

Speech: Chancellor of the Duchy of Lancaster speech at the UK Finance Annual Industry Dinner: 17 October 2018

Ladies and gentlemen, thank you very much for the invitation and thank you for that welcome.

I am deeply conscious I am interposing a speech between you and the opportunity for food and drink, and also looking to my right, presumably for the karaoke for which this sector is renowned at the end of the evening. I will look forward to the FT's music correspondents giving the full details tomorrow morning.

I want to start by being frank with you –

This country is facing some of the most complex social and economic challenges of any in recent history.

But those new challenges also bring with them new opportunities. And this sector and this country have track record of seizing those opportunities and making the most of them.

Many of you will be agog to know the very latest on what's going to happen at the European Council in Brussels this evening –

Apart from the fact I suspect they won't have anything like as good a dinner as they will have here –

The Prime Minister will welcome the progress made in recent weeks on the Withdrawal Agreement and the political declaration on the future relationship.

She will reiterate the need for the backstop to be temporary, and for this condition to be built into the agreement we negotiate with the EU.

And she will emphasise our continued commitment to getting a good deal in our mutual interest that respects the economic and constitutional integrity of both the United Kingdom and the European Union.

Getting that deal is something which I, having spent six years as Europe minister in the recent past, know is important for all sectors of the UK economy, including the financial services sector.

And I believe now is the time for a clear-eyed focus on the few remaining but critical issues that are still to be agreed.

I want to make it very clear that a deal is what we want. It is what we are

working with every scrap of energy that we can muster towards achieving. And it is what we believe that we can and will secure at the end of the day.

And I think too that throughout the challenges ahead, whether those that arise out of our departure from the European Union or those that are posed generally by global competition and by the accelerating pace of technological change, the Square Mile will continue to display the characteristics that have helped make London the world's pre-eminent financial centre.

That is certainly my view and I know it is the view of my colleague John Glen, the Economic Secretary, who is also with us this evening.

What strikes me – whenever I come to the City, whenever I talk to people – is that for centuries the City has been a place of innovation...

... of adaptability and resilience...

... and of problem-solving.

There are countless examples of those qualities that you can find shining through the fabric of the history of this City of London.

Bob, you listed in your earlier remarks a whole host of examples of how over the past 12 months alone this City, and this sector within the City, have demonstrated those qualities of adaptability, resilience and problem solving.

You mentioned at one stage what you have been doing in this sector over cyber security. Just two days ago I launched the second Annual Report of the National Cyber Security Centre.

One thing that I announced then is that the Government is going to copy the best of what you have done – the CBEST approach and standards that have been pioneered by the United Kingdom's financial services sector.

We are going to adapt a GBEST approach to ensure that government and government suppliers are also working to ensure that when people do business with the UK of any kind, they know that this will be the most cyber secure business environment of any other in the world.

You look at the history of the City, and I can point to examples of those qualities of adaptability and problem-solving – at least two of them in this building itself.

You have probably already admired the magnificent 170-foot king post timber roof of this space, the so-called 'Porter Tun'.

But you might not have yet a story about some early 19th century porter in the vaults lying beneath our feet.

The founder of this brewery, Samuel Whitbread, wanted to save money by switching from storing the porter in casks to a bulk storage system.

He soon found himself in difficulty.

The surviving documentation shows that the liquid ran through the walls “as through a sieve”.

Fortunately two of the great men of the day, Josiah Wedgwood and John Smeaton, applied their minds to the challenge in the great tradition of the City.

Now, that tradition of course is not solving problems through the rapid consumption of alcohol –

They didn’t drink it all themselves...

But what Wedgwood and Smeaton did was use their engineering expertise to help the Brewery go from strength to strength.

You might say they had successfully consigned the problem of uncontrolled leaks to the past.

Something that I am trying to persuade the Cabinet that they should adopt as well.

Government and business working together

But that anecdote exemplifies in a way the qualities that have helped the City prosper...

... and helped our financial services sector create opportunities for people around the country, too.

And it’s particularly important, at a time when in the years since 2008 we have seen an ebbing of more general public confidence and trust in UK finance, in the City, even in the free enterprise system itself, that we do ensure that we both speak about and demonstrate what this sector does for the prosperity and security of people in every part of this nation.

Roughly two-thirds of the 2.2 million people who work in the financial and related professional services sectors are based outside London.

And across all the major sectors the UK financial services industry is highly developed.

We’ve got the largest asset management sector in Europe...

... we have the largest banking sector in Europe...

... and the largest insurance sector in Europe, too.

All told, last year the UK was the largest net exporter of financial services in the world, with a trade surplus of £61 billion.

I think our dynamic financial services sector should be the beating heart of a free market economy...

... An economy that helps everyone in our country realise the opportunities

ahead.

That includes creating new opportunities for small businesses, mutuals, charities, co-operatives and social enterprises.

We want to nurture vibrant, healthy, innovative, competitive and diverse marketplaces.

And so, I know, do you, representing UK finance business.

Financial services is a key part of our economic infrastructure.

It generates wealth...

... it creates jobs up and down the country...

... and provides tax revenue to support our vital public services.

That's why this government is committed to listening to your views and engaging with you closely on a range of issues.

Working together we can help back businesses to create jobs while ensuring that they also play by the rules.

Working together we can build the homes people need so that everyone can have a safe, decent place to live.

And working together we can help people to achieve their true potential – whether that is about enable people to develop the skills they are going need in an economy that is being transformed every day by digital technology...

... or whether it is about ensuring everyone has access to the kind of opportunities that most of us in this this room sometimes take for granted.

Collaborating on the domestic financial services agenda

All of us in this room, for example, can agree on the importance of affordable credit.

Regardless of their background or income, it's right that everyone should have access to useful and affordable financial products and services.

The government is committed to addressing this issue...

That is why that subject formed part of the work of the Financial Inclusion Policy Forum, established earlier this year, which brings together industry, the third sector, ministers and the regulator.

UK Finance has worked alongside Toynbee Hall to co-chair the Forum's subgroup which is exploring ways to increase the availability of affordable credit to all consumers.

That important work highlights how, coming together, we can explore solutions to the difficult challenges facing the most vulnerable men and women in our

society.

Our collaborative efforts can support consumers...

... and they can protect them, too.

UK Finance data shows there were more than 30,000 cases of automated push payment fraud in the first half of 2018.

Both individuals and micro-businesses are being harmed by these kinds of scams.

We do need to take them very seriously...

... That's why I'm delighted that requirements for consumer protection and the principles for reimbursement for consumers who fall victim to them have been developed by a joint Steering Group of industry and consumer group representatives.

And on behalf of the government I want to say a big thank you to UK Finance for your work in providing the secretariat for that Steering Group.

The publication of its draft voluntary code is an important milestone and we look forward to hearing responses to its consultation in due course.

It's right that industry takes the necessary steps to protect consumers against this kind of fraud...

... and so we welcome UK Finance's work in helping to develop it.

There are many other examples I can give of collaborative working:

UK Finance's work with the Post Office to raise awareness of the Post Office's services that allow banking in person to continue,

... or UK Finance's integral role supporting our response to economic crime, including through the Joint Fraud Taskforce, the Joint Money Laundering Intelligence Taskforce and seconding staff to help build the new National Economic Crime Centre...

... or the very welcome engagement of UK Finance and others across the financial services sector as we draft the necessary legislation for onshoring.

Financial services and Brexit

As I have said at the start – and as I say again now – we recognise how important it is that we get a good Brexit deal, and that firms and their customers do not face a cliff-edge at the point of our exit from the European Union.

That is what the entire Cabinet is working towards, and we are committed to making further progress in negotiations.

But it's also right that we ensure that we are prepared for any and all scenarios, just as you would also expect of any responsible business.

I want to say how grateful I am to UK Finance for your input into this process – your expertise really is invaluable.

But I also want to say that although there has been escalating excitement about the possibility that a deal with the European Union would prove elusive...

... the growth in newspaper column inches does not reflect an increased likelihood of no deal.

As the Prime Minister has said:

This is the time for cool, calm heads to prevail.

I believe her pragmatic proposals which she has put forward are in the economic interests of both sides – of businesses and of consumers in all 28 countries of the European Union.

We are asking our European partners to respond with ambition and with urgency...

... and to concentrate with us on completing this task in the interests of all our citizens.

We have had good working-level discussions with the European Commission on our proposals for the future relationship in financial services.

And what we have proposed in our White Paper is logical.

Our financial markets are deeply integrated.

That indisputable fact underlines why the bilateral treaty agreement we are putting forward should be bolstered with regulatory dialogue and supervisory cooperation.

We should recognise the autonomy of both sides in decisions relating to market access and the rulebook.

And the UK government is proposing a framework for financial services that will provide stability for the EU-UK financial ecosystem...

... preserving mutually beneficial cross-border business models and economic integration...

... and stabilising the current EU equivalence framework through a transparent and de-politicised process...

... for the benefit of businesses and consumers in both the United Kingdom and the EU 27.

Realising this means achieving that deal with our European partners that we remain committed to working towards.

Conclusion

The United Kingdom has always been both a European country and also one which has global interests and a global perspective.

And as we prepare to leave the European Union the United Kingdom is going to need to focus with even greater energy and determination on the opportunities to be a greater global force, forging new relationships, stronger trade links and working to increase global security.

My colleague John Glen put it this way:

the commercial instincts of this country have been honed and sharpened over the centuries...

... and we fully expect those instincts to prevail as we prepare to leave the European Union.

The innovation, the resilience of the financial services sector have been demonstrated time and time again in our national history.

Plague, fire, and blitz have not stopped the City in the past.

And while the markets that the City serves and the workforce that serves those markets have changed beyond recognition...

... I believe we can be certain of one thing:

It will be the City's great traditions of resilience, adaptability and innovation that will continue to help it and the entire finance sector to grasp the opportunities ahead.

Thank you very much indeed.