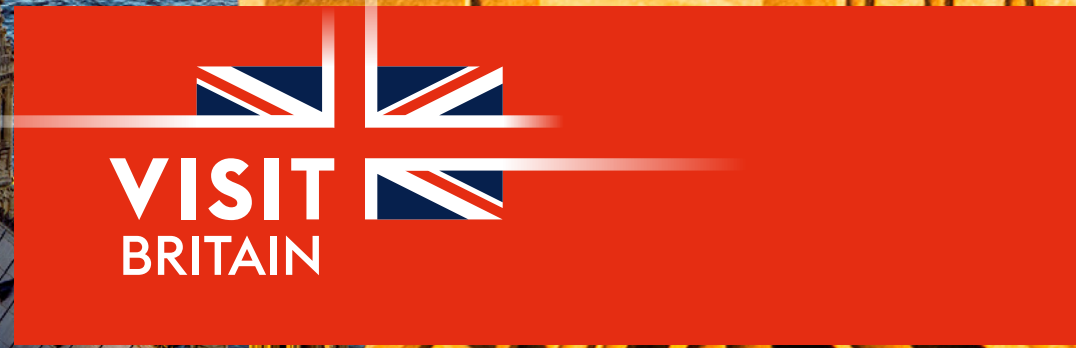


Finance and Professional Services toolkit



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..... Contents

- 03 Introduction
- 04 Sector in Stats
- 05 Sub-sectors
- 07 Green Finance
- 08 Clusters





Introduction



Whether banking and finance, investment banking, insurance, green funds or pensions or accounting, the UK is a Goliath on the world stage. The London Stock Exchange and the Bank of England, which were banking model references to many banks worldwide, are revered as some of the world's foremost financial institutions¹ and renowned for their high regulatory standards.

Today's **'big 4' accountancy firms** – PWC, Deloitte, EY and KPMG - along with global banking players Barclays, Lloyds Banking Group and HSBC all find their heritage in the UK. In September 2021, the City of London and a China-based think tank ranked London as the 2nd most competitive financial market in the world.

With a history stretching back over 400 years, the UK's financial services sector is underpinned by a solid tried-and-tested foundation. With the-then reigning monarchs, King William and Queen Mary, as its original stockholders, **The Bank of England** (the UK's Central Bank) was established in the 17th century (1694) to 'promote the public Good and Benefit of our People'. The UK's biggest capital market, **The London Stock Exchange** began in 1773 when John Castaing published a list of currency, stock and commodity prices, including prices for gold, ducats, silver staters and pieces of eight.

Some of the UK's banks find their origins as goldsmiths – lending money to customers from their premises. One of the best known is the London-headquartered Coutts, the eighth oldest bank in the world. Having served every member of the royal family since George IV, the private bank is often referred to as the 'Queen's bank'. And it has moved with the times. After becoming one of the largest UK banking brands to secure B Corp status, it began offering carbon credits and green mortgages in 2021.

If the UK's leadership in the financial services sector is rooted in centuries of innovation, today it is widely regarded as one of the most open and dynamic in the world. The financial services sector plays a critical role in the UK economy. **Exports of UK financial services** were worth **£62 billion** in 2020, and imports were worth £16 billion, resulting in a surplus in financial services trade of £46 billion. The sector accounts for 3.3% of all jobs – or 1.1 million financial services jobs in the first quarter of 2021².

Venture Capital continues to flow in – and in record amounts. According to global accountancy firm KPMG, Global Venture Capital (VC) investors continue to deploy record amounts of money into the UK scaleups, with **more than £11.8 billion raised** in the first half of 2021. Via the government's Venture Capital unit, which fosters new relationships between investors and companies matching their interests, investors have a direct route into the market.

Following the UK's departure from the European Union (EU), the UK Government plans to maintain and build on the UK's attractive and internationally respected ecosystem for financial services, across both regulation and tax, while taking it forward into the next chapter³.

Published in July 2021, '[A new chapter for financial services](#)' sets out the government's vision for an open, green, and technologically advanced financial services sector. By creating jobs, supporting businesses and powering growth across all of the UK, the government will continue supporting the sector to remain globally competitive and acts in the interests of communities and citizens.

The Rt Hon Rishi Sunak MP said the sector will be tailored to reflect the UK's new position outside the EU, while ensuring the interests of UK markets are supported and promoted.

Aligned with social changes, the UK Government released, in October 2021, its **Roadmap to Sustainable Investing**⁴, laying out policies that put environmental, social and corporate governance (ESG) at the heart of corporate finance and project lending. The Roadmap follows the government's 2019 Green Finance Strategy, which set out a raft of policies to assist in aligning UK financial flows with a low-carbon planet.

Having set out its ambition to make the UK the best place in the world for green and sustainable investment, the UK is well placed to deliver.

There is a compelling case for investors seeking opportunities in the UK, with no shortage of incentives. In the words of the Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP it is *'not just an industry but the engine of our economy.'* (July 2021)

¹Bank of England

²Financial Services: Contribution to the UK Economy – House of Commons Library (parliament.uk)



Sector in Stats



- According to the proportion of national economic output (2020), the UK financial services sector is the **third-largest** in the OECD
- In 2020, the financial services sector contributed **£164.8 billion** to the UK economy
- The UK market accounted for **43% of global foreign exchange** turnover and over half the global share of over-the-counter interest-rate derivatives
- The UK manages assets worth nearly **£10 trillion** and is the second largest investment management hub in the world
- The financial sector is worth **8%** of the UK's total economic output, and **50%** of the sector's output was generated in London
- **Six of the top 10** fintech companies are headquartered in London
- UK Export Finance was set up in **1919**, making it the world's oldest export credit agency
- Exports of UK financial services were worth **£62 billion** in 2020
- In 2020, Venture Capital investment topped \$15 billion for the first time, ahead of **\$14.8 billion** raised in 2019
- The UK accounts for **11%** of the global fintech industry and is home to an estimated 2,500 fintech firms
- Belfast is ranked in the **top 3** global fintech locations of the future after London and Singapore
- Almost **44,000** people are actively employed in the Digital Economy in Wales
- In **2020**, more overseas businesses chose Scotland as a location than any other UK nation or region outside of London
- The UK has **£8.5 trillion** of assets under management, making it the world's largest asset management centre outside the US





Sub-sectors



Venture Capital

Venture capital investment in the UK is strengthening year on year. Individual deal sizes continue to grow and the market is more active than ever with companies, such as Improbable and Deliveroo, making a global impact and attracting vast sums of overseas investment. According to KPMG, the UK has demonstrated resilience and adaptability in attracting overseas investment in a post-Covid, post-Brexit era, which it says is due 'in part to the maturity of [its] scale-up ecosystem'.

Despite challenging trading conditions for businesses around the world, the UK start-ups and scale-ups raised more investment in 2020 than in any previous year. Venture Capital investment topped **\$15 billion** for the first time, ahead of the \$14.8 billion raised in 2019. One of the biggest success stories was Hopin, when its lockdown growth attracted a \$125 million round, raised at a valuation of \$2.1 billion.

Some of the largest European deals were **UK scale-ups** – including digital health business LumiraDx, Financial software company Molo and Bristol based Graphcore.

The UK's business-friendly environment supported the creation of 7 new unicorns in 2020, taking the UK's total to 80. With **136 potential unicorns** – companies with a **value of \$250 million to \$800 million**, the UK has more than twice as many as Germany and France (the European countries with the next largest pipeline of future unicorns).

Investors have a direct route into the market via the government's **Venture Capital Unit**⁵, which connects the best UK early-stage and growth-stage companies with international corporate venture capital firms, venture capital funds and institutional investors. The VC Unit works across multiple sectors aligned with the UK Government's strategy, supporting investment into knowledge-intensive, high-growth UK sectors. These include fintech, eCommerce, Internet of Things (IoT), robotics, Artificial Intelligence, Smart Cities, computer vision, autonomous vehicles, materials, ICT, life sciences, digital health, cyber security and therapeutics.

The UK Government also helps support overseas investors to set up UK-based venture funds, as well as support with introductions to corporate Limited Partners.

Capital markets

The London Stock Exchange is one of the world's most international capital markets and is the destination of choice for international firms and international investors. It accounts for **43% of global foreign exchange trading** and it is the leading centre for international bond trading with around 79% of global secondary market turnover.

Between 2014 to 2018, UK companies raised **£750 billion in the bond**, equity and leveraged loan market – almost half the total amount banks lent to all UK companies over the same period⁶.

The UK is also the world's largest asset management centre outside the US, with £8.5 trillion of assets under management. The UK's capital, London, is also an important destination for global asset managers seeking to attract international investors to their own products and services. These span all the main asset classes, including equities, fixed income and property, as well as a wide range of alternative investments.

Fintech

The UK accounts for **11% of the global fintech industry**, being home to an estimated **2,500 fintech firms**, with 6 of the top 10 fintech companies headquartered in London. It is at the cutting-edge of fintech innovation taking the lead in areas such as payment technology (Paytech), wealth technology (Wealthtech) and more.

Revolut, Monzo, Starling Bank, Zopa, Blockchain and GoCardless are among the top 50 Fintech Startups. In 2021 challenger bank Revolut, which provides currency exchange, current account foreign exchange and crypto-currency services, became the most valuable British fintech start-up, reaching a £24 billion valuation in its latest funding round.

According to Deloitte, the UK's circa 2,500 FinTechs fall into 8 broad categories: banking, RegTech (Regulatory Technology), InsurTech, (Insurance Technology) lending, payments, WealthTech, quote aggregators

and accounting, auditing and cashflow management.

The **FinTech Pledge** demonstrates government and industry commitment to accelerating the growth of the UK fintech sector. It also establishes globally leading standards for efficient and transparent commercial partnerships between banks and fintech firms.

In October 2021, the FCA (Financial Conduct Authority) finalised rules for a new authorised funding regime for investing in long-term assets. The **Long Term Asset Fund** is designed to help support investment in assets, such as infrastructure and private equity. Investors will benefit from longer redemption periods, high levels of disclosure and water-tight liquidity management and governance features.

³The UK-EU trade deal: financial services - House of Commons Library (parliament.uk)

⁴Greening Finance: A Roadmap to Sustainable Investing, gov.uk

⁵The Venture Capital Unite, great.gov.uk

⁶Financial Services, great.gov.uk



Sub-sectors



Retail Finance

The UK is one of the leading retail markets in Europe, home to the highest proportion of international retailers and Europe's largest e-commerce market. **Over £92 billion** was made through online sales in 2021, the highest in Europe. The UK also has the largest mobile retail sector in Europe, with 43% of retail sales conducted through smartphones and tablets, turning mobile retail into the UK's fastest retail sector growing segment.

Despite the lengthy lockdowns, the UK's retail sector has proven resilient, with sales reaching £403 billion in 2020. The UK builds on this success, providing direct support to the industry along with a host of retail technology networks.

With a dedicated team of experts in digital trade, the Department for International Trade (DIT) provides market entry advice and encourage connections throughout the digital ecosystem. Combined with the sector's size and variety, that includes investment opportunities in mobile retailing, high-end shopping, and sustainable fashion, the sector provides a range of market opportunities for retail businesses choosing to locate to the UK.

UK Exports Finance

UKEF financing can help buyers in both the public and commercial sectors ensure capital goods or services from the UK come with competitive terms, providing overseas project sponsors with attractive long-term financing

Working closely with the Department for International Trade (DIT), the Foreign, Commonwealth and Development Office (FCDO), HM trade commissioners and British ambassadors, the UKEF can engage with overseas governments and multinational companies looking to buy from the UK.

Through its flexible product range, **UK Exports Finance (UKEF)** can support sovereign buyers and international corporate investors with finance, loans and insurance to make their projects happen – provided they commit to procuring from the UK supply chain.

Additionally, UKEF count with international export finance executives (IEFEs), qualified practitioners of structured and export finance based outside the UK with significant experience in their markets. The IEFEs are the first point of contact in-country for overseas buyers, UK suppliers, contractors and all other counterparties with an interest in UK procurement.

The UK's world-class marketing and supplier fair programme helps to connect overseas buyers with UK businesses through high-profile exporter events, working with overseas embassies and buyers, UK trade associations, businesses and the Department for International Trade. These matchmaking events connect relevant UK suppliers with international buyers who are actively looking for British products and services for their overseas projects, helping buyers to make

successful commercial decisions and suppliers to win overseas contracts.

With an open and friendly business environment, the UK is a trusted business partner for countries around the world.

Insurance

The UK is the **largest insurance and long-term savings provider in Europe**, with a total premium volume in excess of **£286 billion**, over £80 billion more than the next highest in Europe. Post-Brexit, investors can look forward to a more UK-focused, agile and tailored regime which ensures that protection for policyholders remains a top priority.

The UK's insurance sector has been subject to the Solvency II rules since 2016, after they were introduced to harmonise insurance regulations across the EU. In February this year [2022] the government announced bold post-Brexit reforms to the regulation of the UK Insurance sector⁷.

The reforms are expected to create an opportunity worth in the region of tens of billions of pounds for insurance firms to invest in long-term capital to unlock growth, unleashing greater investment in UK infrastructure. For investors, this will see a meaningful reduction in the current reporting and administrative burden on firms and allow businesses to spend more of their money investing, innovating and creating jobs.

⁷UK Insurance Sector Regulation, gov.uk



Green finance



Green finance is one of the fastest growing sub-sectors of a low-carbon economy, and innovative new sources of finance are fundamental to the development of green technologies needed to reach net zero. Having set out its **ambition to make the UK the best place in the world for green and sustainable investment**, the UK is well ahead of the curve.

In June 2021, HM Treasury and the DMO published the UK Government **Green Financing Framework**, setting out the government's climate and environmental agenda, as well as its vision for enhancing the UK's leadership as the world's pre-eminent green financial centre. The Framework also explains how proceeds from the Green Gilt and retail Green Savings Bonds will finance expenditures to help tackle climate change, biodiversity loss and other environmental challenges while creating green jobs across the UK. Since launching, the government's green financing programme has raised more than £16 billion from the sale of Green Gilts and NS&I's Saving Bonds. Six types of green expenditures are financed by the Green Gilt and retail Green Savings Bonds, including Clean Transportation and Renewable Energy.

The Framework also highlights the government's commitment to yearly and biennial reports on environmental impacts and social co-benefits, ensuring transparency for retail and institutional investors as well as other interested parties.

In October 2021, ahead of COP26, the UK government's document '**Greening Finance: A Roadmap to Sustainable Investing**'⁸ sets out its long-term ambition to green the financial system and align it with the UK's world-leading net-zero commitment. It outlines new Sustainability Disclosure Requirements – economy-wide climate-related disclosures for key financial services businesses, to ensure consistent information on sustainability, which complements the rules that require premium-listed companies to disclose how they are managing their exposure to climate change.

Disclosure requirements will include reporting under the UK Green Taxonomy, which will provide a robust list of economic activities that count as environmentally sustainable.

The document also calls the pensions and investment sectors to action, outlining the government's expectations that they will use the information generated to help shift their financial flows to align with a net-zero, nature-positive economy.

According to Nikhil Rathi, Chief Executive Officer of the Financial Conduct Authority (FCA), 'By harnessing the international reputation of a world leading financial sector, the UK will encourage further private investment into supporting innovation and managing climate financial risk.'

⁸Greening Finance: A Roadmap to Sustainable Investing, gov.uk



**Any
questions?**

Visit our corporate website at www.visitbritain.org
Or contact VisitBritain Business Events team at
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