

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