[The Economic Secretary to the Treasury, John Glen's speech at the Association of Financial Markets in Europe]

Good afternoon everyone

Thanks to AFME for inviting me to speak and to Linklaters for hosting us.

I wish that this speech was taking place amid happier circumstances.

And like you, I am appalled at the scenes of conflict and bloodshed that have unfolded in Ukraine.

The Russian invasion is an unwarranted and unprovoked attack on a sovereign nation.

It is also an assault on the principles of freedom, democracy and peace, that have served Europe so well and for so long.

That is why we as a government resolutely stand behind Ukraine and its people.

It is also why we have already announced the most stringent sanctions in history on Russia…a set of measures that will have a severe and immediate cost. And we will not hesitate to take further action as it is needed, including by strengthening the Treasury's powers to enforce financial sanctions,

This has been an incredibly difficult week for Ukraine and the whole global community.

But I think it is also a moment to reflect on the UK's place in the world…

Because as the Chancellor said last week, in future, our global influence and therefore our ability to be a force for good, is going to be in part based on our economic health.

And as City Minister, I believe that our financial services industry is going to continue be key to building that economic strength.

As a result, the Government is using our post EU freedoms to create the right legislation to support an even stronger financial services sector… one that is open, green, competitive and technologically advanced, as the Chancellor set out in his Mansion House speech in July last year.

We've already set out plans to create a financial services regulatory framework that is agile, fit for the future, and supports high standards. And our plans to improve our Wholesale Markets regulation – the subject that which I'm going to speak about today – is central to this reforming agenda. Now I'm quite sure that over the past few years, lawyers in this building have burnt vast quantities of midnight oil poring over the intricacies of MiFID, the EU framework that governs wholesale markets. Undoubtedly, the framework, which I acknowledge the UK helped to develop, has some positive aspects. Not least in the way it has bolstered the resilience and effectiveness of our capital markets after the global financial crisis. But over time, it's become clear that there is real scope to improve and update MiFID and tailor it to the UK's deep and global capital markets:

Some rules have left firms facing onerous administrative burdens. Others have failed to stand the test of time and do not operate as intended.

Now we've left the institutional frameworks of the EU, there's no reason for this to be the case. And, as a government, we recognise there is a real need to act.

First, because wholesale markets are integral drivers of our domestic economy.

But also because of our markets' international pre-eminence:

- More derivatives are traded in London than anywhere globally.
- We are also the world's largest centre for foreign exchange trading.
- And this conference, with its representatives from many European and international firms, is in itself clear evidence of the vibrancy and variety of our markets.

So, through our reforms to the MiFID framework, we intend to deliver rules that are fair and outcomes-based. Rules that support the openness and competitiveness of this country. And that increase businesses' access to finance so they can continue to boost the wider economy.

But we're, of course, very aware of the time, money and effort you've collectively invested in adapting and adhering to MiFID over the years.

So, this was never going to be and is not about change for change's sake.

I should stress that we are still very much signed up to the overall objectives of the MiFID regime.

In addition, as we all know, regulatory regimes are not static. And the UK and the EU's regimes will evolve as both jurisdictions adapt their regulatory frameworks to their markets' needs.

So while our new freedoms mean we can now move faster than the EU… that doesn't mean we won't stop watching our European neighbours' approach closely and we will remain very open to ongoing cooperation with them.

And it’s in that spirit, that I’ll be visiting Brussels later this month, where I’m planning on discussing Wholesale Markets reform and talking about some of the other regulatory changes for primary markets, that I will also address a little later.

We’ve already taken some important steps, as part of our reforming agenda.

In November I announced that we would legislate as soon as possible in a number of areas:

In particular: I said we would abolish the Share Trading Obligation…a cumbersome requirement that only exists in the UK and the EU. It effectively bars our firms from trading in the places where they could get the best prices for their investors.

I also said that we would amend the scope of the transparency regime for fixed income and derivatives markets. This will ensure our regulation is more effective and less burdensome, so that it truly reflects the differences between financial instruments.

In addition, I announced that we would scrap the Double Volume Cap. As with other elements of MiFID there is simply no evidence to support it. In fact, no jurisdiction on the planet, other than the EU, has such a requirement. We believe that removing the cap will give investors more choice and cut transaction costs.

I m very aware some critical voices say that these changes will result in a more opaque market, with trading not properly reported or scrutinised.

I strongly disagree.

Clearly, transparency is integral to financial markets.

But to be effective, rules must achieve their aims. Many of them currently do not. The changes I’ve outlined will improve transparency, and therefore the way the market functions, by ensuring the right information is made public.

Today I am very pleased that we’ve taken another big step on our reforming agenda, following our Wholesale Markets Review consultation.

I can announce a series of further measures, which we intend to bring forward as a priority.

In essence, these are common-sense, yet significant changes. They will liberate businesses from unwieldy and stifling rules that hold back their ability to grow and innovate.

And they will make this country an even more attractive destination for firms that want to access capital.

First, we are going to cut burdens on Systematic Internalisers – a group of businesses that play a critical role in the wholesale markets system.

For example, under MiFID, SIs must undertake regular and complex calculations simply to prove their status.

Now this might have been necessary to ensure 28 regulators achieved the same outcomes, but we really do not need to hardcode regulatory decisions in law like this.

I'm pleased therefore that we can return these judgements to the FCA, as was the case pre-MiFID.

Furthermore, we will remove restrictions on how SI's can trade so that they can execute orders at the midpoint between the best offer and best bid. This is common practice in other global markets and will result in better prices for investors.

Second, we're amending the scope of the Derivatives Trading Obligation. This change will provide greater clarity to businesses, helping firms to manage risk. We will also give the FCA a permanent power to modify the DTO's scope to improve market resilience and prevent fragmentation.

Third, to improve the quality and boost the user-friendliness of market data for investors, we're going to give the FCA the tools it needs to help the industry develop a Consolidated Tape.

This will combine market data from multiple areas into one place, giving investors a clear source of information, while cutting costs and complexity for firms.

And finally, we will further delegate the non-equity and the pre-trade equity transparency regimes to the FCA for it to reform.

This is because we believe that while it's right that government sets priorities, our expert and respected regulator is best positioned to calibrate the rules. So, we think this change will result in more proportionate and effective regulation.

I should point out that this measure is in line with the longer-term proposals we've set out as part of our Future Regulatory Framework Review to give our regulators greater agility to tailor rules as they evolve. However, the fact we are making this change now, underlines the importance we place on getting this area of regulation right.

This isn't going to be the only Wholesale Market Review reform that our regulators will be taking forward.

And I'm sure that Edwin Schooling-Latter will update you later, on the detail of the continued collaboration between the FCA and the Treasury on these issues.

I should also point out that where there is evidence that further MiFID reforms would improve our markets' agility and competitiveness, we will consider how best to take forward any such changes.

But beyond the FRF and the Wholesale Markets Review, we want to keep working with you on a broader range of priorities and challenges.

Our work to deliver our ambitious regulatory reform agenda for primary markets is among them.

There is, of course, much to celebrate here already. Last year over 120 companies went public in the UK – raising £17bn, the most in any year since 2007.

Nonetheless, I'm very clear there is more to do to attract the best businesses to the UK.

That's why, with the FCA, we've been working on delivering on the recommendations of Lord Hill's recent Listings Review. Over the past months, the FCA has made rapid progress in a range of areas…giving founders and business leaders – particularly those in the tech sector – the flexibility to raise capital in a way that suits them.

While last year the Treasury undertook a fundamental review of the UK's prospectus regime, which we inherited from the EU.

And today I can confirm that we intend to move forward with our plans to replace the current system with a new, simpler, and more agile regime.

I'm very excited about these changes:

- They will remove unnecessary duplication and red tape for firms that want to raise capital.
- They will modernise regulation covering this area
- And they will benefit investors – ensuring they receive the best possible information, while creating new opportunities for retail investors to participate in public company ownership.
- In addition, businesses will enjoy a more liquid and supportive market, giving them better access to the finance they need to grow. And firms will be able to more easily obtain alternative forms of finance through our plans to support equity crowdfunding.

That's not all. These improvements will provide an important consumer safe-guard by bringing non-transferable securities – the type of mini bond issued by failed investment firm, London Capital and Finance, into regulation.

And as you may recall, this was a key recommendation of Elizabeth Gloster following her investigation into LCF last year.

So, reforms for wholesale markets…

Reforms for primary markets…

Help for growing businesses and new protections for consumers.

And this is far from an exhaustive list of all we’re doing to improve financial services’ regulation.

As, I’ve made clear today, boosting the attractiveness of our capital markets is of the highest importance for this government. And we are working very closely with regulators to make all this happen

Naturally, we also recognise the importance of continuing the conversation with AFME and the wider industry, about our financial services agenda.

So please keep talking to us in the Treasury and I promise that we will keep listening.

Thank you very much and I look forward to your questions.