

Speech: Secretary of State address to City Week

1. Introduction – the prophets of doom were wrong

If there is one sector in our economy that represents a combination of old-fashioned British grit and determination alongside global innovation and leadership, it must surely be financial services. Time and again doom-mongers have predicted the demise of the City. And time and again they have been proved wrong.

From the Big Bang deregulation of financial markets in 1986, when some predicted London would struggle to continue to compete as a global financial centre. To cries that the end was nigh for the City of London when the United Kingdom decided against joining the Euro – a decision that I believe has stood the test of time. To the 2008 financial crisis, which brought the sector to the brink. All wrong. But the City of London has not just survived the onslaught, it has positively thrived in the face of some formidable threats.

And as we prepare to leave the European Union, once again the death-knell has been sounded on the future of the UK's financial sector. Now I understand people's concerns – we are in the middle of a fundamental change of direction, and the unwillingness of Parliament I have to say to give certainty exacerbates the situation. But I am convinced that when the dust settles the City of London will do what it always does, which is to emerge fitter, stronger and more dynamic than ever.

2. The strength of UK financial services

Since the referendum in 2016, the United Kingdom has maintained – and even strengthened – its position as a global financial centre: I would argue as the leading financial centre. Just today, Deloitte's Crane Survey shows that construction of new offices in London has hit its highest level since the referendum.

Office space under construction between October 2018 and March 2019 amounted to 13.2 million square feet: the equivalent of more than 22 Shards, up 12% compared to the previous survey, while volume of new office construction activity was 3.5 million square feet: some 38% higher than the previous survey. Office space under construction between October 2018 and March 2019 amounted to 13.2 million square feet: the equivalent of more than 22 Shards worth of office space – and a 12% increase compared to the previous survey.

It's a far cry from the doom and gloom predicted when the UK voted to leave the European Union in 2016, and reinforces the City's global pre-eminence as an investment destination. And this follows on from recent OECD figures which show the total value of foreign investment stock into the UK increased by a further 5% to £1.46 trillion in 2018, making the UK now home to more foreign

investment than Germany, Spain and Poland all put together.

And the financial sector stands at the heart of that success. Our deep and liquid global capital pool, a pioneering regulatory framework, and world-class advisory, legal and related professional services have helped us run one of the greatest trade surpluses in our history: at around £43 billion a year. Some 4.2% of the UK's working population, nearly 1.4 million people, are employed in finance and insurance. And, with two-thirds of these employed outside London, it's important to remember that the City's influence is not confined to the square mile; it stretches right the way across the UK with new jobs and opportunities being created all the time. The depth of our professional infrastructure runs from London to Edinburgh, to Bristol to Belfast. Goldman Sachs, for example, is opening a new office in Milton Keynes, creating up to 250 jobs. The new UK challenger bank OakNorth investment is bolstering its ranks, taking on new staff in Manchester, the Midlands and the South West to keep up with demand for its demand for business loans.

KPMG has announced plans to create up to 400 jobs over the next three years in Glasgow. This is truly a sector which benefits every part of the United Kingdom.

And it is of fundamental importance to the overall strength of our economy. According to the industry body TheCityUK, our banking sector is the largest in Europe. London alone hosts over 250 foreign banks, more than New York, or Paris or Frankfurt combined. It is our largest tax payer, contributing around 11% of total UK tax receipts – or £72 billion on the latest figures – paying for the schools, hospitals, security and the other public services on which we all rely. Those who threaten its viability or stoke up resentment against the sector should remember how much it pays the bills. It is the ability to innovate, to adapt and to change that keeps us on top. The UK was the first Western centre to embrace Islamic finance: the first to offer a Sharia-compliant bond, for example – and remains its leading western centre.

We also host the second largest offshore centre for Chinese renminbi clearing. Twice as many dollars are traded in the UK as in the US, and twice as many euros are traded in the UK as in the Eurozone.

The UK has more than 40% of the global market in Fixed Income, Currencies and Commodity trading. We have the second largest centre for debt financing globally after the United States. And we are – by far – the largest capital market in Europe, accounting for 20% of the bond and loan market, and 33% of all Initial Public Offerings and private equity activity in Europe. And of course the United Kingdom is the home of the FinTech revolution, making sweeping changes, delivering more control, access and increased competition.

It has been estimated that we have more software developers than Berlin, Dublin and Stockholm all combined. And of course we have Level 39, Europe's largest fintech accelerator. And last year the UK attracted more venture capital investment than anywhere else in Europe, with £6.3 billion. And these advantages are showcased in our Fin Tech sector, with around 1,600 firms contributing approximately £7 billion to our economy and supporting over 75,000 jobs. Furthermore, the UK is now the number one investment destination

in the world for mergers and acquisitions, ahead of the US, ahead of Germany and ahead of China, according to a report by EY. And these are just some of the achievements, I could go on and for a little bit of encouragement I might! But the point I want to make really is this: that this Government believes in the City and is behind you every step of the way in your success.

Our financial services are of huge value to this country's overall prosperity and I am convinced that you will remain at the heart of the global financial system whatever the outcome of the Brexit process.

3. Facing the challenges ahead

Of course, there's no room for complacency and we must face up to the fact that there will be significant challenges as well as opportunities ahead, not least because a number of new players will become apparent. I recognise that, for many firms in this room, the period since the Referendum has been one of uncertainty. So please be assured that we firmly believe the best approach is to leave the EU with a deal and we are continuing to work hard, including with parties across Parliament, to find a way forward. But whatever the outcome, I want you to know that this Government will remain your champion. We will never jeopardise the City's success. We recognise your difficulties, we recognise your importance, and we want to work with you to give certainty and stability wherever possible as we move towards our new deep and special partnership with the European Union. But it is also worth stressing, and I think it does not happen enough, that there is a world beyond Europe and there will be a time beyond Brexit.

Britain stands on the brink of a new era in our trading history, continuing our close cooperation with our partners in European Union who still represent 44% of our exports, while reaching out as an independent trading nation for the first time in 40 years to friends old and new in the wider world. While our established partners such as the EU will continue to be of great importance, the locus of economic power is shifting rapidly, with an estimated 90% of global economic growth projected to occur outside the European Union over the next five years. That is where the markets are going to be, and that is where we need to be.

The world is becoming increasingly well educated, wealthier, and more urbanised. And it is predicted that the share of global GDP of the seven largest emerging economies – including China, India and Turkey – could increase from around 35% to nearly 50% of global GDP by 2050, which would mean that they overtake the current G7. It is a seismic shift in global economic power. When I try to explain it to people, I point out them that by 2030, China will have more than 220 cities with a population of more than 1 million people. The whole of continental Europe will have 35. It is worth understanding the scale of the change. This historic shift in global economic and demographic power will reshape the opportunities of international trade in the years to come.

The mission of my Department is to build a future for the UK's international trade in this emerging environment: to open new markets, build new export and investment opportunities, investment into the United Kingdom and investment

out from the United Kingdom, and, perhaps most importantly, champion the cause of free trade and trade liberalisation, especially in services in an era where protectionism is increasingly lifting its ugly head. In 2017-18 alone, my Department supported a total of 332 financial and related professional services projects, securing or safeguarding over 15,000 jobs in this country.

We have launched four public consultations, to seek new Free Trade Agreements when we leave the European Union, with the United States, with Australia – [political line redacted] – to New Zealand, as well as the potential to seek accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, CPTPP – which is always easier to say now than it is later in the day. Our new Export Strategy will help the UK climb the ranks of the 21st century's great trading nations by encouraging, informing, connecting and facilitating finance for firms to realise their full exporting potential, and that is particularly true for SMEs where we need to find new exporters.

In addition to this, we continue to work with key economic partners around the world. For example, I was recently delighted to address Qatar Day, which highlighted the mutual opportunities for business across asset management, cyber security, capital markets, sustainable finance and FinTech, for UK and Qatari companies. Qatar incidentally has over £35 billion of investment in the UK, much of which is here in London. And FinTech is at the heart of our global technology and innovation strategy and our growth agenda. That's why we are continuing to roll out our FinTech Bridges – links between Governments, regulators and private sectors – in priority global markets, from Singapore to China, from Hong Kong to Australia, where we launched our FinTech Bridge Pilot Programme last month. And these Bridges will promote regulatory cooperation to reduce barriers to entry in one another's markets. We are also working to leverage the UK's unique expertise and capacities to assist development in emerging economies. For example, in January my team visited Latin America to discuss how the UK's insurance and risk modelling knowhow might help these emerging economies adapt and mitigate against the effects of climate change.

And both the UK Government and industry are developing an international road map for greening the financial system.

And my Department will be key to helping leverage UK expertise to combat climate change through Green Finance, in which the UK is – yet again – a world leader. The Government is also working with the London Stock Exchange and the wider capital markets community to target local currency bond issuances.

Just last Friday, the Indian state of Kerala issued the first sub-sovereign level bond for developing infrastructure in the UK, following in the steps of countries like Indonesia who did the same last year, showcasing once again the contribution the City is making to finance infrastructure worldwide and contributing to our international development agenda, a fact that is not nearly widely enough understood.

4. Conclusion

I know there are many people who are concerned that Brexit means Britain

turning in on itself and becoming more introspective. Nothing could be further from the truth.

As we leave the European Union we will become more open to the world, not less, and more open to the great opportunities that lie beyond European shores. The financial sector and its related professional services will be at the centre of these new opportunities. Never before have prospects globally been so great. Yes of course there are challenges, as there always have been.

But I can assure you that the British Government stands ready to help you seize these opportunities, to make our financial sector's future even brighter than the past has been.

... accelerating financial inclusion by giving people better tools to save, to manage, to borrow and invest their money... ... supporting the financial products, technical expertise and experience needed to grow developing economies, which will be in all our interests... ... and building a more stable, secure and prosperous future, both for the United Kingdom and our partners around the world.

We have a great opportunity to shape the world around us. In fact, we always have a binary choice: to shape the world around us, or be shaped by the world around us. We must have the confidence and courage to do that shaping. The City has led the charge before. It will do so again. Thank you.