

# Chancellor statement to the House – Financial Services

Mr Speaker,

I would like to take this opportunity to update the House on our plans for one of the UK's most productive and innovative sectors: financial services.

Financial services will be essential to our economic recovery from coronavirus, creating jobs and growth right across our country.

And as we leave the EU and start a new chapter in the history of financial services in this country we want to renew the UK's position as the world's preeminent financial centre.

My Honourable Friend the Economic Secretary will lay the foundations later today through the Financial Services Bill.

And I want to put the Bill into context, by setting out for the House our plans to make this country more open; more technologically advanced; and a world-leader in the use of green finance.

Mr Speaker,

Financial services have been fundamental to Britain's economic strength for centuries. And they remain fundamental today.

The vigour and creativity of this industry adds over £130 billion of value to the UK economy;

Employs over a million people;

And has been a critical source of revenues to support the NHS through coronavirus, contributing nearly £76bn in tax receipts last year.

And let us put paid once and for all to the myth that "financial services" and the "City of London" are synonyms.

Two thirds of the people employed in financial and professional services work outside London, in places like Edinburgh, Leeds, Durham, Cardiff and Belfast.

And around half of all financial services exports come from outside London too with the North and Midlands alone exporting as much as the entire financial services industry of France.

Mr Speaker,

This is the start of a new chapter for financial services.

The industry is better regulated, better capitalised and more resilient than in 2008.

Coronavirus has reminded us financial services are essential services and the whole House will share my gratitude to the people keeping their local bank branches open;

Supporting vulnerable customers;

And working at extraordinary pace to deliver over £60 billion of new loan schemes.

Reminding us that this industry is at its best when it puts the interest of consumers first.

And, as we leave the European Union, we have an opportunity to set out a new vision for this sector.

A vision based not on a race to the bottom, but for a financial services industry that is open, is innovative; and leads the world in the use of green finance.

I'm taking three steps towards this vision today.

Mr Speaker,

Our first task as we write this new chapter for financial services is to give certainty on our approach to regulation after we leave the transition period.

One of the central mechanisms for managing our cross-border financial services activity with the EU and beyond, is equivalence.

I remain firmly of the view that it is in both the UK and EU's interests to reach a comprehensive set of mutual decisions on equivalence.

Throughout, our ambition has been to manage these cooperatively with the EU.

But it is now clear there are many areas where the EU is simply not prepared to even assess the UK.

So we need to now decide on how best to proceed.

Of course, we will always want a constructive and engaged relationship with the European Union.

But after four years I think it's time for us to move forward as a country and do what's right for the UK.

To provide certainty and stability to industry, and deliver our goal of open, well-regulated markets I'm publishing today a set of equivalence decisions for the EU and EEA Member States.

Of course, we're ready to continue the conversation where we haven't yet been able to take decisions.

But in the absence of clarity from the EU, we're acting unilaterally to provide certainty to firms both here and in Europe.

I'm also publishing today a detailed framework for our approach to equivalence more generally.

Our approach here is simple: we will use equivalence when it is in the UK's economic interests to do so taking a technical, outcomes-based approach that prioritises stability, openness, and transparency.

And, of course, we now have the freedom to build new, deeper financial services relationships with countries outside the European Union.

We're making good on that promise already, progressing our partnership with Switzerland – the second biggest financial hub in Europe after the UK;

With India, holding a significant economic and financial dialogue just two weeks ago;

And with Japan, agreeing a new partnership that goes further than the EU's own financial services arrangements.

But Mr Speaker,

Equivalence is not our only tool to ensure openness as a jurisdiction.

Control of our own regulatory regime means we need to be clear with our trading partners about how overseas firms access the UK's markets in a way that is predictable, safe and transparent.

So I'm announcing today that we'll launch a call for evidence on our overseas regime, before setting out our future approach next year.

To boost the number of new companies who want to list here in the UK, I'm setting up a taskforce to make recommendations early next year on our future listings regime.

To build on the 113,000 jobs already supported by investment management, we'll shortly publish a consultation on reforming the UK's regime for investment funds.

To encourage UK pension funds to direct more of their half a trillion pounds of capital towards our economic recovery I'm committing to the UK's first Long-Term Asset Fund being up and running within a year.

And to make sure UK financial services exports to the EU remain competitive, we will treat those exports the same as we do for other countries.

This means UK firms will be able to reclaim input VAT on financial services exports to the EU – support for British industry and British jobs worth £800m.

Mr Speaker,

We're known in this country not just for our openness – but for our ingenuity and inventiveness, too.

So the second part of our new financial chapter for financial services will use technology to deliver better outcomes for consumers and businesses.

So we are:

Building on our existing strengths as a leading global destination to start, grow and invest in FinTech and I look forward to welcoming Ron Kalifa's report in this important area.

We're staying at the cutting-edge of payments technologies where we've just concluded the first stage of our Payments Landscape Review and will shortly publish new plans to support the sector.

And by making sure our regulatory environment is ready to manage the far-reaching implications of technology on money itself.

We'll publish a consultation shortly to make sure new forms of privately-issued currencies, known as stablecoins, meet the same high standards we expect of other payment methods.

And the Bank of England and the Treasury are considering further if central banks can issue their own digital currencies, as a complement to cash.

Finally, Mr Speaker,

This new chapter means putting the full weight of private sector innovation, expertise and capital behind the critical global effort to tackle climate change and protect the environment.

We're announcing the UK's intention to mandate climate disclosures by large companies and financial institutions across our economy, by 2025.

Going further than recommended by the Taskforce on Climate-related Financial Disclosures.

And the first G20 country to do so.

We're implementing a new 'green taxonomy', robustly classifying what we mean by 'green' to help firms and investors better understand the impact of their investments on the environment.

And, to meet growing investor demand, the UK will, subject to market conditions, issue our first ever Sovereign Green Bond next year.

This will be the first in a series of new issuances, as we look to build out a "green curve" over the coming years helping to fund projects to tackle climate change, finance much-needed infrastructure investment, and create green jobs across this country.

Mr Speaker,

We've set out today our vision for this new chapter in the UK's financial services industry.

A vision of a global, open industry, where British finance and expertise is prized and sought after in Europe and beyond.

A technologically advanced industry, using all its ingenuity to deliver better outcomes for consumers and businesses.

A greener industry, using innovation and finance to tackle climate change and protect our environment.

And, above all, an industry that serves the people of this country, acting in the interests of communities and citizens creating jobs, supporting businesses, and powering growth as we direct all our strengths towards economic recovery.

And I commend this statement to the House.

### **Further information**

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## **HMS Audacious sails from Barrow**

HMS Audacious, the Royal Navy's fourth Astute Class submarine has sailed from the BAES shipyard in Barrow in-Furness for her new home at Her Majesty's Naval Base Clyde, where she will prepare for sea trials before entering operational service with the Royal Navy.

Built by BAE Systems, which employs around 9,000 people in its submarine business in Barrow, including those that work on the Astute programme, the programme supports thousands more working in the UK supply chain.

Ian Booth, SDA Chief Executive of the Submarine Delivery Agency, said:

The departure of HMS Audacious from Barrow is a key milestone in the Astute Class programme. The delivery of our incredibly complex submarine programmes depends on the extremely skilled submarine workforce and close collaboration with our industrial partners across the supply chain to deliver a first-class product for the Royal Navy.

I am extremely grateful to everyone involved in the significant efforts to meet this milestone and the key roles they have played in the shadow of these unprecedented circumstances to get HMS Audacious to sea.

The delivery of our incredibly complex submarine programmes depends on the extremely skilled submarine workforce and close collaboration with our industrial partners across the supply chain to deliver a first-class product for the Royal Navy

Among the most technologically advanced submarines operating in the world today, the departure of HMS Audacious marks a significant milestone in the Astute programme, which is providing 7 new attack submarines for the Royal Navy and the capability it needs to defend UK interests at home and overseas.

The Astute Class submarines feature the latest nuclear-powered technology and the Sonar 2076. The 7,400-tonne boat can circumnavigate the world submerged, limited only by their food storage capacity, manufacturing the crew's oxygen from seawater as they go. They also have the ability to operate covertly and remain undetected in almost all circumstances despite being 50 per cent bigger than the Royal Navy's current Trafalgar Class submarines which is being replaced by the Astute Class.

HMS Audacious will join HMS Astute, HMS Ambush and HMS Artful, which are already in service with the Royal Navy, contributing to operations and supporting the Continuous At Sea Deterrent posture. HMS Audacious will be joined by Astute Boats 5, 6, and 7, Anson, Agamemnon, and Agincourt, respectively by the end of 2026.

COVID-19 has changed the way we are working at Barrow and our absolute priority is the health and safety of the workforce and local community. Precautions have been taken to implement social distancing and protection measures on site to allow work on critical operations such as HMS Audacious.

#### **HMS Audacious facts from infographic:**

- over 100km of cabling and pipe work is installed on board HMS Audacious
- fitted with Sonar 2076 providing the Royal Navy with the 'biggest ears' of any sonar system in service today
- HMS Audacious is 97 metres in length
- over 7,000 tonnes total displacement
- the Astute class is the first class of Royal Navy submarine not to be fitted with optical periscopes, instead they employ high specification video technology
- able to manufacture its own oxygen and fresh water from the ocean
- can circumnavigate the world without surfacing, her endurance is only limited by the amount of food that can be stored
- armed with tomahawk cruise missiles.

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## **Chancellor sets out ambition for future of UK financial services**

Following the UK's departure from the EU, the government's approach to financial services will be guided by what is right for the UK and one of its most productive and innovative sectors.

Hailing the start of a new chapter for UK financial services, the Chancellor set out plans to bolster the dynamism, openness and competitiveness of the sector – including issuing the UK's first ever Sovereign Green Bond, becoming the first country in the world to make TCFD-aligned disclosures mandatory, reviewing the UK's listings regime to attract the most innovative firms, and leading the global conversation on new technologies like stablecoins and Central Bank Digital Currencies.

Rishi Sunak, Chancellor of the Exchequer, said:

We are starting a new chapter in the history of financial services and renewing the UK's position as the world's pre-eminent financial centre. By taking as many equivalence decisions as we can in the absence of clarity from the EU, we're doing what's right for the UK and providing firms with certainty and stability.

Our plans will ensure the UK moves forward as an open, attractive and well-regulated market, and continues to lead the world in pioneering new technologies and shifting finance towards a net zero future.

### **Positioning the UK at the forefront of green finance**

Recognising that financial services are a critical enabler in the drive for net zero, the Chancellor outlined new proposals to support sustainable financial flows and extend the UK's global leadership in green finance ahead of hosting COP26.

To help the UK meet its 2050 net zero target and other environmental objectives, the government will issue its first Sovereign Green Bond in 2021 subject to market conditions – and intends to follow up with a series of further issuances to meet growing investor demand for these instruments. These bonds will help finance projects that will tackle climate change, finance much-needed infrastructure investment and create green jobs across the country.

The Chancellor also announced the introduction of more robust environmental disclosure standards so that investors and businesses can better understand the material financial impacts of their exposure to climate change, price climate-related risks more accurately, and support the greening of the UK economy.

The UK will become the first country in the world to make Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosures fully mandatory across the economy by 2025, going beyond the 'comply or explain' approach.

The joint Government Regulator TCFD Taskforce will today publish its interim report with a roadmap for implementing mandatory disclosures, many of which will come into force by 2023. The upcoming rules and regulations will capture a significant portion of the economy including listed commercial companies,

UK-registered large private companies, banks, building societies, insurance companies, UK-authorised asset managers, life insurers, FCA-regulated pension schemes and occupational pension schemes.

The UK will also implement a green taxonomy – a common framework for determining which activities can be defined as environmentally sustainable – which will improve understanding of the impact of firms' activities and investments on the environment and support our transition to a sustainable economy.

The UK taxonomy will take the scientific metrics in the EU taxonomy as its basis and a UK Green Technical Advisory Group will be established to review these metrics to ensure they are right for the UK market.

And to support and benefit from the development of common international standards on taxonomies, the UK also intends to join the International Platform on Sustainable Finance.

### **Extending the UK's leadership in financial technology**

The UK has long been a pioneer in financial services and will remain at the forefront of technological innovation.

New technologies such as stablecoins – privately-issued digital currencies – could transform the way people store and exchange their money, making payments cheaper and faster.

To harness the potential benefits of stablecoins, whilst managing risks to consumers and financial stability, the Government will propose a regulatory approach for relevant stablecoin initiatives that ensures they meet the same minimum standards we expect of other payment methods.

And as the UK takes a leading role in the global conversation on Central Bank Digital Currencies, the Chancellor welcomed work by HM Treasury and the Bank of England to consider whether and how central banks can issue their own digital currencies as a complement to cash.

### **Equivalence and openness**

The UK's attractiveness as a global financial centre is underpinned by its openness to international markets and robust regulatory standards.

Equivalence is one of the UK's one of the central mechanisms for managing cross-border financial services activity with the EU and beyond.

To provide certainty and reassurance to firms and international partners, the Chancellor today announced the publication of a guidance document setting out the UK's approach to equivalence with overseas jurisdictions – a technical outcomes-based approach that prioritises stability, openness and transparency.

The Chancellor also announced the UK will be granting a package of equivalence decisions to the EU and EEA member states.



By announcing as many decisions as possible before the end of the transition period, the UK is delivering on its commitment to be open, predictable and transparent, even in the absence of clarity from the EU on their approach, and providing certainty to firms in both the UK and EU.

The government is not ruling out further equivalence decisions where these are in the UK interests and remains open to further dialogue with the EU about their intentions.

### **The UK's approach to regulation outside the EU**

As the UK builds a global role outside of the EU, it has a unique opportunity to ensure its regulatory approach to financial services is tailored for UK markets and allows it to seize opportunities on the world stage.

The Financial Services Bill, which will be debated in the House today, is an important step in the process of adapting the UK's regulation to reflect its new position and boost the competitiveness of the sector, whilst demonstrating that the UK remains committed to the highest international standards of regulation.

The government is undertaking a series of reviews to ensure regulation enhances the UK's attractiveness to business and position as global financial hub.

As part of this, the Chancellor today set out plans to boost the number of new companies who want to list in the UK. This includes establishing a taskforce that will propose reforms to the UK listings regime to attract the most innovative and successful firms and help companies access the finance they need to grow.

The government will also launch a Call for Evidence on the UK's overseas regime to ensure it supports the UK's position as an open global financial centre.

To further enhance the UK's attractiveness for asset management, the government will soon publish a consultation on reforming the UK's funds regime.

And to encourage investment in long-term illiquid assets, such as infrastructure and venture capital, the Chancellor announced his ambition to have the UK's first Long-Term Asset Fund launch within a year.

### **Further information**

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# Supply chain engagement continues

Published 9 November 2020

Last updated 16 November 2020 [+ show all updates](#)

## 1. 16 November 2020

We have removed the link to apply for an 'i2i' session as the deadline has now passed.

## 2. 10 November 2020

We have added a link to a Youtube video.

## 3. 9 November 2020

We have added the presentation slides from the event.

## 4. 9 November 2020

First published.

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## South Yorkshire defences repaired one year on from floods

One year on from the November 2019 floods, the Environment Agency has checked 650 kilometres of flood defence embankments across South Yorkshire, inspected over 3,000 flood defences, and identified over 100 individual repairs that were required at a cost of £12.8 million, protecting around 6,000 properties.

Work in South Yorkshire is due to be complete by the end of March 2021. This work is part of a wider £32 million package of repair works across Yorkshire and part of the £120 million national investment to repair defences.

Around 1,600 properties were impacted by the November 2019 floods, with the majority in Bentley and Fishlake in Doncaster. 1,200 homes were evacuated and key road and rail infrastructure was also affected. Despite the river levels being similar to those back in the 2007, the damage to properties was less widespread, with 7,000 properties protected by flood defences.

Helen Batt, flood risk manager at the Environment Agency said:

The November 2019 floods had a devastating impact on communities in

South Yorkshire, and the coronavirus pandemic only made it more difficult to recover.

Since then we have been working closely with all partners to reduce flood risk in the future, using a catchment-wide approach which uses nature-based solutions, as well as hard engineered flood defences, to help local communities be more resilient to flood risk and climate change. We are completing a programme of repairs to ensure that all flood defences will be restored by winter, or will have sufficient temporary measures in place.

Environment Minister Rebecca Pow said:

The flooding we saw last November had a terrible impact on people's lives.

The Environment Agency has been working to improve flood defences in and around Fishlake and Doncaster, and refurbish the Bentley Pumping Station. This is part of the government's £120 million investment in flood recovery and repairs, and will help prepare the area for this winter. Families affected by last year's flooding can still apply for £5,000 grants to help pay for repairs to make their homes more resilient for the future.

In the long term, we are taking the risk of flooding extremely seriously, investing a record £5.2 billion over six years in 2,000 new flood defences, and the Environment Agency is working with local representatives in South Yorkshire to ensure the area receives its share.

Works to improve flood defences in Fishlake, which was badly hit by the November 2019 floods, started last month. Repairs and improvements are being made to flood defence embankments and other flood defence structures in the village. This includes returning the embankments to their designed height, and making other improvements which will ensure the flood defences in the area are more resilient.

Work recently completed includes £2 million repairs to a 40 metre bank slip at Mile Thorn in the Wheatley Park area of Doncaster, which was badly damaged in the floods. Rock bags in engineered bays have been used to make the bank much more resistant to erosion.

In Bentley, an £14 million refurbishment project is underway to make improvements to Bentley Pumping Station, to help better protect 1,669 properties and 698 businesses.

In Sheffield, a major upgrade of the Sheaf screen in Sheffield city centre is underway. This trash screen is used to collect debris and reduce the risk of flooding to Sheffield city centre and a £3million project will improve the screen and replace the mechanical arm used to clear it.

The Environment Agency is ready to take action this winter wherever needed. As well as extensive flood defence repairs, high volume pumps are available and trained staff across the country are ready to respond around the clock. This is always part of a huge response effort, involving many partner organisations and our networks of community flood wardens who provide vital support during a flood.

One important thing you can do is to take 5 minutes to [check your flood risk this winter](#). You can sign up for our free flood warning service and find out how you can be prepared.