

Speech: The CityUK Annual Dinner: Chancellor's speech

John [McFarlane], thank you for inviting me here tonight...

...and thank you to the CityUK for hosting us at this wonderful venue...

...the home of the Worshipful Company of Plaisterers.

Some of you may not be aware that The Plaisterers can be traced back as far as the twelfth century...

...to when the first Mayor of London, Henry Fitz-Ailwin ordered that all cookshops be plastered and limewashed for protection against fire...

...the irony being that the first two halls the Company owned would later themselves be destroyed by fires.

Our first Mayor of London was such a success that he went on to be entrusted with raising the ransom funds after

Richard the Lionheart was captured on return from a crusade near Vienna...

...some 100,000 pounds of silver...

...which, to put in perspective, was 2-3 times the annual income of the Crown at the time...

...I'd be interested to hear whether the Treasury at the time considered this value for money.

Tonight, we celebrate our world leading financial and professional services industry in the UK.

The key phrase is "world leading"...

...and I'll say a word or two about the government's plan to keep it that way...

...through our negotiations with the European Union and beyond...

...and then I'll let you get on with your dinner.

First, I'd like to thank John for that introduction...

...and for all the work of the CityUK in representing the best of Britain's financial and professional services.

I'd particularly like to pick up on your articulation of the need to look beyond Brexit...

...I absolutely agree that we should not take our historic position as a global

leader for granted...

...and nor should we take for granted the economic model that has brought us so much success over the years...

...one that has brought the UK back from the brink of the financial crisis...

...delivered record employment levels...

...19 consecutive quarters of growth...

...our deficit down by three quarters...

...and national debt as a share of GDP finally about to begin to fall.

And when we hear the siren voices calling the young and impressionable to test out economic models that have actually been tried...

...and have failed...

...with such disastrous consequences before...

...both here and abroad...

I believe it is incumbent on all of us...

...in business and in government...

...loudly to make the case, for a market economy, for sound money, and free trade...

...while recognising of course that the economy will be fundamentally changed by the new technologies...

...that offer both a new route to productivity enhancement...

...as well as new challenges as a society.

For as I set out in my [Budget](#) a couple of weeks ago...

...it is only by embracing the technology of the future that we can build an economy that is fit for the future.

And it is our future that I want to talk about tonight.

Because, yes, we face economic challenges...

...our productivity growth is far too low...

Of course, our negotiations with the EU are in a critical phase...

...and getting the right deal...

...and an implementation period to allow us to adjust to it...

...will be vitally important in the short-term.

But the long-term future of Britain's economy is about much more than these negotiations.

We are on the brink of a technological revolution...

...and this time, Britain is genuinely at the forefront of it...

...and if we are to deliver higher living standards for people up and down this country...

...we must prepare Britain so that it can embrace this future...

...and seize the opportunities that it brings.

And this is as important for our financial and professional services sector as for any other.

Not only because you represent 11% of our economy...

...one in 14 of all UK jobs (two-thirds of them outside of London)...

...and contribute over £80 billion of tax revenues...

...[which I am particularly happy about.]

But because this sector has been at the forefront of innovation and technological change for many centuries...

...and it is once again.

Our success, historically, has been based on being the most open and most dynamic financial sector in the world...

...on the ability to continuously innovate and adapt as the world around us changes.

We did it in Elizabethan London when trade turned the City into the world's biggest international banking bazaar...

...we did it in the post-war period when the dollar became the pre-eminent global reserve currency, but London's more dynamic approach allowed it to fight off competition from New York...

...and we're doing it now – for example, in FinTech, a sector that barely existed a decade ago – that now employs 60,000 people right across the UK...

...and received a record £2.1 billion investment in the first three quarters of this year.

And as The CityUK are quick to remind us...

...it isn't just about financial services...

...it is about the whole ecosystem we have built here over decades...

...with the critical mass of banking, asset management, insurance, law, accountancy, consulting, and other vital business support services.

It is this government's priority to achieve an outcome from our negotiations with the European Union that maintains effective, mutual access to European markets...

...and ensures the UK remains a global financial and professional services hub.

But I have no doubt, that whatever the outcome of the negotiations...

...the UK has the history...

...the advantages of our timezone, our language, and our legal system...

...and the talent, the capital markets, and the tech sector...

...to remain the world's leading financial centre.

Passporting did not create the City of London.

And when we look back in twenty years...

...what will define the UK's success will be less how we handle Brexit...

...than how we have grasped the opportunities, and embraced the challenges, of technological change.

The facts speak for themselves.

Since the referendum, professional services have grown three times as fast as the whole economy...

...we've already seen double the amount raised in London through IPOs this year as in the whole of 2016...

...and London has once again been named the world's number one financial centre.

But we cannot and will not rest on our laurels.

We must act now to ensure that in the face of rapid global change...

...the UK remains the number one place in the world to conduct financial and professional services business.

Our regulatory environment must continue to adapt...

...it's not just about making sure regulation doesn't get in the way of business...

...it's about using the British skill for regulatory innovation as a

comparative advantage.

That's why we have given our regulators a mandate to ensure we have the world's most accommodative regime for FinTech development...

...from the FCA's 'regulatory sandbox'...

...to the Bank of England's 'FinTech Accelerator'.

And we must reach out across the globe to build new relationships and unlock new markets...

...as we have done by becoming the Western Hub for Renminbi trading...

...and striking four FinTech Bridge agreements, as well as working on a fifth with Australia which I hope we'll sign soon.

Tomorrow we go further...

...my colleague, Steve Barclay the Economic Secretary to the Treasury, will launch our Second Investment Management Strategy to ensure our world leading asset management industry continues to thrive:

We've established a new Asset Management taskforce to shape the strategy and lead work between government, regulators and industry to enhance the UK's position as Europe's leading asset management centre;

We're backing new centres of excellence, linked to higher education institutions, to build a pipeline of talent and expand our skills base for the future;

We're supporting projects to position the UK as a leader in FinTech asset management solutions, such as developing lower cost digital funds;

...and finally, we will consult in due course on how we can improve the tax treatment of short-term business visitors from foreign branches – something which I know has been an issue for financial and professional services firms.

Of course, I recognise that for companies in this room, a key focus right now is the outcome of the Brexit negotiations.

You will forgive me if I don't offer a blow-by-blow commentary of the last 48 hours...

...I'll leave that sort of speculation to the newspapers...

...although I have had a very productive day in Brussels...

...but I can tell you that we have made good progress in the negotiations over the last few weeks...

...and I am optimistic that we will achieve sufficient progress at the Council next week, and move on to the next stage of the negotiations.

And in those negotiations on our future relationship...

...I have every confidence that we will reach an outcome that supports the UK's position as the number one global financial centre...

...an outcome that represents a good deal for our Financial and Business Services industry.

At my Mansion House speech in June, I spoke of three principles to underpin a good deal on financial services:

The importance of a smooth and orderly exit...

...the importance of preserving reciprocal access to each other's markets for goods and services...

...and the importance of a permanent, stable, future financial services relationship.

I'll touch on each of these briefly.

First, our intention that our withdrawal from the EU be as smooth and orderly as possible.

Because one of the biggest boosts we can provide to the economy...

...of both the UK and the EU...

...is making early progress on delivering certainty and clarity about our future relationship with the EU...

...with a time-limited implementation period of around two years...

...when we will have left the EU and will therefore be outside the EU Customs Union and the Single Market...

...but during which we will replicate the effects of the Customs Union and the Single Market...

...with reciprocal access to each other's markets...

...and a harmonised customs arrangement, ensuring a low friction border.

Giving businesses continuity, and certainty, to plan and invest with confidence.

The second principle is that our future relationship should be as deep and broad as possible.

The Prime Minister's vision is of a deep and special partnership...

...based on strong mutual respect and friendship...

...close collaboration on security...

...and freest and most frictionless trade possible.

Something more ambitious than any existing mere free trade agreement...

...something that properly reflects our 43 years of membership of the EU and the common regulatory starting point that follows from it.

The UK and the EU's financial services sectors operate as a single marketplace.

And we must protect this...

...because a fragmentation of this European financial services market will only lead to poorer quality, higher priced services for business and citizens across Europe...including in the UK.

And that, in turn, would erode the global competitiveness of firms across the full breadth of the EU economy.

"I am convinced that for Europe as a whole...it's in our own interests to have a strong financial centre in London.

We can't move the whole business to Europe and it's better to have it in London than in Singapore or elsewhere in the world"

Those are not my words.

They are the words of Wolfgang Schäuble the former German finance minister.

He is right.

Paris and Frankfurt wouldn't be the winners from a fragmented European market...

...it would be New York, Singapore, and Hong Kong...

...leaving Europe as a whole, weaker and poorer.

So we want to protect our existing trading relationships with the EU.

But we also want to ensure that the future trade arrangements we have with the EU are durable and fair...

...with the effect on cross-border markets well understood and transparently agreed between us from the outset.

And that is particularly important for financial services...

...because no existing trade agreement, nor third-country access arrangement, could support the scale and complexity of reciprocal trade in financial services that exists between the UK and the EU.

And that takes me on to the third principle:

We must develop a new paradigm for our future trading relationship in financial services.

Over the past ten years, Britain has worked tirelessly with the EU to deliver financial stability and fair competition.

We devised the rules that have seen our banking sector recover from the Global Financial Crisis...

...and after we leave the EU we will continue to work closely to strengthen the global financial system and protect our taxpayers.

There will be no race to the bottom.

We will need intensive regulatory cooperation for rule-making to ensure parity of outcomes...

...and we will need new mechanisms to address key cross-cutting issues, from dispute resolution to data protection.

We will need a deep and comprehensive framework of standards...

...that ensures unprecedented transparency and supervisory cooperation.

It is only in this way that we can entrench and enhance financial stability...

...that we can protect consumers and taxpayers...

...and ensure that the open and cooperative system we have built together since 2008 is maintained and strengthened...

...for the immeasurable benefit of the economies of both the UK and the EU.

We do not expect all of this will be easy.

But it is worth the effort.

And it will take intense effort from all of us, in government and in business...

...in the UK and in the EU...

...to continue making the case for an outcome that protects jobs and prosperity...

...and for a transition that takes us to it smoothly and protects natural stability.

It's a challenge to which you will rise...

...as you have risen to challenges that have gone before.

I am confident that the UK...

...and the UK financial and professional services sector...

...will continue to flourish...

...adapting to whatever the world throws our way...

...and seizing the opportunities of the technological revolution which is upon us...

...and together I know that, we will build an economy that is fit for the future.

Thank you.