

Speech by John Glen MP, Economic Secretary to the Treasury, to the UK Finance Annual Dinner

Good evening, everyone.

Thank you so much to UK Finance – and David Postings in particular – for the invitation to speak to you this evening.

Back in the September I became the longest serving Economic Secretary to the Treasury since the role was created back in 1947. And after nearly four years in the job, I want to talk this evening about some of the things I have learnt, but also to set out some new directions for the future of financial services in our country.

It was the very first Economic Secretary – Douglas, later Lord Jay – who penned the line: ‘the gentleman in Whitehall really does know better what is good for people than the people know themselves’... often abbreviated to ‘the gentleman in Whitehall knows best’.

Well, I certainly don’t believe that the gentleman in Whitehall knows best. I know that it is the people in this room who will innovate, compete, spot new opportunities and build world-class businesses. My job as Economic Secretary is to help build the right framework in which you can prosper, not just for the short term, but sustainably into the future.

The future health of this industry – and, frankly, the economic health of the country – relies on those of us in this room continuing to discuss... and design... and then shape that sustainable future we all want together.

And that is the first of my simple reflections this evening... the health and wellbeing of financial services is our responsibility... and it’s up to all of us, together, to build the sector we want to see.

Public attitudes

For the most part, I think we’re making progress.

I see many positive things happening all across the industry... especially from colleagues in our banks, who have worked so hard since the global financial crisis to get their houses in order.

The Prime Minister himself has made the point that just as we clapped for the NHS during the pandemic so we should applaud those who make the NHS possible... “our innovators... our wealth creators... our capitalists and our financiers”.

But unfortunately, at least for the moment, not everyone yet feels the same way.

According to a recent YouGov poll, only 3% of adults feel 'very favourable' about the banking industry.

We can all understand why that may have been the case a decade ago... and we should continue to recognise the impact the financial crisis had on so many... but it's not a statistic we should be happy with or resigned to.

As we open the Chancellor's "new chapter" for financial services, it's only fair we acknowledge that banks have taken steps to repair the damage, including by making a bigger tax contribution in the years since the crisis.

And we should do what we can to help the public recognise that contribution and begin to see our banks in a similar light to other parts of the sector.

We need to dispel that myth of the bad banker, and replace it with what is increasingly the reality... of the innovative banker or entrepreneur finding new and better ways of doing things...new propositions, new offerings and new operating models... in turn, benefiting consumers, businesses and communities.

Because financial services are essential services... on which millions of people rely day-to-day.

New and better ways of doing things have certainly been evident during the pandemic – for which the Government and I owe all of you a great deal of thanks – but, sadly, when it comes to public perceptions, we still have a journey to go on.

And that's my second simple reflection from my time in the job: earning and then maintaining a good reputation is an ongoing challenge... one that we cannot and should not duck.

Financial services and the challenges of our time

Now, I said I'm grateful to you for everything you and your staff have done through this extraordinary dark tunnel that we've all been through. And it's true.

On the frontline, it was colleagues keeping branches open... staffing call centres... supporting vulnerable customers in any way they could.

In the back offices, it was people rolling up their shirtsleeves and working with government and regulators to deliver tens of billions of pounds of emergency loans to businesses across this country.

I've been delighted to see financial services staff recognised for their efforts, be it in the Queen's New Year honours, or Downing Street press conferences.

We had to shut the country down... just like that... overnight... and yet, thanks to your efforts, things kept working.

The industry's 'Finest Hour'?... It may well be.

But your economic contribution is, of course, vast.

And that old cliché about financial services being synonymous with the Square Mile is as out of date as bowler hats and pinstriped trousers.

37,000 people employed in Northern Ireland... 69,000 in Wales... 153,000 in Scotland.

And I see the reality of what that means in places like Leeds and Glasgow and Cardiff... and I know how important it is.

The sector is also making progress on ensuring the very best people for the job have equal opportunity to succeed... no matter their race, gender or background.

Diversity and inclusion isn't just the right thing to do, it's the smart thing to do.

You all know, too, the role finance is playing in tackling climate change.

The Government is taking very deliberate action to transform the UK financial sector and align it with the Paris Agreement.

According to Z/Yen, London is now the leading global hub for green finance.

I think COP26 demonstrated our willingness to lead in this space. Now we need to get the right people and ideas in the room to chart and build those crucial transition pathways.

Which brings me to my third simple reflection: financial services are about so much more than trading floors and the Square Mile.

They're about opportunity... and levelling up... and tackling some of the biggest challenges we all face including climate change... and we're probably only just scratching the surface of what the sector can achieve.

And I think that's a conclusion more and more people are coming to. Like the woman I met recently who told me about her decision not to go to university... so she could get on and join a financial services firm instead. A firm in which she went on to have a distinguished career. All because, as a 19-year old working for an insurance company, speaking regularly to customers, she'd seen the difference the sector was making in people's everyday lives – with direct impact on those individuals.

Insurance, pensions, savings, business loans, mortgage products, fintech... all with positive, real-world implications for citizens, communities and the economy as a whole.

A new culture of regulation

Now, when I was privileged to be appointed to this job in January 2018, it's no secret that the future was uncertain. Politics was stuck – that's a polite way of putting it. Our future relationship with the EU was unclear.

Today, the landscape is much clearer. We've left the EU's institutional framework. And step by step, where it makes sense, we are taking advantage of those new freedoms to refresh the UK's position as the world's pre-eminent financial centre.

Now, part of that is about regulation.

Both in the UK and abroad, I hear how respected our regulators are.

And I want to thank the staff, at all levels of seniority, working hard in our regulators to maintain the health and reputation of our financial system.

Nikhil Rathi, Sheldon Mills, Sam Woods, Sir Jon Cunliffe, Sir Dave Ramsden... all great examples of the quality of the public servants who devote themselves to this endeavour at the FCA and PRA, and the Treasury too.

I also want to take this moment to acknowledge the work and dedication of Katharine Braddick at the FSA, Bank, and Treasury.

I am very fortunate as a minister, and we are very fortunate, as a country, to have them all.

There will always, of course, be times when our regulatory system could have performed better.

What's important, looking forward, is that we increase transparency and learn the right lessons for the future.

I believe that our regulators must also remain on the front foot in the face of rapid innovation, and a digital age.

The FCA's Transformation Programme, spearheaded by Nikhil and his executive team, seeks to do just that.

I fully support the ambition to transform the FCA into a more nimble and innovative regulator... and look forward to seeing this ambition turned into reality over the coming weeks, months and years.

The Financial Ombudsman Service will also shortly publish the conclusions of its independent review on how to improve the FOS's operational effectiveness and allow it to adapt to meet future challenges.

But we can't of, course, rest on our laurels.

And that is my fourth simple reflection: maintaining our regulators' strong reputation needs to go hand in hand with a continuous process of reflection and refinement.

We must look at our regulatory framework and challenge ourselves on how to ensure it is fit to deliver what we now need.

We need a regulatory framework that is more agile and more responsive than we have ever had before. That avoids politicisation and posturing but gives

decision-making to the independent and expert regulators, so that we can regulate better, more quickly, more flexibly. To my mind, it is a completely false choice to say that we have to choose between high standards OR greater competitiveness. We need regulators who think carefully about both.

We shouldn't think of regulation as being like the Ten Commandments, fixed forever on tablets of stone. Regulation is not a science: it is the best attempt very good people make to calibrate and manage risk at a given point in the life of an economy or society.

So of course it should be able to evolve and that doesn't mean endlessly tweaking rules with limited benefit. But it should mean regulators having the self-confidence to ask themselves whether they have got the right balance, whether there are any unintended consequences of what they have done, or whether they are placing too great a burden on firms trying to do the right thing.

Yes, of course, regulators must be free to take action – and sometimes fast action – to tackle bad apples and get them out of the market.

But they should also work collaboratively with industry, to understand their often new business models, and to foster innovation and technological transformation safely and responsibly.

The Future Regulatory Framework Review consultation published a fortnight ago sets out how we propose to deliver this.

It restates our belief that independent, expert and internationally respected regulators are the right bodies to determine regulatory requirements... within a framework and guardrails set by Government and Parliament.

In particular, they must reflect the importance of the financial services sector as the plumbing of... a utility for... the wider economy... and the need to support the future strength and viability of the United Kingdom as a global financial centre.

And to those who say competitiveness must be the only driver of everything regulation does, I think that is to misunderstand how competitiveness is achieved.

Resilient and efficient markets, underpinned by effective regulation and competition are essential prerequisites for fostering an internationally competitive and respected financial services sector. The regulators must be able to act creatively and purposefully... so that the UK continues to be a stable and resilient place to base a global business.

So, we will be engaging with you in the coming weeks – but I hope you agree that the proposals form the basis for ambitious and comprehensive reform of our regulatory regime... one that will support the sector's future, and allow it to continue delivering for the UK.

And this brings me to another crucial point – about a culture and mindset.

There's a case, I believe, for establishing a more interactive, rolling dialogue between the regulators and industry... where we think of regulation not as just simply 'policing' the system – that is very important – but enabling the system... a better informed, more nimble regulation which, in turn, reduces misunderstanding and minimises time lags.

That would be better for everyone – not least because it would help identify conduct risks before the red lights start flashing... and help us deal with them proactively before they become a problem.

That means getting inside, and being comfortable with, the mindset of the entrepreneur. And vice versa.

Because when we understand each other – and collaborate – we achieve much more.

New kinds of collaboration

That, for me, has been the lesson of ongoing work on access to cash... which has involved collaborative thinking 'outside of the box'.

And I thank David Postings for his remarks a little earlier.

Together, industry, government and the regulators maintained access to cash through the pandemic... and, together, we'll protect that access – on which many people still rely – for years to come.

For our part, government is progressing legislative proposals to protect cash for the long term. And I know industry has been hard at work through the Cash Action Group on innovative and collaborative new initiatives to support cash users. I thank Natalie Ceeney and her team for what they have done. This is great to see, and I want these respective efforts to support each other, to the benefit of customers.

From Access to Cash to the Productive Finance Working Group and in the productive development of the Long Term Asset Fund – I've seen plenty of recent examples of deep dialogue leading to results.

And on the Wholesale Markets Review, I'm pleased to see the broad consensus on the vast majority of the issues identified in the consultation document. I will be publishing a full summary of the responses to the consultation early in the New Year and will set out the Government's plans to take this work forward.

Given the level of interest in this review, I wanted to give a brief update on our plans here.

In particular, I can confirm that it is the Government's intention to legislate as early as parliamentary time allows to implement many of the changes identified in that consultation document.

For example, I noted the overwhelming support to give firms greater choice about where they can trade and therefore get the best prices for investors.

I can therefore confirm that we will revoke the share trading obligation and the double volume cap.

We'll also be recalibrating the transparency regime for fixed income and derivatives markets... to ensure that the right instruments are subject to transparency requirements and to remove unnecessary burdens for firms.

And we'll be reducing the scope of the position limits regime for commodity derivatives and transferring the setting of position limit controls from the FCA to trading venues. This will remove barriers that are preventing the build-up of liquidity. In the meantime, I welcome the steps that the FCA has taken through supervisory action and I support their continued use.

These are just a few of the changes we will be bringing forward. We are working closely with the FCA on this agenda as some reforms will require regulators rule changes or guidance... and the FCA has already committed to starting that process in the New Year.

Similarly, on the prospectus regime review, I'm delighted to say that there was extensive support across the sector for the proposals we made in our consultation, and I look forward to quickly progressing these important reforms.

Our proposals, which follow the Hill review, will make the UK's prospectus regime simpler, more agile and more effective... widening participation in the ownership of public companies, ensuring investors receive the best possible information, and simplifying the capital raising process for large and small companies on UK markets.

Looking to the future

My final reflection, though, is about the future.

The reality is that we're at something of an inflection point. There are challenges... but great opportunities too.

We, as the UK, need to be at the forefront of change... just as we have been for centuries... be it pioneering the use of paper banknotes in the seventeenth century, the first regulated stock exchange in 1801, or the first ATM – in Enfield – in the 1960s.

In his Mansion House speech in July, the Chancellor said "we should be proud that people around the world look to this country for leadership."

And, of course, he's right.

We have an opportunity – and a responsibility – to lead the world. On setting and maintaining international standards. On green finance. On fintech. On retail investment. On financial services trade agreements.

And we are.

We're the first country to commit to making disclosures aligned with the Task

Force on Climate-related Financial Disclosures fully mandatory across the economy...

We're taking forward the key recommendations of the Kalifa Review on UK Fintech... ensuring the UK remains at the global cutting edge of technology and innovation in financial services. And yes that does include £5 million of funding in the Spending Review to create the Kalifa Review's recommended new Centre for Finance, Innovation and Technology, which will leverage expertise from across the regions to accelerate UK fintech.

And we're developing new responsible and well-regulated opportunities for retail investors... which are, in turn, helping to grow the real economy.

I am committed to seizing this opportunity to deliver change – right across the board – and working with you to prioritise those areas that will have the biggest impact.

Which is why my fifth and final reflection is the same as my first: the health and wellbeing of financial services is our responsibility... and it's up to us to build the sector we want to see.

Ladies and gentlemen...

Those of us in Whitehall don't always know best.

But we do believe – I believe – in the extraordinary potential of our industry...your industry... in the quality of its leadership and regulators... in its ability to be a force for good ... a sector which is guided by high standards... allowing the UK both to retain its cutting edge and meet the needs of its citizens and communities... a sector which contributes day-in day-out to the economic wellbeing of the country... and which, one day, I hope gets the credit it deserves.

Thank you very much.