



THE GLOBAL CITY

London and the UK's
global offer to business:
Innovative ecosystem



Innovative ecosystem

The UK's proposition for innovation in financial and professional services is unique: It is the only global financial centre that has a 'full-package' innovative ecosystem on offer. Across services in sustainable finance and tech, businesses have access to a globally connected market, tap into a deep pool of talent and skills, and benefit from strong regulatory and government support. It is the interplay of these elements that make the UK a world-leading centre for innovation in financial and professional services. This one-of-a-kind environment helps businesses succeed and shapes the future of the financial services industry.



View online at: theglobalcity.uk/competitiveness

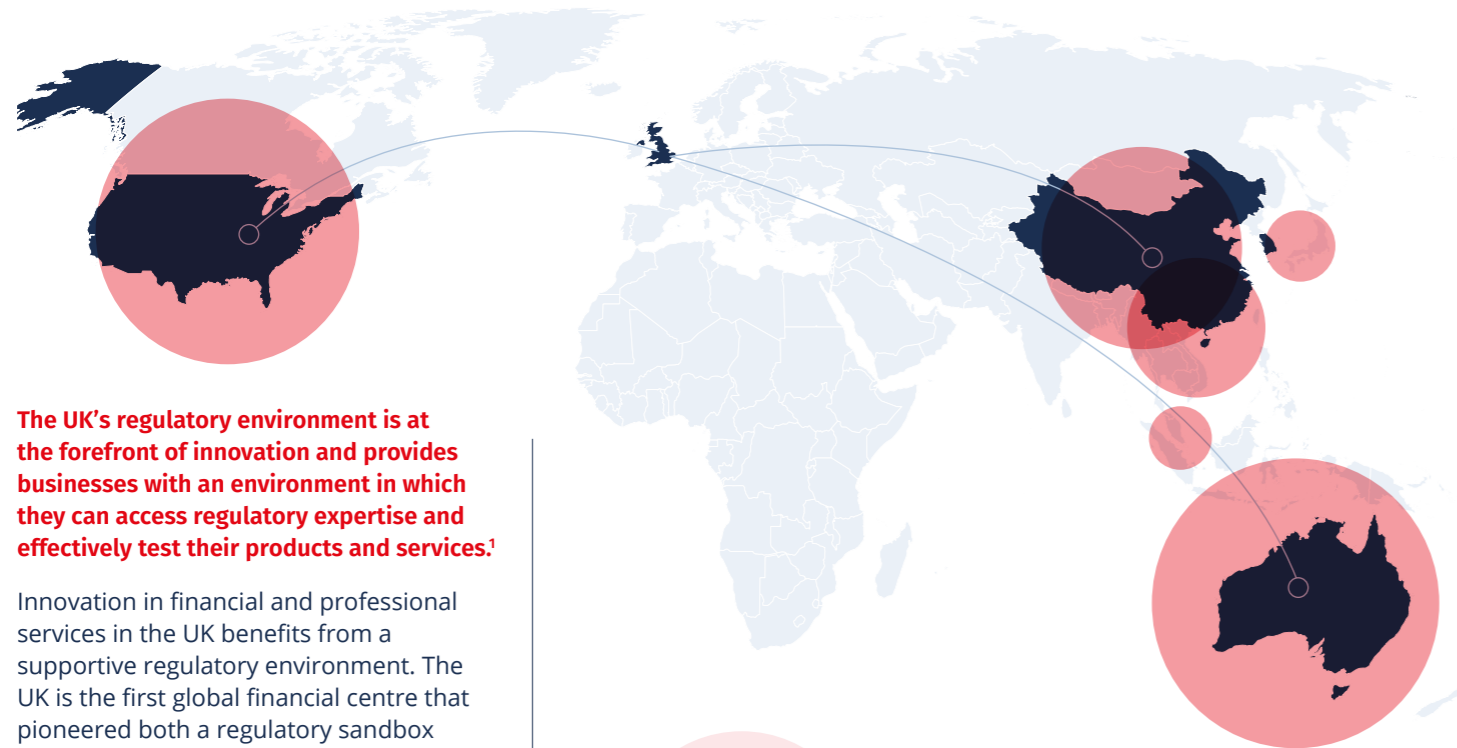


Metrics

1. Financial and professional services tech venture capital investment
2. Number of financial and professional services tech early-stage deals
3. Number of Fintech 100 firms
4. Regulatory sandbox (yes/no)
5. Open banking (yes/no)
6. Number of fintech bridges and regulatory cooperation agreements
7. Share of relevant graduates
8. Digital skills among population
9. Adoption rate of fintech
10. Number of patent applications, per resident
11. Green bonds, amount outstanding
12. Green bonds, gross issuance
13. Number of firms reporting in line with TCFD principles
14. Signatories to UN Principles of Responsible Investment
15. Signatories to UN Principles of Sustainable Insurance
16. Sustainable stock exchange (yes/no)
17. Stock exchange sustainability disclosure rate
18. Stock exchange with a sustainable bond segment (yes/no)
19. Sovereign green bond (yes/no)
20. Sustainable finance taxonomy (yes/no)
21. Better World MBA ranking
22. CDP A-list ranking

Tech and innovation

The UK is the only global financial centre that has a 'full-package' fintech offering: deep and broad market and activity, access to world-class talent and skills, and a supportive regulatory environment. The US see more market activity for tech in financial and professional services, but a lack of regulatory coordination and support across states increases compliance costs for businesses and slows private initiatives. Asian centres benefit from innovative regulatory ecosystems but lack market size and activity.



The UK's regulatory environment is at the forefront of innovation and provides businesses with an environment in which they can access regulatory expertise and effectively test their products and services.¹

Innovation in financial and professional services in the UK benefits from a supportive regulatory environment. The UK is the first global financial centre that pioneered both a regulatory sandbox and open banking. In the World Trade Report 2019, the World Trade Organization highlights the UK Financial Conduct Authority's regulatory sandbox as a prime example for both facilitating an effective regulator-innovator dialogue and cooperation between different markets. In 2020, the Financial Conduct Authority and the City of London Corporation began piloting an additional 'digital sandbox' to support innovative firms tackling challenges caused by the COVID-19 pandemic. Such regulatory cooperation reduces costs and provides an environment in which innovation can be effectively tested. There is further opportunity for the UK to extend 'open banking' into 'open finance', extending open banking principles to cover a wider range of financial services. In international cooperation, Singapore and the UK are leading.

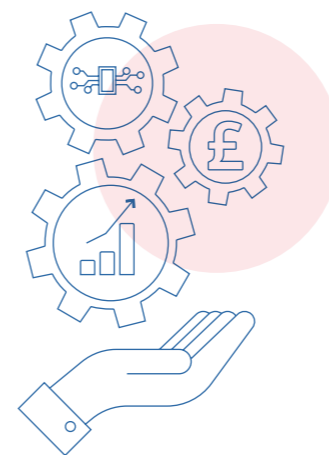


The UK is the first global financial centre that **pioneered both a regulatory sandbox and open banking**

The Asian financial centre has established as many fintech bridges and agreements on regulatory cooperation with other markets as Hong Kong, the UK, Japan, and the US combined. The UK's Financial Conduct Authority chairs the Global Financial Innovation Network (GFIN), providing a more efficient way for innovative firms to interact with regulators and helping them navigate between countries as they look to scale and test new ideas.

The UK's deep, broad, and innovative market – in size and activity second only to the US – offers a wealth of opportunities for both fintech businesses and investors.²

London alone is home to the biggest and most diverse financial services cluster in the world, and the fintech sector benefits from this deep and broad ecosystem. The UK is second only to the US in fintech, insurtech, and legaltech venture capital investment and number of start-ups in finance and tech, reflecting a highly dynamic market and innovative business environment. The fintech sector accounts for c.8% of the UK's total financial services output. In 2019, businesses in finance and tech in the UK closed 183 early-stage investment rounds. This compares to 554 early-stage investment rounds in the US. The industry attracted nearly GBP 2.2bn of venture capital investment in the UK, which compares to GBP 10bn in the US. Both number of deals and amount of investment are considerably higher than in the remaining financial centres. Access to capital is supported by healthy venture capital and private equity market segments, government entities such as the British Business Bank (BBB), and favourable policy initiatives.

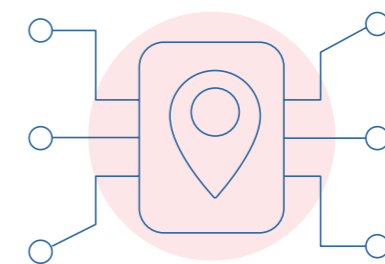


£2.2bn

The fintech sector **attracted nearly £2.2bn of venture capital investment** in the UK in 2019

London is the world's capital for tech and innovation in financial services.³

Of the 100 largest, most successful, and most innovative fintech firms world-wide, 11 had their headquarters in the UK in 2019. This is second only to the US, where 15 of the Fintech 100 were located. At city-level, London is the financial centre that was home to most of the Fintech 100 firms, reflecting the UK capital's strong financial services cluster. The UK's regulatory environment, London's digital infrastructure, and private initiatives such as more than 350 start-up incubators and accelerators across the country help the sector take off. Revolut and OakNorth are just two of the many successful UK fintech stories.



London is the financial centre that is **home to most of the Fintech 100 firms**

Sources

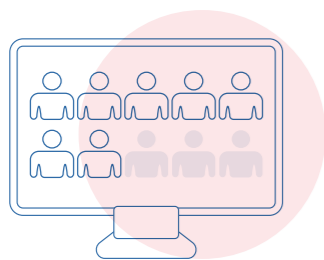
¹ Own analysis.
² Pitchbook 2020.
³ KPMG/h2 2019, BEIS 2017.





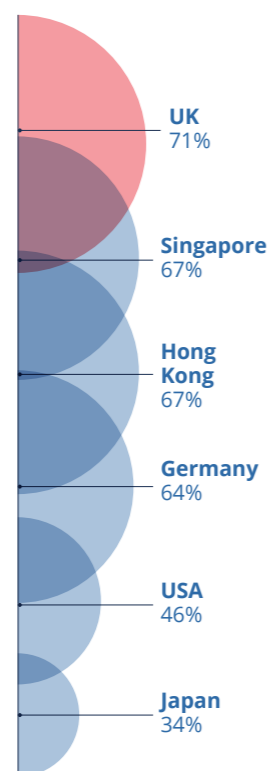
Wales Millennium Centre, Cardiff

The UK has the highest fintech adoption rate of all comparator global financial centres, reflecting a fast-growing industry, wide-spread awareness, and a large customer base.⁴



71%

of the digitally-active population have already adopted fintech solutions



The UK's population is most ready to embrace innovation in financial services – with 71% of the digitally-active population having adopted fintech solutions already. This compares to 67% in both Singapore and Hong Kong, 64% in Germany, 46% in the US, and just 34% in Japan. Fintech adoption is growing across all markets and the UK is at the forefront. The UK's adoption rate reflects a fast-growing industry, wide-spread awareness, and a large customer base. The COVID-19 pandemic will accelerate the shift to more digital, tech-based financial services even more.

Sources

⁴ EY 2019.
⁵ UNESCO 2016.
⁶ World Economic Forum 2019.

The UK's graduates and entry-level talent base are a globally unrivalled resource for the fintech sector.⁵

The UK's world-class pool of new talent is ready to innovate the financial services sector. The UK has a higher share of graduates in natural sciences, mathematics, and statistics, as well as information and communication technology than other global financial centres. This is supported by many UK-based universities now offering fintech courses and modules.



The UK has a higher share of graduates in natural sciences, mathematics, statistics, and information and communication technology than other global financial centres

Current workforce needs to increase digital skillsets for the UK to offer an even broader talent base.⁶

Targeted up-skilling efforts need to ensure the UK's current workforce is prepared for a digital future. In comparison with other global financial centres, only Japan has lower prevailing digital skills amongst the market's active population. Executives state that Singapore's population is most likely to possess sufficient digital skills, followed by the US, Hong Kong, and Germany. Whilst the UK's graduates and entry-level talent base are a globally unrivalled resource for the fintech sector, investment in re-skilling and up-skilling of the entire workforce is necessary to further meet talent demands.



Sustainable finance

The UK is the only global financial centre that is also a leading centre for sustainable finance. The US' activity in green finance is driven by private initiatives but suffers from a lack of regulatory and government support. Germany shows quality through government support, saw an inaugural sovereign green bond issuance in September 2020, and benefits from the European Union's planned sustainable finance taxonomy, but lacks private sector depth.

Across financial and professional services, market players in the UK are committed to sustainable principles – and regulatory measures will further drive this.⁷

The UK is home to a leading number of market players that commit to sustainable principles. The UK Stewardship Code demonstrates the commitment of those investing money on behalf of UK savers and pensioners to sustainable benefits for the economy, the environment, and society. For both signatories to the United Nations' Principles of Responsible Investment and number of firms reporting in line with the Task Force on Climate-related Financial Disclosure (TCFD), the UK comes in second – after the US and Japan, respectively. Until the end of 2019, 418 businesses in the UK signed the UN's Principles of Responsible Investment. This compares to 519 in the US, 111 in Germany, and considerably less in the remaining financial centres. The fact that the US' overall asset management market is multiple times bigger than the

UK's suggests that proportionally, UK market players are the most committed to sustainable principles. Up until 2018, the UK was the world-leading financial centre for number of firms reporting in line with TCFD recommendations. In 2019, Japan increased its number of TCFD supporters from 44 to 224 due to a push led by a public-private consortium that was backed by government departments. The UK is home to 132 supporters, the US to 131. In November 2020, the UK government set out plans to make TCFD-aligned climate disclosures fully mandatory across the economy by 2025 – the first G20 country to do so. The UK will also implement a green taxonomy, improving the understanding of the impact of firms' activities on the environment. Both measures will set world-leading examples and further underline the UK's commitment to sustainable principles.



Art installation at Broadgate, London

Sources

⁷ TCFD 2020, PRI 2020.
⁸ Z/Yen 2020.

The UK is the only global financial centre that is also a leading centre for sustainable finance.⁸

Europe is at the forefront of sustainable finance. Whilst specialised financial centres such as Luxembourg or Amsterdam boast their green finance offering, London and the UK are the only financial centre that top both conventional and green financial centre rankings.

“ The supportive regulatory and policy environment in the UK has been crucial to the development of green finance not just domestically but internationally. When we look at pioneering global sustainable finance initiatives, for example, many have received early support from the UK government and the UK finance sector such as the TCFD and also the Taskforce for Nature-related Financial Disclosures (TNFD).

The UK remains the leading venue for international green bond issuance, and the issuance of a green gilt will catalyse our domestic sterling green bond market and cement the UK's position as a leader in green finance.

Dr Rhian-Mari Thomas OBE
Chief Executive, Green Finance Institute.

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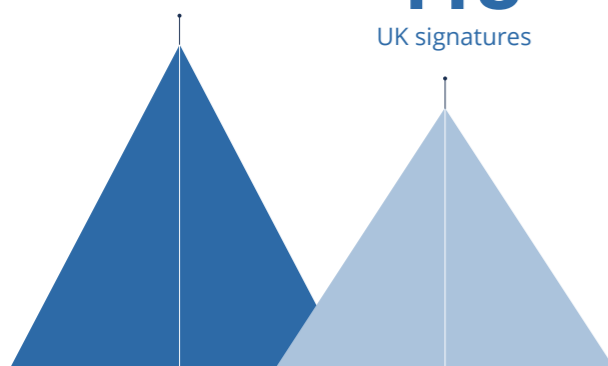
US signatures on the UN's Principles of Responsible Investment

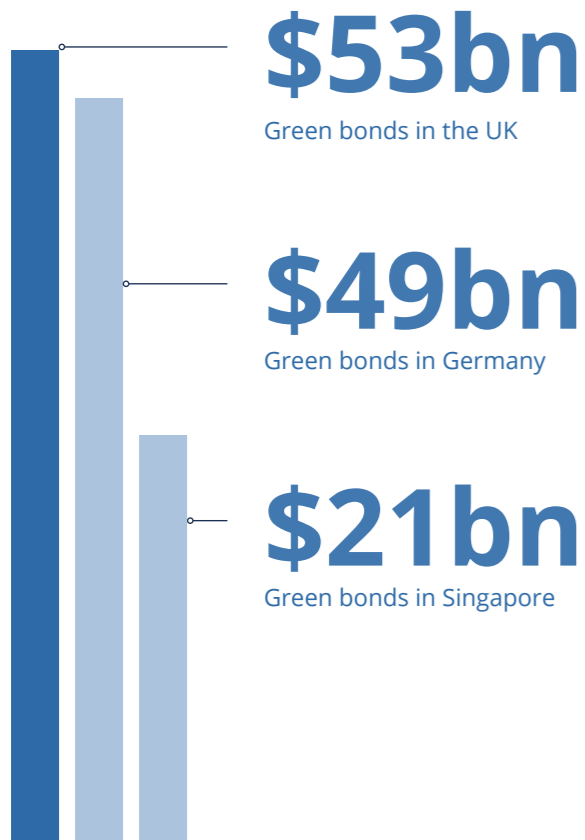
418

UK signatures



Proportionally the UK market players are the most committed to sustainable principles





More green bonds volume is being issued at the London Stock Exchange than at other major exchanges.⁹

The London Stock Exchange is a leading market for green bonds issuance: The outstanding amount of green bonds in the UK is higher than in any other global financial centre. Until 2019, a cumulative amount of almost USD 53bn of green debt had been issued in London. This compares to around USD 49bn in Germany, USD 21bn in Singapore, and considerably less in remaining markets. Issuance in the UK is driven by international issuers, demonstrating the strength of the UK's sustainable capital pool. 2019 saw a significant drop in green debt issued in the UK, whereas issuance in Germany, Singapore, and Hong Kong further grew. Alongside green bonds, the response to COVID-19 will drive issuance of social and more broader sustainability bonds, which the London Stock Exchange is prepared to support.



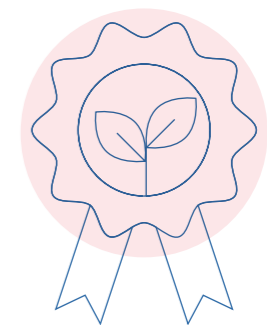
Crossrail Place, London

Of all global financial centres, London is home to the 'greenest' stock exchange.¹¹

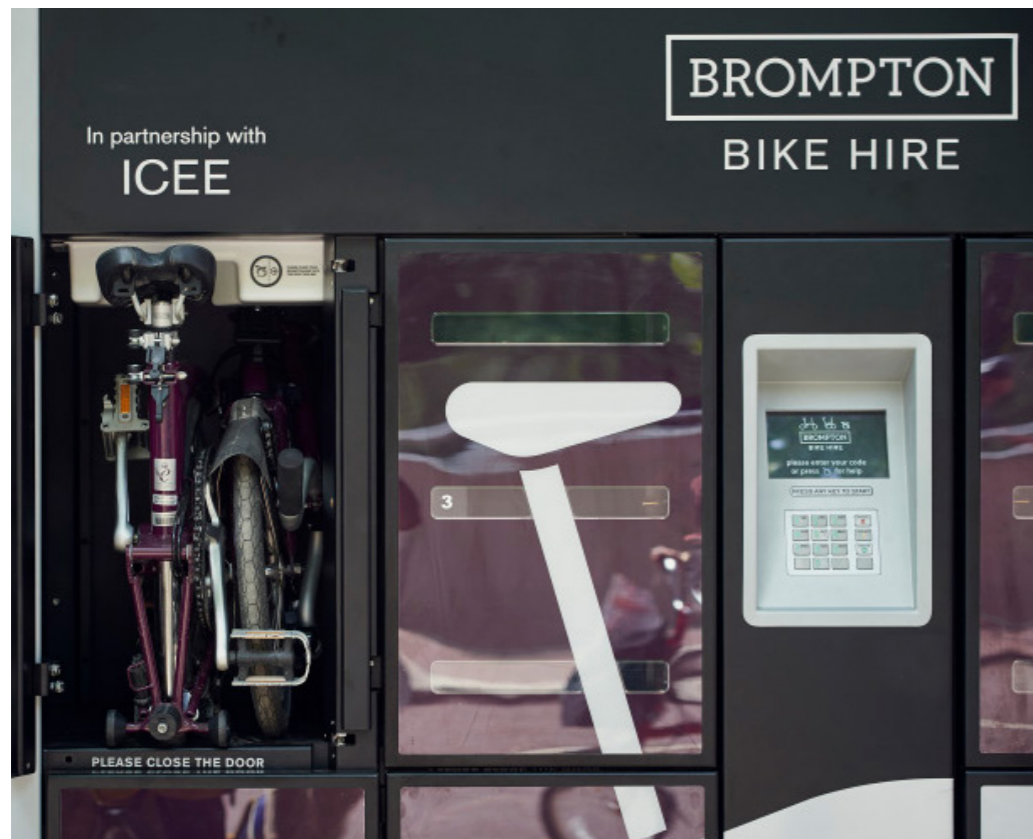
The London Stock Exchange is the greenest main stock exchange across all global financial centres. It joined the United Nations' Sustainable Stock Exchanges Initiative in 2014, well before peers in Germany, Japan, Singapore, and Hong Kong. The initiative aims to promote corporate investment in sustainable development. In 2015, the London Stock Exchange became the first stock exchange world-wide to set up a dedicated green bonds segment. This segment was later expanded into a more wide-ranging sustainable bonds segment, offering international corporates and investors access to a diversified range of sustainable products, as well as a deep pool of capital and world-leading expertise. Corporate activity on the London Stock Exchange matches the exchange's ambitions: Of all global financial centres, firms listed on the London Stock Exchange have the highest sustainability disclosure rate. This gives investors focusing on sustainability issues the confidence to find and invest in organisations that match their ambitions. To further increase visibility of issuers on the London Stock Exchange that deliver environmental products and services, the stock exchange launched its 'Green Economy Mark' in 2019. This is the world's first data-driven green classification for equity issuers and helps market players reliably identify sustainable investment opportunities.

The issuance of green gilts will further underline the UK's sustainable finance commitment and offer.¹⁰

Hong Kong was the first global financial centre to issue a sovereign green bond and raised USD 1bn with its inaugural green issuance in May 2019. The proceeds are earmarked for investment in environmentally-friendly products. Hong Kong's Financial Secretary Paul Chan highlighted the 'favourable' response from global investors (Reuters, 2019). Germany followed and issued the nation's first green bond in September 2020. The oversubscribed green bond raised EUR 6.5bn. By 2021, Germany is aiming to offer green bonds across all maturities. In light of this, the Green Finance Institute together with 30 asset owners and investors called for issuance of green gilts to further underline the UK's green finance commitment. The London Stock Exchange is a preferred venue for international green bonds issuance but so far lacks domestic issuance from both private and public actors. More domestic activity, and in particular 2021's sovereign issuance, will support London and the UK's leading green finance offer.



The London Stock Exchange is the greenest main stock exchange



Broadgate, London

Sources

⁹ Refinitiv 2020.
¹⁰ Own analysis.
¹¹ Corporate Knights 2019.



Right: Coal Drops Yard, London

Edinburgh University, Edinburgh

The UK's pool of talent is future-ready and in a better position than any other global financial centre to work on sustainability issues and achieve ambitious climate goals.¹²

The UK is best-placed to produce talent that is trained and skilled in sustainability matters. In 2020, the UK government, the Green Finance Institute, and 12 leading financial professional bodies launched the Green Finance Education Charter. The Charter demonstrates commitment to integrate green finance and sustainability into core curricula, new qualifications, and the continued professional development of their members. In addition, analysis shows that UK-based business schools have a higher average sustainability score than those located in other global financial centres. Across number of sustainability institutes, sustainability integration in core courses, number of relevant publications and citations, as well as faculty diversity, Warwick Business School tops the 'Better World MBA' ranking with a sustainability score of 94%. With a global economy that needs to turn green to achieve ambitious climate goals, access to skilled talent will be one crucial success factor. The UK leads the way for both: Access to capital and competency.

“ Our students increasingly expect to be provided with opportunities to engage with sustainability in their degrees and extra-curricular activities. We give them the knowledge and the skills to rise to the unprecedented challenges facing the world economy, including COVID-19, climate change, and a greater focus on social issues. This is integrated into our teaching and our curriculum. Our MBA programme includes a variety of modules with a specific focus on sustainability. Our graduates join a skilled, ambitious, and future-ready workforce, putting the UK in a better position than any other global financial centre to achieve ambitious sustainability and climate goals.

Dr Frederik Dahlmann
Associate Professor of Strategy and Sustainability, Warwick Business School, The Shard, London.

Source

¹² Corporate Knights 2019.



About the Global City campaign:

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

theglobalcity.uk



**THE
GLOBAL
CITY**

About the City of London Corporation:

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.

www.cityoflondon.gov.uk