

Speech: Mansion House 2018: Speech by the Chancellor of the Exchequer

My Lord Mayor, Ladies and Gentlemen.

Last year this Dinner was cancelled out of respect to the tragedy that was unfolding at Grenfell Tower.

Tonight, our thoughts are with the victims and their families, and I underline again this government's twin commitments to justice for the victims; and regulatory change to ensure that such a tragedy can never happen again.

And of course, we remember Jo Cox, whose death cast a long shadow over this event two years ago.

My Lord Mayor – it's a pleasure to be here this evening. The only event of the year at which I get slow hand-clapped before I've opened my mouth!

I know that some in the room will be distracted this evening, their thoughts elsewhere.

Nervous about the challenge to our nation's survival from Belgium.

About the aggressiveness of France and Germany.

About the threat from a resurgent Russia.

But enough of England's chances in the World Cup.

And apologies that you are here listening to me rather than watching Messi take on Croatia.

At least the Governor won't be missing any Canada games.

Just as the world is embarking on a technological revolution that will transform the way we live and work, and the organisation of our society and our economy.

We are seeing a rising tide of sentiment, here in the UK, in Europe, and around the world, against the conventional wisdom that free trade and open market economies are the best way to deliver prosperity for our people.

And here in Britain, we face the additional challenge of charting a new relationship with our European neighbours.

These profound changes will bring extraordinary opportunities that we must embrace.

But also huge challenges that we must address.

And tonight I want to speak about how we navigate these challenges – and seize these opportunities – to ensure that post-Brexit, Britain continues to be a world leader in innovation, and extends London’s position as the world’s number one international financial services centre.

And this matters, because decisions we make and positions we take over the next few months, will shape our economy for decades to come.

The good news is that we build on strong foundations.

Britain’s economy is fundamentally sound.

Unemployment is at a 40-year low, and employment is at a record high.

Real wages are, at last, beginning to rise.

Last year investment spending grew at the fastest rate in the G7.

And goods exports grew by over 7%.

But there is no room for any complacency.

And that is why our economic plan raises public investment to its highest sustained level in 40 years.

Expands the National Productivity Investment Fund to £31 billion.

With a Modern Industrial Strategy that will target high growth sectors and spread prosperity to all parts of our country.

And underpinning this economic plan is a responsible fiscal strategy.

The lowest deficit in over a decade.

With today’s borrowing figures showing lowest May borrowing since 2005.

A current budget in surplus.

And the OBR forecasting debt will begin falling as a percentage of GDP this year on a sustained basis for the first time since 2001.

This week, the PM announced a 5-year NHS funding package that will boost spending on health by over £20 billion a year in real terms in England alone.

Partly funded by lower contributions due to Brussels.

Making the NHS our number one priority in the forthcoming Spending Review.

But, she also confirmed we will stick to our fiscal rules.

And will continue to reduce debt.

So, as the Prime Minister said, taxpayers will have to contribute a bit more, in a fair and balanced way, to support the NHS we all use.

While delivering on our fiscal commitments.

Of course, the immediate key to maintaining Britain's leadership in innovation and strengthening London's position as the world's leading international financial services centre.

Is ensuring we get a good Brexit deal.

And that we protect markets from uncertainty during the transition.

Working with the European Commission, we've set-up a Technical Working Group between the Bank of England and the European Central Bank which is working to manage transition risk and provide further reassurances to our financial services firms.

Our clear long-term goal is to secure an enduring partnership that reflects the four and a half decades that the UK has been a member of the EU.

That recognises that our European neighbours are our most important trading partners.

And that Dover to Calais is the busiest trading corridor in Europe.

That our peoples are connected by centuries of shared history and culture.

And that the security of our entire continent depends on our shared commitment to defending it – through our collaboration every day on intelligence, counter-terrorism, and defence.

So as we leave the EU.

We need to forge a new relationship with our European neighbours that protects those patterns of trade; those business relationships that have been painstakingly built over decades.

That maintains low friction borders and open markets.

That does not make the Treasury, on my watch, "the enemy of Brexit"; rather, it makes it the champion of prosperity for the British people outside the EU, but working and trading closely with it.

And part of that successful partnership must be a mechanism that enables UK EU financial services trade to continue.

Delivering the benefits of open markets and deep regulatory cooperation to businesses and citizens across our continent.

Of course, we recognise that this will be a new kind of relationship.

Reflecting a new, and fair, balance of rights and responsibilities.

In my speech at Canary Wharf in March I outlined a vision of a future financial services partnership.

Where we remain highly aligned and deeply interconnected.

Even though we will be outside the EU.

And explained why this is in the overwhelming interest of UK and EU businesses and citizens.

Of course, we are not yet at the stage of formal negotiations on financial services.

But since I gave that speech, I have discussed our approach with many counterparts in the EU and beyond.

There is a mixture of views.

The view of the Commission and some Member States is that the only possible route for future financial services access is through the EU's existing, off the shelf, equivalence arrangements.

I don't agree with that.

In my speech in March I set out why the existing equivalence regime would not work for UK-EU financial services trade.

It is piecemeal, unilateral and unpredictable.

And therefore does not provide the stability that a well-regulated market requires.

And I think these weaknesses are increasingly recognised.

I know there is now an active debate in Europe about some form of 'enhanced equivalence' to structure the relationship with the UK for financial services.

But enhancement, like beauty, is very much in the eye of the beholder.

And I will be frank.

I do not consider some of the measures currently under consideration in the EU on third country regimes for CCPs.

Or some of the proposals put forward in the European Parliament on restricting investment firms, to represent "enhancements".

Because these proposals have nothing to do with equivalence.

And everything to do with an ambition to force the location of business into the Eurozone.

So although I have heard talk of 'enhanced equivalence', I have not yet seen a credible proposal for what it might mean or a clear articulation of how it might work.

So, as of today, the most developed model for a stable and efficient future financial services relationship between the UK and EU, is the one I set out in March.

And there is another point I want to make.

The UK will continue after Brexit to lead and influence international thinking on the regulation of financial services – and we will do so as the hosts of a global financial centre.

But we will all be stronger and have more influence in shaping the global debate, if we and our EU neighbours remain closely connected.

Divided, we damage all our chances of growing businesses in Europe capable of competing in a future that will be dominated by major global players located in the US and Asia.

Players who operate not only in the field of finance, but in data and technology, the new drivers of competitiveness.

Brexit is, and must remain, my most immediate priority as Chancellor.

But I am also focused on what happens next.

How Britain remains the global powerhouse for financial services that it is today.

Through Brexit.

Through the ideological squalls buffeting free trade and open markets.

And through the technological revolution that is to come.

At times of rapid change, history has a habit of making fools of us.

In 1876, Sir William Preece, chief engineer of the British Post Office, reported that: “The Americans have need of the telephone, but we do not. We have plenty of messenger boys”.

There’s a man who literally “missed the call of history”.

Just a couple of years later, a parliamentary committee reached a verdict on Edison’s new light bulbs, and I quote: “Good enough for our transatlantic friends, but unworthy of the attention of practical or scientific men”.

Apparently, we really didn’t like American inventions back then.

But today as we stand once again on the brink of a technological revolution.

Artificial Intelligence, robotics, biotech, Fintech, and a whole lot more.

We do so as the world’s leading financial centre; a global innovation hub; the world’s legal and regulatory jurisdiction of choice; a country with robust institutions; global centres of academic excellence; a vibrant culture

and civil society; and fingers crossed a national football team to be proud of!

In short – an ecosystem of prosperity.

But future success is not ours by right.

If we are to retain – and entrench – our position as the world's leading financial centre.

We must act now to secure it in the face of global challenge.

By building on three core strengths.

First, industry, regulators, and government must work together to build the most innovative, pro-growth environment in the financial services world.

Our regulators already lead the world.

The FCA's regulatory sandbox has been copied, almost universally, as other countries race to keep up.

And the Bank of England is working with the FCA to explore how RegTech can revolutionise the way firms engage with regulation, potentially transforming the world of compliance.

Our Open Banking initiative will completely change the way in which consumers and small businesses engage with banking, helping them access better value and more targeted services.

Our FinTech Sector Strategy sets out to ensure Britain remains the best place in the world to setup and grow a FinTech business.

And last week we launched British Patient Capital – a £2.5 billion public investment.

As part of our plan to unlock £20 billion of new finance for UK growth companies over the next decade.

And it is not just FinTech.

We're leading the way in Green Finance too.

This is important for London as a financial centre.

And it is important for our planet.

The UK is already leading the charge in this market – with nearly 80 green bonds raising more than \$24 billion across seven currencies.

But if we are collectively to meet our global climate goals, we will need to mobilise \$90 trillion by 2030.

And it is my ambition that the UK leads the world in financing this

investment.

So tonight I can announce we are establishing a new Green Finance Institute here in London, jointly funded by government and the City of London.

So that firms from across the world can access our one-stop-shop for world-leading climate science, and for capital.

Here in the UK – the home to the markets of the future.

Second, we must be build our resilience.

Regulating with the right balance between protecting stability and fostering competitiveness.

Let me be clear.

Because the UK's financial services markets are around ten times bigger than our GDP.

And because we have to protect our taxpayers from unacceptable risks.

We will always champion high regulatory standards in financial services markets.

We aim to be the safest and most transparent place to do business.

Leading the “race to the top”.

That means supporting our regulators, including our independent central bank.

Today I have announced that we will further strengthen the Bank of England, with reforms to its financial framework.

With a package including a £1.2 billion capital injection into its balance sheet.

Reinforcing its resilience, and its ability to meet its monetary and financial policy objectives in the future.

But resilience goes beyond regulation.

And nowhere is this more evident than the growing and evolving cyber threat.

The UK is a leader in national cyber capability.

And we have set up the National Cyber Security Centre – the first nation to leverage the unique cyber capabilities of the state and our intelligence community.

To directly strengthen the resilience of our critical business sectors.

Making the UK the most secure place in the world to do online business.

Third, we must commit to being the most open market in the world.

Open to competition.

And open to talent.

Our announcement last week that we will take doctors and nurses out of the Tier 2 Visa cap, frees up hundreds of additional places a month for highly skilled workers.

Making it easier for our financial sector to hire the best from around the world.

But the digital revolution, artificial intelligence, and automation will radically change the nature of work in this sector.

Just last week Citi estimated that machines would displace up to half its technology and operations staff in just the next five years.

That doesn't mean mass unemployment.

But it does mean the nature of work will change – as technology makes people more productive and frees many to take on a different role.

So we will need to ensure that – in addition to access to international talent – the UK has a long-term pipeline of domestic skills to meet this transformation.

To harness the brightest young minds of today to meet the needs of the financial sector of the future.

So tonight I am pleased to announce the creation of a new industry-led Financial Services Skills Taskforce

Convened by CityUK, and led by former City Minister Mark Hoban.

To understand and respond to changes in the shape of financial services.

To ensure we meet the long-term skills needs of the sector over the coming decades.

And creating opportunities for the next generation.

And there is another key factor that will power our future.

Connectivity was always at the heart of London's success.

And to succeed in the future, we must remain connected to the world – including the important emerging markets.

Today we're home to world-leading banks, from the US, from Europe, from Asia, and elsewhere.

We're the leading global hub for Renminbi trading outside of Greater China.

A major player in Rupee financing.

We're the western hub for Islamic finance.

And we have Fintech Bridges with Singapore, South Korea, China, Hong Kong, and Australia.

So while some question the benefits of openness.

Being open to the world, to its capital, its ideas, and its talent, will continue to be a foundation of the UK's economic success.

And this evening I can announce a Global Financial Partnerships Strategy.

Bringing together governments, regulators, and industry.

To build an enhanced framework for cross-border financial services.

Facilitating access to global markets.

And positioning the UK as the gateway of choice.

Our vision is for a new set of partnerships.

Combining new tools, like financial services trade agreements, and existing ones, like our financial dialogues.

Positioning the UK as the most global financial services market in the world.

Because "Global Britain" is not just a strategy for Britain's economic future.

It's a statement about what kind of people we are – and about the economy and the society we are seeking to build.

To close, my Lord Mayor – I want to return to an earlier period of transition in our history.

In the years after the Second World War, as Britain faced the end of empire – and the need to redefine our relationship with the rest of the world.

There were many who feared for our prospects

Without the colonies, trade would dry up.

Our long, proud history would end in decline.

They were wrong.

Redefining our place in the world then, presented many new challenges, at home and abroad.

But it also delivered transformative new opportunities.

Today, Britain looks and feels nothing like that post-war world.

We have emerged from that period of transformation fundamentally stronger – because of the creativity and ingenuity of the British people.

And because of the agility and resilience of our institutions.

Today, we face new challenges.

We must redefine our place in the global order once again.

But we approach the future with the confidence of a global leader in innovation, possessed of those same fundamental strengths that have always allowed our nation to rise to challenges and seize opportunities.

Determined to build on the advantages that took so many generations to achieve.

We will seize those opportunities – and we will build that better future for our country.

Thank you.