

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-authorized 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