



HM Treasury

# **Financial Services Trade and Investment Board:**

**annual report 2015-2016**

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July 2016





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# Foreword

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The UK is a world leader in financial services. We are the largest exporter of financial services, pensions and insurance in the world. London is officially the world's premier international financial centre, with two of the leading independent surveys over the past 12 months placing London in the number one spot for international competitiveness, praising our stable legal system, highly skilled workforce and cluster of complementary professional services.

There are clearly challenges ahead as we negotiate our exit from the EU and as other financial centres continue to build their capabilities. Retaining Britain's position as the centre of global finance is a key part of our economic plan and the government is committed to secure the best possible terms of trade with the EU, including on financial services. Harnessing the full potential of our world-class financial services industry means protecting and creating jobs and growth for the future.

Ensuring that the UK continues to have one of the best regulated financial services industries in the world will be key to this. We have seen first-hand the importance of the regulatory measures brought in post-financial crisis as our financial system has been able to withstand the immediate post-referendum market volatility.

But as well as protection, we need innovation. Success will depend on continued innovation and other steps by industry, to ensure we lead in the markets that will drive growth in the future. The UK must continue to attract global business and remain a world class base for British businesses to thrive in the global marketplace.

That's why at the beginning of this parliament, we re-launched the Financial Services Trade and Investment Board (FSTIB). We renewed the Board in 2015 to include leaders from some of the most successful financial services companies, not only in the UK but across the globe. The Board also has a renewed mandate of boosting financial services exports and inward investment, to deliver jobs and growth across the country.

As readers of this report will see, FSTIB has delivered many successes. We have continued to reach out and create even deeper partnerships with the fastest growing economies in the world – India and China – through two successful Economic and Financial Dialogues. We have taken steps to cement the growth of the UK's world-leading Financial Technology (FinTech) sector with the appointment of Eileen Burbidge as the Special Envoy for FinTech, and a benchmarking exercise, which ranked the UK as the leading global FinTech hub and identified new areas for further development. We will continue to build on these achievements over the coming years.

The re-launched FSTIB will continue to play a central role in delivering a global, sustainable, and competitive UK financial services industry continue to go from strength to strength.



**George Osborne**

*Chancellor of the Exchequer*



**Harriett Baldwin**

*Economic Secretary to the Treasury*



# 1 Introduction

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**1.1** The Financial Services Trade and Investment Board (FSTIB) aims to support the UK's world-leading financial services industry to export abroad and attract overseas investment into the UK. A well-regulated and competitive financial services sector is an important component of the UK's economy. Banks and peer-to-peer lenders provide the working capital that small businesses need to grow, fund managers provide billions of pounds of funding for public infrastructure, and insurance companies help to provide peace of mind for consumers, businesses and investors alike. The government and regulators ensure stability through a strong and effective regulatory regime. A successful and profitable sector makes a significant and fair contribution in taxes to support the public finances. As the UK negotiates its exit from the EU and deepens relationships with its trading partners, both in Europe and around the world, it will be critical that the UK retains these benefits.

**1.2** The FSTIB is a joint government and industry body that reports directly to the Chancellor of the Exchequer and is chaired by HM Treasury (HMT). It has a mandate to guide the UK government's strategy and high level priorities on financial services trade and investment. Further details of the terms of reference for the FSTIB can be found in Chapter 4, along with the structure of the board and a list of the new FSTIB members who were appointed at the Summer Budget 2015.

**1.3** With the FSTIB's help, the sector's strong export and inward investment performance will play an important role in achieving the government's 2020 overall trade objectives<sup>1</sup>. Across all sectors of the economy, the government aims to:

- increase exports by value to £1 trillion
- attract £1.5 trillion in Foreign Direct Investment (FDI)
- increase the number of exporting businesses by 100,000

## Financial services in the UK economy

**1.4** Financial services remains a major source of **jobs** in the UK, employing more than 1 million people in 2014/15.<sup>2</sup> Over the same period, financial services jobs in London rose by 9.3 % to 399,000.<sup>3</sup> But regional performance also remained strong with 65% of all financial services employees continuing to be based outside London.<sup>4</sup> (Figure 1)

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<sup>1</sup> UK Trade and Investment, '2020 Export Drive', available at: <https://www.gov.uk/government/publications/2020-export-drive/2020-export-drive>

<sup>2</sup> Office for National Statistics, 'Workforce jobs by region and industry', Q4 2015 (March 2016), available at: <https://www.ons.gov.uk/file?uri=/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workforcejobsbyregionandindustry/obs05/current/jobs05mar2016.xls>. NOTE: 'Financial Services Sector' includes financial services and insurance

<sup>3</sup> Office for National Statistics, 'Workforce jobs by region and industry', Q4 2015 (March 2016)

<sup>4</sup> Office for National Statistics, 'Workforce jobs by region and industry', Q4 2015 (March 2016)

**1.5** Financial services continues to be a large contributor to UK **tax receipts**. In 2014/15, it contributed a total of £66.5 billion to the Exchequer, accounting for 11.0% of total tax receipts.<sup>5</sup> (Figure 2)

**1.6** The financial services sector is one of the UK's most successful **export** industries. Financial services, insurance and pensions exports were worth £69.3 billion in 2014, accounting for a third of the UK's total services exports.<sup>6</sup>

**1.7** The UK is a top target destination for financial services **foreign direct investment** (FDI). In 2014, foreign companies invested over £13.9 billion in the UK financial services sector, nearly double the 2011 amount.<sup>7</sup>

**1.8** The financial services sector also remains integral to the **wider economy** by helping individuals and businesses invest for the long-term. For example, the outstanding amount of loans made available by major banks to UK businesses totalled £429 billion at the end of 2015, nearly 40% of which was lent to SMEs.<sup>8</sup>

## Annual progress report

**1.9** At the Summer Budget 2015, the Chancellor re-launched the FSTIB with a new Board and a renewed mandate to boost financial services trade and investment. The new Board met for the first time in November 2015 to identify a new set of high-growth initiatives that will be developed over the next two years. In the months leading up to that first meeting, progress continued to be made on the previous Board's work programme.

**1.10** This document contains:

- a detailed description of the FSTIB's work programme over the last year
- a look forward into the new FSTIB's strategy for the next two years in light of the challenges ahead

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<sup>5</sup> The City of London Corporation and PricewaterhouseCoopers, 'Total Tax Contribution of UK Financial Services, Eighth Edition', available at: <https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/Research-2015/Total-Tax-2015-OnlineFinal.pdf>

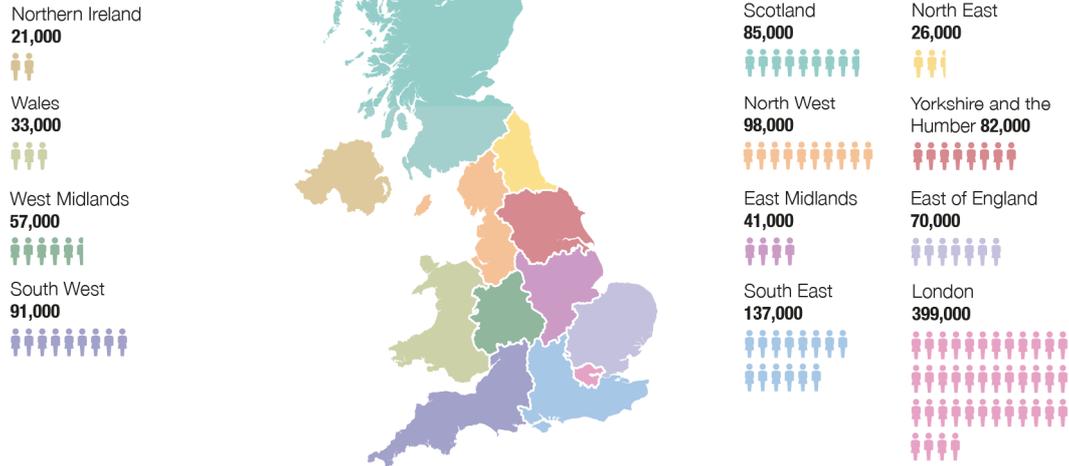
<sup>6</sup> Office for National Statistics, Pink Book 2015

<sup>7</sup> Office for National Statistics, Inward Foreign Direct Investment (FDI) Involving UK Companies 2014 (December 2015)

<sup>8</sup> TheCityUK, 'Key Facts About UK Financial and Related Professional Services' (March 2016)

## Figure 1: UK employment in financial services and insurance

The financial services and insurance sector is an integral part of the UK economy. It employs **over a million people**, two thirds of them outside London.



Source: Office For National Statistics

## Figure 2: The total tax contribution of UK financial services

Financial services contributes 11% of total UK tax receipts.



Over **1 million** people are employed in financial services, contributing **£30 billion** in employment taxes.



Corporation Tax receipts grew by over **40%** year on year



Other taxation from the financial services industry, including bank levy, irrecoverable VAT and insurance premium tax.



\*Paid in the UK in the year to 31 March 2015. The highest level since 2007.

Source: City of London Corporation with PricewaterhouseCoopers



## 2 Detailed progress report

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### The FSTIB work programme during 2015

**2.1** In the 2015 FSTIB annual report, the government announced the addition of two new priorities to the FSTIB work programme - the India-UK Financial Partnership, and Infrastructure Finance. These were designed to complement the initial priorities announced in 2014.

**2.2** Following the re-launch of the FSTIB in June 2015, the new board met for the first time in November 2015. Prior to this meeting and the announcement of a new set of priorities, the Board continued to make significant progress across the following priorities:

- 1 **RMB internationalisation:** To develop London as the global hub for Renminbi (RMB) business outside China and support the internationalisation of RMB by the Chinese authorities
- 2 **Investment management strategy:** To make the UK one of the world's most competitive places for the investment management industry
- 3 **Islamic finance:** To develop the UK as a global centre for Islamic finance
- 4 **Insurance growth action plan:** To grow the market share of UK insurers in high growth economies in Asia and Latin America; and to attract inward investment – both insurance capital and jobs – to the UK market
- 5 **Emerging capital markets:** To support emerging markets in developing deep and well-regulated capital markets
- 6 **Financial technology:** To map the UK FinTech sector and identify and pursue high value trade and investment opportunities
- 7 **Back and middle office:** To develop the UK's capacity in providing back and middle office functions for international financial services firms, including banks
- 8 **UK as a hub for finance raising:** To promote the UK as a prime destination for international firms to raise finance
- 9 **India-UK Financial Partnership:** To establish close ties and deepen financial cooperation between the financial centres of India and the UK
- 10 **Infrastructure finance:** To further develop the UK as a centre for the financing of infrastructure projects overseas

### RMB internationalisation

**2.3** The last twelve months have seen the UK's cooperation with China on financial services reach new heights. The seventh UK-China Economic and Financial Dialogue (EFD) in September 2015, and the State Visit by China's President Xi Jinping to the UK in October 2015 heralded a new era in bilateral cooperation, deepening our financial services collaboration with China and resulting in a range of major policy and commercial announcements.

**2.4** Across this initiative, highlights of the past year include:

- the **growth of the Chinese financial community in the UK**. 2015 saw China Development Bank establish a Representative Office in London, its first in Europe. Chinese asset managers, Harvest Fund Management, Nord Engine Capital, and GF Fund Management, also established operations in the UK. Chinese commercial banks continued to expand their operations in the City across foreign exchange trading, commodities, and trade finance. This builds on the regulatory approval of wholesale bank branches for the Industrial and Commercial Bank of China and China Construction Bank in 2014, and for China Merchants Bank and Bank of Communications in 2016, highlighting the further growth of the RMB ecosystem in London
- the **on-going development of Chinese Bond issuances in London**. The People's Bank of China issued RMB 5 billion of short-term central bank notes in London in October 2015, for the first time outside of China; and the Agricultural Bank of China issued dual currency green bonds here (in US dollars and RMB) - the first international green bond issuance by a Chinese bank; and in May 2016 the Chinese Ministry of Finance issued a sovereign RMB bond worth RMB 3 billion – the first such bond issued outside China. The diversity of issuance firmly establishes London's position as a global centre for Chinese firms to raise finance on international markets
- the **deepening of links between UK and Chinese capital markets**. At the EFD the UK and China agreed to support the Shanghai and London stock exchanges to carry out a feasibility study on a stock connect. Both sides also agreed to establish a working group on mutual recognition of funds. These initiatives provide an important foundation to increase connectivity between UK and Chinese financial markets and will be a cornerstone of work in the year ahead

## Islamic finance

**2.5** The UK's Islamic finance sector continued to develop throughout 2015, with pioneering work in both the public and private sectors. UKTI has continued to build its pipeline of trade and investment opportunities with leading Islamic finance institutions from around the globe.

**2.6** Key deliveries include:

- the **continued growth of Islamic Finance in the UK** with over \$51 billion of Sukuk raised through the London Stock Exchange and £1 billion invested in Gatehouse Bank's Private Rented Sector development in the Northern Powerhouse regions. UK Export Finance also guaranteed its first Sukuk worth US\$913 million in March 2015. This was issued by Emirates Airlines to finance the acquisition of four Airbus A380 aircraft. It is the largest ever capital markets offering in the aviation sector with an export credit agency guarantee
- the **on-going development of the UK's regulatory system** with the Bank of England becoming an associate member of the Islamic Financial Services Board (IFSB) - one of the main standard-setting bodies for Islamic finance. The Bank's membership of the Board advances the UK's engagement in global dialogues on Islamic finance regulatory and standard setting issues

- the UK hosted the third annual meeting of the Global Islamic Finance and Investment Group (GIFIG). The meeting was co-chaired by Economic Secretary to the Treasury, Harriet Baldwin, and Minister of State at the Foreign and Commonwealth Office, Hugo Swire. The event brought together ministers, regulators and central bankers from countries including Malaysia, Saudi Arabia, Turkey and Indonesia to discuss the challenges and opportunities in the sector
- the roll-out of **Sharia-compliant products such as Start Up Loans**. Originally developed by the Department for Business, Innovation and Skills, to date they have been taken up by 46 individuals at a value of £317,550
- the establishment of **Cobalt at Lloyd's** - the world's first and only Sharia-compliant underwriting agency. Throughout 2015-16, Cobalt has developed products so that it can provide solutions for Property, Construction, General Casualty, Specie, Political Violence, Equine and Aviation. A prime example of this work are the developed solutions for the London Paramount project

## Emerging capital markets

**2.7** The Emerging Capital Markets Taskforce (ECMT) was established to bring together government departments and UK firms with commercial interests in emerging markets. It aims to deliver capital market openness, reduce barriers to trade, and create new opportunities for UK financial services.

**2.8** The FSTIB has helped guide the ECMT's focus on key target markets including Brazil, Nigeria and Turkey. It has also provided funding for ECMT projects through HMT's FSTIB budget. Key achievements arising from government's programme of cooperation with these three economies over the past year are set out below.

### Brazil

**2.9** In October 2015, the Chancellor of the Exchequer hosted the Brazilian Minister of Finance in London for the first **Economic and Financial Dialogue**. During that dialogue it was agreed that HMT will work with counterparts in Brazil to deliver the establishment of a High-Level Joint Working Group on Capital Markets, and a joint Task Force on Insurance and Reinsurance. These groups will produce recommendations that lay the groundwork for future areas of cooperation and create a steady pipeline of future EFD deliverables. This initial dialogue prepares the ground for a wider series of talks planned for later in 2016.

**2.10** UK diplomats in Brazil continue to work closely with officials from **the Brazilian Ministry of Finance and Central Bank**, to identify specific areas where UK expertise can help inform Brazil's reform process.

### Nigeria

**2.11** In Lagos in July 2015, Mr Aig-Imoukhuede (Head of the Nigerian Stock Exchange) and Sir Roger Gifford (Head of SEB Bank London, and former Lord Mayor of the City of London) launched the **Taskforce report** on how to develop the capital markets in Lagos, prepared by the Law Society. The report was warmly welcomed by regulators and senior politicians in Nigeria.

**2.12** Since July 2015, teams of leaders from Nigeria's Financial Services community have taken the key messages from the report and have been developing an action plan, to **advise the Nigerian government**. Volatile macro-economic indicators precipitated by the decline in oil prices

have underlined the importance of this long-term work to provide greater diversity in the Nigerian economy.

## Turkey

**2.13** In February 2016, the Economic Secretary to the Treasury attended events in Ankara and Istanbul focussed on **developing Turkey's capital markets, pensions and insurance, asset management and Islamic Finance sectors**. Reports were commissioned from Oxford Business Group, PWC and KPMG which recommended increased cooperation between the respective governments and private sectors. Our post in Turkey is currently building the Prosperity Fund project to identify specific cooperative initiatives.

**2.14** In October 2015, our Consulate-General in Istanbul led a **round table event** with nine prominent Turkish women in finance to promote further participation in the sector.

## Financial technology

**2.15** The policy work of the government, combined with the trade promotion activities of FSTIB partners, Innovate Finance and UK Trade and Investment, aims to foster the best investment environment, the right tax system and appropriate regulatory framework for FinTech companies to flourish across the UK.

**2.16** Key successes over the last year include:

- the EY **International FinTech Benchmarking report**, commissioned by HM Treasury and published in February 2016 during FinTech week, ranks the UK as the leading global hub above other FinTech hotspots such as California, New York and Singapore. The report highlights the emerging areas of FinTech opportunity, and what the UK can do to maintain its leading position
- the appointment of **Eileen Burbidge as the "Special Envoy for FinTech"** in July 2015 by the Chancellor. She represents the government at domestic and international events to raise the UK's profile as a leading global FinTech hub. She also helps develop the government's FinTech policy strategy
- the Financial Conduct Authority (FCA) **launched their regulatory 'sandbox' in May 2016**. This sandbox creates a 'safe space' in which businesses can test innovative products, services, business models and delivery mechanisms in a live environment without immediately incurring normal regulatory consequences
- on-going work by the FCA and the PRA to identify ways to support the adoption of new technologies to facilitate the delivery of regulatory requirements - **'RegTech'** – which both supports competition and innovation as well as the work of the regulators. The FCA launched a "call for input" in November 2015 and are planning to publish their findings in Summer 2016
- the development of **regional partnerships** between large companies, investors and start-ups to deliver new FinTech products and services across the country. Innovate Finance has been leading this work and local partnerships have been established in Leeds, Manchester and Edinburgh during 2015
- the government has passed legislation to require banks to **share SME credit data with other lenders** via designated credit reference agencies, and to pass on the details of SMEs they turn down for finance to designated rejected loan platforms.

This measure will help the growing peer-to-peer and crowd-funding industry offer an alternative to bank finance for SMEs

- progressing work towards an **open banking standard** (using Application Programming Interfaces (APIs)) to ensure greater competition and innovation in the personal and business current account sectors, by enabling innovative third party firms to make use of bank data
- the announcement of a new FCA Advice Unit to help firms develop automated advice models that can provide low cost, high quality advice to mass market consumers. The Unit will open in May 2016 and will provide individual guidance and support to firms with advice propositions with a high potential impact on the mass market. The Unit will also publish a toolkit and standardised testing scenarios later this year
- the first 'FinTech Bridge' was established with Singapore after a co-operation agreement was signed by the FCA and The Monetary Authority of Singapore (MAS) at the second UK-Singapore Financial Dialogue on 11 May 2016

**2.17** The Economic Secretary announced in April at the Innovative Finance Global Summit a number of measures to help support UK FinTechs. These included:

- an industry-led panel and delivery support function to help come up with an overarching FinTech strategy for the UK and monitor and drive forward FinTech initiatives
- an information hub for FinTechs, making it easier for them to source legal and accountancy services, and access practical and cost-effective basic services. In effect linking up professional services firms with FinTechs
- the establishment of 'FinTech Bridges' with priority global markets, helping UK FinTechs to expand internationally. This involves UKTI and the FCA linking up with their counterparts in other areas of FinTech activity internationally

## **UK-India financial services**

**2.18** India is one of the world's fastest-growing economies with a population of more than 1.25 billion people. The new government is undertaking bold new liberalising reforms, including to the ease of doing business and the introduction of a new Insurance Act, which makes it easier for the UK's insurance firms to invest in India. The UK, with the world's preeminent international financial centre, is well positioned to benefit from India's growth and we are determined to ensure that the UK is the partner-of-choice for financing this.

**2.19** The last twelve months have seen a step change in the UK's financial services relationship with India. The visit of Prime Minister Modi to the UK in November 2015, followed by the eighth India-UK Economic and Financial Dialogue (EFD) held in London in January 2016 saw a series of high profile financial and commercial announcements that brought the financial services relationship between India and the UK to new levels.

**2.20** Across this initiative, highlights of the past year include:

- the **development of the UK as a centre for offshore rupee bond issuance**. The visit of Prime Minister Modi saw the announcement of two high profile offshore rupee, or 'masala', bonds, by the Indian Railway Finance Corporation, an Indian public

sector undertaking, and by HDFC, a leading private sector Indian financial conglomerate, to be issued in the UK and listed on the London Stock Exchange. These will be the first government-backed and Indian private sector offshore rupee bonds respectively. Furthermore, in August 2015 the International Finance Corporation issued in London the world's first ever 'green masala' bond

- **deepening links between UK and Indian capital markets.** Beyond offshore rupee bonds, the first ever certified international green bond by an Indian entity was issued in London by Axis Bank earlier this month. 2015 also saw announcements that YES Bank will issue green bonds and raise equity capital in London, while Bharti Airtel committed to issuing sterling-denominated debt in the UK. To further deepen these links the State Bank of India announced the creation of 'FTSE-SBI India Bonds Indices' to be used initially by a new investment fund, while 2015 also saw Zyfin and Sun Global list the world's first India fixed-income exchange traded fund
- a renewed mandate for the **India-UK Financial Partnership (IUKFP)**. The IUKFP was announced at the 2014 Economic and Financial Dialogue in India by the UK Chancellor and Indian Finance Minister Jaitley. It was established as a private sector-led initiative to make recommendations to governments to strengthen financial links between our two countries. The past year saw the Partnership issue papers on: development of the corporate bond market; insolvency regulations; pensions; and infrastructure, with a further paper on financial inclusion expected shortly. The 2016 Economic and Financial Dialogue saw the mandate of the Partnership renewed with topics including: green finance; reinsurance; international use of the rupee; and FinTech collaboration. The Partnership is already yielding results, with several recommendations in the IUKFP's corporate bond market paper adopted in the recent Indian budget
- a new **strategic partnership on infrastructure finance**. At the 2016 Economic and Financial Dialogue, the UK and India agreed to work together with the aim of developing an India-UK partnership fund under the umbrella of India's flagship infrastructure investment initiative, the National Investment and Infrastructure Fund (NIIF). The fund will seek to increase flows of private sector capital and expertise into Indian infrastructure

## Investment management strategy

**2.21** The government remains committed to enhancing the competitiveness of the UK's asset management industry, which is a key pillar of the UK's financial services sector. The 'Investment Management Strategy', launched at Budget 2013, has led to the delivery of a number of policy changes, including the changes to create a simple, fair and streamlined tax regime, a responsive regulatory environment and increased resources for promoting the strengths of the UK asset management industry overseas.

**2.22** The strategy is designed to increase the high quality employment and economic growth in the UK, and we aim to do this by attracting fund domicile, assets under management and asset managers to the UK; and by ensuring that UK asset managers can enter and compete in key markets around the world.

**2.23** The policy changes enacted in the previous two years of the strategy are turning into commercial successes for the industry, enabling the UK's investment management sector to grow as an employer and an investor in the UK.

Some of the recent achievements of the strategy include:

- the implementation of policies which will make **UK fund domicile more attractive to investment managers**. As announced at Budget 2016, HMRC will consult the industry on potential changes to simplify the tax treatment of Authorised Contractual Schemes and expand the list of 'permitted property' which a life insurance policy can invest in without becoming a Personal Portfolio Bond
- the government also announced the final policy for a new Private Fund Limited Partnership at Budget 2016, to make it easier to use the limited partnership structure to set up and run a fund
- the introduction of a **Stamp Duty Land Tax (SDLT) seeding relief** at Finance Bill 2016 will make changes to the SDLT treatment of funds investing in property so that SDLT does not arise on the transactions in units. This will encourage the growth of property investment funds in the UK and improve UK competitiveness in this area
- the announcement by the FCA that **authorisation times for UK domiciled authorised funds** has been cut by at least half, with a maximum service standard of 3 months. 90% of UCITS funds are now authorised within 6 weeks
- the hosting of the first Economic and Financial Dialogue (EFD) with Brazil in October 2015. Both sides discussed the benefits of **liberalising regulations around pension fund investments**, considering the need to increase returns as a consequence of the worldwide effects of population ageing
- the consolidation of the Investment Management Strategy's policy achievements through a sustained **overseas marketing campaign**, which is delivered by UKTI, The Investment Association, TheCityUK and Scottish Financial Enterprise (SFE), in association with HM Treasury. Ministers and senior civil servants have visited China, Hong Kong, Japan and the US to market the UK alongside industry representatives
- the agreement at the 2015 EFD with China, to establish a **working group on mutual recognition of funds**, which would provide access to Chinese investors for UK based firms and increase the attractiveness for global asset managers to make London their European hub. Other successes include the granting of a licence to Aberdeen Asset Management (Shanghai) to operate as a Wholly Foreign Owned Enterprise in China. See paragraph 3.4 for more information

## **Insurance growth action plan**

**2.24** The Insurance Growth Action Plan (IGAP), launched at Lloyd's of London in December 2013, is designed to help deliver the government's commitment to make the UK one of the most competitive places in the world for insurance. The IGAP has focussed on growing the market share of UK insurers in high-growth economies of Asia and Latin America, and attracting inward investment, both insurance capital and jobs, to the UK market.

**2.25** The IGAP has been delivered through a coordinated effort between industry and government. Key achievements from the last year include:

- the implementation of the **target market strategy for Turkey**, with the PM's Trade Envoy, Lord Janvrin, leading an insurance-focused visit, which included meetings with the Ministry of Finance, Ministry of Development and leading industry practitioners in March. This trip was followed by a Turkish Financial Services event at the London Stock Exchange and an event in Istanbul on insurance and asset management
- the delivery of the **first Anglo-Brazilian insurance summit** in Sao Paulo in July 2015. There were over 150 attendees and following the event a local market reduction to the reinsurance 'cession' was announced
- the granting of **the first Lloyd's broker licence to a Mainland Chinese broker**, Shanghai Asian Insurance Brokers. This was complemented with the signing of an MOU between Lloyd's and China Taiping during the state visit and the subsequent registering of Taiping Re as Lloyd's brokers to boost mutual business development
- a commitment by UK insurers to the Indian Market during Prime Minister Modi's state visit to **increase foreign direct investment (FDI) in India**. Standard Life, Bupa and Aviva have committed to invest approximately £238 million in their Indian joint ventures, whilst Prudential, Legal & General and Insurance brokers Howden, Willis and Jardine Lloyd Thompson will continue to grow their Indian operations
- the **entry of Prudential Plc into the Ugandan market** through completion of the purchase of Goldstar Life Assurance in June 2015. The market entry process was supported by the British High Commission (FCO/UKTI) with support from the UKTI/Prosperity team. UKTI has also supported Prudential's development plans in Kenya and Ghana
- the delivery of **High-Level Economic Talks with the Mexican Finance Ministry** in July, which assisted an increase in Mexican reinsurance premiums paid to the London market and Lloyd's opening of a representative office in Mexico City in October
- the development of a new competitive corporate and tax structure for allowing **Insurance Linked Securities (ILS)** business to be domiciled in the UK. Treasury, PRA and FCA have been working with the ILS Taskforce – a group of practitioners established by the London Market Group to help support the ILS project – to design a new regulatory and tax framework for ILS special purpose vehicles. In March 2016, the government published a consultation which set out initial proposals for a new ILS framework. The consultation closed at the end of April 2016 and Treasury is now working with the PRA, FCA and industry stakeholders to draft the detailed implementing regulations for a new ILS regime

## Back and middle office

**2.26** The UK is a highly competitive base for skilled Back and Middle Office (BMO) functions. It has an excellent skills base underpinned by strong universities, reliable telecoms infrastructure and transport connections, and a lower cost base than is sometimes perceived.

**2.27** Over the past year, UKTI has continued to drive the growth of the BMO sector across the UK. In particular it has promoted regions outside of London as **Financial Centres of Excellences (FCEs)**. The South Coast FCE accounts for 243,000 jobs in the financial and business services sector, whilst over 95,000 people are employed in financial and insurance companies in the South Wales FCE. Both these centres were launched with ministerial visits to Bournemouth in

March 2015 and Cardiff in November 2015. Since then several more centres have been launched across the country.

### **UK as a hub for raising finance**

**2.28** Work under this priority was largely subsumed into the UK-India and UK-China financial services workstreams. See paragraphs 3.4 and 3.16

### **Infrastructure finance**

**2.29** Work under this priority has been taken forward under the UK-India and UK-China Financial Services workstreams. See paragraphs 3.4 and 3.16



# 3 Forward look

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## The re-launched FSTIB

**3.1** After the 2015 election, the new government decided to re-launch the FSTIB with a new Board and a renewed mandate to boost financial services trade and investment to retain the UK's leading position in financial services.

**3.2** Four new members were invited to join the Board:

- Inga Beale, CEO, Lloyd's of London
- Nathan Bostock, CEO, Santander UK
- John McFarlane, Chairman, Barclays, and incoming Chairman, TheCityUK
- Helena Morrissey, CEO, Newton, and Chair, The Investment Association

**3.3** A further three existing board members agreed to continue in their roles:

- Chris Cummings, CEO, TheCityUK
- Sir Gerry Grimstone, Chairman, Standard Life
- Xavier Rolet, CEO, London Stock Exchange Group

**3.4** The new board is completed by senior representatives from HM Treasury, the Foreign and Commonwealth Office, UK Trade and Investment and the Department of Business, Innovation and Skills:

- Charles Roxburgh, Director General, Financial Services, HM Treasury
- Catherine Raines, CEO, UK Trade and Investment
- Deborah Bronnert, Director General, Economic and Consular, Foreign and Commonwealth Office
- Katharine Braddick, Director, Financial Services, HM Treasury
- Chris Barton, Director of International Trade Policy, Department for Business, Innovation and Skills
- Rob Ward, Deputy Director, Financial Services, HM Treasury

## Priorities for the new Board

**3.5** Feedback from the previous Board, endorsed by new members, suggested the functioning of FSTIB could be improved by:

- focussing on a smaller number of substantive initiatives
- involving Board members more closely in the development of individual workstreams
- ensuring that each priority workstream has a delivery partner responsible for acting on the Board's objectives

**3.6** Board members agreed that there should be no more than seven priorities, with an external board member acting as a sponsor for each one, supported by a delivery partner. The Board agreed to continue work on five of the existing FSTIB priorities – investment management, insurance, UK-China financial services, UK-India financial services and FinTech – and added two new priorities – capital markets and UK-US financial services. These priorities reflect the areas where there are large-scale opportunities to boost the UK’s trade and investment. Each priority area is being led by a private sector Board member:

- Investment management – led by Helena Morrissey, supported by the Investment Association
- Insurance – led by Inga Beale, supported by the Association of British Insurers
- UK-China financial services – led by Gerry Grimstone, supported by TheCityUK
- UK-India financial services – led by Chris Cummings, supported by TheCityUK
- FinTech – led by Nathan Bostock, supported by TheCityUK
- Capital markets – led by Xavier Rolet, supported by TheCityUK
- UK-US financial services – led by John McFarlane, supported by TheCityUK

## Looking ahead

**3.7** Over the last year, the FSTIB has delivered many successes across a broad range of financial services sectors. Over the next two years, the new Board will build on this progress to cement the UK’s position as a world leader in financial services.

**3.8** There will be a number of challenges, including those related to the UK’s decision to leave the EU. However, the UK financial services sector will be facing these from a position of strength in terms of both its stability and its competitiveness. The Board will play a key role in facing these challenges and benefiting from new opportunities. It will ensure that government and industry continue to work together in harnessing the full potential of the UK’s world-class financial services industry. Meanwhile, the government will work to have the closest possible terms of trade with the EU including on financial services.



## **HM Treasury contacts**

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