

# Keynote Speech by John Glen MP, Economic Secretary to the Treasury, at a German Economic Council event in Berlin

## **Introduction**

Guten Abend, meine Damen und Herren! Lassen Sie mich zunächst sagen, wie sehr es mich freut, wieder einmal hier bei Ihnen zu sein, in einer der großartigsten Städte der Welt.

Good evening, everyone – and let me begin by saying what a pleasure it is to be with you all here this evening... back in one of the world's great cities.

When the Wirtschaftsrat invited me here today, I didn't hesitate to accept the invitation – for a very important reason.

In difficult times ... when our most important values – freedom, peace, democracy, the rule of law – are challenged ... it's only natural that we all turn to our friends and partners who share those values...

Values which are central to our existence – and our success – as liberal, market, prosperous societies.

Putin's assault on Ukraine... unprovoked and premeditated... has been an attack against a sovereign, democratic, European state.

The United Kingdom stands with Ukraine... and will always defend the Ukrainian people's right to choose their own destiny.

We do so... proudly... alongside likeminded friends such as Germany...

And let me say that the UK greatly welcomes Germany's "Zeitenwende" ... your 100 billion euro special defence fund, and commitment to spend 2% of GDP on defence in support of our shared security.

We will continue to work closely with Germany in this new era of European history, just as we have done over the past months.. when together, with our international allies, we introduced the largest and most severe economic sanctions that Russia has ever faced...

Measures that will help to cripple Putin's war machine for years to come.

## **Sanctions**

Finance, of course, is one of the most powerful components of our collective response – and an area where the UK is determined to act forcefully as part of the united effort.

Since Russia's invasion, we've sanctioned more than 1200 individuals, entities, and subsidiaries.

Over 3 million Russian companies, including Gazprom, have been barred from raising money on UK capital markets.

And we are doubling the size of our Office of Financial Sanctions Implementation to help ensure these additional measures are properly understood, implemented and enforced.

But clearly we can only succeed if both government and industry collaborate, to ensure these measures are effective. So, we are working closely with colleagues throughout the private sector to help overcome any challenges they may face at this time.

There can be no doubt that a coordinated, international approach will maximise the impact of sanctions.

It is vital that the international community throws its full weight behind these unprecedented measures and implements them robustly.

We in the UK, therefore, have greatly valued, the cooperation of our international partners, in particular Germany and the EU, in coordinating our economic response to the invasion of Ukraine.

I have no doubt that it's thanks to those united efforts, that we have together been able to sanction many of the individuals and organisations providing political and financial support to Russia's aggression in Ukraine.

By collectively targeting elites and oligarchs, cutting off transport and finance links and starving Moscow of technology and know-how... we will make sure Putin pays the price while simultaneously degrading Russia's ability to perpetuate this course of action.

To sum up, our sanctions are already biting... and they will bite harder.

But financial services are not just a potent force against Putin's war machine...

Over the past weeks they've proven themselves to be a symbol of western values...values that must be defended and promoted.

I think there's an important lesson for us here and one that we should continue to remember

Because inevitably, at some point, some nations will push back against the process of global integration that has been driven by the West. Something that could put our capital markets at risk of fragmentation.

That is why I argue that from both a security and economic perspective, it is in the interests of the UK and German, Europe and in fact all democracies to continue to build a financial system that is well-regulated and secure.

Something that we can achieve through forging an alliance of countries that share our values... countries like Japan, Australia, South Korea and Canada.

In short, we should strive as far as possible for cohesion and actively avoid a situation where the financial systems of like-minded countries splinter and fragment.

There's a practical, as well as a strategic dimension to all this of course.

Because as our continent emerges from COVID-19 and begins the task of helping to rebuild Ukraine... we need more than ever the deep capital markets that will help keep the costs of funding European business low.

### **The case for cooperation – Financial Services**

Of course, the cohesive response across Europe to Russian aggression not only underlines the need for long-term cooperation.

It also reminds us of how much we share as a global community, and that sometimes we can be a bit too focused on the smaller differences that divide us rather than our shared values and aspirations.

But I know that many of you will be wondering how I can rationalise a call for cooperation with the UK's departure from the European Union.

In this City, which has seen so much... where there are constant reminders of the divisions and unifications of the past... I can see how it would be hard to understand the British people's decision.

Nonetheless, that is what it was – the democratic, if not somewhat agonised decision of the British public.

And one of the messages that I want to send, while I'm here, is that if we now fail to cooperate in ways that benefit both the UK and Germany, it won't just be a missed opportunity... but a failure of statesmanship.

For me, as the UK minister responsible for financial services, that is a powerful notion.

Financial services have been part of both our countries' economic DNA for centuries.

Over the years, our cities... our citizens... have pioneered banking and the buying and selling of stocks and bonds. They've made and then remade the fabric of global commerce.

And the skyscrapers of London and Frankfurt are a testament to that fact.

Very often the people in those skyscrapers are communicating and trading with each other... with hundreds of millions of pounds and euros' worth of financial services passing in both directions each year... on top of the tens of billions of more conventional trade between our two countries.

British consumers, too, understand and appreciate German manufacturing.

In fact, the UK imported an enormous £53.8bn of goods over 2021.

It's no surprise that German vehicles made up the largest proportion of these imports.

But the UK imports an array of other goods and services including medical, electrical goods and non-ferrous metals.

Of course, every nation – and every manufacturing sector – needs capital to grow, and I'm proud of the contribution Britain makes to Germany in that regard.

But I think we can do more.

In fact, I believe the UK – and the City of London – are perfectly equipped to help to drive growth... not just in Berlin or Frankfurt, but in Dusseldorf, Hamburg, Cologne.

Because of available capital, yes... but also because we have the largest and most developed market in Europe for related professional services such as accounting, management consulting and legal services.

We can make it cheaper and easier for German firms to raise capital.

Last year alone, £16.8bn was raised through 120 IPOs in London.

But the Chancellor and I want to build on this base to make our capital markets even more attractive.

That's why we recently carried out a major review of our listing regime.

And, it's why, following that review, we have made commitments on all its recommendations... so we can optimise the capital raising process for large and small firms on our markets.

While there's, of course, a clear economic benefit to the UK, here, we think our deep capital markets have the capacity to support the growth and long-term success of our European friends and neighbours, including Germany.

I'd like to turn now to another area of great focus for the UK. That is green finance.

## **Green Finance**

I'm certain we can all agree that the Financial Services industry has a crucial role to play in our response to environmental challenges like climate change.

Fortunately, many jurisdictions are now acting on sustainable finance and we at the Treasury are pleased to count Germany as a key ally in this space.

Under the UK's G7 presidency last year, finance ministers reached a landmark

agreement on sustainability disclosures.

I know Germany has eagerly taken up the sustainable finance baton for its own G7 presidency this year, which is most welcome.

And the G20, with its Sustainable Finance Working Group, is also taking forward important work in this space.

But though multi-jurisdictional action is welcome, it also brings certain risks.

Unnecessary divergence in jurisdictions' disclosure rules limits comparability, hampering useability for investors and increasing compliance costs for firms.

That's why it's so crucial that jurisdictional standards be based on and align with international best practice.

So far that's come in the form of the Task Force on Climate-Related Financial Disclosures' recommendations... but the IFRS Foundation's International Sustainability Standards Board, is taking those high-level principles and making them fit for a regulatory standard.

By rapidly developing an international baseline reporting standard under strong governance, the ISSB will deliver truly consistent and comparable sustainability reporting globally.

In turn, this will enable international investors to identify, assess and correctly price in sustainability risks, then direct capital accordingly.

Countries are rapidly getting behind the ISSB as the de facto sustainability reporting body, with 41 countries welcoming its formal launch at COP26 Finance Day.

## **Digital Finance**

Frankfurt, as the home of the ISSB, may be fast earning a reputation as a hub for green finance

But Berlin, is increasingly a centre for all things digital

Given this city's long history of invention, enterprise and creativity – it's little wonder that, dozens of fintech firms have sprung up here in the space of just a few years.

In fact six out of Germany's seven fintech unicorns hail from this city.

But as in the UK, the success of your digital finance industry is not restricted to one city.

Nor are its benefits limited domestically.

An excellent illustration of the sector's increasingly international footprint, is Stuttgart-based GFT Technologies' plans to create a fintech-

focused innovation hub in Manchester, which will create over 200 jobs.

This is clearly a win-win for both our nations...

And I've every confidence that the hub will be a fantastic addition to the UK's busy digital finance space – which is also experiencing exponential growth in industries ranging from fintech to digital assets.

While the UK fintech sector is in a great place, we're not complacent.

As a government, we see it as our job, to help the industry do its job of ensuring that success continues.

And we're wholeheartedly focused on making that happen.

A key part of this mission involves striking the right balance on highly innovative, fast-moving sectors like digital assets. For example, we want the UK to be a global hub for cryptoassets... and a top global location for starting and scaling crypto-companies.

We have a detailed plan... we are determined to learn quickly. We want to take a leading role in harnessing the potential of blockchain and supporting the development of a world-best crypto ecosystem.

As you've probably gathered, we're hugely ambitious about this area.

Equally, though, we're very conscious of the need to take the right, responsible approach to regulation for the benefit of firms, consumers, markets and financial stability.

While the UK government sets the overall framework, we believe in leaving our expert regulators to set firm facing rules and supervise their application.

This approach allows us to move nimbly while, simultaneously maintaining high standards..

A good example of this is our regulatory approach to stablecoins, that we recently set out.

These proposed legislative changes will create the right conditions for stablecoin issuers and service providers to operate and grow in the UK. While consumers will be able to use stablecoins with confidence because they have been bought into the regulatory framework.

More broadly, we are using crypto-technologies to make government more efficient... developing opportunities to use distributed ledger technology for Customs and International Trade to ease the import of goods. And, of course, we will continue to support further opportunities to deploy this technology.

## **Conclusion**

Ladies and Gentlemen,

I realise that I've given you something of whistle-stop tour of all that's

happening in the UK financial services space right now.

But if I can leave you with one message it is this:

There is clear value to our markets being open and interconnected and I, as City Minister, am committed to maximising the opportunities... for both our countries.

Open and global markets achieve the best outcomes for consumers and businesses alike... by increasing access to expertise, talent and choice of products.

And our dynamic commercial relationship is proof of that fundamental truth.

We should be proud about what we're already doing together... but excited, too, about the future... because the best is still to come.

Thank you very much.