CITY OF LONDON

THE GLOBAL CITY

Our global offer to business: London and the UK's competitive strengths in a changing world

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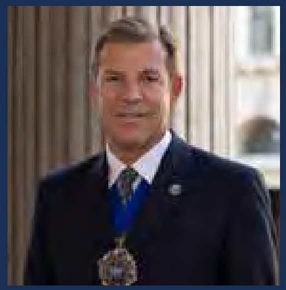
Foreword: London and the UK's future as a global business centre



Alderman William Russell
Rt Hon Lord Mayor of the City of London

Catherine McGuinness
Policy Chair of the City of London Corporation

We live in a time of world upheaval and economic uncertainty. Yesterday's answers to the most pressing challenges may not be the right answers anymore today or tomorrow. As the UK enters a new era, we must set out a bold vision for the future of our economy.

Now more than ever it is critical to understand the fundamentals underpinning our global offer to business. This research delivers the evidence we need. In this report, we identify the competitive strengths of the UK as an international centre for financial and professional services. We also highlight challenges and opportunities. And against a backdrop of unprecedented change, we ask what will be most relevant going forward.

Despite unprecedented change our fundamental strengths remain: openness and a global outlook, enterprise, an excellent business environment, and a skilled and entrepreneurial workforce. UK financial and professional services are innovative. They are globally connected. In the face of COVID-19, they adapted quickly and showed remarkable resilience. And when necessary, they will adapt again.

UK financial and professional services provide ongoing support to businesses in London and across the country, and they will drive the recovery here and around the world.

But they face challenges too. Some challenges are posed by COVID-19, and some are more fundamental. The accelerated digital transformation needs to be accessible to everyone. Our infrastructure needs to be fit for the future. Future regulatory and legal frameworks need to reassure investors that the UK is a market worth investing in.

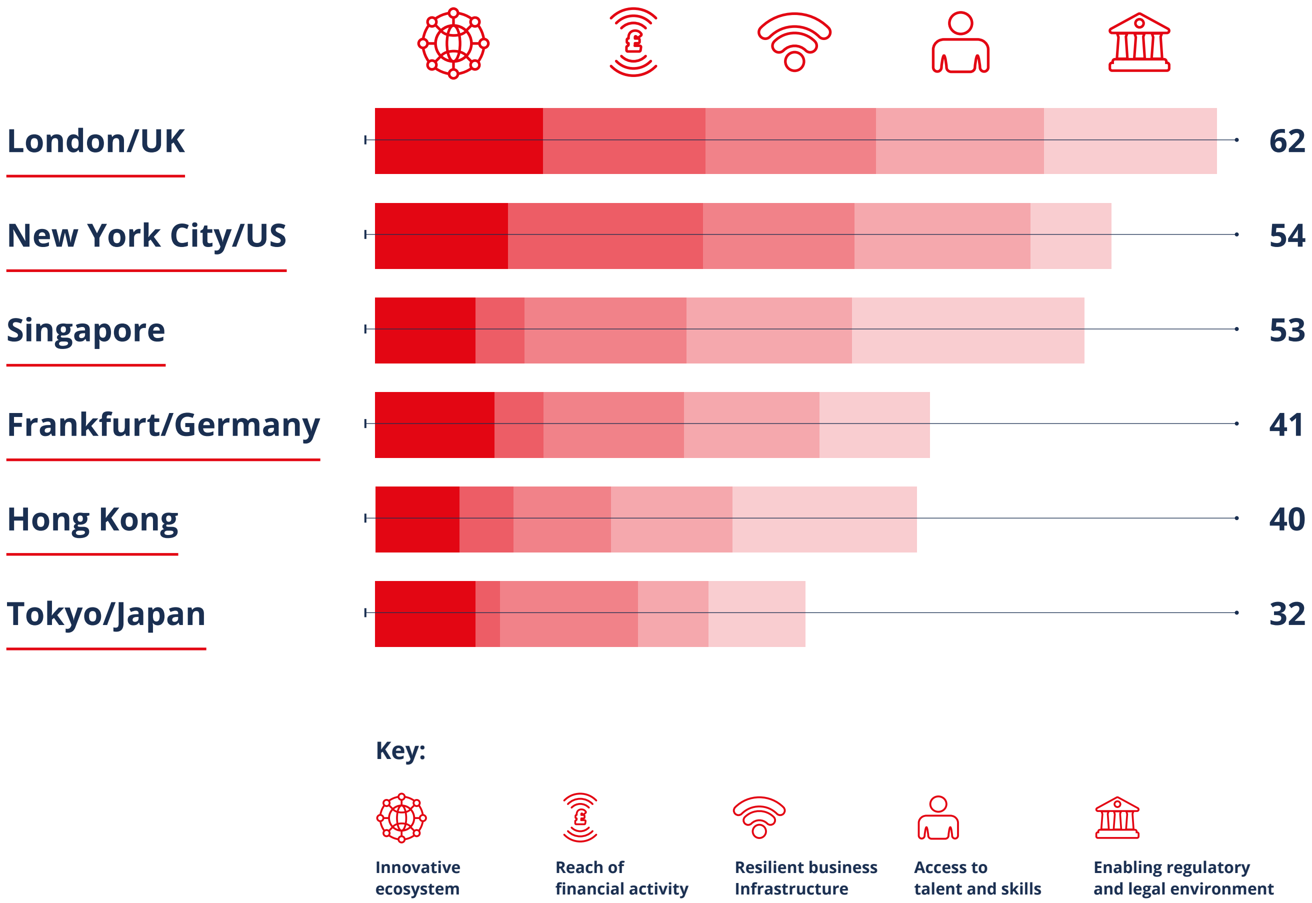
Now and in the future this means several things for us. We need to support the recovery of the Square Mile and help businesses adapt to new ways of working. We need to ensure London remains one of the best places in the world to do business and have set out recommendations for the future of the UK capital in our London Recharged report. And we need to develop a strategy for the whole of UK to remain an attractive and competitive centre for financial and professional services.

The City of London Corporation is dedicated to ensuring a vibrant and thriving Square Mile, within a diverse and sustainable London, as part of a globally successful UK. It is one of our priorities to support the UK's position as a leading centre for financial and professional services.

This research report is a central building block to ensure the long-term competitiveness of the UK. It highlights areas where we must do better. It demonstrates what we can learn from other global centres. But it also evidences London and the UK's enduring competitive offer. We are determined to secure our competitive offer going forward, and we look forward to working with you all on this.

Our global offer to business: London and the UK's competitive strengths in a changing world

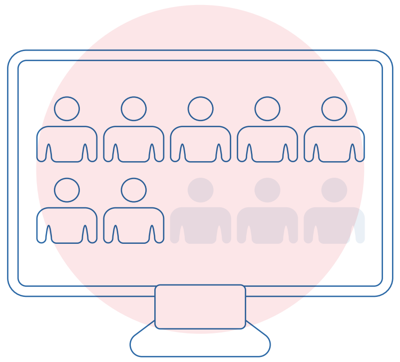
The depth and breadth of its offer make London and the UK the leading global centre for financial and professional services. This benchmarking research evidences the UK's enduring competitive offer, opportunity, and future focus across all measures. While other major centres lead on some measures, London and the UK continue to perform consistently well across all and have the strongest overall competitive offering. But to ensure future competitiveness, lessons need to be learned from the strengths of other centres.



Innovative ecosystem

1. London/UK | 2. New York City/US | 3. Frankfurt/Germany

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.



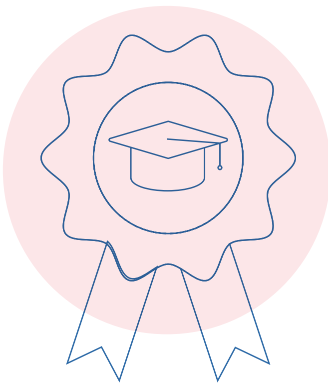
71%

of the UK's digitally-active population have already adopted fintech solutions

Access to talent and skills

1. New York City/US | 2. London/UK | 3. Singapore

World-leading universities and MBA programmes, an international workforce, and high quality of life driven by a rich cultural scene make London and the UK a global financial centre where financial and professional services firms find highly-skilled talent. This is supported by labour laws that are flexible and let firms respond to current business needs. To remain competitive in the future, the UK needs to close skill gaps in London and across the country, provide skilled international talent with a pathway into UK-based firms, and re-build London's attractiveness as a metropolis to not lose bright minds to other centres.

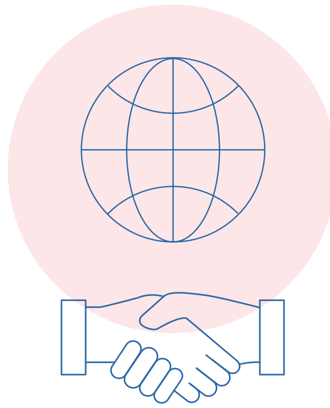


Oxford University was named 2020 **best university in the world**

Enabling regulatory & legal environment

1. Singapore | 2. Hong Kong | 3. London/UK

With an effective government, a competitive and simple tax system, and low barriers to international trade, Singapore is the financial centre with the most enabling regulatory and legal environment. Of the major economies, the UK's regulatory framework is leading. It sets international standards, and is at the forefront of innovation, and offers the lowest corporation tax rate of all G20 economies. However, facing global challenges, the UK's government needs to return to being perceived as more predictable, stable, and strategic. This will reinforce businesses' confidence that the UK is a market worth investing in.



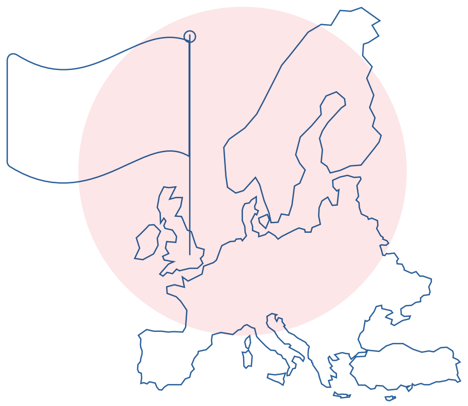
132

The UK has by far the largest international tax treaty network, with 132 double taxation agreements with other markets

Reach of financial activity

1. New York City/US | 2. London/UK | 3. Hong Kong

The US is the leading financial centre for international financial activity. However, the UK is a strong contender – despite the smaller size of its economy. The UK's banking sector is globally connected, its financial and professional services firms provide services to partners around the world, and it is the world's largest centre for international debt issuance, commercial (re)insurance, and foreign exchange trading. But Hong Kong and Singapore increasingly challenge the UK's position as an attractive market for foreign listings.

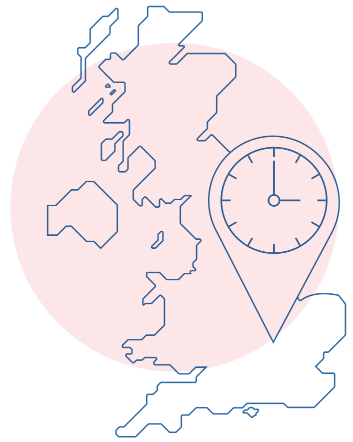


The UK remains Europe's top centre for financial services investment

Resilient business infrastructure

1. London/UK | 2. Singapore | 3. New York City/US

Financial and professional services firms in London and the UK benefit from world-leading business infrastructure and operational resilience. The UK's location on the world map provides for un-rivalled global connections, and the country's strong cyber security framework and digital security measures offer firms a business environment they can operate in with trust. To remain competitive, further investment into the UK's digital and transport infrastructure is needed – for the country not to lose ground to financial centres in Asia.



Market trading hours in the UK overlap with those in Asian, European, and American **financial centres**

1. 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.

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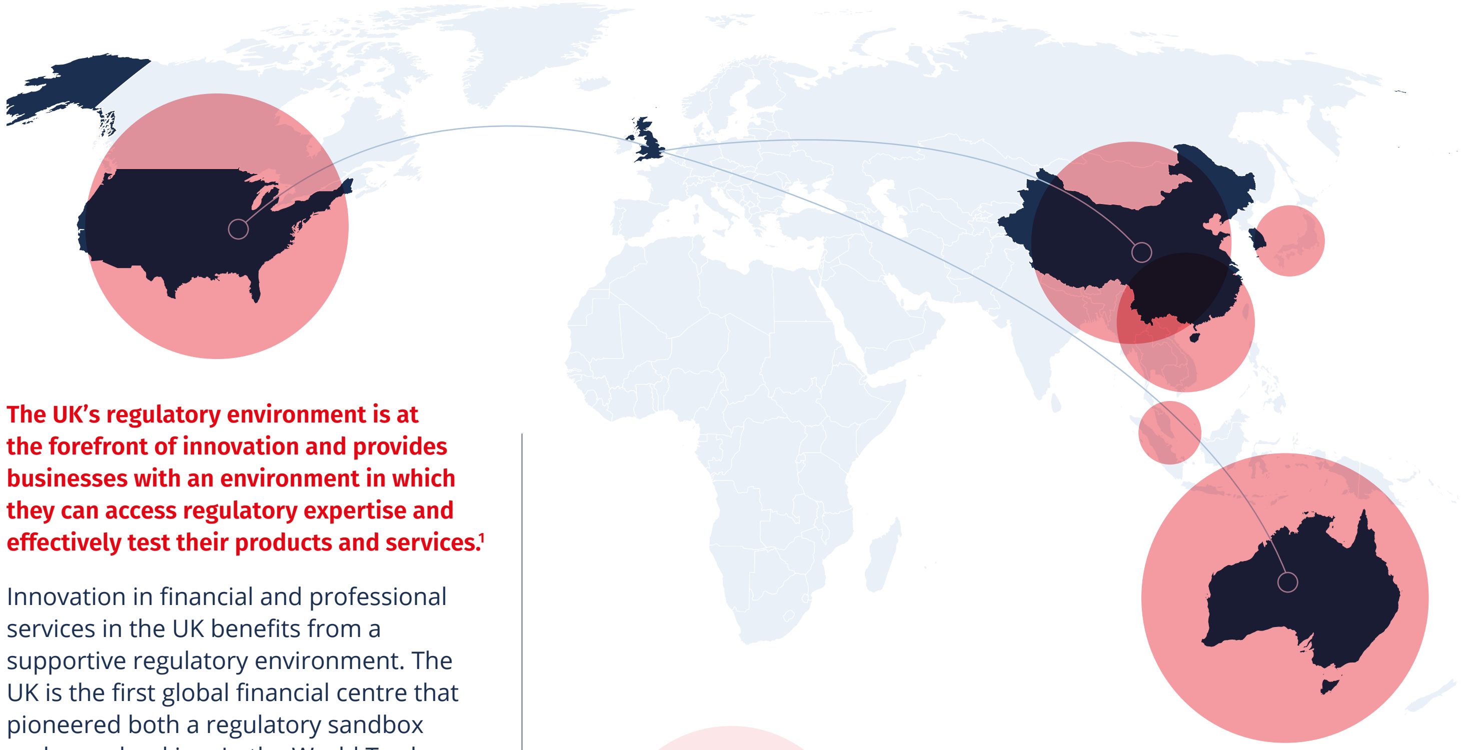
Metrics

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

1.1 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]

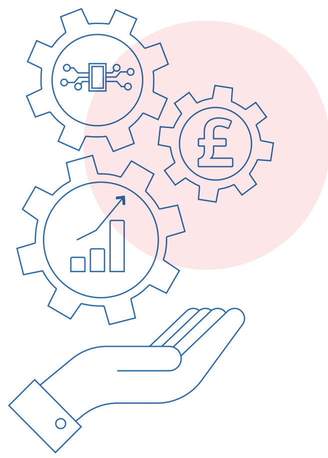
Innovation in financial and professional services in the UK benefits from a supportive regulatory environment. The UK is the first global financial centre that pioneered both a regulatory sandbox and open banking. In the World Trade Report 2019, the World Trade Organization highlights the UK Financial 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.

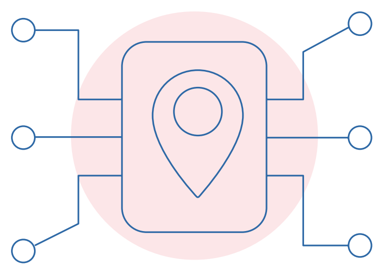


£2.2bn

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.



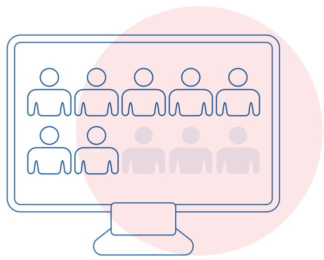
London is the financial centre that is **home to most of the Fintech 100 firms**

Sources

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

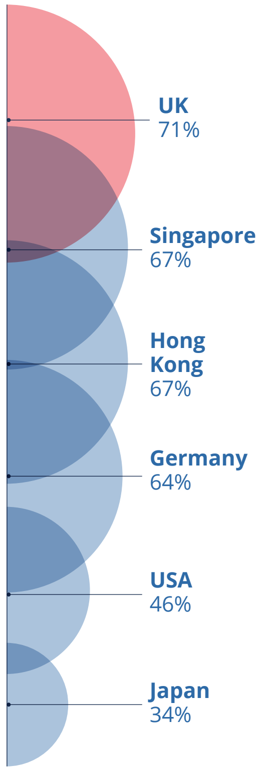
Wales Millennium Centre, Cardiff

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



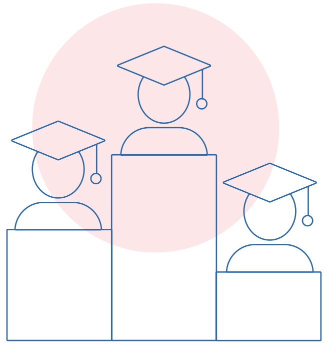
The UK's population is most ready to embrace innovation in financial services – with 71% of the digitally-active population having adopted fintech solutions already. This compares to 67% in both Singapore and Hong Kong, 64% in Germany, 46% in the US, and just 34% in Japan. Fintech adoption is growing 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]

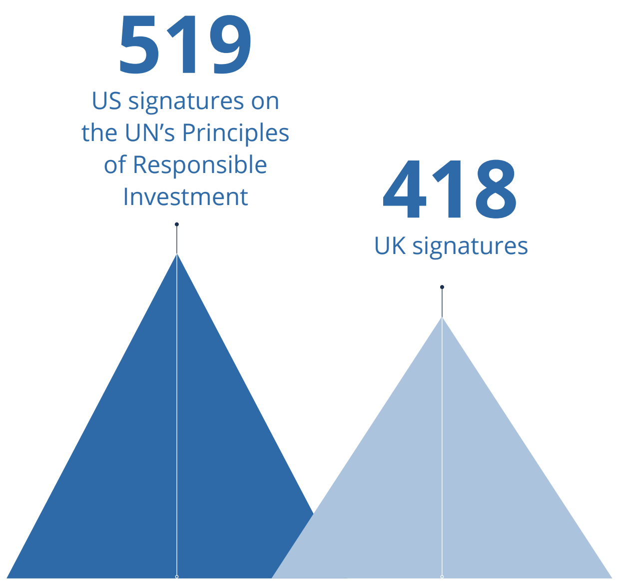
Targeted up-skilling efforts need to ensure the UK's current workforce is prepared for a digital future. In comparison with other global financial centres, only Japan has lower prevailing digital skills amongst the market's active population. Executives state that Singapore's population is most likely 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.

1.2 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.



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

Art installation at Broadgate, London

Sources

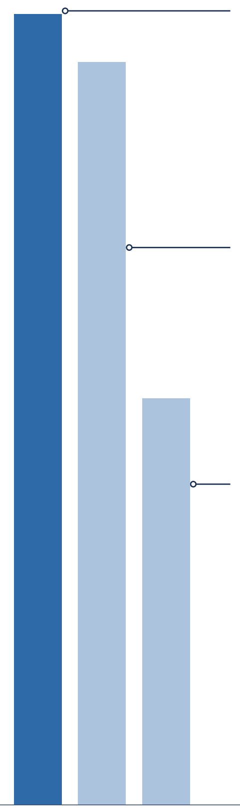
[7] TCFD 2020, PRI 2020.
[8] Z/Yen 2020.

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.



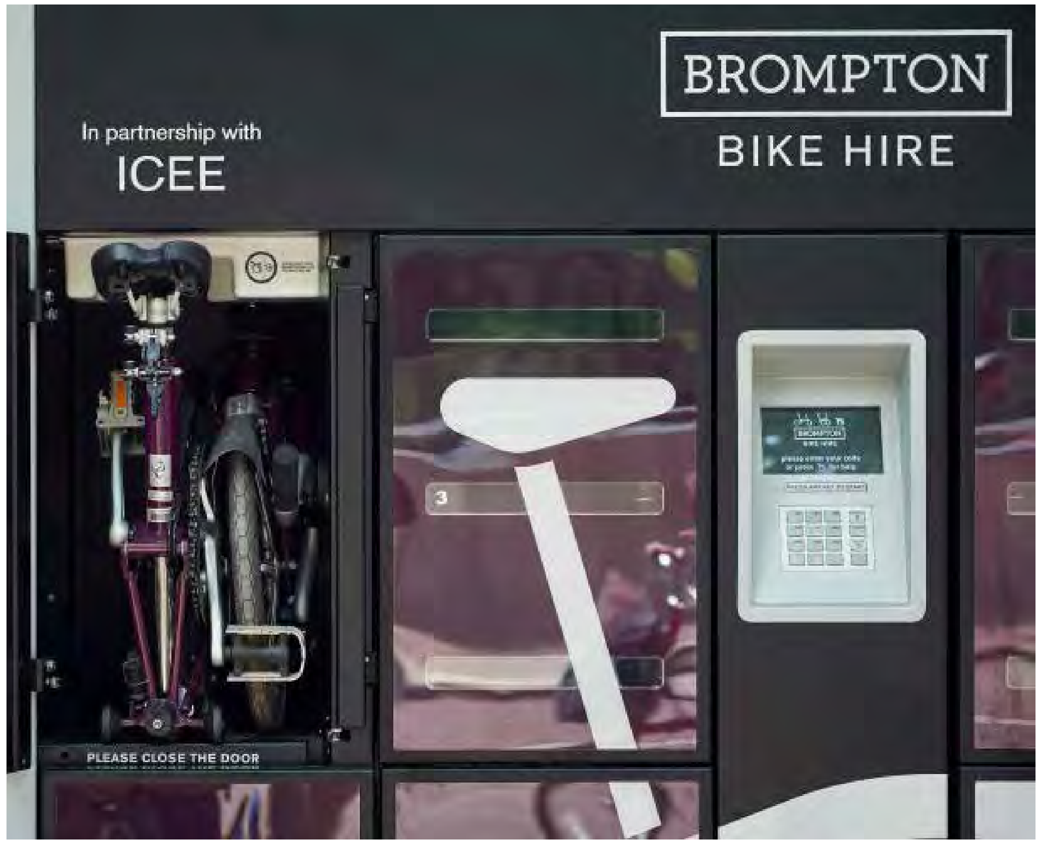
$53bn
Green bonds in the UK

$49bn
Green bonds in Germany

$21bn
Green bonds in Singapore

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.



Broadgate, London

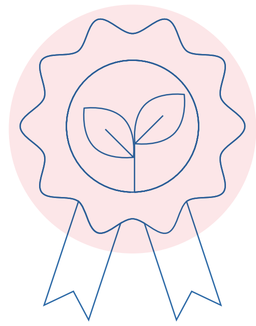
Crossrail Place, London

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 bund in September 2020. The oversubscribed green bond raised EUR 6.5bn. By 2021, Germany is aiming to offer green bunds 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.

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 London Stock Exchange **is the greenest main stock exchange**

Sources

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

Edinburgh University, Edinburgh

Right: Coal Drops Yard, London

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.

2. Reach of financial activity

The US is the leading financial centre for international financial activity. However, the UK is a strong contender – despite the smaller size of its economy. The UK's banking sector is globally connected, its financial and professional services firms provide services to partners around the world, and it is the world's largest centre for international debt issuance, commercial (re)insurance, and foreign exchange trading. But Hong Kong and Singapore increasingly challenge the UK's position as an attractive market for foreign listings.

Metrics

1. Assets under management
2. Investment funds
3. Net financial services exports
4. FDI stock in the financial services industry
5. Number of foreign companies listed
6. Number of IPOs by foreign companies
7. Value of foreign equity trading
8. International debt securities, amount outstanding
9. International debt securities, gross issuance
10. Cross-border bank positions
11. Foreign exchange OTC trading turnover
12. OTC interest rate derivatives trading turnover

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The UK's international financial reach is unmatched. The country's value of net financial services exports is considerably higher than in other global financial centres.[13]

London and the UK's international financial reach is unmatched. Financial services firms located in the UK benefit from deep and global connections and export a higher value of products and services than they import. In 2019, the UK's net financial services exports amassed USD 77bn and were higher than the value of Singapore, Hong Kong, and Germany's net financial services exports combined. Whilst this figure was slightly lower than in the years before, it was considerably higher than the US' net financial services exports which stood at USD 60bn in 2019. Japan is the only global financial centre that imported more financial products and services than it exported.

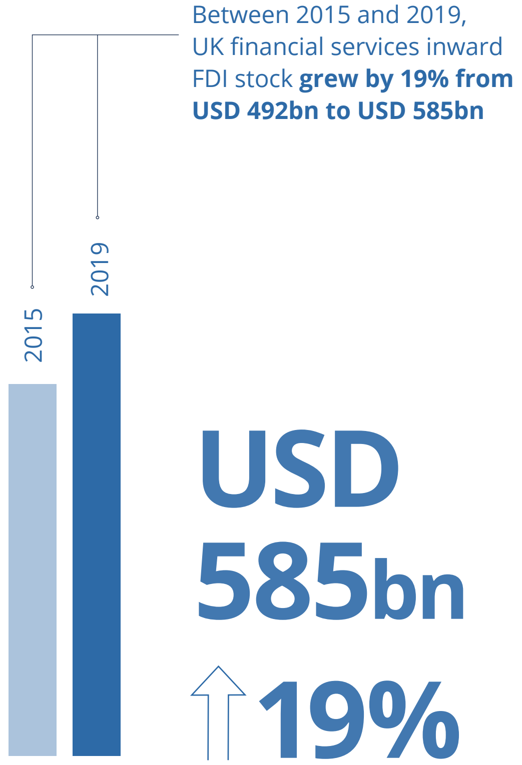
USD 77bn

In 2019, **the UK's net financial services exports were higher** than the value of Singapore, Hong Kong, and Germany's combined

City of London

The London Market remains the largest global commercial (re)insurance hub.[14]

London and the UK remain the largest global commercial (re)insurance hub. With USD 110bn of gross written premiums in 2018, the London Market is considerably larger than other competing centres such as Singapore with USD 11bn. Large specialty buyers continue to seek out the capacity and expertise London provides. Of the USD 110bn gross written premium in 2018, USD 76bn were written in London, USD 12bn were written overseas but overseen or managed by London, and USD 22bn were written elsewhere but brokered by London brokers. 85% of London Market premium is written by companies domiciled outside the UK – highlighting that the London Market's capital is increasingly global in source.



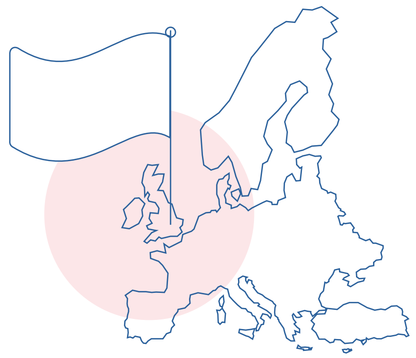
London and the UK are Europe's leading destination for investment in financial services.[15]

The UK is a top destination for financial services foreign direct investment. Between 2015 and 2019, UK financial services inward FDI stock grew by 19% from USD 492bn to USD 585bn, evidencing that the UK remains Europe's top centre for financial services investment. Likewise, London is Europe's top city for financial services FDI: In 2019, the city saw 67 financial services FDI projects, which is more than double the number of projects in Paris, which secured second place. However, on a global scale the UK trails the US and Singapore. Of all global financial centres, the US is the biggest market for financial services investment: In 2019, the US' value of inward FDI stock stood at USD 970bn. This reflects the sheer size of the US economy. Singapore benefitted from high growth: Between 2015 and 2019, Singapore financial services inward FDI stock grew by 62% from USD 425bn to USD 688bn.

> "London is globally recognised as one of the world's foremost international financial centres. Its reputation has been earned over hundreds of years, supported by deep pools of talent and expertise, not just in the City, but in regional and national centres right across the UK. Its success is underpinned by important factors such as time zone, language, English Law, an expert and trusted judiciary, and world-class regulators. This unique full-service ecosystem of innovative financial and related professional services firms is not replicated anywhere else and is a national strategic asset for the UK.
>
> **Miles Celic**
> Chief Executive Officer, TheCityUK.

Sources

[13] UNCTAD 2020.
[14] London Matters 2020.
[15] OECD 2020, National Statistics Agencies 2020, EY 2020.



The UK remains Europe's top centre for financial services investment

London and the UK are behind the US' total number of listed foreign companies and Hong Kong's increasing number of foreign IPOs, challenging the UK's position as an attractive market for foreign companies to raise capital.[16]

Of all comparator global financial centres, London and the UK are home to the second-most foreign listings. In 2019, 384 foreign companies were listed on London Stock Exchange Group venues. This compares to a combined number of 964 foreign companies that were listed on the New York Stock Exchange and Nasdaq, and 253 foreign companies on Singapore Exchange. The trend for the UK points downward: In 2015, LSEG was home to 518 foreign companies – 2019's figure reflects a decrease of 26%. In the same period, the number of foreign companies listed on the two US venues went up by 7%. Hong Kong saw the biggest increase: Between 2015 and 2019, the number of foreign listed companies on Hong Kong Stock Exchange went up by 84%, from 96 to 177, demonstrating Hong Kong's function as a portal between China and Western markets. The numbers of IPOs by foreign companies reflect these developments: Between 2015 and 2019, 99 foreign companies chose HKEX for their IPO, 79 chose NYSE and Nasdaq, and 59 chose LSEG. HKEX is the only venue that substantially increased the annual number of IPOs by foreign companies in this period. For value of foreign equity trading, no market comes close to the US: In 2018, the value of foreign equity trading in the US totalled USD 3103bn – 16 times higher than runner-up UK with a foreign equity trading value of USD 192bn.

Sources

[16] World Federation of Exchanges 2020.
[17] Willis Tower Watson 2019, Investment Company Institute 2020.

London and the UK are an attractive centre for asset management but cannot compete with the sheer size of the US' market: The value of assets managed from the US is almost 7 times higher than in the UK; the value of investment funds domiciled in the US is 14 times higher.[17]

The size of assets under management world-wide from the US, and value of investment funds domiciled in the US reflect the size of the American economy and market: In 2018, assets with a total value of USD 47.3tn were managed from the US – up 17% from 2015 – whilst the net asset value of investment funds domiciled in the US stood at USD 25.7tn in 2019 – up 44% from 2015. No other global financial centre comes close to these figures. Assets under management from the UK grew by just 4.5% between 2015 and 2018 – from USD 6.6tn to USD 6.9tn. The value of investment funds domiciled in the UK grew by 19% to USD 1.9tn in 2019. Whilst the UK is a bigger market for asset management than Germany, Japan, Hong Kong, and Singapore, Germany and Japan see a higher value of investment funds domiciled in their markets than the UK.

19%

The value of investment funds domiciled in the UK **grew by 19% to USD 1.9tn in 2019**

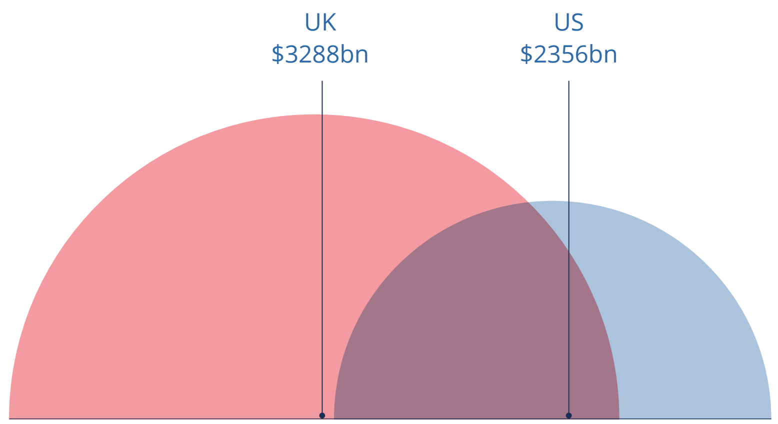
Belfast City Hall, Belfast

The UK's banking sector is the most international and globally connected of all global financial centres.[18]

UK-domiciled banks are the most international of all global financial centres: In 2019, their cross-border positions such as claims on or liability to a counterparty located in a different country totalled USD 4879bn. This figure compares to total cross-border positions for Japan-domiciled banks of USD 3911bn and United-States-domiciled banks of USD 3122bn. Whilst cross-border positions went up in every comparator financial centre between 2015 and 2019, the rate of increase varies from +4.8% in Germany and +7.4% in the UK to +26.7% in Hong Kong. These figures reflect the UK banking sector's international reach but also demonstrate that the UK should not be complacent. They are a call to further underline the UK's global ambitions.

USD 3288bn

At the end of 2019, the UK's outstanding value of international bonds was the **largest of all global financial centres** and totalled USD 3288bn



Of all global financial centres, the UK is the most attractive market for international borrowers to raise debt.[19]

London and the UK continue to be a major centre for issuance and trading of international bonds. At the end of 2019, the UK's outstanding value of international bonds was the largest of all comparator global financial centres and totalled USD 3288bn. Compared to 2015, this value increased by 8.5%. The US, the second largest market for international debt, saw an outstanding value of USD 2356bn at the end of 2019; up by 4% compared to 2015. Figures on the issuance of international debt show an even wider gap between the UK and the US: In 2019, gross issuance of international bonds totalled USD 1011bn in the UK and USD 426bn in the US. Compared to 2015, issuance figures were up in the UK and down in the US. Germany ranks third for outstanding value and second for gross issuance of international bonds. Japan, Hong Kong, and Singapore are trailing their western counterparts.

Sources

[18] Bank of International Settlements 2020.
[19] Bank of International Settlements 2020.

The UK is the largest centre for OTC interest rates derivatives activity in the world, offering a liquid market for multinational financial services firms to mitigate their exposure to interest rate risk.[20]

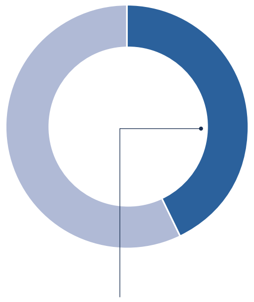
Interest rate derivatives are products commonly used to hedge against interest rate risk; a risk that particularly affects multinational banks. The UK is the largest centre for OTC interest rate derivatives activity in the world. Reported average daily turnover more than trebled between 2016 and 2019 and increased from USD 1.2tn to USD 3.7tn. Daily turnover in 2019 in the US stood at USD 2.4tn, up from USD 1.2tn in 2016. Back then, the US was still the largest market for OTC interest rate derivatives activity. Hong Kong ranks third with a daily turnover of USD 436bn in 2019. Whilst some of the increase between 2016 and 2019 can be explained by more comprehensive reporting, the trend is clear: The UK's share of the global OTC interest rate derivatives market increased from 39% in 2016 to 50% in 2019, whilst the US' share fell from 41% to 32%, reflecting the UK's standing as a competitive market for specific international financial products.

>300%

The UK more than trebled its OTC interest rate derivatives activity between 2016 and 2019, overtaking the US and increasing its **global market share to 50%**

London and the UK remain the leading international location for foreign exchange trading.[21]

A deep foreign exchange market provides liquidity and facilitates currency exchange for investments or international trading. Due to its location on the world map, its favourable time zone, and the shift to more electronic trading, London and the UK remain the leading international location for foreign exchange trading. The UK accounts for 43% of global FX turnover, with average daily turnover of FX trades in the UK having increased by 49% from USD 2.4tn in 2016 to USD 3.6tn in 2019. The US rank second with a daily FX trades turnover of USD 1.4tn. Singapore and Hong Kong follow with turnover values of USD 640bn and USD 632bn.



43%

The UK accounts for **43% of global FX turnover**

Sources

[20] Bank of International Settlements 2020.
[21] Bank of International Settlements 2020.

Right: View from the Leadenhall building, London

3. Resilient business infrastructure

Financial and professional services firms in London and the UK benefit from world-leading business infrastructure and operational resilience. The UK's location on the world map provides for unrivalled global connections, and the country's strong cyber security framework and digital security measures offer firms a business environment they can operate in with trust. To remain competitive, further investment into the UK's digital and transport infrastructure is needed – for the country not to lose ground to financial centres in Asia.

Metrics

1. Fortune Global 500 corporate headquarters in city
2. Office occupancy costs
3. Size of international association meetings
4. International airport capacity
5. Quality of road and rail infrastructure
6. Congestion levels
7. Time zone
8. English proficiency
9. Broadband speed
10. Mobile network availability
11. Mobile network speed
12. 5G roll-out (yes/no)
13. Level of internet freedom
14. Cyber security strength
15. Secure internet servers
16. Digital security measures

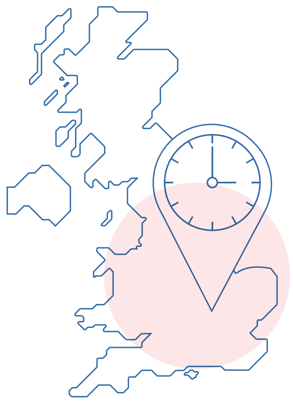
View online at:
theglobalcity.uk/competitiveness

3.1 Global business connectivity

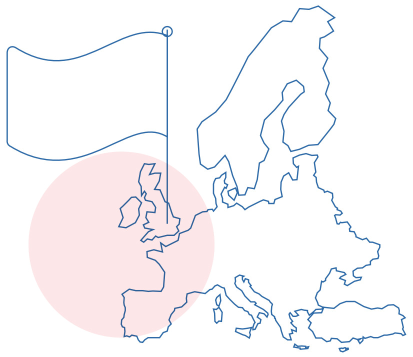
London and the UK are not only home to the world's business language: Its location on the world map and favourable time zone provide businesses with strong connections to any part of the world. London has a higher international airport capacity than New York City, is home to more Fortune Global 500 headquarters than Singapore, and offers more affordable office space than Hong Kong. But to remain competitive, investment in London and the UK's transport infrastructure is key – as well as a quick recovery from travel restrictions caused by COVID-19.

London and the UK's favourable time zone makes it easy to do business with major markets to both east and west within the working day.[22]

London and the UK are ideally located on the world map. The favourable time zone makes it easy to do business with major markets to both east and west within the working day. Market trading hours in the UK overlap with those in Asian, European, and American financial centres – an advantage only shared with Frankfurt in our comparators.



Market trading hours in the UK overlap with those in Asian, European, and American **financial centres**



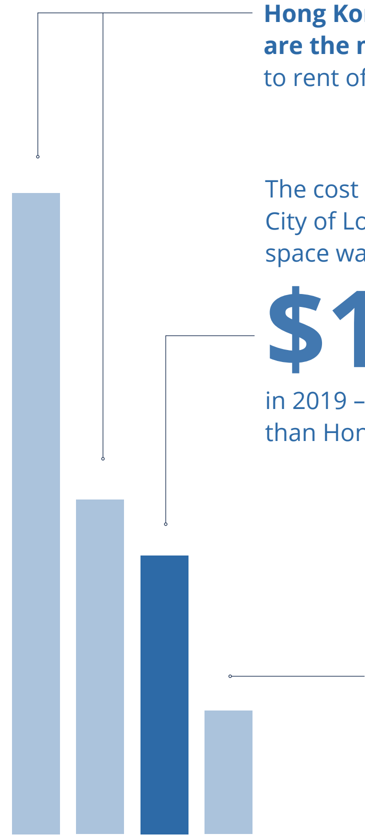
London remains the top location for European headquarters of Fortune Global 500 companies

Less Fortune Global 500 firms choose London or New York City as location for their headquarters. Whilst decreasing cluster effects, this development elevates the importance of a market being open and global.[23]

Financial and professional services firms succeed when they can access clients with global networks. The number of Fortune Global 500 corporate headquarters in a financial centre both is a sign of a centre's competitiveness and demonstrates the size of the market businesses can tap into. Of all comparator global financial centres, Tokyo is home to the most Fortune Global 500 firms – 36 at the end of 2019. New York City ranks second with 14 firms, followed by London with 11. London remains the top location for European headquarters of Fortune Global 500 companies. However, between 2015 and 2019, the numbers of Fortune Global 500 headquarters in both New York City and London decreased, reflecting a changing world economy. Whilst decreasing cluster effects, this development elevates the importance of a market being open and global.

The cost of renting office space in the City of London slightly fell between 2015 and 2019 and is more affordable than in Hong Kong and Tokyo.[24]

The cost of renting commercial space is a decisive factor for businesses deciding where to locate. Pre-COVID, Hong Kong's Central Business District was the most expensive area for renting office space, with costs reaching USD 322 per sq ft in 2019. This was up from USD 254 per sq ft in 2015, a 27% increase. At USD 168 per sq ft, Tokyo ranked second. Costs of renting office space in the City of London slightly fell, from USD 143 per sq ft in 2015 to USD 140 in 2019. The global financial centre with the most affordable office space is Frankfurt, where rents were at USD 62 per sq ft in 2019. With businesses shifting to more flexible ways of working during the COVID-19 pandemic and a possible reduced dependency on office space, office occupancy costs may become more volatile. Whilst dependant on when leases come to their contractual end, this could open up central business districts for a new and more diversified range of occupants.



Hong Kong and Tokyo are the most expensive centres to rent office space

The cost of renting City of London office space was

$140 per sq ft

in 2019 – more affordable than Hong Kong and Tokyo

Frankfurt is the global financial centre with the **most affordable office space**

English is the world's business language – and London is the world's English-language capital.[25]

English is the world's business language – and London is the world's English-language capital. The high proficiency in English in both London and New York City helps businesses connect with partners all around the world. Whilst uptake of English is rising in other financial centres, their overall English proficiency lags – with Tokyo and Japan being the centre with the lowest proficiency in English.

Sources

[22] Own analysis.
[23] Own analysis.
[24] CBRE 2019.
[25] EF 2019.

To remain competitive, investment in London and the UK's transport infrastructure is key – and with Crossrail and HS2, first steps are being taken.[26]

To remain competitive, well-maintained and efficient transport infrastructure is key. Investment in London and the UK's infrastructure, be it Crossrail or HS2, is needed to not lose further ground to competing financial centres. In 2019, measured by road connectivity, quality of road infrastructure, railroad density, and efficiency of train services, Singapore, Tokyo/Japan, and Hong Kong were the three financial centres with the highest quality of transport infrastructure. London and the UK rank second to last, with only New York City and the US further behind. Lack of road infrastructure quality and low efficiency of train services are the main reasons behind the UK's low ranking. This is reflected in London congestion levels as well, with average trips in 2019 having taken 38% longer compared to the city's baseline uncongested conditions. This is more time lost in traffic than in New York City, Singapore, Hong Kong, and Frankfurt. Any COVID-19 recovery spending on infrastructure needs to be aimed at building a better and more efficient transport system than pre-crisis for London and the whole of the UK.

Kings Cross Station, London

166m

international travellers **passed through London's airport gates in 2019**

London's airport infrastructure and central location on the world map will help the city remain a financial centre with unmatched global connections.[27]

With five major international airports in its vicinity, London is the global financial centre that is best connected to the rest of the world. The city's high international airport capacity facilitates meetings and business travel and enables firms to do business with any part of the world. In 2019, more than 166m international travellers passed through London's airport gates – up from 142m in 2015. This is more than double the number of international travellers at Hong Kong International Airport (71m). At 51m, New York City's airports have the lowest number of international travellers of all comparator financial centres. With the pandemic grinding global travel to a halt, traveller figures dropped significantly in 2020; but London's airport infrastructure and central location on the world map will help the city remain a financial centre with unmatched global connections. This will aid London to find new strength post-COVID: If the number of international business trips decreases, London has the potential to position itself as the must-visit destination for business travellers from around the globe.

22 Bishopsgate, London

Sources

[26] World Economic Forum 2019, TomTom 2019.
[27] Own analysis of airports annual reports and aviation department statistics.
[28] ICCA 2019.

With great congress and meeting venues, London is ready to continue to host international meetings and gatherings once it is again safe to do so.[28]

Businesses benefit when the cities in which they operate host large international meetings. These meetings bring opportunity to meet current and future stakeholders, suppliers, and clients. Face-to-face interaction is vital to establish business relationships. In 2019, before the coronavirus pandemic began, London was the global financial centre that hosted the most international meeting participants. According to ICCA figures, 76,114 people attended international meetings in London – up from 54,788 in 2018. At 61,182 participants, Singapore welcomed the second-most attendees, despite hosting a larger number of meetings than London. Hong Kong ranked third. With great congress and meeting venues, London is ready to continue to host gatherings once it is again safe to do so. In the meantime, London-based businesses have shown resilience and quickly adapted to virtual forms of collaboration.

In 2019,

76,114

people attended international **meetings in London**

3.2 Digital and cyber resilience

A strong cyber security framework underpins London's resilient business environment. Not only does the UK rank higher than any other global financial centre in ITU's Global Cybersecurity Index, it also has made the most improvement in digital security measures. But its network infrastructure needs an upgrade: Internet speeds, both broadband and mobile, are considerably slower than those measured in other global financial centres.

London and the UK have one of the strongest cyber security frameworks world-wide, providing firms with a highly resilient business environment.[29]

London and the UK have one of the strongest government-led cyber security frameworks world-wide. In the latest ITU Global Cybersecurity Index, assessing a market's cyber security initiatives covering legal, technical, and organisational areas as well as capacity building and cooperation, the UK ranks first amongst all global financial centres. The US and Singapore follow. At city-level, London, New York City, Tokyo, and Singapore are all leading centres for digital security, with London having made the most improvement between 2015 and 2019. The rich ecosystem security created by UK government and industry, supported by the City of London Police and the City Corporation's collaboration with business, underpins this. Whether citizens are aware of digital threats and if cities have dedicated cyber security teams increase a centre's cyber safety and thus operational resilience. However, the UK's availability of secure internet servers is much lower than in other centres – the US and Singapore both have more than 120,000 secure servers per 1m people, whereas the UK only has 36,000.

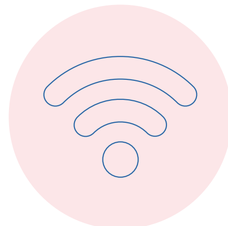
The UK ranks first in the ITU Global Cybersecurity Index

London and the UK have the slowest broadband speeds of all global financial centres.[30]

Faster broadband speeds lead to more efficient work processes and stronger global connections. Even though speeds have increased between 2017 and 2019, London and the UK have the slowest broadband speeds of all our comparator global centres. In 2019, average broadband speeds were at just 22.37 Mbps. This compares to 70.86 Mbps in Singapore. Especially in future business environments where flexible and remote working will be more common, the UK needs to step up efforts to ensure internet connectivity remains competitive in London and across the country.

The UK has one of the highest levels of internet freedom world-wide, enabling businesses to operate freely and efficiently.[31]

Apart from Singapore, all comparator global financial centres provide high levels of internet freedom. The think tank Freedom House considers the UK, the US, Germany, and Japan as markets that have free internet, whereas Singapore is only a 'partly-free' market. The analysis is based on obstacles to internet access, limits on content, and violations of user rights. Less restrictions when using the internet enables businesses to operate more efficiently.



The UK has **one of the highest levels** of internet freedom world-wide

> In the City of London we recognise that our community requires high-quality protection against cyber criminality and a police service that can deliver this. Through the Cyber Griffin initiative we have developed specialist officers tasked with target hardening individuals and businesses in the Square Mile. Today, our community enjoys access to police led incident response training, cyber awareness briefings, exercising and security maturity assessments all at no cost. We believe that our greatest opportunities to prevent cyber criminality lie in our collective defences to it. We are pleased to report that more than 10,000 people have now received this police training and to confirm that we intend to increase our efforts to build layered defences into our community ahead of any crime taking place.

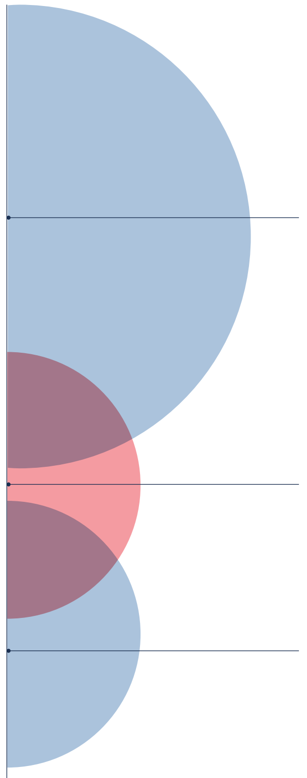
Charlie Morrison
Police Sergeant, Cyber Crime Unit
City of London Police.

Sources

[29] ITU 2018, EIU 2019, World Bank/Netcraft 2019.
[30] Freedom House 2019.
[31] cable.co.uk/M-lab 2019.

Mobile network availability and speeds in the UK lag those on offer in other markets – especially in Asian financial centres. But the UK's early 5G roll-out can become a competitive advantage.[32]

In 2019, UK mobile users had access to a fast 4G network for 84.7% of their time. Whilst this number increased from 50% in 2015, it still ranks the UK second to last with only users in Germany having less access to 4G mobile networks. Japan is in the lead – here users had access to a 4G network for 96.3% of their time in 2019. For mobile network speeds, the UK and the US share the last rank, with users in both markets seeing speeds of around 21-22 Mbps in 2019. However, the US have shown more improvement than the UK between 2015 and 2019. As it is the case for broadband speeds, Singapore is in the lead with 39.3 Mbps in 2019. The UK's roll-out of 5G, ahead of other markets, can be a competitive advantage, but discussions around the operators of network infrastructure may hinder the advancement of the UK's 5G plans.



The UK and the US share the lowest ranking for mobile network speeds amongst the global financial centres, with Singapore in the lead

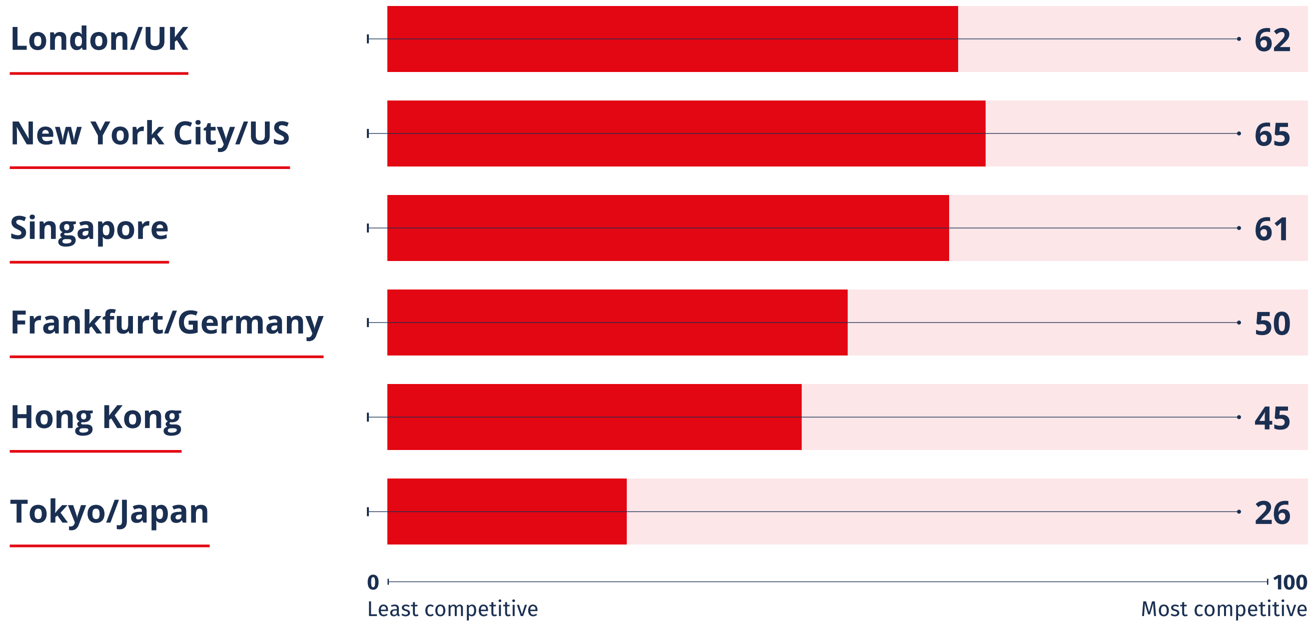
Source

[32] Opensignal 2019.

4. Access to talent and skills

World-leading universities and MBA programmes, an international workforce, and high quality of life driven by a rich cultural scene make London and the UK a global financial centre where financial and professional services firms find highly-skilled talent. This is supported by labour laws that are flexible and let firms respond to current business needs.

To remain competitive in the future, the UK needs to close skill gaps in London and across the country, provide skilled international talent with a pathway into UK-based firms, and re-build London's attractiveness as a metropolis to not lose bright minds to other centres.



Metrics

1. Share of relevant graduates
2. Math and science skills attainment
3. University rankings
4. Top-level business schools
5. Digital skills among population
6. Skills in workforce
7. Extent of staff training
8. Reskilling needs
9. Flexibility of labour laws
10. Diversity
11. Ease of hiring foreign labour
12. Share of foreign-born population
13. English proficiency
14. Inbound international students
15. Visa process complexity
16. Cost of living
17. Cultural interaction
18. Air quality
19. Share of green spaces
20. Happiness

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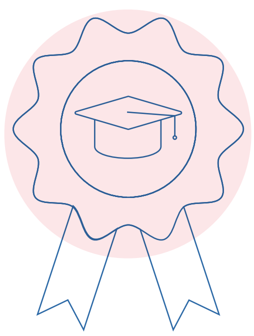
4.1 Skills, hiring, and training

With the world's best universities, leading MBA programmes, and 40% of all graduates gaining degrees in courses directly related to financial services, financial and professional services firms in the UK have access to a world-leading pool of highly-qualified entry-level talent. The UK's current workforce needs to increase skillsets, especially for digital, and embrace life-long learning. Employers could benefit from reaching out to a broader, more diverse talent base.

The UK is home to the world's best universities.[33]

The quality of the UK's universities is unmatched. Of the global top 100 universities, the UK's universities are scoring best. In 2020, the University of Oxford was named best university in the world; the University of Cambridge ranks third. Nine other universities from across the UK feature in the global top 100. Over the past five years, the UK universities' rankings have increased, demonstrating that their offering is becoming better and better. Businesses located in the UK can recruit straight out of these universities and have access to talent with the best potential world-wide.



Oxford University was named 2020 **best university in the world**

1 in 10 world-leading MBA programmes are offered at business schools in the UK.[34]

The UK's business schools are home to some of the world's best MBA programmes: In 2020, nine UK programmes made the Financial Times Global MBA's ranking of the 100 best full-time MBA programmes world-wide. The London Business School's MBA programme features in the top ten. Whilst the UK demonstrates a considerably better performance and quality than many other global financial centres, it cannot compete with the quantity of the US' business school landscape. More than half of the top MBA programmes are home in the US. Over the last five years, the number of UK MBA programmes featuring in the ranking fell from 15 in 2016 to 9 in 2020; whereas the US' number rose from 47 to 51. To ensure its future competitiveness, the UK needs to identify the underlying reasons behind this trend and reverse it.

The UK is home to 9 of the 100 best MBA programmes world-wide

"The UK's financial services sector thrives because of the skilled and talented people who drive it; people who can innovate, seek out new solutions, embrace change and new technology. The UK offers a skilled and motivated workforce with drive, ingenuity and commitment to excellence and continues to attract the best talent from around the world. At the Financial Services Skills Commission we are working with the industry to broaden and diversify the supply of talent to help UK financial services remain a global leader.

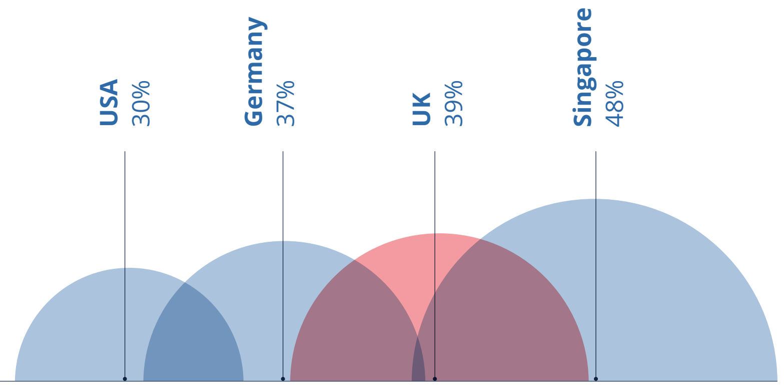
Claire Tunley
Chief Executive Officer, Financial Services Skills Commission.

Financial and professional services firms in the UK have access to a vast pool of highly-qualified entry-level talent.[35]

Financial and professional services firms in the UK have access to a vast pool of relevant graduates: Almost 40% of all graduates from UK universities graduate from business, mathematics, or information technology programmes. This is a higher share than in the US or Germany. With many of the UK's universities and business schools being world-leading, this provides for highly-skilled entry-level talent. Financial and professional services firms across the UK can fill their junior roles with young people that are ambitious, qualified, and eager to work towards a business' continued success.

40%

Almost 40% of all graduates from UK universities **graduate from business, mathematics, or information technology programmes**



Current workforce needs to increase skillsets for the UK to offer an even broader talent base.[36]

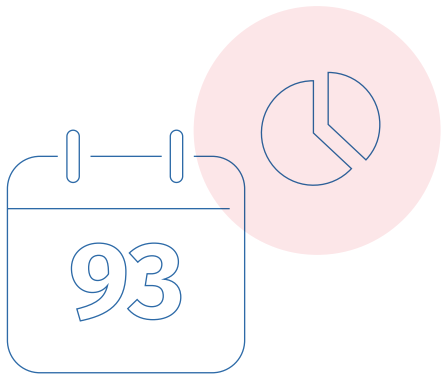
Whilst the UK is a leading centre for innovation and home to the world's best universities, more needs to be done to ensure the UK's current workforce has the skills to respond to a changing world. The latest PISA assessment results showed a stark east/west divide for pupils' mathematics and science skills attainment. Whilst Singapore, Hong Kong, and Japan score best, the UK, Germany, and the US is in the bottom half of results. However, the UK's results improved between 2015 and 2018. In comparison with other global financial centres, only Japan has lower prevailing digital skills amongst a market's active population than the UK. Executives state that Singapore's population is most likely to possess sufficient digital skills, followed by the US, Hong Kong, and Germanys. For finding skilled talent overall, executives state they are most likely to find people with the skills required to fill their vacancies in the US, followed by the UK and Singapore.

Sources

[33] The Times Higher Education World University Rankings 2020.
[34] Financial Times Global MBA 2016.
[35] UNESCO 2016.
[36] PISA 2018, World Economic Forum 2019.

For lack of skills not to become a competitive disadvantage in the future, the UK needs to actively support its workforce in identifying what skills people need, what programmes work best for people to re- and upskill, and how firms can be supported to deliver training and development.[37]

Businesses world-wide report that their employees have significant reskilling needs, ranging from an average of 93 days of training and development in the UK to 101 days in Singapore. These figures reflect training needs in addition to activities that are already taking place in financial and professional services, such as mandatory regulatory training. Despite this need, the UK's financial services sector has a lower relative spend on training than other sectors, and the second lowest spend per trainee. A WEF assessment of social mobility and lifelong learning in markets gives further evidence of this lack of training: Of all global financial centres, companies in the UK invest the least in training and employee development. The UK Financial Services Skills Commission's work is crucial to identify exactly what skills people in the UK are lacking and how the country's workforce skillset can be improved to avoid falling further behind in the future.



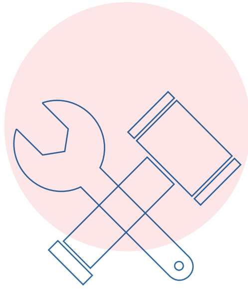
93 days of training and development needs in the UK compared to 101 days in Singapore

The UK's labour law regulations provide businesses with the flexibility to respond to changing business environments whilst giving employees sufficient job protection and security.[38]

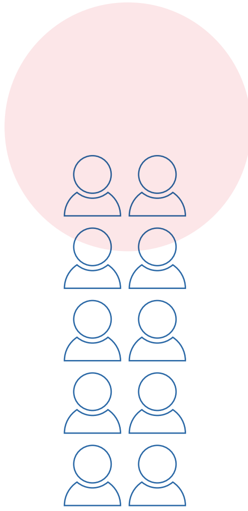
Labour laws in the UK provide businesses with the flexibility to respond to changing business environments. When asked to what extent a country's regulations allow for the flexible hiring and firing of workers, executives respond that the UK's hiring and firing practices are above-average flexible. Whilst the UK ranks behind Hong Kong, Singapore, and the US, this does evidence that the UK has one of the most flexible labour laws in Europe and is striking a working balance between the needs of businesses and the protection and security of employees. Between 2018 and 2019, no global financial centre relaxed their labour laws further.

With just 20% of financial services executive committee positions held by women, the UK lags its global competitors. Achieving gender parity would help businesses tap unused customer potential.[39]

Women in the financial services sector are under-represented. Research shows that women control two thirds of global household spending, hold 40% of total global wealth, and of all entrepreneurs, 40% are women; yet the global average of female representation on financial services executive committees is just 20%. Of all global financial centres, the US has the highest share of women on executive committees with 26%; followed by Singapore with 23% and the UK with 20%. Japan ranks at the bottom of the group with just 5%. Whilst all global financial centres apart from Singapore have improved their share compared to 2016, more needs to be done to achieve true gender parity. The financial services sector overall needs to become more inclusive. Businesses would benefit from this as teams would better represent their customer base and unlock yet unused potential.



The UK has **one of the most flexible labour laws in Europe**



20%

Female representation on financial services executive committees in the UK is just 20%

Sources

[37] World Economic Forum 2018, 2019; Financial Services Skills Commission 2020.
[38] World Economic Forum 2019.
[39] Oliver Wyman 2020.

4.2 International talent

An already international workforce makes London one of the most globally connected financial centres of the world and students from abroad further contribute to its international talent base. The UK's new immigration system needs to continue facilitating access to international talent to ensure the future competitiveness of businesses and avoid driving skilled talent away through high visa costs. Once COVID-19-related travel restrictions are lifted, the UK's higher education system as well needs to return to attracting students from around the world.

London is the most international financial centre and businesses located in the UK's capital can recruit from a diverse pool of talent which helps them establish relationships with clients and partners from around the world.[40]

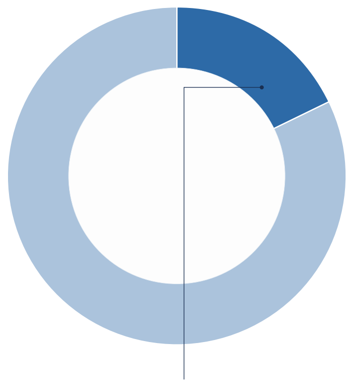
At 38%, London has the highest share of foreign-born population of all global financial centres. This demonstrates both the attractiveness of the city for people from all over the world, but also benefits the city's talent pool as businesses can hire from a multitude of backgrounds, helping them to facilitate connections with clients and partners from around the world. New York City comes second with 37.2% of its population born abroad. With a share of just 3.4%, Tokyo is the centre with the least international population.

> "In the increasingly interconnected world in which we live London's status as a leading global financial centre has never been more dependent on the quality of people it attracts to work here and support it. Its future success depends on it continuing to be a 'magnet for talent' and attracting the most diverse and innovative people to build their careers and enrich their lives.

Rachel Taylor
Partner, PwC.

The UK is a world-leading destination for international students, second only to the US. This helps UK businesses find talent from all over the world, but COVID-19-related travel restrictions could severely impact this competitive advantage.[41]

In addition to being home to the world's best universities, of all global financial centres the UK is the second largest destination for international students. In 2018, the UK was home to more than 450,000 international students coming from 184 countries. Whilst the US hosted double the amount, in relative numbers the UK was the most attractive destination for international students: 18.3% of all enrolled students in the UK were from abroad, which compares to just 5.2% in the US and is the highest share of all global financial centres. The UK's post-study work visa allows international students to stay in the country for up to two years after graduation to look for work related to their degree. This adds to the UK being a global financial centre where businesses can find top talent from all over the world. COVID-19-related travel restrictions can have a severe impact on this competitive advantage. The UK's education landscape needs to spell out what it means to be an international destination for students post-COVID.

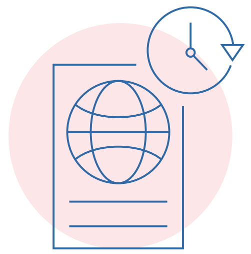


18.3%

of all enrolled students in the UK were from abroad, which compares to just 5.2% in the US

The UK's future immigration system needs to ensure that access to international talent remains competitive.[42]

Financial and professional services firms looking to establish relationships with international clients and partners benefit from international staff who understand the other party's culture and language. Attracting international workers is only possible if the regulatory environment supports it. The UK's visa process had strengths and weaknesses: In days, it was the quickest process of all global financial centres. On average, applicants needed to wait 22.5 days from the beginning of the visa process to work start day. This compared to 25 days in Singapore, Hong Kong, and Germany, and 40 days in the US. On the other hand, the UK's visa costs were much higher than those in other financial centres: The total visa application fees for a two-year intra-company transfer visa in the UK were GBP 3,209. Applicants had to pay GBP 859 in the US and just GBP 19 in Hong Kong for a comparable visa. Executives saw it easiest to hire foreign labour in Germany, followed by the UK and US. The UK's new immigration system needs to ensure that access to international talent remains competitive. The perception of the UK as a top destination for international talent has diminished in the last four years and risks falling lower once Freedom of Movement ends. It is therefore vital to make access to skilled workers from around the world as straightforward as possible for businesses to benefit from it. At the same time, it is crucial to rethink what access to international talent means in times of COVID-19: Physical presence may become less important when people can work more flexibly and remotely.



The UK's visa process was the quickest process of all global financial centres

Sources

[40] World Cities Culture Forum 2020.
[41] UNESCO 2018.
[42] EY 2018, 2020; World Economic Forum 2019.

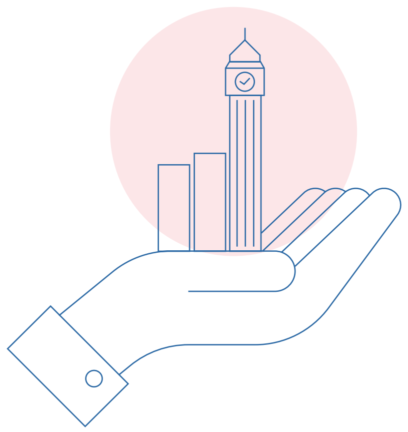
4.3 Quality of life

London is one of the world's most attractive cities and acts as a magnet for bright talent from all over the world. Despite only New York City and Hong Kong having higher living costs, the UK capital's globally un-rivalled cultural scene makes London a great place to live. With improving air quality and more green space than the European city has on average, London is also responding to current and future sustainability demands. However, like major cities all around the world, COVID-19 has had a deep impact on London's quality of life and going forward the city's characteristics need to be brought back to life.

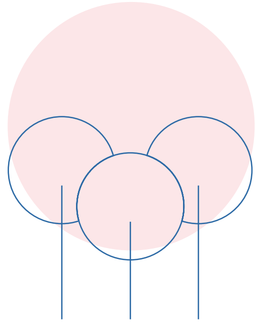
Underbelly Festival, Southbank, London

London is one of the world's most attractive cities to live in and acts as a magnet for bright talent from all over the world.

Pre-COVID, London was one of the world's most attractive cities to live in: With an un-rivalled cultural scene, plenty of green space, and improving air quality, London's quality of life acted as a magnet for people from all over the world. Whilst many aspects of city life such as interaction with others, density, and proximity have been affected by the pandemic, London will be ready to open its doors to the world once again.



Pre-COVID, London was **one of the world's most attractive cities to live in**



1/3

of London is green space

Living in London is costly: Only Hong Kong and New York City have a higher cost of living.[43]

With a vibrant cultural scene, historical sights, a diverse range of activities, and people from every corner of the world, London is one of the most attractive cities to live in. The city pulls bright minds from all over the world which add to London's vast pool of talent. One of the downsides of the city's attractiveness is its relatively high cost of living, including rent: Of all comparator financial centres, only Hong Kong and New York City are costlier to live in. This may have negative impact on the availability of talent, as not all those who are highly-skilled and able to support businesses can afford to move to or live in London. Whilst the increase of rental costs in Central London has stagnated since 2016, cost of living in London is still higher than in other financial centres such as Tokyo, Singapore, or Frankfurt. It is not possible yet to predict what long-term effects COVID-19 will have on these dynamics. The possibility of more remote and flexible working can enable businesses to look for talent beyond London's boundaries. At the same time, 1 in 7 Londoners say they want to leave London because of the pandemic. This could lead to falling living costs, which in turn would enable new demographics to move to London and make use of the city's opportunities.

Sources

[43] Numbeo 2020, London Assembly 2020.
[44] Mori Memorial Foundation 2019.

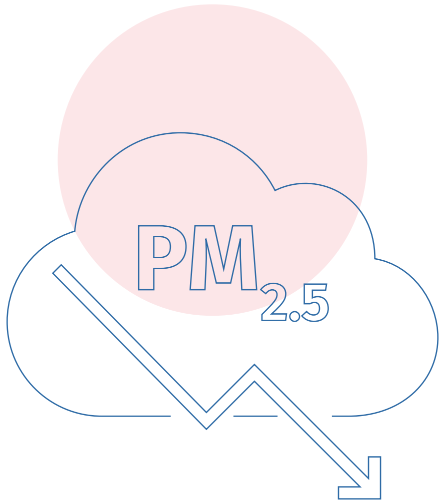
Whilst the majority of London's cultural scene has temporarily shut its doors because of COVID-19, the city's attractions are ready to welcome back the world once it is safe again to do so.[44]

No other city comes close to London's vibrant cultural scene. The city's number of theatres, concert halls, and museums; its attractiveness of shopping and dining options; the numbers of visitors from abroad; and its environment of creative activities are globally un-rivalled. Many of London's cultural offerings are home in or near the City of London, such as world-famous St Paul's Cathedral, Tower of London, and Tower Bridge; as well as the Barbican Centre. Whilst London's cultural scene does act as a pull factor for people from all over the world, COVID-19 is negatively impacting on London's cultural offering as many venues are closed and international arrivals have significantly dropped. However, London's attractions and cultural scene are ready to welcome back the world once it is safe again to do so.

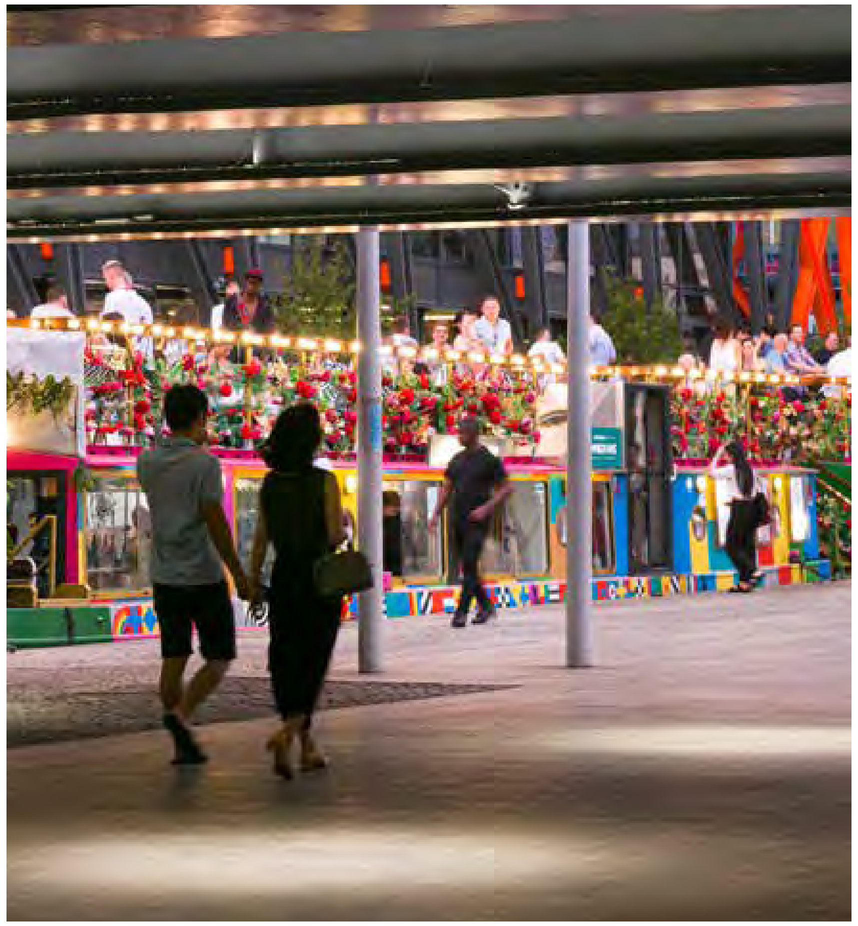
Canary Wharf, London

London's air quality is fast improving and the City of London is the UK capital's most ambitious borough with the first zero-emissions street, ambitious walking and cycling plans, and a radical Climate Action Strategy.[45]

Through enacted measures such as London's Ultra Low Emission Zone, investments in walking and cycling infrastructure, and ambitious climate targets, London's air quality has much improved over the last five years. Still, of all global financial centres, only Singapore and Hong Kong have more polluted air than London. Improving the city's air quality does not only have direct implications for peoples' health, but also underlines London's commitments to sustainability and strengthens its positioning as a leading centre for the green economy. Changes to the city's transport infrastructure that were implemented during the pandemic, such as more space for pedestrians and enhanced infrastructure for cyclists, can help achieve much-needed improvement. The City of London is one of London's most ambitious boroughs around sustainability efforts: It has introduced the city's first zero-emissions street, made radical changes to its road network to make walking and cycling easier, and is developing further measures through its Climate Action Strategy.



London's air quality has **much improved over the last five years**

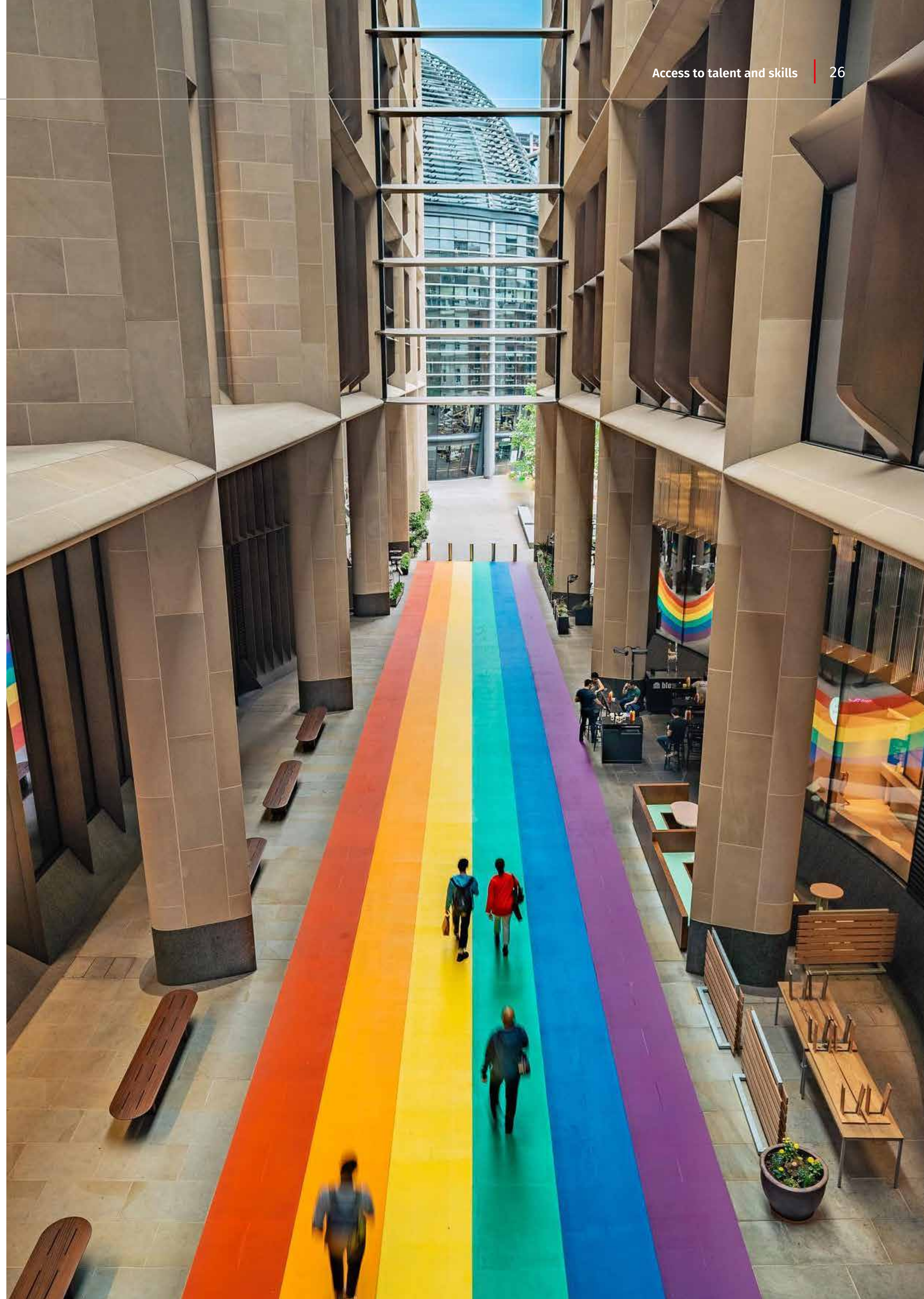


Regents Canal, Paddington, London

To remain an attractive city to live in, London needs to increase its share of green space in the city – a measure becoming even more critical now.[46]

Whilst London has more green space than the European city on average – 33% vs 18% – international cities such as New York City, Hong Kong, or Singapore have an even higher share of green space. Residents of large cities enjoy parks and natural landscapes as an escape from widespread glass and concrete. Post-COVID, this is becoming even more important – with 35% percent of UK residents citing access to green space as critical. To remain an attractive city for people to live in, London needs to increase its share of green space – and the City of London will help by transforming the way streets and buildings look. Through its Climate Action Strategy, the City will implement a range of measures such as creating living walls, planters on pavements and streets, and green roofs.

Right: Bloomberg building, London



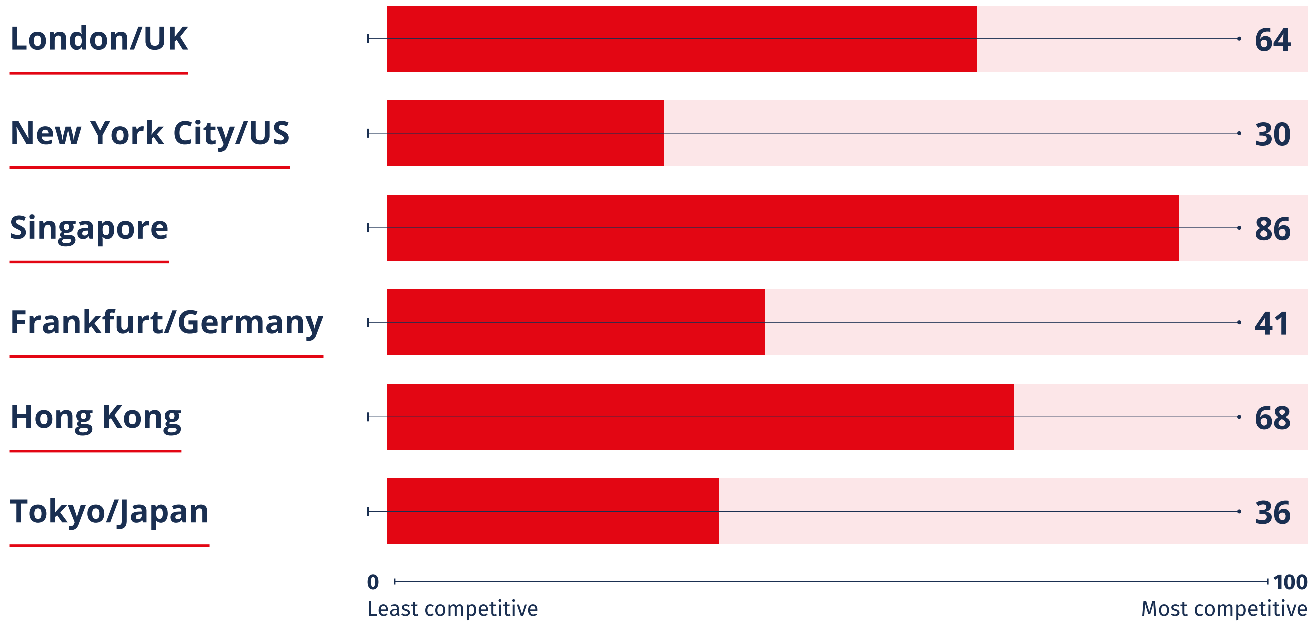
Sources

[45] World Air Quality Index 2020.
[46] World Cities Culture Forum 2020.

5. Enabling regulatory & legal environment

With an effective government, a competitive and simple tax system, and low barriers to international trade, Singapore is the financial centre with the most enabling regulatory and legal environment. Of the major economies, the UK's regulatory framework is leading. It sets international standards, is at the forefront of innovation, and offers the lowest corporation tax rate of all G20 economies.

However, facing global challenges, the UK's government needs to return to being perceived as more predictable, stable, and strategic. This will reinforce businesses' confidence that the UK is a market worth investing in.



Metrics

1. Government effectiveness
2. Regulatory quality
3. Control of corruption
4. Regulatory coherence
5. English common law (yes/no)
6. Financial centre = political centre (yes/no)
7. Regulatory sandbox (yes/no)
8. Open banking (yes/no)
9. Perception of favourability of financial services regulatory regime
10. Total tax and contribution rate
11. Individual income tax rate
12. Tax complexity
13. Size of international tax treaty network
14. Additional financial services taxes (yes/no)
15. Services trade restrictiveness
16. Cost of regulatory barriers to financial and professional services trade
17. Controls of the movement of capital and people
18. Number of fintech bridges and regulatory cooperation agreements

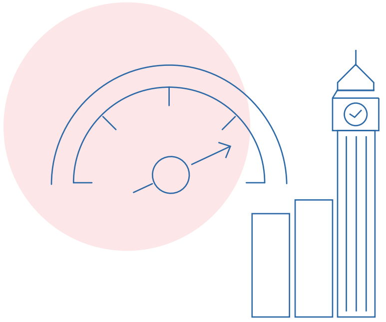
View online at:
theglobalcity.uk/competitiveness

5.1 Regulatory stability and innovation

Financial services executives world-wide perceive the UK as having the most favourable regulatory regime for financial services. The UK's regulatory environment is at the forefront of innovation and provides the financial and professional services sector with an environment in which they can access regulatory expertise and effectively test their products and services. The UK's financial centre is in close proximity to its political centre, and English Law is the world's business law. However, facing global challenges, the UK's government needs to return to being perceived as more predictable, stable, and strategic to reinforce businesses' confidence that the UK is a market worth investing in.

Facing global challenges, the UK's government needs to return to being perceived as predictable, stable, and strategic. Only then will businesses have renewed confidence that the UK is a market worth investing in.[47]

Of all comparator global financial centres, the UK's government is rated the least effective. When asked about perceptions of the quality of public services, policy formulation and implementation, and the credibility of a government's commitment to such policies, executives rate the UK at 1.4 on a scale of -2.5 to 2.5. This is down from 1.7 five years ago. Singapore is in the lead with a rating of 2.2. The ability of the UK's government to formulate and implement sound policies and regulations to promote private sector development is better perceived than its overall effectiveness: Experts give the UK's regulatory quality a score of 1.6. This is better than scores of the US and Japan, but behind Germany, Hong Kong, and Singapores. In the last two years these ratings show more fluctuation. Recent events may also have an impact on government effectiveness and regulatory quality perception, with the US' handling of the COVID-19 pandemic being criticised, the UK's EU trade negotiations strategy questioned, and Hong Kong's future openness thrown into doubt. Whilst the fact that the UK's financial centre is in close proximity to its political centre facilitates direct communication channels between industry and government stakeholders, the UK's government needs to return to being perceived as predictable and strategic. Only then will businesses have renewed confidence in the UK and perceive it as a location to invest in.



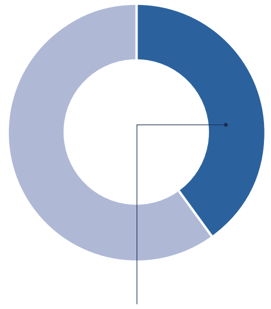
1.4

Executives rate the UK at 1.4 on a scale of -2.5 to 2.5 for its quality of public services, policy formulation and implementation, and the credibility of a government's commitment to such policies

Central Square, Leeds

Businesses located in the UK benefit from the best legal advice in the home of the world's business law.[48]

English common law is the preferred governing law for business transactions world-wide, and firms located in the UK are where the world's business law is home. It is well-known, well-developed, and predictable. 40% of all corporate arbitrations globally use English common law. The law is commonly used even for contracts that do not have any geographical connection to the UK, demonstrating its high reputation. All other financial centres use amended English law, mixed legal systems, or civil law.



40%

40% of all corporate arbitrations globally use English common law

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.[49]

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.

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

Sources

[47] World Bank 2019.
[48] Own analysis.
[49] Own analysis.

The UK, Singapore, and Germany are most aligned with the Basel III recommendations on strengthening bank capital requirements, providing businesses with a reliable operating environment.[50]

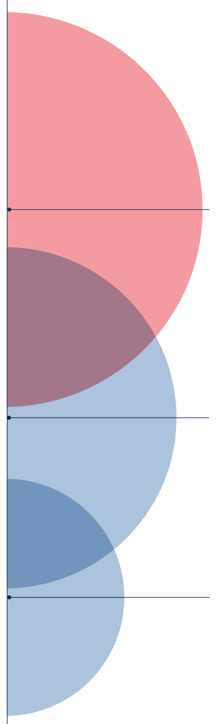
The Basel Committee on Banking Supervision provides a forum for regulatory cooperation on banking supervisory matters, aiming to provide guidelines and standards to enhance the quality of banking supervision world-wide. The committee's Third Basel Accord, set out in response to the 2008 Global Financial Crisis, is designed to strengthen bank capital requirements. Whilst the framework is voluntary, adoption by markets provides banks with clear regulatory frameworks. In particular multinational banks benefit from reduced regulatory compliance costs if they find comparable regulatory standards in the markets they operate in. Of all global financial centres, the UK, Singapore, and Germany have made the most progress in recent years to align their regulatory frameworks for banks with Basel III recommendations. The UK and Germany have made particular progress between 2018 and 2019 in the areas of capital, leverage, liquidity, and disclosure. This regulatory alignment and coherence increase a market's attractiveness. As of now, the US is the least aligned market. Whilst the UK has followed European Union legislation in the past, this changes after the UK's EU exit. Further clarity needs to be provided to the sector on divergence from or coherence with European Union legislation and regulation.

The UK is perceived to have the most favourable regulatory regime for financial services.[51]

The perception of a financial centre's regulatory strength plays an important role: The stronger international stakeholders perceive a centre's regulatory framework, the more likely they are to retain or increase investment there. In 2020, a majority of financial services executives – 30% – stated that the UK would have the most favourable regulatory regime for financial services. At 26%, the US made second place, followed by Singapore with 18%.

30%

a majority of financial services executives stated that the UK would have the most favourable regulatory regime for financial services



The UK, Singapore, and Germany have made the most progress in recent years to align their regulatory frameworks for banks with Basel III recommendations


The Royal Exchange, London

> London's position as fintech capital of the world has been hugely beneficial to Global Processing Services' growth journey, owing to its standing as an attractive fintech investment hub, its pool of exceptional tech talent enabling operational excellence, and a forward-thinking regulator. This combination of factors uniquely positions London as a prime incubator of tech and financial services cross-pollination, which is further illustrated by the 174 authorised e-money institutions in the UK – more than any other jurisdiction in the EEA and most of whom are based in London. With the support of the Department for International Trade and the Singaporean Economic Development Board's Fintech Bridge, we were able to effectively navigate the regulatory complexities involved in expanding internationally and bring the UK & European fintech revolution to APAC, launching our Singaporean and Sydney offices last year, and powering some of the biggest fintech players in the region including WeLab Bank, Razer Fintech and Revolut. As the tectonic plates of influence shift from West to East, there is a massive opportunity for UK fintechs to cement the UK's place as a global fintech powerhouse, whilst extending their reach into the APAC region to capture the immense potential of the market.

Joanne Dewar
Chief Executive Officer,
Global Processing Services (GPS).

Sources

[50] Bank for International Settlements 2020.
[51] Duff & Phelps 2020.

5.2 Tax

Singapore and Hong Kong are the two global financial centres with the most competitive tax systems, but their economies are based on different fundamentals than the UK, US, Japan, and Germany. Of these major economies, the UK has the most competitive tax framework. With the lowest corporation tax rate of all G20 economies, a simplified tax system, and a large international tax treaty network, the UK is a broadly more attractive destination for financial and professional services firms than the US, Germany, and Japan. However, because of the UK's bank levy and corporation tax surcharge, corporate and investment banks located in London pay higher total tax rates than their counterparts in New York City or Frankfurt.

Whilst Singapore and Hong Kong have lower corporation and individual income tax rates, the UK has the most competitive tax rates of all major economies that are a global financial centre. Any tax policy changes in response to COVID-19 need to ensure that the UK's tax framework retains its competitive position.[52]

For both business and individual income tax and contribution rates, the UK is the most competitive major economy of all global financial centres. Singapore and Hong Kong have more competitive rates, but their economies are based on different fundamentals than the UK, US, Japan, and Germany. Research shows that the total tax and contribution rate of firms in the UK lies at 30.6% of a business' commercial profits, followed by the US (36.6%), Japan (46.7%), and Germany (48.8%). With 2018's tax cuts, the US have made the most progress in increasing the competitiveness of their tax system in recent years. However, at 19% the UK's corporation tax rate is still the lowest and most competitive rate of the G20 economies. Individual income tax rates show a similar picture: Singapore and Hong Kong have the lowest overall marginal tax rates, but of the major economies, the UK is the most competitive market with a highest marginal tax rate of 45%. At 55.95% – including local inhabitant tax – Japan's highest marginal tax rate for individual incomes is the highest. Foreign direct investment into the financial services sector is particularly responsive to a market's tax system. Tax rates and frameworks affect the choice amongst alternative locations when setting up new foreign financial services entities. Any tax policy changes proposed by the UK government in response to the economic fallout caused by COVID-19 need to ensure that the UK's tax framework remains competitive in the future to ensure lasting prosperity, growth, and job creation.

The UK is the most competitive major economy for both business and individual income tax and contribution rates

The UK has the least complex tax framework of all major economies that are a global financial centre.[53]

When assessing the time to comply with a market's tax framework in hours and the number of taxes paid per financial year as a proxy for a market's tax complexity, the UK again is the most competitive financial centre of the major economies. Whilst Hong Kong's tax system is the least complex, followed by Singapore's, the UK's is much simpler than those of the US, Germany, and Japan. On average, businesses in the UK spend between 105 and 114 hours preparing and paying taxes, and make 9 payments. Businesses in the US spend 175 hours on complying with the country's tax framework and pay 11 taxes per year. In contrast, entities in Hong Kong spend just 34.5 hours on preparing and paying taxes, and pay 3 taxes. This assessment does not account for additional taxes that apply to the financial services sector, e.g. bank levy or corporation tax surcharges.

Of all comparator global financial centres, the UK has the largest international tax treaty network.[54]

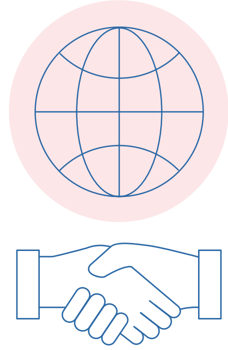
International double tax treaties help to avoid the double taxation of profits from foreign sourced income. Businesses located in markets that have signed tax agreements with many other countries have an advantage over firms in locations with a more limited treaty network. Individuals working in multiple locations benefit from these treaties as well. With 132 double taxation agreements with other markets at the end of 2019, the UK has by far the largest international tax treaty network – and the number consistently grew over the past 5 years. The market with the next-largest tax treaty network is Germany with 96. At just 42 tax treaties, Hong Kong's network is the smallest.

Due to bank levies and corporation tax surcharges, the UK does not provide banks with such a competitive tax environment.[55]

The UK and Germany are the only comparator markets in which additional taxes apply to the financial services sector, affecting banks in particular. Both markets introduced bank levies after the 2008 Global Financial Crisis to discourage banks from relying on risky forms of borrowing and provide a further source of tax revenue. In addition, the UK introduced a further 8% corporation tax surcharge for banks in 2015. Whilst the UK has a generally competitive tax system, banks do not benefit from it: A typical corporate and investment bank in London has a total tax rate of 47.1% – 13.6 percentage points higher than in New York City and 2.4 percentage points higher than in Frankfurt.

Sources

[52] PwC/World Bank 2020, KPMG 2020, Merz/Overesch/Warmser 2017.
[53] PwC/World Bank 2020.
[54] Own analysis.
[55] UK Finance 2019.



132

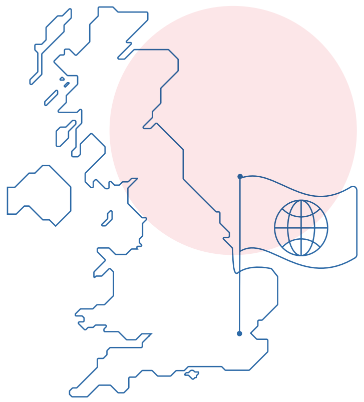
The UK has by far the largest international tax treaty network, with 132 double taxation agreements with other markets

5.3 Market access

Financial services firms located in Singapore and Hong Kong have the best access to international markets. Singapore in particular stands out and achieves a top score for regulatory coherence, number of fintech bridges and regulatory agreements, and few controls of the movement of capital and people. The UK is more open than Germany, Japan, and the US. Of these major economies, the UK's regulatory framework is most aligned with international standards. Low restrictions on services trade mean policy-induced trade costs for financial services firms located in the UK are lower than in most other markets. However, depending on the future path the UK will choose after the EU exit, this competitive advantage could be at risk.

The UK has less controls of the movement of capital and people than the US and Germany, which makes it a more open global financial centre and supports businesses to trade internationally.[56]

Financial and professional services firms depend on low regulatory barriers to trade internationally. In the annual Economic Freedom of the World report, the UK demonstrates a good performance for controls of the movement of capital and people. Based on an assessment of the country's restrictions on foreign ownership and investment, capital controls, and the freedom of foreigners to visit for short-term business purposes, the UK is much more open than the US and Germany. However, it is less open than Japan, Singapore, and Hong Kong; with the latter two being the most open jurisdictions.



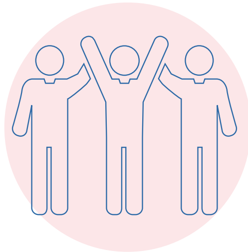
The UK is a more open global financial centre than the US and Germany and supports businesses to trade internationally

There is potential for the UK to establish more fintech bridges and agreements on regulatory cooperation with international partners to help UK-based businesses access other markets.[57]

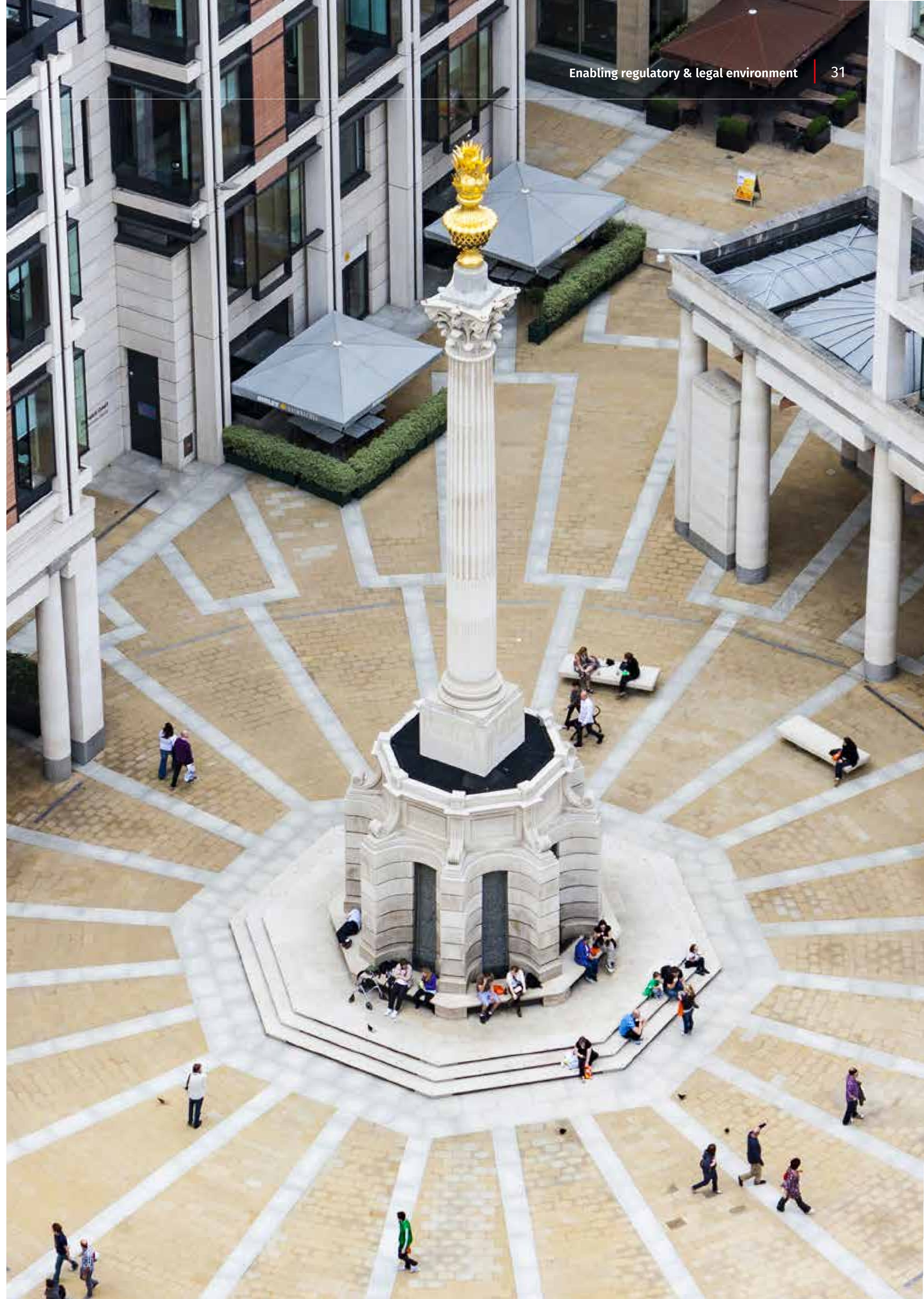
More regulatory cooperation facilitates better market access for businesses located in cooperating markets. In 2016, the UK and Singapore established the world's first fintech bridge. This type of regulatory cooperation is designed to coordinate regulatory issues in the areas of technology and innovation and enable each market's fintechs to access the other market. Between 2016 and 2019, Singapore grew its number of fintech bridges and regulatory cooperation agreements to 28. This is a higher number than Hong Kong, the UK, Japan, and the US' combined. With 7 agreements, the UK is the financial centre with the third-most fintech bridges and regulatory cooperation agreements. Germany is the only centre that has not yet established dedicated fintech regulatory cooperation agreements with other markets. These numbers serve as a proxy: Cooperation agreements are particularly beneficial when they support businesses to access other markets through e.g. fast-tracked licensing.

Sources

[56] Fraser Institute 2020.
[57] Own analysis.



The UK has **7** fintech bridges and regulatory cooperation agreements, making it third in the financial world



Right: Paternoster Square, London

Lower services trade restrictions mean lower costs businesses need to bear

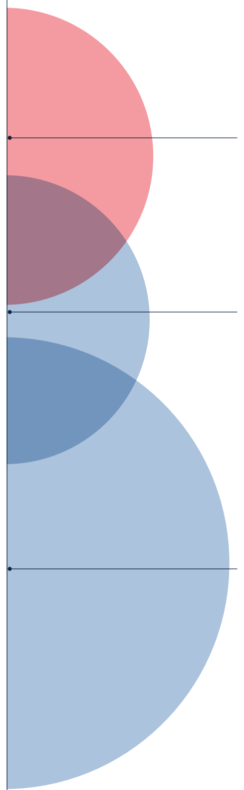
Lower services trade restrictions mean lower costs businesses need to bear. The UK is one of the best global financial centres to conduct international services trade from, but could lose this competitive advantage after the EU exit.[58]

Based on an OECD assessment of restrictions on foreign entry, restrictions to movement of people, other discriminatory measures, barriers to competition, and regulatory transparency, the UK is one of the best global financial centres to conduct international services trade from – second only to Germany. Both centres are more open than the US and Japan. Despite global trade tensions, this assessment has only slightly changed in recent years. Financial and professional services firms benefit from low restrictions in services trade as they reduce compliance costs. According to further OECD analysis, financial and professional services firms located in Germany and the UK need to bear lower policy-induced services trade costs than their counterparts in Japan and the US. In the UK, average policy-induced services trade costs are 73% of the total value of financial, business, and insurance services. This share is slightly lower in Germany, at 71%; but it is much higher in the US, where the share is 111%. Across all markets, policy-induced services trade costs are highest for financial services, followed by insurance and business services trade. The costs for services trade within the European Economic Area are much lower: 7% on average for businesses located in the UK that trade with other European Economic Area parties. This is a competitive advantage the UK could lose after the EU exit.

Source

[58] OECD 2019, 2020.

In the UK, average policy-induced services trade costs are **73% of the total value of financial, business, and insurance services**. This is a competitive advantage the UK could lose after Brexit



Right: MediaCityUK, Salford Quays, Manchester

About the Global City campaign:

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

theglobalcity.uk

About the City of London Corporation:

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

We aim to:

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

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

www.cityoflondon.gov.uk