

# Speech by John Glen MP, Economic Secretary to the Treasury, at TheCityUK Annual Dinner

Good evening everyone. Thank you to Miles and Sir Adrian for those words of welcome.

I'll also echo that tribute to Sir Adrian as he comes to the end of his term as Chair of The City UK's Leadership Council.

Over the years we've worked together, I've seen how you've been a tireless advocate for financial services, as well as a galvanising force...encouraging the industry to use its full strength to change society for the better.

So, thank you for all you've done and I wish you the very best for the future.

And may I say it's a pleasure to speak to you all tonight. Naturally it's even more of a joy to do so in person instead of from behind a computer screen.

When I saw The City UK dinner was going to be held in Leicester Square this year, I couldn't help but take a moment to reflect on this place's history. While today we think of the Square largely as a location for film premieres...back in the 18th century it was something of an artists' enclave.

In fact, Sir Joshua Reynolds and William Hogarth both had homes here. While Sir Joshua painted portraits of near photographic quality of his aristocratic subjects...

Hogarth specialised in depicting, the let's say, rather less refined side of London life.

No-one escaped his piercing satirical gaze – and I'm afraid to say that included politicians.

And I'll leave it to you to decide whether any of my Westminster colleagues would have given him any inspiration...

But I do think the fact that these two extraordinary artists, with such different styles and approaches, could be found living so close to one another at roughly the same time...illustrates in microcosm, the originality, ingenuity and diversity of thought that has for so long been a characteristic of this country...

...and that is ingrained in our cultural and commercial life to this very day.

And financial services is no exception, because there can be no doubt that

creativity and dynamism is in your DNA.

You're integral to this country's prosperity and economic well-being.

But more than that, you're also masters of innovation.

As I've said before, financial services is so much more than skyscrapers and the Square Mile.

From levelling up to the journey to net zero – you have a part in overcoming some of the biggest challenges facing this country and the world.

Equally, you have an important role in helping this country seize the opportunities that will emerge over the years ahead.

That's why, the Chancellor and I have been very much focused on ensuring your industry doesn't only shine, now we're outside the EU...but is at the vanguard of a new era of economic growth for this country.

### **New Chapter update**

As you might recall at Mansion House last year, the Chancellor set out his vision for turning the UK into the most dynamic financial services sector on the planet.

A sector that is open, at the forefront of technology, a global leader in green finance and that is competitive.

We're fast turning this vision into reality. Over the past months we've implemented a whole host of measures:

We're achieving our goal of a more open sector, with the ground-breaking mutual recognition agreement we're negotiating with Switzerland – in fact a fortnight ago I was pleased to meet with His Excellency Ambassador Leitner, who is here tonight, to keep up the momentum. And we've also signed an agreement in principle on a Digital Economy Deal with Singapore.

Our ambition had been, of course, to reach a comprehensive set of mutual decisions with the EU, but this has not happened.

Nonetheless, as I've said in the past, the EU will never have cause to deny us access to its markets because of poor regulatory standards.

We're also moving apace on our work to put the UK financial services at the forefront of technology. We've announced a series of policies that will make our fintech industry the most advanced in the world, including new visas, so businesses can attract and secure the very best of global talent.

And while all this work is underway, my Treasury team has been busy preparing the legislation we need to change the rulebook we inherited from the EU.

I'm told that between the Chancellor's Mansion House Speech and the end of this quarter we will have published no less than 30 consultation and review

documents, covering the whole spectrum of financial services. Though, having reviewed them all, it feels at least double that!

To maintain our impetus here – from this Summer – we’re going to publish an annual review of UK financial services competitiveness, with the City of London Corporation.

This will monitor progress across a host of metrics – and will reflect feedback from businesses on what’s going right and where we can make improvements.

Of course, much thanks must go to you all for supporting our work.

Because whether you’ve shared your thoughts on access to cash, payments or on capital markets, it’s your informed contributions that are helping us to maintain our world-leading edge.

### **Future Regulatory Framework Review**

However, tonight, I want to shine a light on a specific policy area: Our efforts to develop a regulatory framework for life outside the EU.

In November we set out a series of major proposals, explaining how we would do this. The consultation closed yesterday and I am pleased to say there were over 100 hundred responses – which the Treasury will be considering in detail.

And I want to briefly talk about three key areas of focus for us in this space.

### **Regulatory independence and accountability**

First, I’ll turn to independence and accountability.

In the almost four years I’ve been in this job, I’ve seen the world of financial services change dramatically.

There’s been the growth of AI, the take-off of quantum computing, while the cryptoasset industry has hugely expanded. And the attitudes of consumers and businesses’ alike towards Green Finance have transformed.

Clearly, in future, the way we regulate needs to adapt to reflect this rapid pace of change.

As I’ve said previously, this doesn’t mean endlessly tweaking rules, or making changes for the sake of it.

But we should also remember that better regulation gives us a competitive advantage in itself. Therefore, we shouldn’t hesitate to remove or reform those rules that aren’t working.

In addition, we should empower our regulators to act creatively and purposely, when necessary, within a framework and guardrails set by

government and Parliament.

Regulatory independence must, of course, be at the heart of this model.

But it is critical that this independence is balanced with clear accountability, appropriate democratic input and transparent oversight.

Quite frankly it wouldn't make sense for the UK to take back control of our regulatory framework, simply to replace the European Commission with regulatory bodies that are not subject to suitably democratic scrutiny or primed and proactive – ready to address evolving market needs.

And that's why, in our consultation, we proposed enhanced mechanisms to support Parliament in its role of holding the regulators to account.

As the regulators take on their new responsibilities, we believe their relationship with the Treasury must be strengthened too.

This is something that will help make sure that wider public policy considerations are factored into decision-making, where this is appropriate and consistent with their regulatory independence.

In addition, to complement the regulators' existing consultation requirements, we've proposed extra measures to boost transparency. These will ensure our regulators are informed by a diverse range of voices, allowing for greater consideration of any proposed reform's potential costs and benefits.

### **Competitiveness**

Secondly, as well as giving our regulators more rule-making powers, we've also proposed providing them with a new secondary objective.

This will require them to advance long-term UK economic growth and competitiveness, including for the financial sector.

Our focus on competitiveness and long-term growth is nothing new.

When we were part of the European Union Ministers and MEP colleagues would regularly bang the drum in Brussels for the EU to consider these issues.

There were many long hours at EU Summits, seeking to restrain regulations which risked stifling innovation or adversely impacting our financial markets.

Our views didn't always win out. But we did succeed in making sure these factors were at least properly considered.

Now, as the regulators take on responsibility for setting rules once we repeal retained EU law, we think it's right that their objectives reflect financial services' critical role in supporting the economy.

I should point out that many of our global counterparts, like Australia, Hong Kong, Singapore, and Switzerland have embedded similar approaches in their

frameworks.

However, I am very clear that this new objective must not conflict with the regulators' primary focus: the need to ensure safe and sound firms, well-functioning markets and to protect consumers and promote competition.

Because make no mistake. The UK will never compromise on standards or our reputation as a global financial centre.

Our competitiveness is based on strong regulators, high standards, and reliable interventions.

That's why we have taken a balanced approach and chosen to introduce this new objective as secondary.

This provides clarity – you might say a clear hierarchy – when there may be a tension between regulators' various objectives.

### **Agility**

The Chancellor and I believe that transferring responsibility for rule-making for retained EU law to our regulators should enable a newfound nimbleness, that will ultimately benefit financial services.

And this brings me to my third point – agility.

Our proposed approach will enable our regulators to become increasingly responsive, with greater capacity to respond quickly to new challenges and effectively tailor rules to better fit an evolving markets' needs.

Let me give some examples:

First, this new agility will allow a reduction in the regulatory burden faced by smaller banks and building societies – institutions that are a mainstay of our financial system but pose less systemic risk.

Right now, the PRA is developing Strong and Simple – its new regime that will introduce a more proportionate regulation for these organisations.

Second, this newfound nimbleness will also support the work underway to reform our wholesale capital markets regime, so that these regulations work for our sophisticated financial sector.

Third, greater agility for our regulators will help us take forward the recommendations from the Listings Review, carried out by Lord Hill, who I'm delighted to see here tonight.

This will enhance our position for IPOs, attract the world's most innovative and successful businesses, and help firms access the finance they need to grow.

And finally, this nimbleness will allow us to build on the success of our world-leading asset-management industry:

Our UK Funds Regime Review has already supported the introduction of the Long Term Asset Fund and reforms to the tax treatment of asset holding companies and Real Estate Investment Trusts.

And this morning, we made more progress when we set our intention to take forward proposals that will build an even stronger asset management sector.

Ladies and Gentlemen...

As I've outlined tonight, we're at the cusp of a new future for your industry.

But we know that if that future is going to fulfil its true promise we need to act swiftly. So, we are doing just that, as we focus on adding colour, detail and life to our plan for financial services.

I can assure you that there will be no complacency. My work will never be complete.

Be under no illusion. These are genuinely transformative changes. They will remodel the way we regulate and govern our world leading financial services sector. They will cement our reputation as one of the safest and most competitive places for this industry on the planet. And ultimately, they will propel our sector ahead of its global peers.

But, of course, we cannot do all this without you. As I said earlier, your wisdom and insight is going to be critical, so please do continue the conversation with me and my Treasury team.

So it only remains for me to thank you for listening to me tonight and for all you do for this country.

Thank you very much.