with

representatives from industry alongside government and regulators, could help design and implement the strategy.

### Raise investment levels

For greater prosperity and growth, the UK needs higher long-term returns for savers and more investment in its firms and infrastructure to create high quality jobs. The UK’s FPS firms are leaders in providing capital to firms and projects globally. Deploying this expertise more consistently at home will pay dividends. It has the potential to improve returns for long-term savers, provide capital for businesses to pursue new opportunities, and create compelling investment options for international investors.

### Big move #2: fully implement a programme of change for UK pension and insurance funds.

These reforms will benefit long-term savers while also supporting growth companies, infrastructure, and the wider economy. Government should progress the reforms for which there is strong and broad ranging support. This includes Solvency II reform and a new Value for Money framework for defined contributions (DC) schemes. Government has indicated that up to £75bn in private capital could be unlocked by 2030 if Local

Government Pension Schemes (LGPS) increase their allocation to unlisted equities to 10% (which the government is consulting on at time of publication), and if UK DC schemes allocate at least 5% of their default funds to unlisted equities.<sup>17</sup> Reforms to Solvency II could potentially unlock £100bn from the insurance and long-term savings sector over the coming decade from 2024.<sup>18</sup> Capital will only flow if these regulatory reforms are accompanied by profound cultural change. In addition, there will need to be a significant increase in savings levels into DC retirement schemes.

### Big move #3: maximise the effectiveness of every pound of government support for growth companies.

Government deploys financial support across the economy, nationally and locally. Clarifying how these disparate funding schemes align to major strategic outcomes would provide strong signalling. The clearer the priorities, the greater the chance of leveraging in private capital. Operationally, firms also find it difficult to navigate the opportunities. This could be made much more user-friendly with a “product and institution-neutral” advisory team and portal that would help firms navigate the choices available to them. There is also an opportunity to explore creating investment vehicles that could provide a destination for long-term capital.<sup>19</sup>



Leeds Docks, Leeds

### Becoming a digital-first economy

A truly digital-first economy is one in which organisations and individuals have the capacity to innovate and drive growth. This requires reforms to allow secure data sharing and an enabling mindset across government and regulators.

**Big move #4: be internationally competitive on data and digital.** The first step is to create a differentiated approach to data policy and regulation that combines high standards with pragmatism. Another priority is digital verification. Government must scale the deployment of the robust standards it has been developing. The UK government estimates that widespread adoption of digital verification solutions could deliver about £800m per annum to the UK economy, amounting to a potential £4.8bn in value added from 2024-2030.<sup>20</sup> Finally, government should consider emulating the US's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system of machine-readable company filings to make it easier for investors to assess information about public companies when making investment decisions, building on the recommendations from Rachel Kent's review.<sup>21</sup>

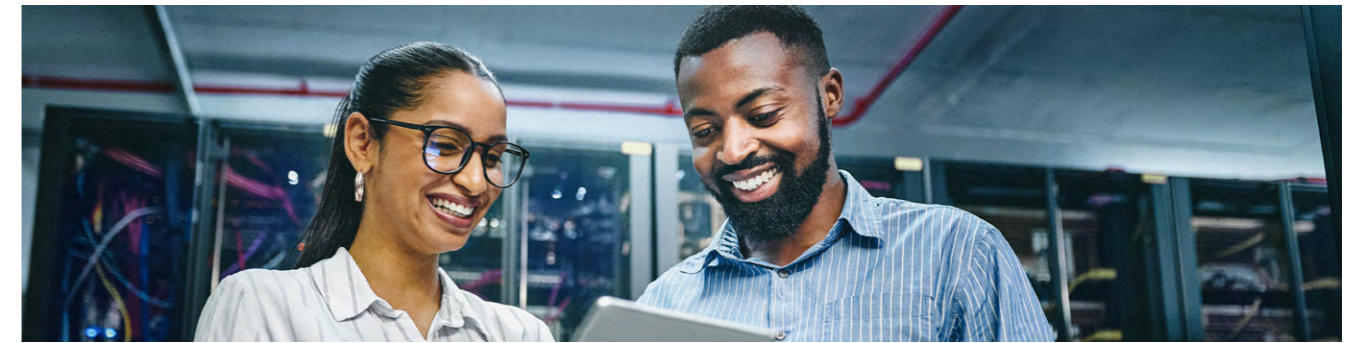
**Big move #5: invest in an innovation and growth mindset across government, regulatory agencies, and industry.** Digital transformations of the next few years will require agile responses that cut across existing regulatory boundaries. Government should provide an even stronger mandate to the Digital Regulation Cooperation Forum (DRCF) to enable collective leadership on regulatory approaches towards emerging technologies such as digital verification, artificial intelligence (AI), and tokenisation. Deploying machine-readable regulation, and tasking regulators

to do so, would be another critical change. This can build on the digital regulatory reporting pilot already underway by the Financial Conduct Authority (FCA) and the Bank of England (BoE).<sup>22</sup> The interventions can also help to ensure that the FCA and the Prudential Regulatory Authority (PRA) deliver on their secondary competitiveness and growth objective.

### Anchor the UK as a leader in sustainable finance

**The transition to a sustainable economy represents the great transformation growth opportunity of the 21st century.** There are vast investment and financing needs to achieve global net zero emissions and nature-related commitments. UK FPS can work with the UK Government as it delivers its own sustainability goals. It can also be a "go-to" partner for firms and countries across the world seeking to transition, protect biodiversity and deliver on other impact and sustainability-related objectives.

**Big move #6: create the conditions to scale and accelerate financing for a just transition towards a low-carbon economy.** Financial and professional services already play an important role in supporting the transition and will continue to do so. However, the enabling conditions must be in place for the financial sector to be able to provide the supporting finance and investment. A crucial need is for the UK Government to provide clarity and commitment around sector-specific transition policies that deliver on its net zero strategy as part of predictable and durable energy and industrial policy foundations. With the right enabling conditions, the signs are positive that the Government can mobilise sufficient private capital at pace to achieve the £100bn it has said it will leverage as part of its Net-Zero Strategy and British Energy Security Strategy.<sup>23</sup>



**Big move #7: scale innovative approaches to sustainable finance.** The UK has a history of pioneering sustainable finance. There is an opportunity for it to cultivate high-integrity voluntary carbon markets, high-integrity nature markets and approaches for natural capital.<sup>24</sup> The financing need, and opportunity, is vast. One estimate suggests that closing the finance gap to achieve nature-related outcomes targeted in UK policy will require a minimum of £44-97bn by 2032.<sup>25</sup> The size of voluntary carbon markets has also begun to grow. One estimate put the total market size at nearly US\$2bn at the end of 2021. This marked an almost fourfold increase from 2020. Continued growth at this pace would see the market expand exponentially by the end of the decade.<sup>26</sup>

**Pursue world-class promotion and interconnectivity**  
**The future success of UK-based FPS depends on bringing a compelling offer to the world.** That requires world-class promotion. It also rests on a network of strong relationships within a robust international framework.

**Big move #8: showcase the UK's FPS firms like never before through the creation of an FPS Knowledge and Support Hub.** The international promotion of the UK's financial industry relies on a network of promotion agencies at home and abroad. With targeted support, these organisations could have far stronger impact. An FPS Knowledge and Support Hub could support international messaging and promotion by highlighting compelling narratives, messaging and collateral of existing promotion efforts; supporting the coordination and advocacy efforts of others (via their own direct advocacy); and providing further industry research. This would help to increase FPS foreign direct investment (FDI) into the UK and exports abroad, in turn supporting the broader economy's growth. An illustrative estimate demonstrates the potential benefits. For example, if the hub could achieve an uptick of FPS FDI worth up to 6% of 2022 levels, then up to £0.7bn additional FPS FDI could be captured between 2024 and 2030.<sup>27</sup> As another example,

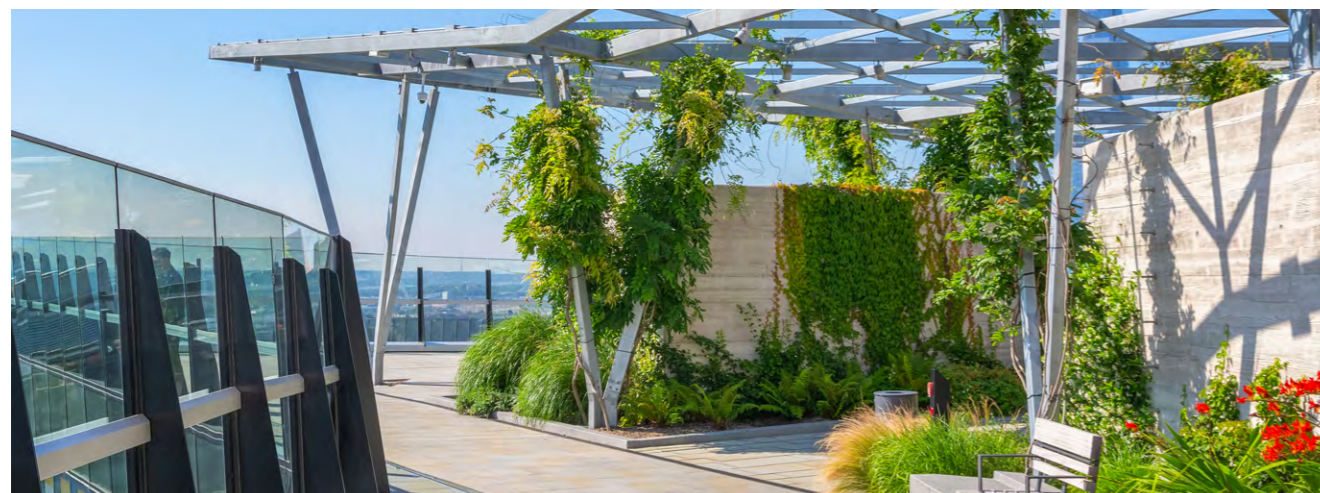
if the hub could contribute an average additional uplift of approximately 0.9% compound annual growth on top of the forecasted growth of UK goods and services exports, this would result in an increase of up to £24bn in FS exports to be achieved between 2024-2030.<sup>28</sup>

**Big move #9: create innovative networks across the world.** The UK should flip its trade policy to focus on services, as much as goods. Trade negotiators should use the full "trade toolbox" including digital and, where appropriate, mutual recognition agreements of professional qualifications or regulatory frameworks. It should create mechanisms for partnership across government, regulators, and industry to discuss trade priorities, better incorporating industry views. One such mechanism could be the FPS Partnership Council described as part of big move #1. Finally, government should look to establish international forums for collaboration. One such mechanism could be multi-jurisdictional sandboxes, building on the work of the Global Financial Innovation Network (GFIN). The sandboxes could develop interoperable regulatory approaches in response to emerging technologies and, potentially, authorisation in multiple jurisdictions.

### Conclusion

**Strengthening the UK's world-class financial centre to meet today's challenges is a goal worth fighting for, but it requires long-term commitment and determination.** It is time for the FPS sector to come together in partnership with regulators and government to implement a roadmap that targets growth across the UK, turns up UK international competitiveness, and takes that offering to the world.

**The prize for getting this right is immense.** We believe these big moves will enable the sector to create jobs and growth across the country and help customers prosper, in the UK and around the world. These interventions could deliver an additional £225bn in investment for the UK economy.<sup>29</sup>



The Garden at 120 Fenchurch, London

Figure 1: Key recommendations

| Outcome                                             | Big move                                                                                                         | Short term                                                                                                                             | Medium term — 2 to 7 years                                                                                                                                     | Long term |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Support the conditions for growth                   | <b>#01</b><br>Develop a UK FPS Strategy and FPS Partnership Council to support it                                | Today                                                                                                                                  | → 2030                                                                                                                                                         |           |
|                                                     |                                                                                                                  | Determine the priority focus areas and sectors                                                                                         | Track progress against the strategy                                                                                                                            |           |
| Raise investment levels                             | <b>#02</b><br>Fully implement a programme of change for UK pension and insurance funds                           | Establish an FPS Partnership Council                                                                                                   |                                                                                                                                                                |           |
|                                                     |                                                                                                                  | Continue planned reforms which will contribute needed structural and regulatory change                                                 | Support cultural change across the investment value chain, using regulatory and structural changes as key enablers                                             |           |
| Become a digital-first economy                      | <b>#03</b><br>Maximise the effectiveness of every pound of government support                                    | Clarify how disparate funding schemes align to strategic government priorities                                                         | Support firms to identify suitable government funding opportunities that will best suit their needs                                                            |           |
|                                                     |                                                                                                                  | Support the BBB as it tests proposals to open its pipeline of growth company investment opportunities to crowd in more investment      |                                                                                                                                                                |           |
| Become a digital-first economy                      | <b>#04</b><br>Be internationally competitive on data and digital                                                 | Differentiate the UK on data and digital                                                                                               |                                                                                                                                                                |           |
|                                                     |                                                                                                                  | Accelerate the adoption of digital verification                                                                                        | Develop a machine-readable company filing system for the UK                                                                                                    |           |
| Anchor the UK as a leader in sustainable finance    | <b>#05</b><br>Invest in driving an innovation and growth mindset                                                 | Enable the regulators to provide collective leadership on cross-sectoral priorities such as digital verification, data, and AI         | Streamline approaches to creating regulatory reform                                                                                                            |           |
|                                                     |                                                                                                                  | Task regulators with deploying machine-readable and machine-executable regulation, building on efforts underway by the FCA and the BoE |                                                                                                                                                                |           |
| Anchor the UK as a leader in sustainable finance    | <b>#06</b><br>Create the conditions to scale and accelerate finance for the transition                           | Provide further clarity and commitment around sector-specific policies to deliver on existing net zero commitments                     |                                                                                                                                                                |           |
|                                                     |                                                                                                                  | Support the scale-up of private finance and de-risking of projects in support of the transition                                        | Create confidence among financial institutions that they can support financing the transition without jeopardising their own Paris-aligned or net zero targets |           |
| Pursue world-class promotion and inter-connectivity | <b>#07</b><br>Scale new, high-integrity markets and be at the forefront of new investment opportunities          | Develop an all-encompassing high-integrity voluntary carbon markets (VCM) ecosystem                                                    |                                                                                                                                                                |           |
|                                                     |                                                                                                                  | Scale up other high-integrity nature markets and support approaches to protect natural capital                                         |                                                                                                                                                                |           |
| Pursue world-class promotion and inter-connectivity | <b>#08</b><br>Showcase the UK's financial and professional services on the international stage like never before | Establish an FPS Knowledge and Support Hub                                                                                             |                                                                                                                                                                |           |
|                                                     |                                                                                                                  |                                                                                                                                        |                                                                                                                                                                |           |
| Pursue world-class promotion and inter-connectivity | <b>#09</b><br>Create innovative networks across the world                                                        | Flip trade policy to focus on services as much as goods                                                                                | Create international forums for collaboration, such as multi-jurisdictional sandboxes that build on the work of the GFIN                                       |           |
|                                                     |                                                                                                                  | Create mechanisms for government-regulatory-industry partnership to create and advise on the full trade toolbox                        |                                                                                                                                                                |           |

● Supporting recommendation

Figure 2: Impacts and illustrative benefits

Illustrative estimates suggest that these interventions have the opportunity to unlock billions in investment into and for the UK

| Outcome                                            | Target impact                                                                                                                                                                                                                               | Illustrative benefits between 2024 and 2030                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support the conditions for growth                  | Government's clearly defined strategy for UK-based FPS maximises the sector's contribution to UK jobs and growth.                                                                                                                           | <b>Potential £100bn investment from the insurance and long-term savings industry...</b> into productive finance, including for UK social infrastructure and green energy supply, over the coming decade from 2024. <sup>i, vii</sup>                                                                                                                                                                                                                                      |
| Raise investment levels                            | Long-term savers in the UK are better prepared for retirement. More businesses can access the capital they need. More international investors are attracted to the UK. More high quality jobs are created.                                  | <b>Up to £75bn in pension capital...</b> if LGPS increase allocation to unlisted equities to 10% and DC schemes to 5%. Much of which will be invested into the UK. <sup>ii, vii</sup>                                                                                                                                                                                                                                                                                     |
| Become a digital-first economy                     | There is a lift in inclusive growth and prosperity for citizens and a rise in UK firms' international competitiveness.                                                                                                                      | <b>Potential £4.8bn value added to the UK economy...</b> Through widespread adoption of digital verification solutions which will transform digital services and mitigate fraud losses. <sup>iii</sup>                                                                                                                                                                                                                                                                    |
| Anchor the UK as a leader in sustainable finance   | UK-based FPS has a strong track record in supporting businesses globally to decarbonise and reach other sustainability-related goals.                                                                                                       | <b>£100bn of private sector capital leveraged...</b> The right enabling conditions can unlock the capital that government has said it will leverage as part of its Net-Zero and British Energy Security strategies. <sup>iv, vii</sup>                                                                                                                                                                                                                                    |
| Pursue world-class promotion and interconnectivity | UK-based FPS accelerates growth and prosperity across the UK through increased FDI into FPS; increased FPS exports; and leadership in setting robust and pragmatic international standards around new technologies and sustainable finance. | <b>Up to £0.7bn additional FPS FDI...</b> if the proposed FPS Knowledge and Support hub is assumed to contribute an annual uptick in FPS FDI worth up to 6% of 2022 levels. <sup>v</sup><br><b>Up to £24bn increase in FS exports...</b> if the proposed FPS Knowledge and Support Hub is assumed to contribute an average additional uplift of approximately 0.9% compound annual growth on top of the forecasted growth of UK goods and services exports. <sup>vi</sup> |

i. The Association of British Insurers (ABI) estimates that from 2024 Solvency II reforms will create "the potential for the industry to invest over £100bn in the next ten years in productive finance, such as UK social infrastructure and green energy supply." The value of private insurer investment that could be achieved is highly dependent on the nature of the Solvency II reforms and, specifically, the changes to the matching adjustment and how they will be implemented. The PRA is consulting on this later this year.

ii. As highlighted by the Chancellor in his Mansion House speech on 10th July. Reflects £50bn for DC schemes with a 5% allocation to unlisted equities, and £25bn for LGPS with a 10% allocation to unlisted equities. The former estimate mirrors the objectives of firms in the Mansion House Compact. Government plans to consult on the allocation of the latter estimate for LGPS. Benefits are accrued by 2030, with no specification of beginning or end of year.

iii. The UK government estimates "widespread use of digital identity products would be worth around £800m per year to the UK economy." Calculated over 6 years, from 2024-2030. See UK Government digital attributes and trust framework consultation (2022) for more details.

iv. Originally published by the Department for Business, Energy and Industrial Strategy, since replaced by the Department of Energy Security and Net Zero and the Department for Business and Trade.

v. Illustrative estimate only to indicate benefit potential and does not reflect a projection. Corresponds to a range of approximately to £0.5-0.7bn. Reflects a base case of 5% uplift (+/- 20% range applied) using 2022 levels, which equates to up to 6%. For context, FPS FDI in the past four years (2019-2022) has grown by a compound annual growth rate of 12%, with strong recovery since 2020. FPS FDI data per fDi Markets and as published by the City of London Corporation in their 2023 report on FPS FDI. See figure 14 for further detail.

vi. Illustrative estimate only to indicate benefit potential and does not reflect a projection. We estimate an additional uplift on forecasted growth rates associated with the benefits of having an FPS strategy and the role of the Hub in reinventing promotional efforts. Corresponds to a range of approximately ~£19-29bn, rounded to the nearest billion. Calculated over 6 years from 2024-2030. Assumption of a 50% uplift on the compound annual growth rate for UK goods and services exports from IMF forecasts results in a range of ~0.8-1.2% additional uplift, rounded to the nearest tenth of a percent. Adjusted for inflation based on CPI inflation forecasts. FS export data from UNCTAD (worth ~US\$117bn in 2022). Forecast of export growth and CPI inflation from IMF World Economic Outlook — April 2023.

vii. £225bn in total additional investment estimated as an aggregation of the £100bn in insurance and long term savings capital unlocked through Solvency II reforms, the £75bn in pension capital for investment announced in the Chancellor's Mansion House speech, and a portion of the £100bn in private capital leveraged as part of the net zero transition, as stated by the UK Government. We estimate a portion of the net zero capital leveraged will overlap with the unlocked pension capital and insurance and long-term savings capital. We have applied a 50% discount rate on the net zero capital leveraged to account for this overlap. See references 17, 18, and 23 for additional information for each estimate.

All statistics reflect rounded values. These estimates may not be mutually exclusive and may involve double counting of some benefits if aggregated.

# 1. Support the conditions for growth

## Impact by 2030

Government's clearly defined strategy for UK-based FPS maximises the sector's contribution to UK jobs and economic growth.

### Context

If the UK is to grow economically and create prosperity for all its citizens, it must get the "basics" right. Many of these basics are not unique to FPS and represent broader features of a flourishing economy. The UK must be a place where people want to live and do business. There must be world-class physical infrastructure (such as transport links), digital infrastructure (such as widely accessible high-speed broadband), and social infrastructure (such as excellent healthcare, schools, and cultural offers). Organisations need to prepare for future skills and talent challenges. These are all critical features of a flourishing, globally competitive economy.

This report focuses on the specific conditions for growth that UK-based FPS needs in order to remain globally competitive and contribute to a prosperous UK (see Figure 3). It also celebrates the strengths that underpin the UK as a global financial centre. This includes an independent police force in the financial district that can help to fight financial crime, world-class legal services and a courts system that can deal with highly complex economic cases effectively.

Figure 3: Conditions for growth of UK-based FPS in support of a prosperous UK



**Skills and talent.** UK organisations across the public and private sector must be able to easily recruit, retain, and retrain talent to address the emerging needs of their businesses. Digital skills are a particular watchpoint with one in eight roles in the sector now tech roles. Some 95% of financial services firms identify data analytics and insight skills as a priority, although supply of these critical technical skills currently falls short of demand by 20%.<sup>30</sup> Prioritising reskilling so it becomes a strategic boardroom priority across financial services organisations is critical. Ensuring the sector is equipped with the right talent will require greater focus on building future skills — including through retraining, skills forecasting, and connections to the broader education system (eg through courses on innovation and sustainability) — as well as a genuinely responsive visa system.

**Competitive tax and remuneration policies.** FPS firms and their employees make a huge contribution to the UK Exchequer, with firms paying nearly £100bn in taxes in 2020.<sup>31</sup> This is roughly equivalent to the combined defence and police budgets for 2023-24, worth £106bn.<sup>32</sup> But if other jurisdictions offer better deals on tax, operations and individuals may move there. The UK therefore must be competitive on tax and remuneration as a matter of its own self-interest. Today, however, this is not always achieved. In the case of a typical corporate and investment bank, for example, the UK is projected to have higher tax rates in 2024 than other financial centres such as New York, Frankfurt, and Amsterdam.<sup>33</sup>

### Strengthened reputation for ease of operating.

UK regulators overseeing FPS firms have a justified reputation for high standards, but that needs to be matched with efficient processes. This includes financial services regulatory authorisations, where industry bodies such as TheCityUK have already offered recommendations for improvement.<sup>34</sup> Today's fragmented regulatory landscape also makes it challenging to address cross-sectoral issues (see Figure 4 for examples). Resolving this may require a rethink of how agencies interact, including closer collaboration on cross-sectoral issues. In Chapter 4, we propose a big move that, among other things, recommends extending a stronger mandate to improve coordination. Financial

regulators also need license from government to pay what's needed to recruit and retain talent. This is about the right balance between keeping excellent long-term staff and bringing in industry expertise. A major secondment programme between industry, regulators and government would also help strengthen skills and encourage innovation. There could even be a scheme for later careers, to encourage more experienced professionals to work for the regulators. This would be the equivalent of Now Teach, adapted for FPS, perhaps as "Now Regulate". This flow of expertise in both directions can bring better collaboration and solutions be it on sustainability, emerging tech challenges, or consumer benefits.

Figure 4: Overview of applicable regulators for FS firms

| Regulatory objective       |                                                                                                                         |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Trade/competition          | Payment System Regulator (PSR), Financial Conduct Authority (FCA)                                                       |
|                            | Competition and Markets Authority (CMA)                                                                                 |
| Data protection            | Information Commissioners Office (ICO)                                                                                  |
| Customer/public interests  | PSR, FCA                                                                                                                |
|                            | Prudential Regulatory Authority (PRA), The Pensions Regulator (TPR)                                                     |
|                            | Competition and Markets Authority (CMA), Equality and Human Rights Commission (EHRC), Health and Safety Executive (HSE) |
| Market integrity/stability | FCA                                                                                                                     |
|                            | Institute of Chartered Accountants in England and Wales/in Scotland (ICAEW/ICAES), Chartered Accountants Ireland (CAI)  |
| Market transparency        | Financial Reporting Council (FRC) — soon to be replaced by the Auditing, Reporting and Governance Authority (ARGA)      |
|                            | Financial Reporting Council (FRC) Competition and Markets Authority (CMA)                                               |
| Governance                 | Financial Reporting Council (FRC)                                                                                       |
| Tax                        | HM Revenue and Customs (HMRC)                                                                                           |

● Single-activity industry regulator ● Multi-activity industry regulator ● Cross-industry regulator

NB some regulators are omitted from our list due to niche perimeters not fitting into our framework or because not applicable for FS firms. For example: OPBAS, CORGI, EngC, FSR, GLAA, IPCC, SIA, Electoral Commission, Planning Inspectorate, etc.

Source: Oliver Wyman Regulatory Mapping

### Examples of challenges currently faced by firms, and possible solutions

#### Example 1: annual cycles of engagement

- Category 1 financial services firms have an annual strategy meeting (ASM) with regulators such as the FCA and the PRA. The ASMs inform regulators' areas of the interest that they will follow up on with a given firm.
- Today different ASMs are held with different regulators, when there is opportunity to cover them jointly. Regulators could follow up with specific areas of interest after the session.

#### Example 2: one-off engagement

- Regulators may understandably require information from supervised firms following market events or as part of eg system-wide exploratory scenario analyses.
- But requests for information are not always coordinated across regulatory bodies, and multiple stakeholders within a firm may be approached separately (such as the Chief Risk Officer for asset management, and the Chief Financial Officer for insurance).
- There is an opportunity to better coordinate requests across regulators and streamline engagement of key stakeholders across a given firm.





Central Library Building, Cardiff

**A balanced approach to risk-taking.** Government, industry, and regulators can adopt a balanced approach to risk-taking that seeks to manage rather than eliminate risk. This can:

- **Create better economic outcomes for UK citizens and business.** For example, if UK-based investors (including pension funds) were more willing to invest in high-growth, unlisted firms as part of a diversified portfolio, then long-term savers could benefit from greater returns, and UK firms could access a deeper pool of capital (see Chapter 2).
- **Unlock innovation across regulators and supervised firms.** For example, regulators could increase their appetite to assess industry proposals for inclusion in

new regulatory regimes, such as the voluntary code of conduct being developed on environmental, social, and corporate governance (ESG) ratings and data with the International Regulatory Strategy Group (IRSG).<sup>35</sup> They could also jointly experiment on new product innovations without firms feeling they must have all the answers first, as is being demonstrated through the financial market infrastructure (FMI) sandbox sponsored by HMT, the FCA, and the BoE. Efforts such as these do not dilute high standards of supervision, nor do they reduce firm compliance. But they do streamline the path for firms and regulators to innovate.

**Big move #1**

## Develop a UK FPS Strategy and FPS Partnership Council to support it

A UK FPS Strategy would outline how government intends to set the conditions for growth for a thriving UK-based FPS sector. Financial centres around the world set out their ambition and direction for their global financial centre in long-term strategies (see Figure 5). The UK has made a good start, both from government via HMT’s “A new chapter for financial services” and industry via TheCityUK’s “Making the UK the leading global financial

centre”. It is now time to follow up systematically through a more formalised strategy with clear timelines and KPIs. This UK FPS Strategy would signal to the world the ambition of government to work with regulators and the industry to further develop the UK’s world-class FPS industry and use that strength to galvanise UK economic growth.

**Figure 5: Overview of select FPS strategies<sup>36</sup>**

Non-exhaustive

Many countries have established FPS strategies. A selection of these are highlighted below, but other examples include Switzerland, Luxembourg, and Japan.

| Country              | Title                                                                | Timescale                                | Last updated                                                |
|----------------------|----------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| United Kingdom       | <b>A new chapter for financial services (HMT)</b>                    | Not specified                            | Published H2 2021                                           |
|                      | <b>Making the UK the leading global financial centre (TheCityUK)</b> | 2021-2026                                | H2 2021                                                     |
| Ireland              | <b>Ireland for Finance</b>                                           | 2019-2026 (most recent strategic review) | H1 2022 (via the Update to Ireland for Finance)             |
| Singapore            | <b>Financial Services Industry Transformation Map (ITM)</b>          | ITM (2016-2020) and ITM 2025 (2021-2025) | H2 2022 (via the launch of the Financial Services ITM 2025) |
| United Arab Emirates | <b>Business Plan</b>                                                 | 2007-2024 (first publication in 2007)    | H1 2023 (via the Business Plan 2023/2024)                   |

NB cover images reflect most recent publication, if the strategy is an update in a series



The strategy would need to:

- **Determine the priority focus areas and sectors.** Effective policy requires ruthless prioritisation and excellent implementation. By highlighting specific sectors for FPS to support, government can signal its intentions on key policy areas such as sustainable finance and market infrastructure. The more certainty policymakers provide, the more likely it is that firms will have the confidence to invest, innovate, and increase the scale of their UK business. The strategy should also include consideration of the demand for skills within FPS, helping firms to understand how government plans to champion the provision, upskilling, and retraining of this talent (including through skills forecasting). A major secondment programme between industry, regulators, and government

could be one possible intervention. Another could be a later career scheme, as mentioned earlier, to encourage experienced professionals to work in the regulators — an equivalent of “Now Teach”, perhaps called “Now Regulate”.

- **Establish an FPS Partnership Council.** An FPS Partnership Council would be a strategic partnership between government, industry and regulators. Other industry bodies have previously called for collaboration. TheCityUK, for example, called for strategic partnership in its 2017 report “A vision for a transformed, world-leading industry”.<sup>37</sup> It would act as a forum to capture industry views as government develops its FPS Strategy and implements its workstreams. It could also act as the mechanism through which perspectives around trade policy and related agreements

are captured and translated into policy outcomes (see big move #9). The Partnership Council would include representatives from across the sector, helping generate collaboration to drive growth through the economy.

- **Track progress against the strategy.** Other jurisdictions trace their strategic progress. Singapore, for example, has a rolling set of media releases against their sustainable finance roadmap.<sup>38</sup> The European Union’s legislative train schedule also indicates progress.<sup>39</sup> The UK should adopt and adapt best practices internationally and hold itself accountable.

**Benefits**

Government can use the FPS strategy to provide clarity and confidence to industry. In particular, it can show how it intends to support the sector in growing the UK economy over the longer term. This, combined with re-energised international promotion (see Chapter 5), will encourage increased private sector investment and a more dynamic economy.

**Key actors (non-exhaustive)**

HMT; FCA; BoE; PRA; FPS trade associations.



John Rylands Library, Manchester

## 2. Raise investment levels

### Impact by 2030

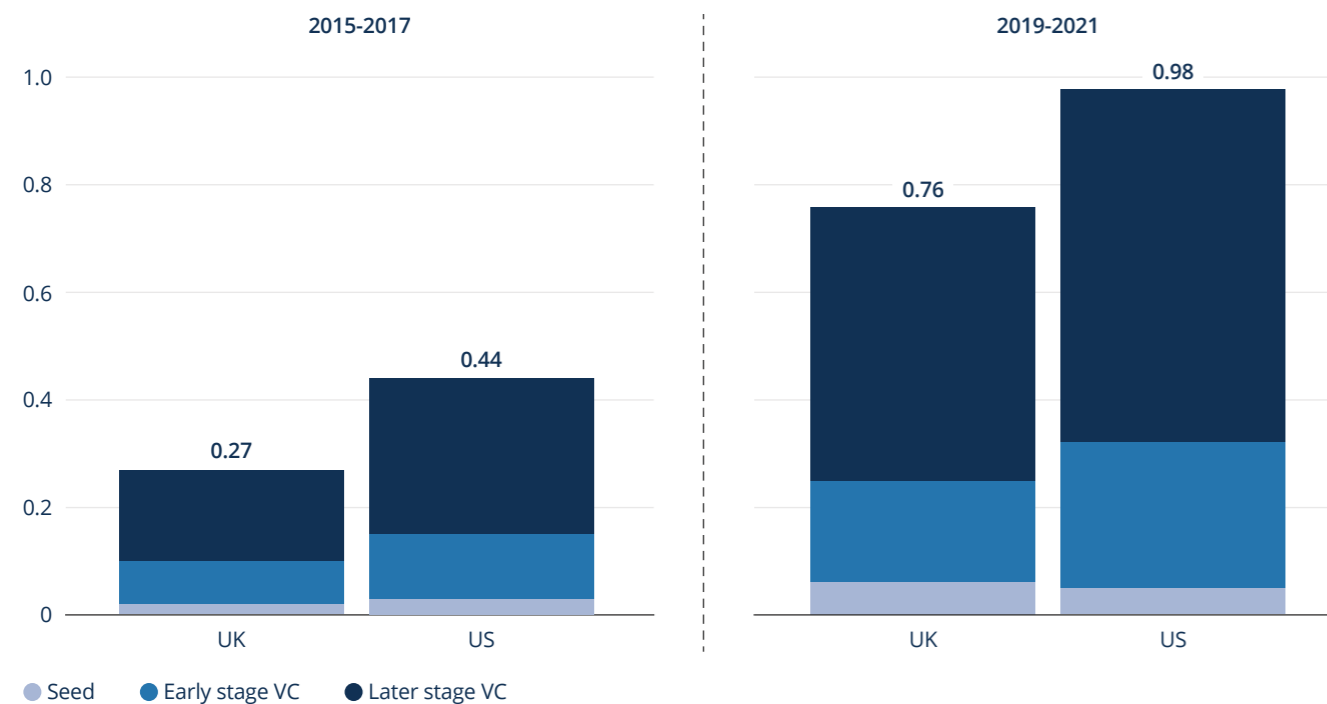
Long-term savers in the UK are better prepared for retirement, with higher risk-adjusted net returns in defined contribution (DC) schemes, combined with higher contribution rates. More businesses can access the capital they need to innovate and grow, generating jobs and prosperity. More international investors are attracted to the UK due to a pipeline of investable projects and benefit from the UK's asset management expertise.

### Context

The UK is a major source of capital for global firms and projects. Its markets are among the deepest in the world. The London Stock Exchange raised £10.5bn in equity for UK and international companies in 2021.<sup>40</sup> The country had the world's highest financial services trade surplus in 2021<sup>41</sup> and the largest share of international bank lending and borrowing.<sup>42</sup> It is also the world's largest centre for international debt issuance,<sup>43</sup> commercial

(re)insurance,<sup>44</sup> and foreign exchange trading,<sup>45</sup> and the second largest asset management centre.<sup>46</sup> At the end of 2021, the UK had more than £11.6tn of assets under management.<sup>47</sup> It also had a relatively high level of activity within venture capital (VC), especially when compared to other European countries, although it continues to lag behind the US (see Figure 6).

**Figure 6: UK vs US VC investment as a proportion of GDP**  
Percentage (%) of GDP



Source: figures as published by the BBB. Based on BBB user defined search and calculations of PitchBook and World Bank data. BBB (2022); <https://www.british-business-bank.co.uk/small-business-equity-tracker-2022/>.



Today's domestic capital pools are not maximised for UK savers, nor the broader UK economy. The overriding purpose of pension schemes is to pay savers an income in their retirement. Insurance funds also have a key role to play in supporting long-term savers. Where this goal aligns with risk-adjusted net returns, there is significant opportunity to unlock capital to fuel economic growth. UK pension funds have the highest allocation to bonds and lowest allocation to equities of any comparable pension system in the world.<sup>48</sup> They also have lower contribution rates by employers and employees alike. In 2019, employers on average contributed to defined benefit (DB) schemes at a rate 6 times higher than to defined contribution (DC) schemes.<sup>49</sup> DC savers are also, generally, not contributing enough to their pension schemes. As of 2019, 53% of private sector pension participants across schemes had contributions of less than 8% of their earnings.<sup>50</sup> Collectively, these dynamics mean that most DC schemes are inadequate for providing a comfortable retirement. This is significant given the role that DC schemes play and will play in the

UK. As of 2021, there were more than 15 times as many savers accumulating in DC schemes than accumulating in DB schemes.<sup>51</sup> There is also an estimated 35% gender pension gap across DB and DC schemes, with men having more in savings.<sup>52</sup>

**Better returns on DC savings schemes could begin to fill part of the long-term savings gap for pension savers.** Analysis by Oliver Wyman and the British Business Bank suggests that if default funds followed a lifestyle approach and allocated 5% of capital to VC or Growth Equity (GE), a 22-year-old saver could achieve up to 12% increase in their total retirement savings.<sup>53</sup> Beyond benefits to long-term savers, the UK's high-growth businesses would also benefit if a proportion of these investments were allocated to UK businesses. The BBB estimates that barriers to finance could be preventing up to 270,000 small and medium-sized enterprises (SMEs) from innovating every year.<sup>54</sup> More capital could therefore help to encourage more innovation across the country.

**Big move #2**

# Fully implement a programme of change for UK pension and insurance funds

In recent years, momentum has grown to strengthen capital markets and reform pensions. On capital markets, the Hill,<sup>55</sup> Kalifa,<sup>56</sup> Austin,<sup>57</sup> and Kent<sup>58</sup> reviews proposed strong steps forward. Many have been implemented, including through the Financial Services and Markets Act.<sup>59</sup> They will have a significant impact on listings, secondary markets, and the equity research that underpins them. But further work is critical to ensure that the UK is the place where great companies can start, grow, scale and stay. This effort is being taken forward by CMIT (the Capital Markets Industry Taskforce) as well as UK Finance and TheCityUK. It is vital that their proposals continue to receive strong support from government, regulators and the industry.<sup>60</sup>

Pensions reform will also be critical to support improved long-term returns for savers, as well as stronger capital markets and UK economic growth. The Mansion House Reforms propose potential changes to UK pensions.<sup>61</sup> It will be important that proposals with widespread support are followed through. Figure 7 provides an illustrative summary of what some of the reforms seek to deliver.

Changes to the legal framework are necessary. But it is cultural change around risk appetite, including investment in unlisted asset classes, that will ultimately realise benefits for savers, and the UK economy. The asset management industry will then need to make the most of these changes. The many stakeholders in DC pensions that need to work together are outlined in Figure 8. A good example of this approach in practice is on the long-term savings side, where regulatory reforms will allow — but not guarantee — greater infrastructure investment. The ABI's Investment Delivery Forum supports firms as they look at increasing allocations to assets such as energy generation, energy networks and housing.<sup>62</sup>

Key focus areas to deliver this target state are:

- **Support cultural change across the investment value chain, using regulatory and structural changes and financial education as a key enabler.** The power to change capital deployment for pensions sits right across the investment value chain. It starts with individual savers and employers and continues through trustees, asset managers, employee benefit

consultants, and auditors. Change will require a sustained and broad-based campaign across regulators and industry to help decision makers feel comfortable and confident with the new approach. Within some organisations, it may also require additional training or development of specialist expertise to build comfort in investing in new asset classes. If new demand resulting from this culture change cannot be met with new supply of investment opportunities in the UK, then capital will flow overseas or remain in other, lower return, asset classes. So an even stronger pipeline of growth firms will be vital which will require continued emphasis on seed and incubator capital being provided by specialist early-stage investors encouraged by fiscal incentives.

- **Make progress on reforms where there is strong and broad-ranging support.** Particularly important will be implementing Solvency II reform and a new Value for Money (VFM) framework for DC schemes. Alongside these efforts is the Mansion House Compact, a commitment by some of the UK's largest pension firms representing around two-thirds of the UK's entire DC workplace market to allocate a minimum of 5% of DC funds to unlisted equities by 2030.<sup>63</sup> This will be complemented by large-scale investment vehicles to deploy capital most effectively. Scale will be critical. It will allow these funds to diversify broadly and remain strongly involved throughout the scale-up journey in later stage funding rounds. It will also enable them to develop the world-class advice and experience needed by the companies they invest in, comparable to that provided currently by US venture capital firms.

**Benefits**

Estimates indicate that there is a potential to unlock billions in private capital from the insurance and long-term savings industry by 2030:

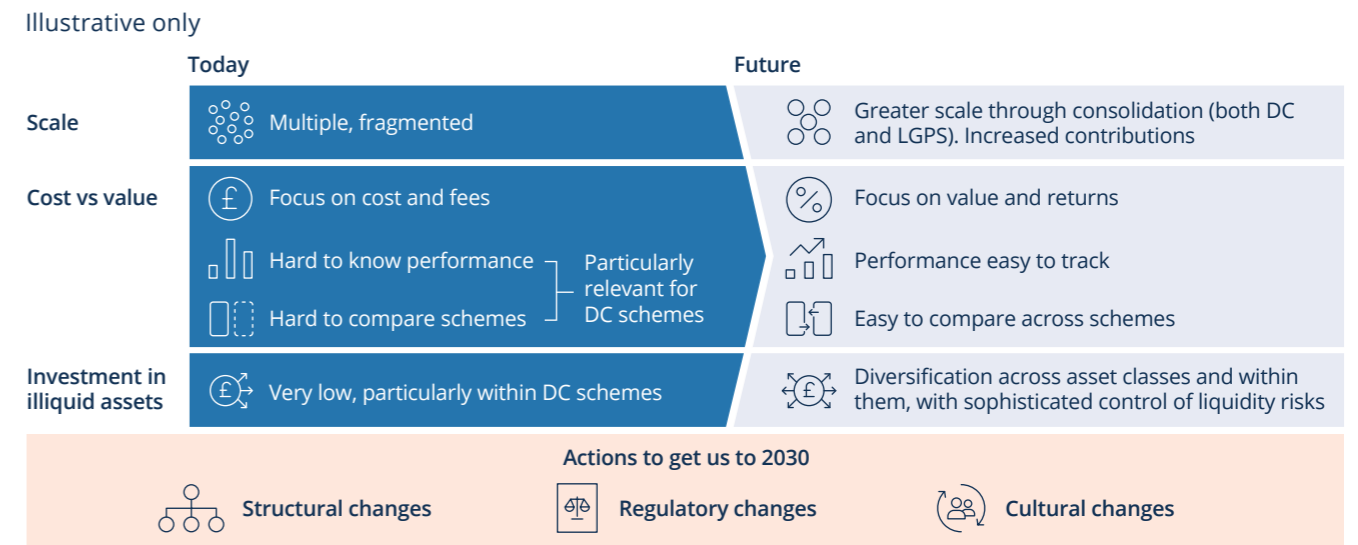
- Reforms to Solvency II could potentially unlock up to £100bn from the insurance and long-term savings industry into productive finance, including for UK social infrastructure and green energy supply, over the decade from 2024.<sup>64</sup>

- Up to £75bn in pension capital across LGPS and DC schemes, where LGPS increase their allocation to unlisted equities to 10% (which the government is consulting on at the time of publication), and DC schemes allocate at least 5% of their default funds to unlisted equities.<sup>65</sup>

**Key actors (non-exhaustive)**

HMT; the FCA; Department for Work and Pensions (DWP); TPR; relevant trade associations (in particular the ABI); FPS stakeholders across the pensions value chain (see Figure 8).

**Figure 7: Components of the target state for retirement savings and pensions**



**Figure 8: Key stakeholders across the DC pensions lifecycle and the role of culture change**

Illustrative

|                                          | Advice and distribution                                                                                                                  | Pension scheme manufacture                                                                | Investment and asset management                                                                                                             |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Pension saver (member)</b>            | Auto-enrol to the scheme, and (potentially) manage additional personal contributions                                                     | Manage account and select investments (if not default fund)                               | Contribute to the pension fund. Choose to stay/leave the scheme upon retirement or job change                                               |
| <b>Employer</b>                          | Provision of pension funding and key role in selection of employee benefit consultants, pension proposition providers, and funds offered | Deduct from payrolls to make contribution payment                                         | n/a                                                                                                                                         |
| <b>Employee benefit consultant (EBC)</b> | Support employer/trustees in selecting the proposition provider and legal vehicle (mastertrust vs own trust vs contract)                 | Review performance of proposition providers and funds offered                             | Advise on appropriate long-term asset allocation                                                                                            |
| <b>Trustee*</b>                          | Appointed by both employer and pension savers. To support investment selection and ensure high-quality member outcomes                   | Select an asset manager or fund structures, often relying on investment consultant advice | Monitor asset manager and fund performance                                                                                                  |
| <b>Investment consultant</b>             | Advise trustees or employer on fund range and Default Fund offering                                                                      | Advise trustees on suitable asset managers and/or investment choices (eg default fund)    | Feedback and advise trustees of asset manager and fund performance                                                                          |
| <b>Proposition providers</b>             | Provide member communications and the portal, facilitate investment selection and understanding of risks                                 | Provide scheme services (eg communications, accounting, platform provision)               | Offer options to invest in alternative assets                                                                                               |
| <b>Asset manager**</b>                   | Implement default fund structure                                                                                                         | For large schemes, create bespoke or tailored solution to meet needs                      | Execute investment decisions on behalf of trustees, and requisite disclosures                                                               |
| <b>Auditor</b>                           | Provide assurance that regulatory requirements are being met                                                                             | Provide assurance that regulatory requirements are being met                              | Provide assurance that regulatory requirements are being met; give confidence that illiquid assets can form part of a diversified portfolio |

● Culture change targeted: a shift away from a culture of low savings rates and focus on costs, to a culture of higher savings and focus on value and high net returns. This will involve a greater level of comfort in investing in illiquid and alternative assets.

\*Trustees not present in a contract, where role is partly taken on by the employer and partly by the proposition provider

\*\*Could be the same as the Proposition Provider in a bundled contract or Mastertrust

Source: Oliver Wyman Pensions Lifecycle and Culture Change Framework

**Big move #3**

## Maximise the effectiveness of every pound of government support

Government has limited capital. This is why it must be deployed judiciously and its impact maximised. To do this, three dynamics need to be considered.

- **Visibility on government’s long-term strategy and policy priorities.** Today, there is fragmented signalling across a variety of bodies such as the BBB, the UK Infrastructure Bank (UKIB), and the Advanced Research and Innovation Agency (ARIA). Providing transparency around existing funding programmes would help potential investors better understand the government’s key strategic priorities such as green energy, technology, and life sciences. This can, in turn, encourage firms to invest themselves. There is also evidence that alignment of government interventions supports better outcomes for innovation-led businesses. For example, the BBB and UKRI research highlighted that “research council spinouts” with support from both Innovate UK and the Bank were four times as likely to have raised external finance compared to those who were not in subsequent receipt of BBB investment or Innovate UK R&D support.<sup>66</sup>
- **Access to funding opportunities.** Some firms find it challenging to access the fragmented landscape of public funding within the UK, or are unaware of the opportunities available. Others do not have the resources to pursue funding across multiple discrete opportunities. Funding gaps can be particularly pronounced among female founders, or minority-owned businesses. For example, earlier this year the Treasury Select Committee concluded that it had received evidence that the UK’s VC market was “highly unrepresentative” of the gender and ethnic diversity in the UK.<sup>67</sup>
- **Creation of investment vehicles to channel long-term capital.** There is an opportunity to embrace the potential impact of the Mansion House reforms to create investment vehicles that could provide a channel for long-term capital from pension funds. Some of these are already being developed by the private sector. The BBB has also committed to explore such a vehicle.<sup>68</sup>

Key actions to address these dynamics include:

- **Clarify how disparate funding schemes align to strategic government priorities, to leverage in maximum private capital.** Government should provide transparency around where public capital is committed or available, and how this maps across different agencies and strategies. Tracking flows can provide demonstrable evidence to firms about government priorities. Transparency can also instil confidence in the consistency and commitment of government policies over time, which in turn may encourage further private sector investment in key areas such as finance to support the net zero transition.
- **Support firms to identify suitable government funding opportunities that will best suit their needs.** The government has a wealth of resources available for high-growth firms, but early stage firms often struggle to navigate different financing vehicles across government and government-linked institutions. A government resource could help firms to search for the opportunities that would most suit their needs. The “front-end” function could build on already existing tools, such as the BBB’s Finance Hub, Innovate UK’s Innovation Hub, UKRI’s Funding Finder and the Department for Business and Trade’s (DBT) catalogue of funding sources.<sup>69</sup> There should be a “product and institution-neutral” advisory team and portal that would help firms to navigate the different choices and options available to them. This visibility would have the added benefit of marketing the wealth of opportunities for high-growth firms in the UK, potentially increasing the UK’s overall competitiveness.
- **Support the BBB as it tests proposals to open its pipeline of growth company investment opportunities to crowd in more investment.** The BBB currently has over £15bn of capital mobilised into more than 20,000 companies across the UK through its commercial programmes alone. The BBB has announced its support for the Chancellor’s request to explore establishing a vehicle that could receive third-party capital such as pension fund investment.<sup>70</sup> Government should continue to support the BBB in this endeavour.

In time it could also be worth exploring the creation of a **New Generation Trust for future generations**. In a New Generation Trust, each child could receive a pot of money at birth, say £1,000, that would be channelled for long-term investments in the UK’s growth. The investments themselves would be inaccessible until adulthood, when they would be automatically invested in an individual savings account (ISA) or DC pension. In so doing, the government would be providing a source of long-term capital to UK businesses. It could also help to build an investment culture in the UK, by introducing more citizens to the concept of investment and its use as part of a balanced long-term savings plan.

**Benefits associated**

As mentioned in Big move #2, there is a potential to unlock up to £75bn in pension capital between now and 2030 if LGPS and DC schemes increase their allocations to unlisted equities. Strategic government investment could help channel some of this capital into UK growth assets more quickly, and leverage in more private capital as well.

**Key actors (non-exhaustive)**

HMT; relevant trade associations (including the ABI); FPS stakeholders across the pensions value chain (see Figure 8); BBB; UKIB; ARIA; UKRI; Innovate UK.



### 3. Become a digital-first economy

**Impact by 2030**

*There is an increase in inclusive growth and prosperity for citizens and a rise in UK firms' international competitiveness. Consumers can access a huge range of products safely and swiftly. UK-based firms are able to innovate more effectively.*

**Context**

**The UK has a thriving tech sector.** The tech sector now adds £150bn pa to the economy, and its contribution has grown by over 25% between 2010 and 2019.<sup>71</sup> There are just under 5 million people working in UK tech startups and scaleups, an increase from just under 3 million in 2019, and more than double the 2.18 million working in the tech economy in 2011.<sup>72</sup> The fintech sector, to name just one example, received US\$12.5bn in VC investment in 2022. This puts the UK in second place globally in terms of fintech investment, behind only the US.<sup>73</sup> UK industry is

also at the forefront of discussions around key emerging technologies such as AI and tokenisation,<sup>74</sup> as well as how government can use technology and data most impactfully to build a better UK.<sup>75</sup> The success of these sectors points to the UK's thriving innovation ecosystem, and the strengths it can lean on when meeting the evolving needs of customers in the future. This includes Gen Z, who already have US\$7tn or more in purchasing influence globally.<sup>76</sup>

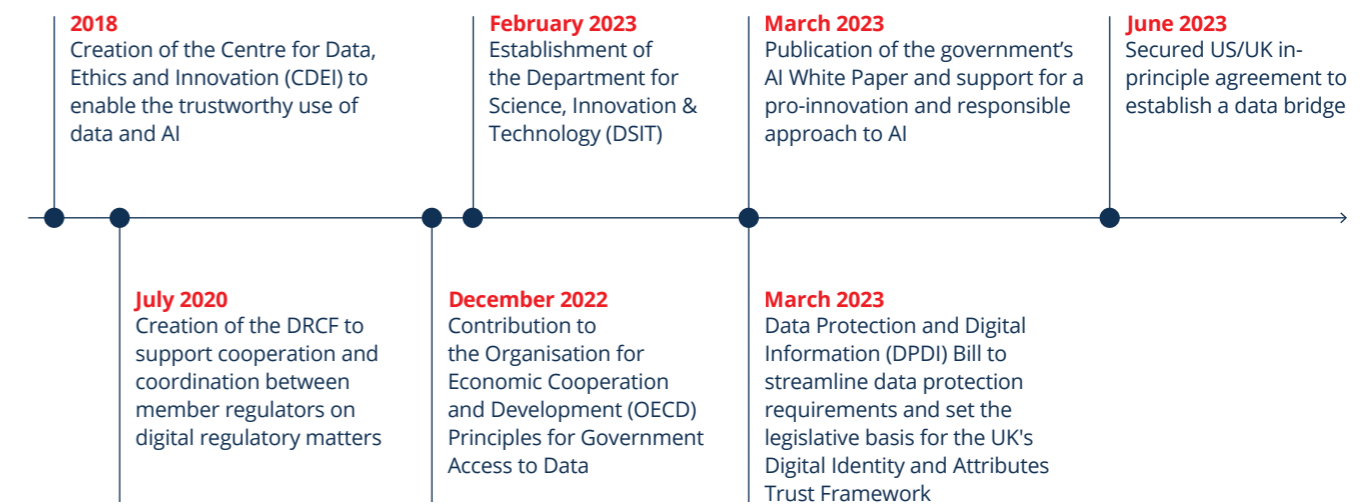


London skyline

A key factor underpinning the UK's innovation ecosystem — across all sectors of the economy — will be data. In the near term, it will be particularly important to consider applications related to AI (such as data privacy); sustainable finance (such as provision of decision-useful information to inform capital allocation choices); and interoperability of standards and requirements to support secure data sharing. Fortunately, the UK is already building a strong foundation for a strategic approach to data, both domestically and internationally. It has a unique opportunity to get the balance right between protecting privacy and avoiding protectionism. Data transcends borders, so interoperability of the UK's approaches will be key. The costs of getting this wrong are significant.

The ability to access and use data across borders is key to firms' growth and the UK's economic activity. Cross-border data transfers contribute as much as US\$2.8tn to global GDP, and information transmission is increasing every decade.<sup>77</sup> Domestically, the UK's own framework has made significant progress (see Figure 9), and other jurisdictions such as Australia and the Netherlands have replicated its regulatory coordination.<sup>78</sup> There is an excellent opportunity to build on this momentum. Regulators should take existing collaborations, such as the DRCF, to the next level, as explored in the big move in this chapter. Cross-border data flows are also a critical part of the big move on creating innovative networks around the world (see Big move #9).

**Figure 9: Highlights of select progress on key data-related initiatives**



**Technology can contribute strongly to inclusive, economic growth. Closing gaps in digitalisation that prevent new technologies from being adopted across the economy is therefore important.** In 2021, a government-commissioned study identified that, for the UK's nations and regions as a whole, strengthening regional digital ecosystems across the UK could grow the digital sector's Gross Value Added (GVA) by at least £41.5bn by 2025 (above 2019 levels), creating a further 678,000 jobs.<sup>79</sup> Continued reliance on legacy technology is a risk for UK SMEs, which the OECD estimates lag behind other G7 nations in their adoption of innovations.<sup>80</sup> Increasing the rate of digitalisation among UK SMEs

could enhance efficiencies and productivity, deliver cost savings, improve customer experience, and integrate data-driven decision making processes. But it is not just digitalisation of businesses that must be considered. It is also the digital inclusion of individuals in their roles as both employees and citizens. One study found that £1 invested in digital skills training would generate over £9 for the economy.<sup>81</sup> Improving the digital skills of digitally excluded people can have profound impact on financial outcomes and social mobility. A key focus for the UK Government and industry must therefore be to deliver truly foundational reforms that will support firms and individuals to operate and innovate more effectively.

**Big move #4**

# Be internationally competitive on data and digital

The UK has an opportunity to differentiate itself on data. This must start with clear standards and supportive regulation (see the first recommendation below). The UK must also have the infrastructure that will enable connectivity and data sharing to take place in a secure way. These features will, collectively, underpin foundational innovations that can support the UK's competitive approach to data use, including digital verification solutions and a machine-readable company filing system, as discussed in further detail here. The key actions include:

- Differentiate the UK on data through clear standards and regulation.** The UK's existing approach to data protection risks limiting new innovations that depend on secure and safe data-sharing. The UK should differentiate its data protection approach by combining high standards and pragmatism. Strong safeguards are necessary, but the cost of being overly prescriptive is significant. Changing the UK's existing approach to data protection could unlock new innovations, including the utilisation of NHS data for new research and development (R&D) initiatives. It could also help firms leverage employee data to close the digital skills gap and extend their cross-border operations. TechUK has offered recommendations to support effective data use across the country.<sup>82</sup> TheCityUK has also provided recommendations for policy-makers to facilitate digital trade services, which includes data-related policy and regulation.<sup>83</sup> Further detail on developing a strategic approach to openness and collaboration is described in big move #9.
- Accelerate the adoption of digital verification.** From Estonia's government-led electronic ID (eID) solution to digital verification undertakings in East Asia, jurisdictions are progressing with individual digital identity wallets and verification solutions.<sup>84</sup> There are multiple use cases which demonstrate how this can make people's lives easier, as highlighted in Figure 10 and Figure 11, and there is potential for smoother and more secure experiences across a range of touchpoints in the customer lifecycle. The UK is advancing digital verification solutions

through the development of the digital identity and attributes trust framework.<sup>85</sup> More advanced digital verification solutions can provide a customer with "single sign-on" capability which avoids the hassle of losing passwords or having username/password credentials stolen. Meanwhile, firms can benefit from lower operational costs from ongoing client due diligence processes, while also protecting against fraud. Furthermore, digital verification solutions align with the second pillar of the UK government's fraud strategy to block fraud at an industrial level.<sup>86</sup> The UK needs to accelerate progress on getting digital verification solutions to market so that customer outcomes can be transformed. There must be leadership from a single entity to deliver the vision and strategy (from DSIT) and strong regulatory coordination given the overlapping regulation that touches digital verification.

- Develop a machine-readable company filing system for the UK.** This can form part of the Research Platform proposed by Rachel Kent in her Investment Research Review.<sup>87</sup> It can also be connected to the FCA's National Storage Mechanism which is in the process of being upgraded.<sup>88</sup> In the US, EDGAR is an internal database that performs automated collection, validation, acceptance, and submissions by companies that are required by law to file forms with the US securities regulator, the Securities and Exchange Commission (SEC). Establishing an EDGAR-equivalent tool in the UK could increase transparency around the equities market for investors and firms. It would give equal access to real-time financial and regulatory information on public companies, enabling investors to assess the financial health, risks, and opportunities of those firms. It would also streamline the regulatory compliance process for firms needing to submit documentation, which can complement the BoE and FCA's efforts on digital regulatory reporting (see the next big move). For example, in the case of the Taskforce for Climate-Related Financial Disclosures (TCFD), it would ensure that reporting is available in real time and immediately comparable.

**Benefits**

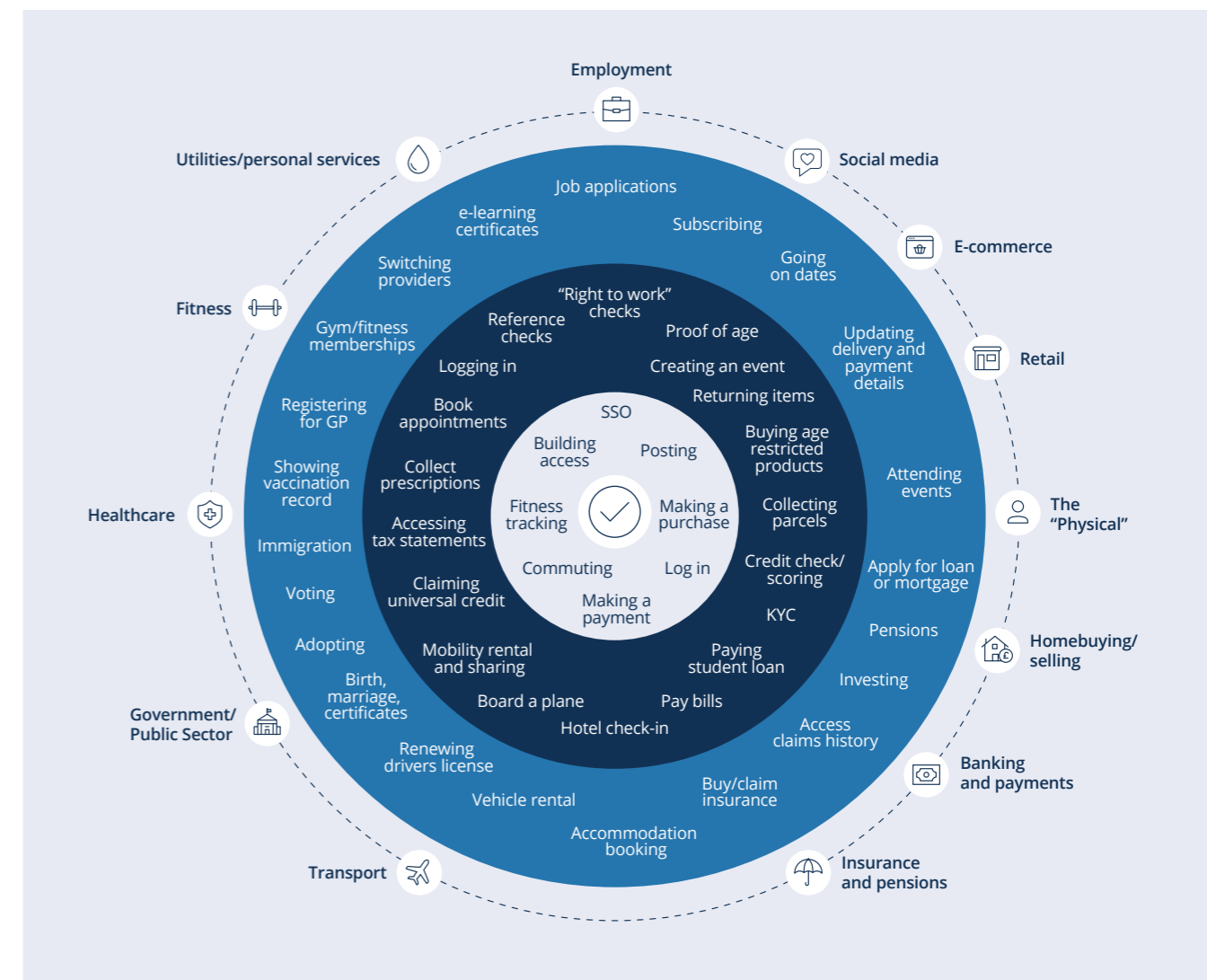
- Widespread adoption of digital verification solutions could deliver about £800m per annum to the UK economy, amounting to a potential £4.8bn in value added from 2024-2030.<sup>89</sup>
- We expect a portion of the government's estimate of value added by digital verification solutions to include the mitigation of fraud losses. We estimate as much as £3bn of aggregate fraud losses could be mitigated between 2024 and 2030.<sup>90</sup>

- Because of the vast use cases for digital verification (see figure 10), we expect the widespread adoption of digital verification solutions to have a further catalytic impact to the UK economy, delivering additional significant value.

**Key actors (non-exhaustive)**

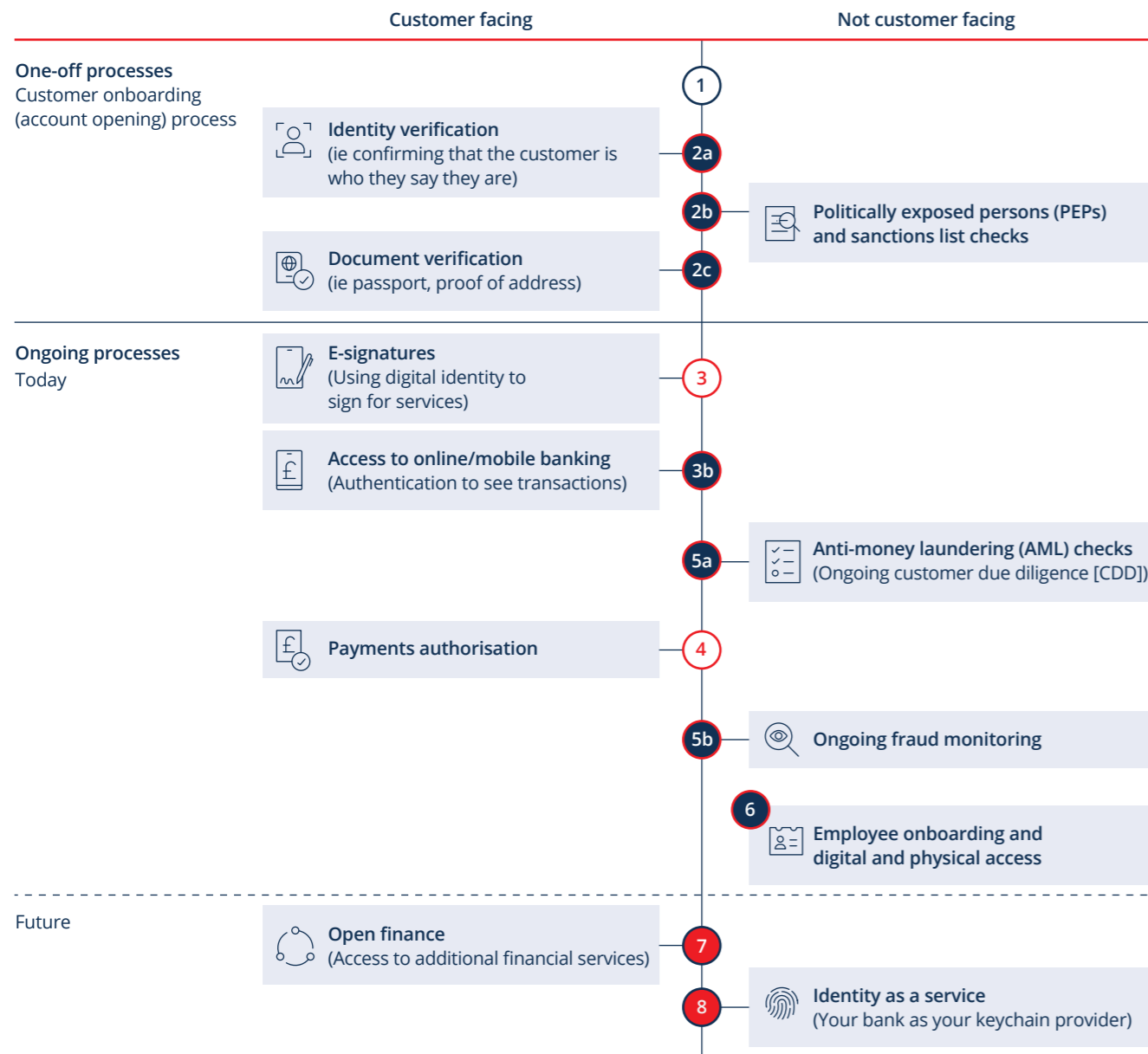
DRCF members (Information Commissioners Office [ICO], CMA, FCA, OfCom); DBT; DSIT; Cabinet Office; United Kingdom Accreditation Services (UKAS); HMT; The Centre for Finance, Innovation and Technology (CFIT).

**Figure 10: The multiple opportunities associated with digital verification**



Source: Oliver Wyman CustomerFirst Digital Identity Framework

Figure 11: Digital verification across the customer lifecycle — potential benefits across use cases for banks



- 1 More seamless customer experience to onboard
- 2a Digitising identity verification process
- 2b Digitising PEPs and sanctions list processes
- 2c Digitising document/credential verification
- 3 Stronger methods of account access authentication
- 3b Reduction in op. cost to support lost/stolen customer passwords
- 4 Stronger methods of payments authorisation
- 5a Reducing op. costs of AML checks (ie ongoing CDD)
- 5b Reducing op. cost of ongoing transaction monitoring
- 6 Reducing op. cost to support lost/stolen passwords
- 7 Revenue opportunity from open banking/finance
- 8 Revenues from offering identity as a service

- Other "societal" benefits/risks**
- Opportunity to establish Know Your Customer (KYC) utility
  - Opportunity to establish transaction monitoring utility
  - Opportunities presented by Central Bank Digital Currencies (CBDCs)

○ Customer experience   ○ Risk mitigant   ● Cost   ● Revenue

Source: Oliver Wyman CustomerFirst Digital Identity Framework

## Big move #5

# Invest in driving an innovation and growth mindset

Implementing a digital-first economy requires government, regulators, and the industry to all play a part. Regulators will need to further invest in their people, systems, and technologies to keep pace with competing jurisdictions. They will also need to work together and provide global leadership on interoperable standards for emerging technologies (see Chapter 5). For the FCA and the PRA specifically, this will help to deliver on their secondary international competitiveness and growth objective. The key actions to realise this big move are:

- **Enable regulators to provide collective leadership on cross-sectoral priorities such as digital verification, data, tokenisation and AI.** The digital transformations of the next few years will require agile, coherent responses. There will need to be a consistent approach across the regulators on emerging technologies. Their role will be critical if we are to implement digital verification, manage data, and maximise the positive impact of AI. Fortunately, the DRCF is already working across silos more effectively. It should be given appropriate resources and an even stronger mandate to drive regulatory coordination for digital issues. It would focus both on strategic outcomes and operational efficiency, aligning reporting requirements across regulators.
- **Streamline approaches to creating regulatory reform.** The UK must continue to take pride in high regulatory standards. But there is an opportunity to consider how the existing months-long approaches of consultation and creation of discussion papers can be complemented with more "agile" approaches, whereby industry feedback is captured "live." One recommendation could be to capture these ideas through a public-private partnership forum, potentially as part of the FPS Partnership Council (see Big move #1), tasked with testing very specific areas or topics where regulatory reform might be required.

- **Task regulators with deploying machine-readable and machine-executable regulation, building on efforts underway by the FCA and the BoE.** Machine-readable regulation (MRR) and machine-executable regulation (MER) translate regulation into computer code such that compliance requirements can be managed in an automated way. This, in turn, will reduce the compliance burden on firms which can then allocate more capital to innovation activities. Equally it will allow supervisors to be more agile and strategic. They will be able to focus less on process and assembling data, more on addressing risks. MRR can also free up capacity, enabling supervisors to assess new risks and opportunities from emerging technologies. Today, these emerging technologies include tokenisation and generative AI. They may look different in a few years' time. Continued investment into innovative technology and financial supervision (SupTech) to automate supervisory processes and enable real-time monitoring of key risk indicators and early warning signs will therefore be critical.<sup>91</sup> Efforts should build on the FCA's and BoE's pilots on digital regulatory reporting, which explore automating and streamlining various aspects of the regulatory reporting process.<sup>92</sup>

### Benefits

This move will serve as a key enabler for innovation across the UK, and also support delivery of some cornerstone innovations such as digital verification, the benefits of which are estimated for illustrative purposes in the previous move.

### Key actors (non-exhaustive)

DRCF members (ICO, CMA, FCA, OfCom); DSIT; Cabinet Office; Parliament; other financial services regulators (see Figure 4).



## 4. Anchor the UK as a leader in sustainable finance

### Impact by 2030

UK-based FPS has a strong track record in supporting businesses globally to decarbonise and reach other sustainability-related goals, through the provision of financing, investment and expertise. The UK is also a leading centre for scaling innovative approaches including high-integrity carbon and nature markets.

### Context

The UK is a pioneer in sustainable finance. It has experience in financing the transition and sustainable development, adopting the necessary policies and best practice frameworks. This enables the UK to set a global example. It was the first G7 country to require disclosures aligned to Task Force for Climate-Related Financial Disclosures (TCFD) recommendations and secured support for the launch of the Taskforce on Nature-Related Financial Disclosures (TNFD), as part of the UK G7 presidency.<sup>93</sup>

Efforts are underway as part of the Financial Market Law Committee (FMLC) working group to explore potential clarifications around fiduciary duty in the context of sustainability objectives (such as the net zero transition).<sup>94</sup> Financial market infrastructure providers are also looking to support broader sustainability goals. For example, the London Stock Exchange was the first exchange in the world to use a public market framework to facilitate funding in climate mitigation projects that create carbon credits, via its voluntary carbon markets designation.<sup>95</sup>

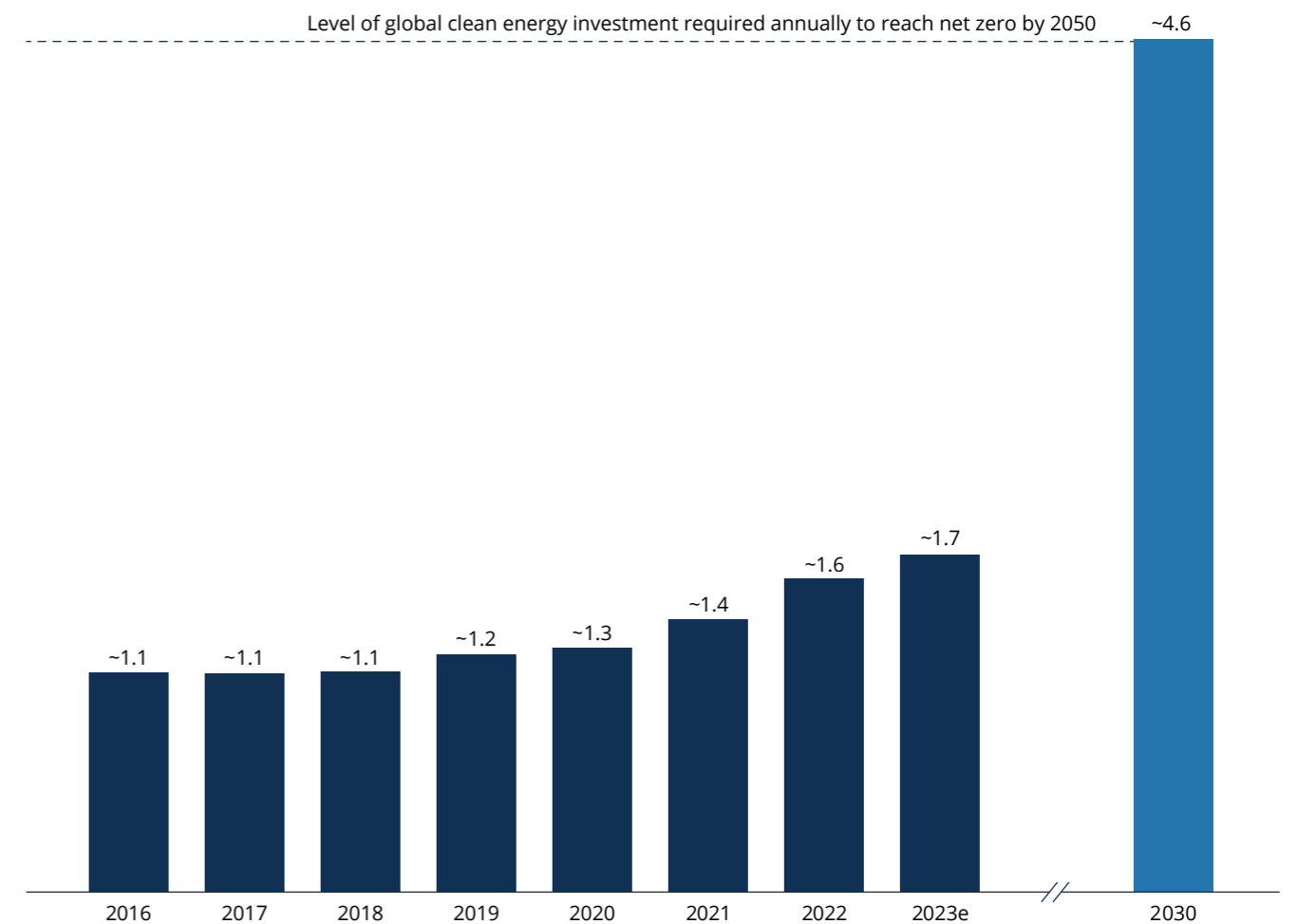


Offshore windfarm at Redcar

The investment gap to finance the transition to net zero and the protection of nature and biodiversity is daunting. In 2021, the International Energy Agency (IEA) estimated that annual clean energy investment worldwide would need to more than triple by 2030, and a recent estimate puts the figure at US\$4.6tn.<sup>96</sup> But capital flows today are nowhere near the levels required to transition to a more sustainable energy system (see Figure 12). One estimate from 2022 put the UK's investment gap for the transition as being up to £111bn by 2030.<sup>97</sup> Also, within the UK alone, there is an estimated financing gap to meet nature-related outcomes targeted in UK policy of at least £44-97bn by 2032.<sup>98</sup> To close these gaps, the UK needs to unlock public and private capital at scale through predictable and durable energy and industrial policies.

Demonstrating leadership in sustainable finance can help to consolidate the UK's role as the "go-to" partner for firms and countries when it comes to transitioning to net zero, protecting biodiversity, and delivering on other sustainability-related goals. It is also worth noting that the ultimate success of the UK as a centre for sustainable finance will be in no small part determined by the overall vibrancy of its capital markets. As the UK considers a range of reforms to protect and enhance the competitiveness of its capital markets more broadly, it is important that these are developed in lockstep with the policy measures needed to seize the opportunity of anchoring the UK as a leader in sustainable finance.

**Figure 12: Global clean energy investments — current versus required to reach net zero by 2050**  
US\$ trillion (2022)



NB 2030 figures refer to IEA's Net Zero by 2050 Scenario

Source: IEA (2023), World Energy Investment 2023, IEA, Paris <https://www.iea.org/reports/world-energy-investment-2023>, License: CC BY 4.0

**Big move #6**

# Create the conditions to scale and accelerate finance for a just transition

Reaching net zero represents the transformational growth opportunity of the 21st century. Finance must flow to businesses that have committed to credible transition plans and are delivering against them. Governments have a critical role to play in providing unequivocal signals. In the UK, without further policy clarity, the required capital will not mobilise at the scale and pace needed. So accelerating financing for the transition first requires an ambitious, visionary and credible domestic energy and industrial policy framework beyond what has been set out to date. Next there must be regulatory support for interoperable frameworks and approaches, and scaling-up of a wide variety of financing solutions. Finally, political support for financing the sectors which are critical to the transition and have set credible transition plans, including those that are “hard-to-abate”, is crucially important. This will help advance decarbonisation efforts. It will also enable growth of economically viable technologies and solutions to advance the transition over the long term. This effort will require collaboration across the financial system and across value chains (see Figure 13). There must also be a focus on creating a transition that is just, which will require a consideration of climate issues alongside other outcomes, as outlined by the Impact Investing Institute.<sup>99</sup> The key actions are:

- **Provide further clarity and commitment around sector-specific policies to deliver on net zero commitments.** Private finance can invest in the transition only on the bedrock of policy clarity. The Skidmore Review highlighted investors’ reticence to make investments given lack of transparency of the government’s own priorities. The Transition Plan Taskforce is developing guidance for corporates and financial institutions that will provide the needed transparency on credible transition plans. These efforts must be matched on a national level with the government’s own plans. The Climate Change Committee’s (CCC) sector-specific pathways are a good start. But more is required to translate these pathways to the level of detail required to support the transition plans of specific UK companies, especially for those in energy-intensive industries. Appropriate policy interventions will be wide-ranging and vary

across sectors (eg long-term hydrogen offtake agreements and incentives to retrofit steel plants). By providing further detail on its own plans, the UK Government can encourage the mobilisation of private finance in support of the transition.

- **Support the scaling up of private finance and de-risking of projects in support of the transition.** Equity investments merit special attention, as does infrastructure. Building energy efficiency retrofits was one area that the CCC highlighted to be below the necessary level to reach net zero targets, for example.<sup>100</sup> The UK National Infrastructure Commission’s five-year report, due in October, will offer a crucial analysis of what needs to be done to support investment.<sup>101</sup> TheCityUK’s report earlier this year also highlighted recommendations to mainstream “green” investment and R&D incentives for services.<sup>102</sup> Streamlining planning and permitting processes, including connections to the grid, would speed up development and implementation of projects, further attracting investors. Long-dated energy projects match long-term liabilities so the outcome of Solvency II reform will be critical. There will also need to be consideration for the key delivery role that different authorities and regions will play across the UK.
- **Create confidence among financial institutions that they can support financing the transition without jeopardising their own Paris-aligned or net zero targets.** Government must lead in setting the necessary policy and enabling conditions to achieve net zero targets and support the financial sector to help the real economy transition. This means acknowledging that firms in energy-intensive industries need to play a role in solving the climate crisis and that a divestment approach will not necessarily create optimal outcomes for the planet. The building blocks must be put rapidly in place, including overcoming the stigma of transition finance. This will cascade from international standard-setters, in particular the International Sustainability Standards Board (ISSB) whose standards are being considered by the UK Financial Reporting Council (FRC).

**Benefits**

The government has said that its Net-Zero and British Energy Security strategies will leverage £100bn in private sector funds between now and 2030.<sup>103</sup> The right enabling conditions can help to unlock this capital.

**Key actors (non-exhaustive)**

HMT; the FCA; Department for Energy Security and Net Zero (DESNZ); FRC; BBB; UKIB; UKEF; FPS Industry Participants; Green Finance Institute; Impact Investing Institute; Civil society organisations.

**Figure 13: Key levers available to help influence real economy emissions reductions**

| Lever type                | Lever                                     | Influence on real economy emissions                                                                                                                     | Banks  | Asset managers | Asset owners <sup>i</sup> | Insurers | Professional services |
|---------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------|---------------------------|----------|-----------------------|
| New capital investments   | Capital market origination                | Proactively steer capital markets origination towards net zero aligned projects and corporates, including through labelled green and transition finance | Higher | Higher         | Higher                    | Lower    | Higher                |
|                           | General purpose lending                   | Consider corporate net zero alignment as part of lending decisions, reflected through, for instance, loan covenants and exclusions                      | Higher | Lower          | Lower                     | Lower    | Higher                |
|                           | Specialised lending <sup>ii</sup>         | Proactively steer lending towards lower carbon projects, assets or infrastructure, including through labelled green and transition finance              | Higher | Higher         | Lower                     | Lower    | Higher                |
|                           | Insurance and risk management             | Provide risk management to support the development of low carbon projects; consider net zero alignment in underwriting decisions                        | Lower  | Lower          | Lower                     | Higher   | Higher                |
| Managing invested capital | Security selection and trade facilitation | Consider the emissions and transition profiles of corporates as part of security selection decisions facilitated in the secondary markets               | Lower  | Higher         | Higher                    | Lower    | Higher                |
|                           | Stewardship                               | Leverage voting rights and influence to encourage corporate management teams to take steps to drive decarbonisation <sup>iii</sup>                      | Lower  | Higher         | Higher                    | Lower    | Higher                |
|                           | Investment products                       | Create and market net zero aligned savings and investment products (eg funds, pensions, life insurance)                                                 | Lower  | Higher         | Higher                    | Higher   | Higher                |
|                           | Investment mandates                       | Embed net zero considerations into investment mandates awarded to asset managers                                                                        | Lower  | Lower          | Higher                    | Higher   | Higher                |

**Availability of each lever per institution**

● Higher ● Medium ● Lower

Clarifications as provided in the original publication: i. Practices vary across asset owners — some directly perform asset management activities such as securities selection and specialist lending, while others delegate more of this activity to third party managers; ii. Specialised lending refers to: infrastructure, asset, and project-based financing; iii. Banks are not equity owners but can exercise loan covenant voting.

Source: table content from the Glasgow Financial Alliance for Net Zero (GFANZ) 2021 Progress Report. Oliver Wyman served as knowledge partner to GFANZ at time of publication. Figure adapted for this report to include an additional column for professional services. Refer to further detail here: <https://assets.bbhub.io/company/sites/63/2021/11/GFANZ-Progress-Report.pdf>.

**Big move #7**

## Scale high-integrity, innovative markets and be at the forefront of new investment opportunities

Sustainable finance markets are innovating fast. How quickly new approaches develop — such as those related to the voluntary carbon markets, nature, and impact investing — will be dependent on enabling conditions to encourage their growth. In many cases, this will require the UK to leverage its deep expertise and experience in building and integrating world-class marketplaces underpinned by fair laws, credible standards, enabling policies and incentivised action across the value chain. It may also require new types of specialist expertise as firms move to embrace new investment opportunities, such as those related to natural capital. In many cases, fostering the growth of these markets while they are still nascent will heighten UK competitiveness, making the need for action all the more urgent. Key actions include:

- Develop an all-encompassing high-integrity voluntary carbon markets (VCM) ecosystem.** There is growing acknowledgement that carbon credits can play a role in the removal and offset of emissions that cannot otherwise be avoided in the near term. Currently relatively small — one estimate put the total market size at US\$2bn at the end of 2021 — it has the potential to grow fast. 2021 was already a fourfold increase on 2020, and by 2030 the market could see rapid growth.<sup>104</sup> However, organisations can find it difficult and costly to navigate the market. There are multiple marketplaces and a plethora of guidance on “best practice” approaches and principles of use. It is not always clear that purchasing a carbon credit will result in meaningful emissions reductions, and there is concern of reputational damage if a claim is made improperly. Creating an environment where market actors can have confidence in the integrity of the market; how the use of offsets may complement their transition commitments; and how they should disclose and account for their use is key. As a priority, the government can remove the complexity and barriers that are preventing participation in the market, including consideration

for the potential role of regulation around VCMs, building on the proposals put forward by the Skidmore Review.<sup>105</sup> Care should also be given to provide the right incentives and policy frameworks for participants across the VCM value chain,<sup>106</sup> so that they promote, purchase and sell high-integrity credits and that these do not come at the cost of emissions reductions. Collectively these efforts have the potential to drive significant momentum for scaling the liquidity and growth of carbon markets.

- Scale-up other high-integrity nature markets and support approaches to protect natural capital.**<sup>107</sup> There is a strong argument to be made for protecting natural capital, as nature-based solutions can achieve an estimated 37% of the mitigation needed until 2030 to meet net zero targets.<sup>108</sup> Uncertainty around relevant environmental policy and regulation is just one factor impeding the growth of nature markets today. If there is to be a thriving nature market based in the UK, then the current programme of work summarised in the government’s Green Finance Strategy and Nature Markets Framework must be completed, and an ambitious course set for the rest of the decade. The planned consultation on nature markets, and piloting new markets, such as the Natural Environment Investment Readiness Fund (NEIRF) will be crucial.<sup>109</sup> Efforts such as these will help the market to mature and develop a greater pipeline of investable projects that will support private sector investment over the long term.

These activities can also support financial institutions participating in “impact investing” activities, whereby “investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return”.<sup>110</sup> Finally, the UK’s established strengths in insurance can play a pivotal role in supporting and accelerating the benefits that these new markets will bring. For example, the London market could develop insurance products to protect against project failure or fraud risks.



Glasgow, host of the COP26 Climate Conference

**Benefits**

With the right enabling conditions in place and impactful mobilisation of government fiscal and policy support, the private sector could play a meaningful role in driving the substantial economic opportunity of VCM and closing the financing gap for achieving nature-related outcomes targeted in UK policy, which one estimate puts between at least £44bn and £97bn.<sup>111</sup>

**Key actors (non-exhaustive)**

DESNZ; the Department for Environment, Food and Rural Affairs (DEFRA); the UK ETS Authority; FPS Industry Participants; Green Finance Institute; Impact Investing Institute; civil society organisations.

## 5. Pursue world-class promotion and interconnectivity

### Impact by 2030

Financial and professional services accelerate growth and prosperity across the UK. This comes through increased FDI into FPS, which flows into other sectors. It also derives from increased FPS exports and leadership in setting robust and pragmatic international standards around new technologies and sustainable finance. Overseas firms increasingly see the UK as a focus for investment, and a springboard for providing services globally.

### Context

The UK's FPS sector is recognised as a global leader powering growth of the global economy. In 2022, it attracted a combined value of £2bn in FPS foreign direct investment (FPS FDI) projects, whereby firms in other countries make investments into the UK, either through setting up a new entity or expanding the operations here (see Figure 14). In 2022, this FDI created nearly 15,000 jobs. Over half of the jobs created in 2021 were outside London.<sup>112</sup>

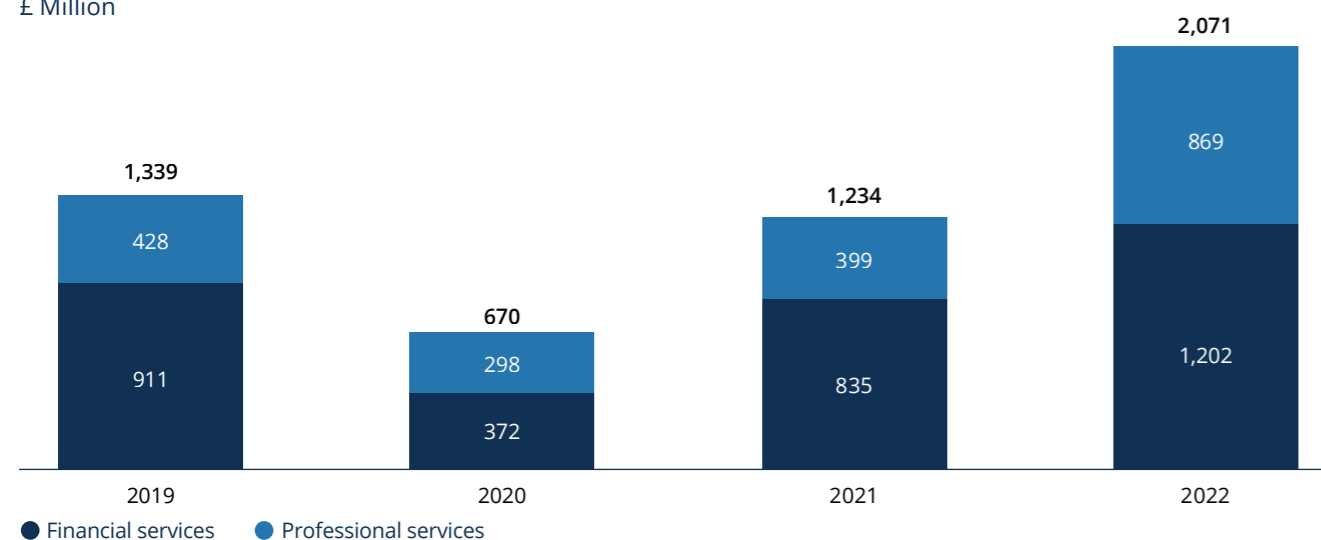
The UK is also a top destination for international investors, including pension and sovereign wealth funds. Investors seek to invest in the UK as part of a diversified portfolio and also benefit from the UK's asset management expertise, which can help them to channel their assets globally. Consequently, of the £11.6tn assets under management in the UK in 2021, 46%

were managed on behalf of overseas clients.<sup>113</sup> Its insurance market is also one of the top in the world, and the largest in Europe, helping businesses to manage risk and associated costs.<sup>114</sup> The London Market is highly export-oriented, with 68% of its business coming from companies outside the UK and Ireland in 2020.<sup>115</sup>

UK services exports were the second highest in the world in 2022.<sup>116</sup> There is also enormous opportunity to grow services to new markets through heightened promotional activities. Moreover, trade flows are not static. In 2021 for instance, the US represented 34.1% of the UK's FS exports.<sup>117</sup> This represented an increase from 30.2% in 2019.<sup>118</sup> According to UNCTAD data, UK net FS exports have held constant since 2008, while the US, Singapore and Hong Kong have all increased significantly.<sup>119</sup>

**Figure 14: UK FPS FDI in recent years**

£ Million



Source: fDi Markets data as published by the City of London Corporation (2023): <https://www.theglobalcity.uk/resources/foreign-direct-investment>.



The UK's performance as a global financial centre must be bolstered internationally by strong, cohesive, and strategic promotion. Traditional strengths, such as time zone, language, and rule of law, are important but cannot stand on their own in an increasingly competitive global marketplace. Equally, we need to reflect the wider pool of "pull" factors that the UK can offer. These new factors include transition finance expertise and proven leadership around technological innovations, such as open banking and AI. In selling its offer to the world, UK FPS will need to show how it serves its clients in solving global challenges from the net zero transition to tech transformation, and how it can support firms to flourish and grow. Bringing together the full coalition of UK players, with a strong vision and narrative, would powerfully increase the UK's impact.

There are also major opportunities for the UK as a convening power for financial services innovation. The UK has a long track record of leading supranational policy conversations. In 2008, the Treasury rescue plan for UK banks became a template for wider eurozone and US government actions. More recently, the UK's FCA has chaired the Coordination Group of the Global Financial Innovation Network (GFIN), as well the International Organisations of Securities Commissioners (IOSCO) workstream on crypto and digital assets.<sup>120</sup> The UK also provides leadership on technical standards. In each case, UK leadership draws on its existing strengths as an international financial centre.

The following two big moves are catalysts to ensure that the UK's FPS promotion is most impactful and that it continues to be innovative in its approaches to embedding market access.

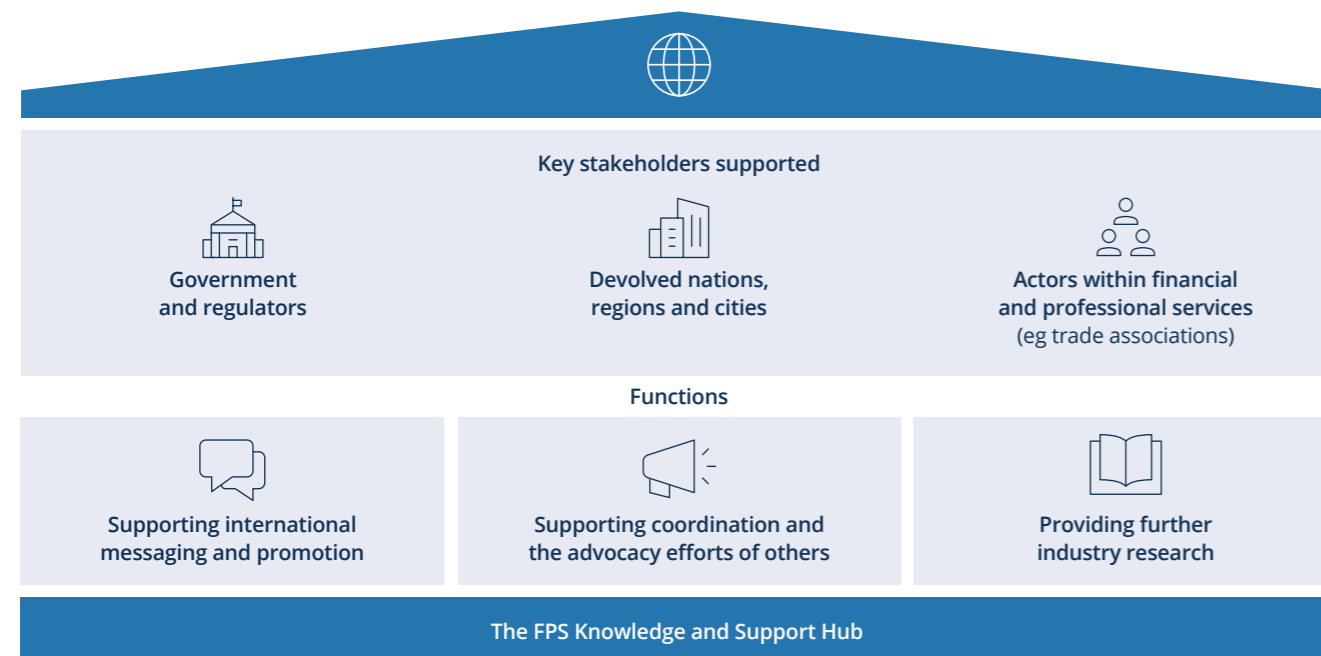
**Big move #8**

# Showcase the UK’s financial and professional services sector on the international stage like never before

The UK’s competitors, from Ireland to Singapore to those in the Middle East, have powerful investment agencies focused on attracting FPS. Promotion of the UK’s FPS proposition internationally relies on a wide range of organisations in central government and across the FCDO’s global network, the devolved administrations’ FDI teams, investment promotion bodies representing UK regions and cities, and other FPS actors, such as trade associations. There is value in this approach. It means there can be differentiation and nuance in articulating the UK’s unique strengths.

Providing these existing entities with added support, through an FPS Knowledge and Support Hub, would help to turbo-charge promotional efforts for all actors across the UK (see Figure 15). The establishment of a dedicated hub to support promotion of the UK FPS sector’s promotional activities is a strategic imperative. It would elevate the sector’s global positioning, attract investment, and foster sustainable growth.

**Figure 15: The pillars of the FPS Knowledge and Support Hub**



The key action is to:

- **Establish an FPS Knowledge and Support Hub** with the following objectives:
  - **Supporting international messaging and promotion.** The hub can highlight the compelling narratives, messaging and collateral of existing promotion efforts that showcase the sector’s excellence. This can resonate with the evolving

needs of international markets, capturing the imaginations of investors and partners. The hub could also provide a supporting marketing capability that would develop and implement comprehensive campaigns, working with existing organisations to showcase specific verticals or key areas of excellence such as the sector’s talent pool. This could involve capacity building in areas of the UK that have limited promotion activities.

- **Supporting coordination and the advocacy efforts of others.** The Hub will not do its own direct advocacy. But it can enable, amplify, and highlight the existing work being done across the country’s bodies, thereby supporting their coordination, fostering greater partnership, and potentially championing joint delivery. For example, where appropriate the Hub can highlight areas of mutual interest across promotion agencies and signpost where collaboration (rather than parallel efforts) could be most useful.
- **Providing further industry research.** The Hub could collate existing intelligence being produced by other entities, including benchmarking on the UK vs competitor jurisdictions. Where appropriate, it can translate this work into “digestible” formats that can be shared directly with investors abroad. The Hub could also provide market intelligence, trends, and insights that would be objective and up-to-date. These resources would help investors, decision makers and industry leaders to benefit from the latest research and expertise. This would also help the Hub to achieve the other functions mentioned above (ie, supporting international messaging, coordination, and others’ advocacy efforts).

In terms of governance, the Hub should be a national, joint initiative of industry and the public sector. The board should have representatives from central and devolved nation governments, as well as industry bodies (such as trade associations). It would also be complementary to any recommendations that will be put forward in the Harrington Review on the government’s approach to attracting FDI.<sup>121</sup>

The Hub’s key performance indicators (KPIs) would need to reflect results in FDI and export promotion across different regions in the UK, a step change in the sector’s reputation internationally, and the recognition of value-add across the sector’s multiple stakeholders.

**Benefits associated**

Between 2024-2030, we estimate the Hub could contribute:

- Up to £0.7bn of FPS FDI, if we assume an annual uptick in FPS FDI worth up to 6% of 2022 levels.<sup>122</sup>
- Additional investment accrued outside of FDI, including up to an additional £500m in overseas VC investment into the UK.<sup>123</sup>
- Up to £24bn increase in FS exports, if we assume the Hub could contribute an average additional uplift of approximately 0.9% compound annual growth on top of the forecasted growth of UK goods and services exports.<sup>124</sup>
- Up to 5,000 additional jobs could be added from increased FDI from 2024-2030, if we assume an annual uptick in new job creation consistent with annual FPS FDI growth worth up to 6% of 2022 levels. Job estimates assume the same level of investment productivity as 2022, however this may vary depending on the type of additional investment received.<sup>125</sup>

**Key actors (non-exhaustive)**

Central and devolved national governments; FPS industry participants (including trade associations); DBT; DSIT; Foreign, Commonwealth, and Development Office (FCDO); relevant regulators, including those overseeing financial services firms (see Figure 4).



Big move #9

# Create innovative networks across the world

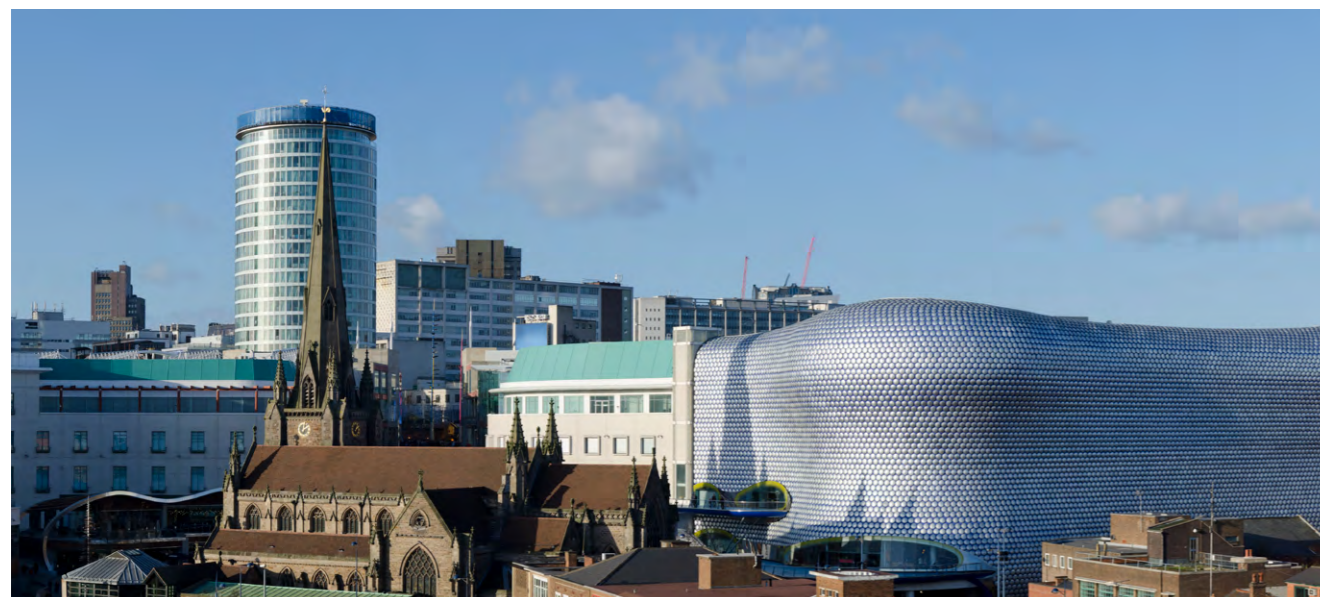
Open markets drive innovation. The UK can play a leading role in establishing global regulatory frameworks, especially for emerging technologies. Within these frameworks, the UK can help firms navigate these technologies and their application internationally. A critical part of this, even if not explicitly discussed in the recommendations below, will be to ensure that domestic policy frameworks and standards (such as those on data use and sharing, or sustainable finance approaches), are designed with a focus on interoperability. It is crucial that the UK protect its high levels of openness.

The UK should adopt a new strategic approach to openness and collaboration which will, in turn, enable firms to innovate and extend their services internationally. Key activities include:

- **Flipping trade policy to focus on services as much as goods.** Services trade plays a major role within the UK economy, but it is not sufficiently prioritised within trade policy. While free trade agreements (FTAs) are important, they are hard won and slow. For services, more could be achieved more quickly by deploying the full trade toolbox. The Resolution Foundation has outlined core components of new service trade agreements to include mutual recognition of professional qualifications (MRPQs); digital agreements; mutual recognition agreements (MRA) for financial services; and other enhanced

mobility arrangements.<sup>126</sup> Digital agreements could include joining the multi-lateral Digital Economy Partnership Agreement (DEPA) which includes New Zealand, Chile, and Singapore. In terms of MRAs, the UK can complete the Swiss MRA and apply the lessons learned as it is implemented. Enhanced mobility arrangements could include ambitious visa-free arrangements or a preferential visa-access regime. The UK's FPS Strategy (see Chapter 2) should set out the broad framework for how new approaches to trade policy with a greater focus on services will be operationalised (the "trade toolbox" approach).

- **Creating mechanisms for government-regulator-industry partnership to create and advise on the full trade toolbox.** One such mechanism could be the FPS Partnership Council as proposed earlier in this report. It could also build on existing processes already established, such as those with the UK-Australia trade deal (where regulators had a 24-month dialogue to provide recommendations) or the Swiss-UK MRA (where regulators and professional associations discussed the agreements).<sup>127</sup> This would better integrate views on the design and execution of market access, as well as FTA negotiations. Improving the consultative process will enhance buy-in for any market access and trade agreements and ensure that they are most impactful for firms seeking to operate internationally.

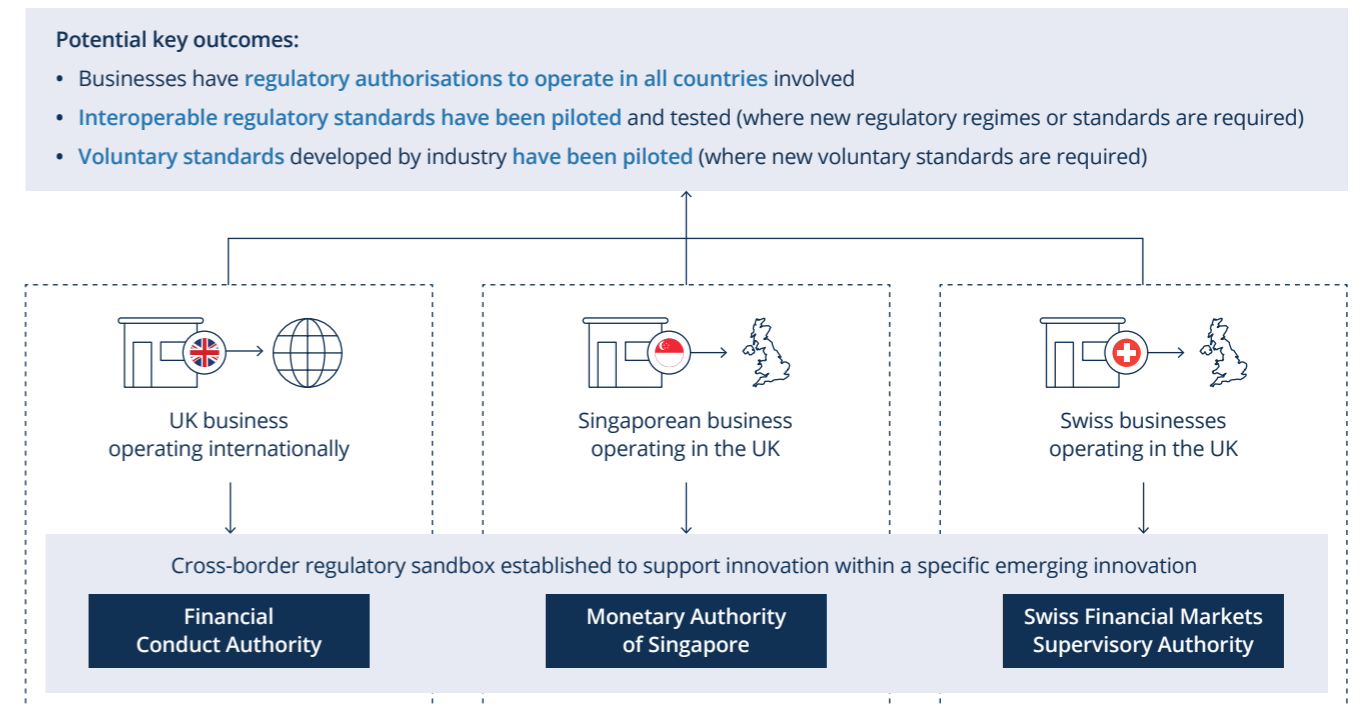


Birmingham skyline

- **Create international forums for collaboration, such as multi-jurisdictional sandboxes that build on the work of the GFIN.** We want potential access to turn into actual flows of products and services. Lessons can be learned from the success of the UK's regulatory sandboxes, and their replication abroad demonstrates the power of these environments as one way of safely fostering innovation. In particular, they enable regulators to adopt a more agile approach to overseeing new technologies. The next stage is

for UK regulators to partner with other national regulators to establish joint protected environments. Companies can then test innovative new products and, potentially, gain multiple authorisations to introduce them in several jurisdictions far more quickly. Simultaneously, lessons learned can quickly be shared through the GFIN, and influence the development of supra national industry standards (see Figure 16).

Figure 16: Illustrative example of a multi-jurisdictional regulatory sandbox — one form of international collaboration



Note: this is an illustrative example only, and does not reflect a formal commitment among any parties to participate.

**Benefits associated**

This move will benefit UK-based FPS on the global stage, contributing to an uptick in FPS FDI inflows. See high-level illustrative estimate in the previous big move.

**Key actors (non-exhaustive)**

Central and devolved national governments; FPS industry participants (including trade associations); DBT; DSIT; FCDO; FCA; BOE; PRA; HMT relevant regulators in foreign jurisdictions.

# Conclusion

The UK is at an inflection point. It can and must fight for its role as a world-class global financial centre. In so doing, it will drive better results for consumers, citizens and businesses.

This report has outlined a set of big moves to help ensure that UK-based FPS can deliver growth and prosperity. Action will require a renewed partnership between

regulators, government, and industry. If successful, this will raise overall investment levels, promote sustainable outcomes, and drive innovation. It will also require a new level of international promotion and collaboration. This must be a collaboration that makes abundantly clear to firms operating internationally how the UK can help them to succeed.



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|                                                   |                                                                       |                                         |
|---------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------|
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| Moody's                                           | Sigma Advanced Capital Management                                     | World Federation of Exchanges           |
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- 123 Illustrative estimate only to indicate benefit potential and does not reflect a projection. Calculated over 6 years from 2024-2030. Estimated 4-6% uplift (in line with FPS FDI estimates) based on DBT total amount of overseas investment into the UK (worth ~£1,239 million for 2022-2023). There may be overlap between FPS FDI estimate and overseas VC investment, as some VC investment is counted in FDI estimates. See DBT inward investment results technical annex for more details on FDI calculations: <https://www.gov.uk/government/statistics/dbt-inward-investment-results-2022-to-2023/dbt-inward-investment-results-technical-annex-2022-to-2023>. Total overseas VC investment from DBT inward investment results (2023) <https://www.gov.uk/government/statistics/dbt-inward-investment-results-2022-to-2023/dbt-inward-investment-results-2022-to-2023-html-version#venture-capital-and-large-capital>.
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Oliver Wyman was commissioned by the City of London Corporation as the delivery collaborator for Vision for Economic Growth — a roadmap to prosperity initiative — which aims to develop a long-term plan to reinforce and renew the UK's role as a global financial centre. The primary audience for this report includes public and private sector stakeholders.

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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.

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GLOBAL  
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## 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.

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