

The Economic Secretary's keynote speech to TheCityUK 2020 Conference

Good morning everyone

It's a real privilege to speak to you all today.

While I immensely value the way that technology has enabled us to communicate with one another over the past months...

I very much look forward to talking to you live and in person again – just as I have in the past.

The theme of today's event is revitalisation.

Or perhaps, to borrow the phrase the Chancellor used last week, a “new chapter”.

But before I turn to that subject – I'll start with a moment of reflection.

I've been Economic Secretary for almost three years now.

That might not sound very long – but believe me it is aeons in politics.

A lot has changed since I started in the job – both within the financial services sector and more widely...

but over the past eight months, Covid-19 has transformed our lives.

I don't underestimate for one moment, the test of leadership this pandemic has presented to you all – the people at the helm of this vitally important industry.

But you've risen to the challenge.

As the Chancellor said last week, the past months have shown your sector at its best.

It's your industry that has safeguarded the savings and pensions of millions of people through the choppiest waters imaginable.

It's your frontline workers, in banks and call centres, who have helped people access the vital financial services they need.

And it's your sector that has helped the Government swiftly and efficiently issue £60 billion of loan payments that have helped keep one million businesses afloat.

So, thank you for everything you've done and continue to do.

We're acutely aware of the disruption caused by the further restrictions,

that we recently had to introduce to combat the virus.

We are grateful for your patience and we'll be setting out further detail on our next steps as soon as possible.

But now I want to look slightly further ahead.

New Vision for FS

And I'm particularly glad to speak to you today because this event is very timely.

This moment, as we come to the end of the Transition Period, and begin our economic recovery from coronavirus...

marks the start of a new chapter for this country's financial services industry.

And last week the Chancellor, began that chapter, by setting out the Government's vision for the future of the sector.

It's a vision of an open industry, where British finance and expertise drives trade, commerce and prosperity with partners in Europe and around the world.

A technologically advanced industry, that uses all its ingenuity and talent to deliver better outcomes for consumers and businesses.

A greener industry, that harnesses innovation and finance to tackle climate change and protect our environment.

And above all, an industry that serves the people of this country, acting in the interests of communities and citizens...

creating jobs, supporting businesses, and driving growth as we direct all the strength of this country towards economic recovery.

Needless to say, this vision will be based on world-beating regulation that is agile and responsive, along with safe and stable markets.

Last week I laid the legislative foundations of that vision with the Financial Services Bill.

While the Chancellor announced new policy in three areas that underpin our vision: Openness, technology and green finance.

Openness to international markets

I'll turn to the first point – openness.

Our approach is very simple. We want to become the most open and competitive financial services centre in the world.

And our most urgent task right now is to give certainty on our approach to regulation.

To achieve that, we need to decide on our approach to equivalence; one of the central mechanisms for managing our cross-border financial services activity within the EU and beyond.

We strongly believe it is in the UK and EU's mutual interest to reach a comprehensive set of decisions on mutual equivalence.

As I think you know, our ambition had been to manage these decisions cooperatively with the EU.

However, it has become clearer that there are many areas where the EU is not prepared to even assess the UK in the short to medium term – despite having a wealth of information at its disposal.

We've no wish to politicise this situation but we simply can't allow the uncertainty to rumble on interminably – that's no good for industry or the economy.

It's time for us to move forward and do what's right for the UK.

That's why last week we published a set of equivalence decisions for the EU and EEA member states, based on outcomes based proportionate assessments.

It's a step that should provide the certainty and stability you, as industry, need, and deliver our goal of open, well-regulated markets.

We've taken a principled approach, aiming to be open, predictable and transparent, as we've made those decisions.

In addition, we've published a detailed framework for our general approach to equivalence, taking a technical, outcomes-based approach which prioritises stability openness and transparency.

It's important too that our UK businesses benefit from a level playing field, as far as possible.

As I'm sure you're aware, UK financial services businesses cannot currently reclaim input VAT on exports to the EU.

So, to make sure UK financial services exports to the EU remain competitive, we will treat them the same as exports to other countries.

This means UK firms will be able to reclaim input VAT on financial services exports to the EU – support worth £800 million per year.

And just as we are focused on providing certainty to financial services after the Transition Period...

we also want to help your industry seize new opportunities outside the EU.

Earlier this year we took a major step forward with our partnership with Switzerland.

While we recently had a productive economic and financial dialogue with India

– and hope to hold a dialogue with Brazil before the end of the year.

We've also just signed a trade deal with Japan that goes further than the EU's financial services deal, and that will take effect in January.

And financial services are a key feature of talks with other partners, such as the US, Singapore, Australia and New Zealand.

In addition, last week we announced our intention to launch a call for evidence on our overseas regime...

This will allow us next year, to tailor our future approach to enable market access to investment funds from other countries.

And to build on the 113,000 jobs already supported by the asset management industry, we've also said we are going to publish a consultation on reforming the UK investment funds regime.

We've also heeded the investment industry's request that we make it easier to invest in longer term, illiquid assets, such as infrastructure.

I know this is also an area of interest for TheCityUK.

So, I was delighted that last week we set out our ambition to have a Long Term Asset Fund and have it up and running within a year.

This won't just be good for savers and the industry.

It will also be good for the UK, boosting investment in the vital infrastructure that will support our economic recovery.

Technology

While our investment industry is one of the jewels of our financial services sector, so is our thriving fintech industry...

a sector that has generated 76,000 jobs, right around the country.

So, now let me turn to the next part of our vision for financial services – technology.

We want to reach our full potential in this area.

That's why we're looking forward to studying the recommendations of Ron Kalifa's independent review, on how the UK can become the leading destination for starting up, growing and investing in FinTech firms.

In addition, we continue to take a leading role in the global conversation on Central Bank currencies...

with the Treasury and the Bank of England considering whether and how central banks can issue their own digital currencies.

On that note, we're going to launch a consultation on our regulatory approach

to StableCoins.

And this will help us seize the opportunities of this emerging form of payment but ensure it meets the same minimum standards as more traditional methods.

While we're on that subject, we've all seen how digital and contactless payments are helping to keep the economy moving throughout the pandemic.

And through our Payments Landscape Review, we've been considering the new challenges and risks that arise from this rapid switch to these new forms of payments.

We do have some work to do on this front.

So, I'm delighted that we received over 60 responses to the review to help inform our decisions. And we'll be setting out our next steps early in 2021.

Green Finance

I'll move on now to the last area of policy I'd like to discuss today – harnessing the power of financial services to tackle climate change.

This is a real personal priority of mine.

In fact, last time I spoke to you, I talked about the need to turn this challenge into a spur for technological, economic and social progress.

Because we really do want to take a lead here.

That's why last year we launched the Green Finance Strategy – to mobilise investment in clean and resilient growth.

And now as we prepare to host the COP 26 UN climate conference next year and the G7 conference, we have a real chance to shape the future agenda in this area.

So, I'm delighted that last week we announced our intention to introduce mandatory Taskforce on Climate Related Financial Disclosures, requirements across the economy by 2025, with a significant portion of requirements in place by 2023.

This is a really significant moment. It makes this country the first to go beyond 'comply or explain' or 'as far as able' requirements...

while the UK's TCFD Taskforce Interim Report, also published last week, sets out how we will meet this important commitment.

We've also said that we'll issue our first ever green sovereign bond.

I know that it's something some of you have been calling for some time – so I'm delighted to show you that we've made progress on this front.

Wider Programme of Regulatory Reform

These policies begin a new chapter for financial services.

And they are part of an ambitious programme of regulatory reform being undertaken by the Government.

Because now we've left the EU, we have the opportunity to take back control of decisions governing the sector...

and to be guided by what is right for the UK – to regulate differently and regulate better.

As I mentioned earlier, last week, the Financial Services Bill had its second reading in Parliament, marking the next stage of our reform agenda.

The Bill will deliver several existing government commitments and will help ensure the UK maintains its world leading regulatory standards, as well as ensuring our openness with international markets.

And, we're also taking a fundamental review of our Financial Services Regulatory Framework.

This will allow us to consider how we may need to change the way we make and shape our future rules, now we have left the EU...

while building on the strengths of our existing framework and on the role played by our independent financial service regulators.

We're also carrying out a number of other reviews in areas that we know are a priority for industry...

including looking at the Solvency II Directive to make sure it properly reflects the unique features of the UK insurance sector.

So, as you can see, we are at the start of a new chapter.

And while all of this is going to keep me and my team busy.

It's not a job for us alone. It's going to take the collective efforts of us all.

And I really do mean all of us – from the biggest bank to the smallest fintech start-ups in every part of the country.

Indeed, as the Chancellor said last week financial services are not synonymous with the City of London.

That's why, over the coming weeks, I'll be making a point of meeting those of you based outside of the Capital, as I know that you are going to play a crucial part in realising our vision.

I'll wind up by saying that I really do mean that it is a privilege to talk to you today.

And I very much look forward to working with you all over the weeks and months ahead...

so we can together make this next chapter for your sector even better than the one before.

Thank you.