

Speech: UK Finance Dinner: Chancellor's speech

Thank you for inviting me here tonight...

...at the inaugural UK Finance Annual Dinner...

...it's good to see this new super-charged trade body up and running and looking out for the interests of British finance, banking, markets and payments companies from up and down the UK.

UK Finance may only be a few months old...

...but you represent an industry that is somewhat older.

It was only last year that we discovered just how old.

Archaeologists were digging just a few yards away during excavations for Bloomberg's new European Headquarters...

...where they found dozens of old tablets, which represent the oldest known record of Roman writing in England.

What the tablets revealed is that by the mid first century AD this was a thriving, commercial and financial centre.

Junius the cooper was selling barrels to Tertius the brewer...

...it turns out even two thousand years ago alcohol was playing a central role in the life of the city.

And then there's the tablet that contains a friendly warning to a businessman that he has extended credit unwisely because "they are boasting through the whole market that you have lent them money."

...obviously something that never happens these days.

Finance has changed somewhat in the centuries since.

Tablets were replaced with coins; coins were replaced with notes; notes were replaced with plastic; and...well we're back with tablets.

But that is why this industry is so successful.

It's ability to innovate and develop as the world around it changes.

Fintech – a sector that barely existed a decade ago – now employs 60,000 people.

Since the first banking app appeared six years ago, around 20 million people in the UK have become users.

And contactless payments have risen eight-fold in the past two years...

...with cash usage falling...

...which as Chancellor of the Exchequer, I am very pleased about!

And the reason it is so pleasing to speak here tonight...

...at the launch of this new trade body...

...is that it is here in the UK...

...where we have the financial innovation...

...the venture capital...

...and the world's number one financial centre...

...where we are leading the world in the FinTech revolution...

...and changing the way in which financial services are accessed and delivered.

It is my priority as Chancellor to ensure that the UK remains the financial services centre of the world. And the global hub of fintech.

We have the timezone, the language, the legal system, the talent, the capital markets, and the tech centre to succeed.

And we have a government which is determined to create the regulatory and tax environment for these new markets to succeed.

We have given our regulators a clear mandate to do so...

The FCA have led the way internationally with their 'regulatory sandbox'...

...allowing companies to test their products with consumers in a safe environment.

The Bank of England's FinTech Accelerator gives companies the chance to work on innovative central banking solutions...

...while the Bank is broadening access to its settlement accounts and payment systems. And in the last year we have introduced a new investors' relief, to support investment into firms looking to scale up.

But we can do more.

And we will do more.

But it has to be a collaborative effort.

On government's part we must invest in the skills and the infrastructure – to ensure the UK remains the most attractive place to start and grow a business.

And for your part, businesses must invest in raising the productivity of your

employees, and ensure that we are leading the world in the ground breaking innovation that will be so critical to succeeding in the economy of the future.

At the Autumn Statement I launched [£23 billion of additional government investment](#) in infrastructure and innovation...

...that will take public investment to nearly half a trillion pounds over the next five years.

At the [Spring Budget](#) I unveiled our plans to overhaul our technical education system...

...to equip our young people with the skills they will need in the decades to come.

And our Industrial Strategy will seek to tackle Britain's distortive regional productivity disparity.

But that is just one side of the coin.

We need private investment too.

It is businesses in this room that have built the world's pre-eminent financial centre...

...the UK's financial services industry has around £7 trillion of assets under management...

...60% of European capital market business is conducted through the UK...

...and UK firms provided more than £1.1 trillion of lending to the EU 27 in 2015.

Yet some of the highest potential UK start-ups still struggle to obtain the finance that they need to grow into world-leading firms.

That is why the Prime Minister appointed Sir Damon Buffini to chair an expert panel as part of the Patient Capital review...

...and why we launched our [Patient Capital Consultation](#) over the summer...

...which puts forward proposals for a new National Investment Fund...

...with the government and private sector working together to mobilise the investment our growth businesses need...

...examines the effectiveness of government's current tax interventions;

...and asks what more should be done to support some of the largest pools of capital in the UK to invest in those growth businesses.

Because if we are to build a more productive society we need to harness this capital and encourage its investment in the areas of highest growth

potential.

Of course I recognise that for companies in this room a key issue is the outcome of the Brexit negotiations.

And it won't surprise you to hear my top priority is securing an outcome that puts the economy, business, jobs, and prosperity first.

And that includes securing a solution that protects our most important EU export sector – financial services.

Today I chaired the first meeting of the Brexit Business Advisory Group, along with my colleagues David Davis and Greg Clark.

And from this, and other discussions I have with business, it is very clear to me that getting clarity soon on issues such as transition, is of vital importance to business – and thus the economy.

I can tell you we have made progress in the negotiations...

[Political content removed]

...publishing position papers to inform our negotiating position with the EU...

...building on the principles I talked about when I was last at [Mansion House in June](#):

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 getting our future financial services relationship right.

I want to say a brief word about these three principles.

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

I am clear that, whatever the ultimate outcome of the negotiations, an integral part of delivering that is through the negotiation of a time-limited interim period...

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

...but during which the UK and the EU 27 will retain access to each other's markets, and will operate a harmonised customs arrangement, ensuring a frictionless border.

This will provide certainty, and avoid a cliff-edge for business and individuals during the transition from the current structure of membership to the deep and special partnership which we hope to agree with the EU.

Second, as we negotiate our long-term future partnership with the EU, we want to maintain two-way access to each other's markets in goods and services.

Because that's what business want.

And it is also what the British public want.

Polling has shown that people overwhelmingly believe free trade is positive for our economy, regardless of how they voted in the referendum.

And that they want to continue our trading relationship with Europe.

And they are right.

Take the financial services sector.

A fragmentation of European financial service markets would result in poorer quality, higher priced services for business and citizens across Europe.

It would result in business being lost to New York and Hong Kong...

...it would push up fixed-rate borrowing costs for homeowners across the continent...

...it would push up costs for airlines hedging against fuel prices...

...or farmers protecting themselves from foreign exchange risk when exporting their produce.

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 work.

And that is particularly important for financial services...

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

Delivering an outcome that protects the financial services infrastructure serving Europe will require detailed negotiation and a flexible and innovative approach.

And that is the third principle.

We will seek a new paradigm for our future trading relationship in financial services.

We acknowledge that there are legitimate concerns among our EU colleagues about the oversight and supervision of financial markets here in the UK that are providing vital financial services to EU firms and citizens.

We will address them by making forward-leaning proposals for greater

transparency, cooperation, and agreed standards based on international norms.

But, let me be clear, we will not accept protectionist agendas, disguised as arguments about financial stability. We will seek to agree new mechanisms around key issues, from dispute resolution to data protection.

Domestically we will continue to have the most robust regulatory and supervisory regime – to protect our taxpayers from having to step in to deal with failure.

Whatever the outcome of the negotiations, we must ensure that firms are able to operate within a workable regime at the point of exit and beyond.

Further detail on our proposals will follow – but the papers we have published set out a starting point on these key areas of negotiation...

...and I look forward to engaging with you all over the weeks and months ahead.

I'll leave you with a final thought and let you get on with your main course.

I am off to Budapest tomorrow to meet Visegrad 4 Ministers, and Tallinn on Friday – and I will be making all these points to my European counterparts.

But this has to be a team effort...

... it is incumbent on all of us, in business and in government, to go on making the case for an outcome that protects jobs and prosperity...

...in Britain, and across the EU...

...and for a transition that takes us to it smoothly.

We have to go on emphasising to contacts and supply-chain partners in Europe that this is a shared challenge, that needs a shared solution.

We've got off to a good start.

But we still have a long way to go.

I am confident that we will get to the right outcome...

...that achieves early agreement on transitional arrangements...

...that allows businesses to go on trading, investing, creating jobs and driving prosperity up and down this country, and across the continent ...

...and so protects the long-term interests of our people and our country.