

# FSG Briefing for the incoming Lord Mayor 2023-24

Prepared by The Financial Services Group of Livery Companies (FSG)

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## DOCUMENT PURPOSE

The aim of this document is to brief the Lord Mayor, Sheriffs, City of London Corporation CEO and Chair of Policy on the key issues and concerns that currently matter to the trades and industry represented by the FSG Livery Companies. The document contains recommendations for policy and action to support the growth and prosperity of the City of London and the trades and businesses that depend upon its continued global pre-eminence. It represents a summary of inputs from all 15 of the FSG Livery companies.

In preparing this briefing we have read and where appropriate cross referenced to 'The Global City, State of the Sector – annual review of UK Financial Services'.

[https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/State-of-the-sector\\_annual-review-of-UK-financial-services-2023.pdf](https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/State-of-the-sector_annual-review-of-UK-financial-services-2023.pdf)

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## A. CONTEXT

Below are listed several challenges and opportunities that have been identified that need to be understood as both constraints and drivers of any potential change:

### 1. Headwinds

- a. The current **investment climate** for both risk and growth capital is constrained with a low number of IPOs accompanied by a decline of liquidity on the LSE<sup>1</sup>
- b. Brexit has meant some **talent and trading** has transferred to other European financial centres<sup>2</sup>
- c. **Skill shortages** are reported in almost every sector, with productivity appearing to be stagnant, amid post Covid pandemic recovery to working patterns<sup>3</sup>
- d. Growing **competition with other global centres**<sup>4</sup>, as the City is no longer universally seen as the financial gateway to Europe.
- e. **UK Political instability** following recent high turnover in No.10
- f. **Geopolitical instability** with Ukraine-Russia and Israeli-Palestine developments.
- g. Unnecessarily **Bureaucratic regulation** in some sectors, such as Insurance.

### 2. Tailwinds

- a. The City continues to contribute massively to **UK service exports and GDP**<sup>5</sup>
- b. Despite recent rises in **corporation tax** the UK remains highly competitive for foreign direct investment in financial services vs other jurisdictions<sup>6</sup>
- c. The London Markets **for insurance, asset management, investment banking, financial trading, and arbitration**; these industries are **globally pre-eminent**.
- d. Our **professional services and corporate governance are world renowned** and operate to high ethical standards so that through its long-term practices and delivery the **City has an exceptional reputation** and is **trusted** on a world stage.
- e. We have **natural advantages** – time-zone, English language, English Law, London as a place to live and enjoy – that other cities and centres do not have.

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<sup>1</sup> <https://www.investmentweek.co.uk/news/4062499/ipos-london-drop-90-22>

<sup>2</sup> <https://www.bis.org/publ/bisbull65.htm>

<sup>3</sup> <https://www.standard.co.uk/business/london-companies-fill-vacancies-pay-rise-skills-shortage-gap-b1059842.html>

<sup>4</sup> <https://www.euronews.com/2022/01/12/a-year-since-brexit-london-s-financial-crown-shaken-by-eu-competition-but-still-intact>

<sup>5</sup> <https://www.economicsobservatory.com/how-important-is-the-city-to-the-uk-economy>

<sup>6</sup> [https://www.ey.com/en\\_uk/news/2023/06/uk-remains-europes-most-attractive-destination-for-financial-services-investment](https://www.ey.com/en_uk/news/2023/06/uk-remains-europes-most-attractive-destination-for-financial-services-investment)

- f. We are a **major focus for financial and technology innovation** resulting in our being the world's leading fintech and insurtech centre <sup>7</sup>
- g. We remain **open to diverse talent** from around the world.
- h. We have 3 of the global 10 **best higher educational institutions** within 60 miles of the City.

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## B. KEY ISSUES

Given the context above, the FSG Liveries believe that there should be a focus on three main issues:

### ***1. Play to our Strengths***

The FSG believes that **we should build on the areas where we have and are seen to have an advantage**. This means that we need to promote the fact that we have a fair and open legal system, expert professional services that support the operation of financial markets and trade, our deep knowledge networks, and our innovation capabilities. These latter capabilities cover both business innovation through asset management (a world leader in ESG investing) fintech and insurtech, but also science and technology where we have AI and bio-technology skills that are amongst the best in the world, all fuelled by our academic strengths. The City is the seat of many arbitrations and our legal system the envy of the world attracting investment based on its reputational strength and perceived impartiality.

### ***2. Be more attractive***

The FSG believes that we must work to enhance the City's attractiveness to both inward investment but also as a place where innovation and growth can thrive.

This requires us to have **business-oriented and proportional regulatory regimes** that encourage inward flows of capital and business while providing appropriate protections for consumers and avoiding unnecessary compliance burdens on firms.

Reciprocal regulations should be sought with other jurisdictions where possible to **encourage cross-border trade**.

The City should be a place that fuels innovation through the supply of **appropriate levels of growth capital** and by being open as a market for the products and services it funds. We support the current moves to change pension fund allocations to provide deeper pools of innovation capital.

The City has always been a **magnet for talent** and this requires continued **openness about working visas**. We are keen, especially in a post Brexit world, that this openness continues.

We are also keen to see the **City being used as either Global HQ** or second base for innovative businesses with the example of OpenAI choosing to open their first non-US office in London.

### ***3. ESG and Sustainability is key***

The FSG believes that London has **a unique opportunity to lead on ESG**.

Concerning the environment, this can be achieved through the development and provision of ethical funds, financial and technical support for energy transition and green technologies, development of innovation for social finance initiatives, and the establishment of strong and consistent, yet appropriate, environmental reporting.

Concerning the social imperative, a growing emphasis on culture change is needed to ensure that we have the right programmes in place so that we achieve diversity on all protected characteristics while ensuring fairness and opportunity for all.

The Prudential Regulatory Authority (PRA) published CP18/23 and updated it on 11 Oct 2023 to articulate "proposed rules and expectations aimed at improving diversity and inclusion in PRA-regulated firms".

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<sup>7</sup> <https://www.londonstockexchange.com/discover/news-and-insights/uk-fintech-ecosystem>

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## C. RECOMMENDATIONS

Based on the above, the FSG Livery Companies have three recommendations for the Lord Mayor and the City of London Corporation for the coming year:

### 1. *Promote the City as Global No.1*

The FSG believes that the City needs to get on to the front foot and both defend and promote those areas where the City has a strong claim to be Global No.1. We see these areas as:

- a. **Insurance** - revising regulation to be proportionate, making the City the natural market for reinsurance attracting diverse talent and a proven tradition of innovation.
- b. **Asset Management** – promoting the City as the world’s largest asset management centre outside the US, with more assets under management (AUM) than the next three top European countries (France, Germany, and Switzerland) combined and investment management firms from North America, Continental Europe, the Asia Pacific region, and the Middle East manage client assets out of London alongside UK firms and highest number of Sovereign Wealth Funds located here.
- c. **Financial Trading** – supporting smart agile regulation and two-way cross border access.
- d. **Fintech & Financial Innovation** – encouraging tech innovation to support investment, including biodiversity. Facilitating a world leading Science and Technology Investment Environment.
- e. **Public Market Innovation** - assist in the communicating the advantages of listing in London – see Appendix B.
- f. **Professional Services** – supporting a centre for management consultancy excellence where ideas are shared.
- g. **Legal services** - supporting England and Wales as a law and forum of choice, given the certainty of our laws and the expertise of our legal services.
- h. **Corporate Governance** – confirming and strengthening the UK is a leader in setting high standards of good and effective corporate governance.

### 2. *Frame our Future No.1 Focus*

The FSG believes that in addition to promoting areas where we are already strong, we should identify and support our ability to attain such ‘Global No 1’ status within four other areas:

- a. **Innovation** - For example in Insurance the Lloyd’s and London Market has a reputation for being at the centre of global risk transfer innovation and its participants have historically been pioneers for new product development and managing emerging risks. Lloyd’s Lab, an InsurTech accelerator has played a critical role in developing technology and data-driven insurance solutions to ensure the safe transportation of the COVID-19 vaccine globally and harness real-time satellite imagery to pay out claims the event of a natural catastrophe within hours, not months.
- b. **AI** – Support advanced technology and especially AI, by linking business thoughts regarding innovation to academic hubs. Also ensuring that regulators are ready to accommodate AI powered services so that innovation is encouraged.
- c. **Energy Transition** – Given the urgent need to achieve energy transformation and decarbonisation.
- d. **Ethical Investment** – Promoting green sustainable finance.

### 3. *Release the energy*

The City of London and the wider capital has always been a source of extraordinary entrepreneurial energy with such vision being supported by a network of funding and knowledge. The FSG believes that this energy needs to be both directed and sustained.

This means that the City should be a place where capital and support pathways for start-ups and scale-ups is available to take high growth businesses through to eventual listing on public markets, hopefully in London.

We see the following actions as necessary to support this recommendation:

- a. **Growth Capital** – release capital for start-ups and scale-ups from pension funds (we note with pleasure, the Mansion House Pension Reforms announced last week).
- b. **Diversity** – tap into new sources of diverse talent from a wide pool of schools and higher education, as well as from abroad. We see this in the insurance sector, where Lloyd's has firmly stated its commitment to creating a diverse, inclusive, and high-performance culture across its market to attract and retain the best talent using programmes such as *Inclusion@Lloyd's*
- c. **Training** – develop a longer-term plan for attracting and training talent that meets future demands. The training solution needs to be much wider than just for the City and further education as well as professional education needs to be modernised.
- d. **Collaboration** - working together as industries to solve more complex issues. For example, a talent pool of some 48,000 people work in the Lloyd's and London Insurance Market offering an unrivalled breadth of expertise and unique concentration of knowledge and experience. This makes for creative solutions to existing and emerging risk transfer problems – both in traditional industries and in newer, fast-growing economies and technologies.

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## **FSG - The Financial Services Group of London Livery Companies**

The financial services industry – banking and insurance in all its forms, supported by relevant professional and ancillary services – is the core economic engine of the City of London, and indeed of the UK.

The FSG includes the London Livery Companies and Guilds that cover almost all financial services trades as detailed below under contacts. Its role is two-fold: firstly, to support the Lord Mayor, providing input, advice, and support to help them promote the City and its core activities, globally; and secondly, to foster a network of Livery Companies with overlapping and complementary interests, events and activities that can be opened to the benefit of all.

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### **FSG Contacts:**

Speechwriters are welcome to contact any of the below FSG Representatives for further information about their respective livery or industry. Further contacts are given below in Appendix A.

Mark Spofforth MBE, **FSG Chairman, Chartered Accountants Livery** [markspofforth@msn.com](mailto:markspofforth@msn.com)

Richard Burge, **Deputy FSG Chairman, World Traders Livery** [richard@richarddaburge.com](mailto:richard@richarddaburge.com)

Mark Johnson, **Insurers Livery**, [mark@msjic.com](mailto:mark@msjic.com)

Nick Garnish, **International Bankers Livery** [nick.garnish@cibc.co.uk](mailto:nick.garnish@cibc.co.uk)

Lars Andersen, **Entrepreneurs Livery** [larsba@gmail.com](mailto:larsba@gmail.com)

Paul Finch, **Information Technologists Livery** [paul.finch@member.wcit.org.uk](mailto:paul.finch@member.wcit.org.uk)

Margaret Bickford-Smith, **Arbitrators Livery** [bickfordsmith@crownofficechambers.com](mailto:bickfordsmith@crownofficechambers.com)

Andrew Vaughan, **Actuaries Livery** [andrew.vaughan@barnett-waddingham.co.uk](mailto:andrew.vaughan@barnett-waddingham.co.uk)

Michael Ashdown, **Tax Advisors Livery** [mjashdown@hotmail.com](mailto:mjashdown@hotmail.com)

James de Sausmarez, **Chartered Secretaries Livery** [James.desausmarez@outlook.com](mailto:James.desausmarez@outlook.com)

William Hill, **Chartered Surveyors Livery** [william.hill@me.com](mailto:william.hill@me.com)

Andrew Cross, **Marketors Livery** [ajc@zuzumi.co.uk](mailto:ajc@zuzumi.co.uk)

Steve Cant, **Management Consultants Livery** [steve.cant@wcomc.org](mailto:steve.cant@wcomc.org)

Simon Davis, **City of London Solicitors Livery** [simonandsolutions@gmail.com](mailto:simonandsolutions@gmail.com)

Phil Clerk, **Guild of Investment Managers** [phil.clark@pclarkconsulting.com](mailto:phil.clark@pclarkconsulting.com)

Patricia Edmunds, **Secretary FSG** [patriciaday72@btinternet.com](mailto:patriciaday72@btinternet.com)

Other useful contacts in the production of this briefing:

Rob Wirszyycz, Deputy Master **Information Technologists Livery**  
[rob.wirszyycz@member.wcit.org.uk](mailto:rob.wirszyycz@member.wcit.org.uk)

Karl Jarvis, Senior Warden **Insurers Livery** [karl.jarvis@samecock.com](mailto:karl.jarvis@samecock.com)

## APPENDIX A: ADDITIONAL FACTS FOR SPEECHWRITERS

### INSURANCE

- The London Market by virtue of its status as a global hub for commercial insurance and reinsurance, is a significant export industry, employing a growing number of people and attracting investments into the UK.
- Some of the assets which back claims paid by the London market insurers are invested in UK assets.
- Nearly three quarters of London's business is generated from outside the UK, making a significant contribution to the UK's economy.
- Lloyd's declared £46bn of Gross Written Premium for 2022, and the Companies Market (*London non-Lloyd's*) £44bn, with Broker facilitate risks in London of £15bn, this gives us a total £105bn or \$125bn of GWP generated in the London Insurance Market.
- As a proportion, this economic contribution equates to over a quarter of the City's GDP.
- **London has the same number of insurtech unicorns as the rest of Europe combined** and globally is second only to Silicon Valley. Indeed, of the estimated 3,000 insurtech firms in the world, approximately 280 are in the United Kingdom—the highest number of insurtechs per capita among all major world economies.

\*This group includes input from the LMA, IUA, Lloyd's, LIIBA.

**Source:** The London Market Group (LMG) made up of 4 trade bodies - LMA, IUA, Lloyd's and LIBA

#### Additional contacts:

LMG – Dave Macham – CEO of IUA: [dave.matcham@iua.co.uk](mailto:dave.matcham@iua.co.uk)

Lloyd's - Paul Brady, Head of Market Oversight & Delivery: [Paul.Brady@lloyds.com](mailto:Paul.Brady@lloyds.com)

Lloyd's - Dawn Miller, Commercial Director: [dawn.miller@lloyds.com](mailto:dawn.miller@lloyds.com)

### SOLICITORS

- In 2019 English and Welsh law governed around £250bn of global mergers and acquisitions, and 40% of global corporate arbitrations.
- Legal service contributed nearly £37 billion in revenue to the UK economy and employed more than 350,000 people, two thirds outside London,
- 77% of commercial court cases involved at least one foreign party, and 100% of the financial section involved foreign parties.

**Additional contact:** Sarah de Gay – Master – [sarah.degay@btinternet.com](mailto:sarah.degay@btinternet.com)

### MARKETING

- In 2022, there were approximately 888,300 employed and self-employed people working in marketing and related associated professions.
- In the UK, marketing budgets currently account for 9.3% of overall company revenue.
- The United Kingdom is the largest advertising market in Europe and one of the leading advertising markets worldwide. In 2022, UK advertising spending amounted to £35 billion and forecast to grow to £42 billion by 2026.
- Social media is the number one channel for reaching Gen Z. Nearly 30% of Gen Z have purchased a product through a social media app.

**Sources:** <http://www.reportlimker.com> / [www.statista.com](http://www.statista.com) / [www.marketingweek](http://www.marketingweek) / [www.iabuk.com](http://www.iabuk.com)

**Additional contact:** Suzie Rendle, Livery Clerk, [clerk@marketors.org](mailto:clerk@marketors.org)

## INTERNATIONAL BANKING

- The UK trade surplus in Financial and related professional services is £ 81 billion.
- UK has 38% of the Global total of foreign exchange turnover, USA is 19%, Singapore 9%.
- Around twice as many US\$ are traded in the UK as in the US, in foreign exchange markets.
- Over 342 active sustainable bonds were listed on the LSE from over one hundred issuers in 2021, which have raised around £104 billion.
- UK based Islamic Banks' assets represent 85% of total European Islamic banking assets (excluding Turkey); around £5.5 billion in 2021.
- The UK private equity market is the most developed in the World, outside USA. UK private equity funds invested £29.5 billion – the largest in Europe, in 2021.
- There were 1,600 Fintech companies registered in the UK [2021].
- London is the World's second-largest centre for hedge funds, after New York, having around £350 billion in assets under management (10% of Global total).
- The UK is a World leading derivative centre, with a 45.5% share of trading OTC interest-rate derivatives in April 2022, the US is second with 29.3%.

**Additional contact: Nick Garnish** [nick.garnish@cibc.co.uk](mailto:nick.garnish@cibc.co.uk)

## ACTUARIES

Membership of the Worshipful Company of Actuaries numbers around 300 professionally qualified actuaries who between them have experience across a wide spectrum of actuarial activity.

This includes the design and operation of pension schemes, investment, takeovers and mergers, benefits communication, international employee benefits, life and general insurance, healthcare, corporate finance, and risk issues.

**Additional contact: Rodney Jagelman** [rodney.actuaries@gmail.com](mailto:rodney.actuaries@gmail.com)

## ASSET MANAGEMENT

The UK is the world's largest asset management centre outside the US, with more assets under management (AUM) than the next three top European countries (France, Germany, and Switzerland) combined and investment management firms from North America, Continental Europe, the Asia Pacific region, and the Middle East manage client assets out of London alongside UK firms.

- The City of London is the largest centre for asset management outside the US.
- £10.3tn of assets under management.
- The UK has an extremely diversified fund range reflecting a comprehensive range of asset skills with over 100 Lipper Global Fund Classifications represented ranging from equities, fixed income, and multi-asset through to absolute return, property, and alternative strategies.
- Pioneers of sustainable and responsible investing - a key future trend for global asset managers.
- A truly international market: 46% (£4.6tn) of assets under management are managed for overseas investors.
- The UK houses 1,100 asset management firms, the largest number in Europe. This shows the dense cluster of expertise and diversity of services the UK has to offer.
- The UK's reputation for high-quality active investment management is built on the foundations of its remarkably deep and wide pool of talent.
- The UK also attracts global institutional investors. London houses the highest number of overseas offices of sovereign wealth funds and public pension funds, such as Temasek, AustralianSuper, CPP Investments and the Mubadala.
- London is global FinTech hub.
- The UK is also home to many of the world's leading private asset advisers and managers whose expertise and experience can help unlock the potential of these investments.

### **Additional Contacts:**

Phil Clark – FSG Representative - [phil.clark@pclarkconsulting.com](mailto:phil.clark@pclarkconsulting.com) M: +44 7856 034454

Henry Pollard – Master - [henry.pollard@outlook.com](mailto:henry.pollard@outlook.com) M: +44 (0)7770 828315



## CHARTERED SECRETARIES

Members of the Chartered Governance Institute, previously the Institute of Chartered Secretaries and Administrators, provide administrative and governance support to national and local government, charities, sports organisations, academic institutions, health service providers, and the military, as well as their obvious function within businesses around the world.

The Institute, which is an Influential global governance organisation, has 29000 members in 80 countries with divisions in Australia, Canada, Hong Kong/China, Malaysia, New Zealand, Singapore, Southern Africa, the United Kingdom, and Zimbabwe.

**Additional contact:** James de Sausmarez [James.desausmarez@outlook.com](mailto:James.desausmarez@outlook.com)

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## APPENDIX B: THE ADVANTAGES OF LISTING IN LONDON

### Why List?

The reasons why a company may choose to seek a public market listing are well known, such as access to permanent capital at IPO and beyond and the ability raise further capital in weeks not months, but with some high-profile firms, such as ARM, choosing to list in New York the case for listing in London merits examination.

### Why List in London?

1. For British companies, home market advantage is real as the benefit of customers, suppliers, job applicants, and investors knowing who they are shouldn't be underestimated.
2. Index qualification is much easier in London. 'Unicorns' qualify for the FTSE 250 while 'Decacorns' can enter the FTSE 100. To qualify for the US exchanges, in addition to the need to be an order of magnitude larger, businesses effectively need to be American businesses. This is particularly important given the rise in passive investment products.
3. Contrary to market myth the UK offers similar if not better research coverage (over 30 London-based Fintech analysts) and investor access as North American capital outweighs British capital in London shares (US exchanges are dominated by domestic companies and domestic investors). In addition, London raised more capital than the next two European markets (Amsterdam and Frankfurt) combined.
4. Being close to the market with strong investor relations is easier in the UK. Reporting is also done half yearly, rather than quarterly as in the US – indeed, those listing elsewhere risk being orphaned particularly if they miss a quarter (of the 23 UK companies who have raised >\$100m in a US IPO, only 4 of these are trading above issue).
5. Valuations in the London Market are comparable with those in other markets – the truth is that good companies with good fundamentals and narratives get better valuations wherever they list.
6. The London Stock Exchange is committed to being the most 'founder-friendly' exchange in the world with initiatives like Primary Bid (more access to retail investors) and Flow (a private company funding and secondary facility), plus the recent Mansion House accord, all pointing to a London advantage for entrepreneurs.
7. London compares favourably with other markets on Liquidity, which is a function of both market cap and retail following.
8. London has low litigation risk compared with other markets such as the US, meaning D&O (Directors & Officers) insurance is considerably lower in the UK.
9. The cost of listing is lower in London for both AIM and the main market than any exchange in North America.

**Source:** Peel Hunt - Reinvigorating UK equity markets

<https://www.peelhunt.com/media/ugtp0mer/reinvigorating-uk-equity-markets-peel-hunt-october-2023-final.pdf>

November 2023