

# The UK Financial Services Beyond Brexit Summit: Economic Secretary's speech

It's a pleasure to be at my third 'Beyond Brexit' Conference.

When I first came to one of these last November, I said a deal was imminent, but the final stretch of the Brexit journey would be the toughest.

It turns out that was something of an understatement.

I had hoped we would be leaving the EU in a few days' time.

We certainly came closer than many predicted.

People said the Prime Minister wasn't serious about a deal and the EU wouldn't reopen the Withdrawal Agreement. Neither turned out to be the case.

It is hugely disappointing that having backed the government's deal in principle last Tuesday, Parliament then opted to kick the can down the road once again.

And yet I believe there is good reason to be confident.

It may take a General Election to get us over the line, but the Prime Minister's Deal offers the best opportunity to honour the Referendum result and move the country on.

## **Future EU relationship**

I know this matters hugely to you all.

We need to get the Bill passed – and Brexit done – so we can focus on demonstrating the UK's position as a global capital of finance.

This government absolutely believes in the City, and its place in our post-Brexit future.

The whole country benefits from the services you provide, and the jobs and opportunities you create.

The success of the City, and the revenue you generate, is indivisible from our own ambitions as a government, be it investing in the NHS and police or developing the infrastructure to power regional growth.

It's what the Prime Minister calls "the vital symmetry between a dynamic enterprise culture and great public services".

We will strain every sinew to help you flourish.

A deep and comprehensive relationship with the EU in financial services will help us do this.

It will preserve cross-border market access in key areas, but also give us the freedom to set our own rules to enable the sector to thrive, while ensuring continued financial stability in the UK and the rest of Europe.

We are absolutely committed to upholding open financial markets, underpinned by the highest standards of regulation and appropriate supervisory oversight.

The revised Political Declaration is unchanged for financial services.

It gives us the basis from which to build a strong and mutually beneficial future relationship.

One that stabilises and expands the current equivalence framework and ensures close cooperation on regulatory and supervisory matters.

Both sides remain committed to concluding equivalence assessments by June 2020, as with the previous timetable, and the UK is ready to begin this process as soon as possible.

### **Global horizons**

But it would be wrong to think we need to choose between Europe and the World.

Our vision for the future must be big and brave enough to encompass both. A strong and enduring relationship with the continent of Europe and an ever-expanding array of partners around the globe.

Let's not forget – London has never just been a European financial centre. It has always been a global one.

The last few months alone have seen:

- the launch of the London-Shanghai Stock Connect
- the creation of the Green Finance Institute
- and the listing of the first sovereign green bond from South America in London

All these achievements reflect the prevailing winds in the global marketplace.

Much has already been said about the ability to strike Free Trade Agreements once we're outside the EU.

These are important. But when it comes to financial services, I know the City

is looking to go further and deeper.

We want to create a new gold standard in global financial cooperation.

Our Global Financial Partnerships Strategy will use all the levers at our disposal to build relationships with the most advanced financial markets and the fastest growing economies.

### **Regulatory reform**

As we set out on this bold and exciting path, we must build on our fundamental strengths.

That's why this month's Queen's Speech included a new Financial Services Bill.

As the Prime Minister said in his Conference speech last month, by taking back control, Brexit gives us the means to "regulate differently and better".

This does not mean lowering standards.

As I've said, the UK will always champion high regulatory standards in financial services. We will always seek to be the safest and most transparent place to do business.

We want to lead a race to the top, not the bottom, and Brexit gives us the opportunity to do just that.

We've already held a call for evidence on regulatory coordination, and I thank those who contributed their views.

Our Future Regulatory Framework Review is also considering how we should adapt to the UK's new position outside the European Union.

That doesn't mean we forget everything we've learnt since the financial crash. Indeed, we must build on what we've learnt. We need to recognise the world has changed and consider how our ongoing responsibilities apply to the risks we face in 2019, which aren't necessarily the same as those we faced in 2008.

Earlier this month I visited Starling Bank in Southampton.

Starling's founder, Anne Boden, told me about how the financial crash brought home to her the need for change across the banking world.

After a 30-year career in the City, she decided to build a new bank from the ground up...sweeping away the old ways of doing things and embracing the latest technology.

I met some of the 150 people who work for Starling – a figure they plan to double to 300 in the next few years.

Starling is just one example of how a heady mix of technology and ambition is transforming financial services.

It's a great success story for the UK – creating jobs in every corner of the country and introducing new ideas and greater competition into the market.

Whatever happens we must not kill the goose that lays the golden egg.

That means our regulatory system must evolve to enable start-ups and challenger banks to access the capital and talent they need to grow.

It must respond to the rise of artificial intelligence, crypto-assets and the data economy.

And it must be able to meet the public appetite for new and better financial services.

The last thing we want to do is design regulation in such a way that stifles innovation or consumer choice.

Now having listened carefully to Andrew Bailey's speech at Mansion House last Wednesday I know this is something he and the other regulators recognise.

### **Protecting consumers**

But what about the other side of the regulatory coin – consumer protection? How is this relevant to you?

Let's be clear: this isn't a fringe issue for charities or social justice campaigners. This should matter to committed defenders of capitalism like you and me too.

The success of our financial services sector, even when focused on overseas markets, is rooted in trust at home.

People should be confident that the right financial products and services will be available when they need them.

If that doesn't happen – if the industry can't meet the most basic consumer needs – then it's no surprise if people begin to question the whole system.

And believe me. In these polarised times there are plenty of people on all sides of the political spectrum waiting to offer seductive alternatives...albeit ones that fly in the face of economic wisdom or undermine the foundations of our financial security.

In recent years, we've seen several examples of the kind of problems that arise when things go wrong. PPI. Mortgage Prisoners. London Capital & Finance.

People understandably get upset and they look to the Treasury to take action. But it's in all our interests to fix this: Government, regulators and industry alike.

Mortgage prisoners are a case in point.

The Treasury and the FCA have been working to change the FCA's lending rules

to remove the regulatory barrier which currently prevents some customers from switching providers, and I expect the FCA to implement this imminently.

The same is true about access to cash.

We need a comprehensive response, urgently, from across the sector, including the big established banks.

I think this was acknowledged last week when Barclays chose to continue offering access to cash via the Post Office. I applaud their decision. I encourage all financial institutions – big or small, new or old – to play their part.

There's a growing role for technology too. It's already helping to make payments more accessible but must go further.

And the point here is FinTech can't just be for digitally-savvy youngsters or wealthy investors – otherwise it's a lost opportunity.

We must work to bring the opportunities to every part of our society.

And this is precisely why we need an agile and responsive regulatory approach.

Our economic success rests on ensuring new ideas take root and consumers feel the benefit.

## **Skills**

Finally, all these efforts hang on our ability to attract, and retain, the best talent and skills.

It's something I hear from every part of the sector, over-and-over again.

I met with Mark Hoban last week to discuss the work of the Financial Skills Task Force.

This summer's interim findings brought the challenge into sharp relief. Financial Services are more dependent on high skilled workers than the rest of the economy.

That's why our future immigration system is designed to support the UK's competitiveness after we leave the EU.

We will cut down bureaucracy so it's easier for businesses to hire the people they need, with no cap on skilled migration.

And we've already introduced a new start-up visa, to make the process faster and smoother for entrepreneurs coming to the UK.

Businesses, investors and workers from Europe, and around the world, should know their contribution to our financial sector is valued and that they are absolutely part of this country's future.

## **Conclusion**

I know the past few years have been painfully frustrating, and we're not out of the woods yet, but I'd like to thank you for your forbearance.

Together we put a lot of effort into No Deal Planning. This wasn't wasted. It was the right thing to do, but it was also a mechanism to explore some of the long-term challenges and opportunities facing the City.

The Chancellor and I have been pleased to sit down with many of the organisations represented here to understand how we can support you.

Our task is now to bring this work together in a comprehensive and ambitious vision for the future.

A vision that seeks to align regulation and legislation to best effect.

To support the needs of international markets, consumers in the high street and SMEs seeking finance.

And to bring all the UK's strengths to bear behind the commercial and economic supremacy of the City.

I've highlighted some of my own thoughts today.

But what I hope I've conveyed is the foundations are ready.

If I am given the opportunity to take these ideas forward as City Minister for another year then nothing would give me greater pleasure.

But if not, the baton is ready for whoever follows.

Thank you.