

Key facts

about the UK as an international financial centre 2023



About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes over 12% of the UK’s total economic output and employs nearly 2.5 million people, with two thirds of these jobs outside London, across the country’s regions and nations. It is the UK’s largest net exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined. It is also the largest taxpayer, and makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

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Key facts about the UK as an international financial centre



THE UK'S TRADE SURPLUS
IN FINANCIAL AND RELATED
PROFESSIONAL SERVICES IS

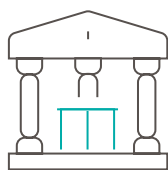
£92BN



THE UK HAS

38%

OF THE GLOBAL TOTAL OF
FOREIGN-EXCHANGE TURNOVER



LONDON HOSTS AROUND

170

FOREIGN BANKS
OR BRANCHES



THE UK HAS

14%

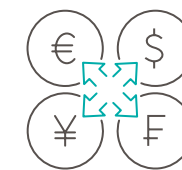
OF THE GLOBAL TOTAL
OF CROSSBORDER LENDING



THE UK'S EQUITY MARKET
CAPITALISATION WAS

90.6%

OF ITS GDP AT THE END OF 2022



THE UK ACCOUNTS FOR

38%

OF GLOBAL FOREIGN-
EXCHANGE TRADING



OVER 410 ACTIVE SUSTAINABLE BONDS
WERE LISTED ON THE LONDON STOCK
EXCHANGE (LSE) FROM OVER 120 ISSUERS
IN 2022, WHICH HAVE RAISED AROUND

£160.4BN



AROUND

TWICE

AS MANY US DOLLARS ARE
TRADED IN THE UK AS IN
THE US



THE UK ACCOUNTS FOR

5.4%

OF GLOBAL INSURANCE
PREMIUMS



THE UK IS HOME TO AROUND

200

FOREIGN LAW FIRMS FROM
AROUND 40 JURISDICTIONS



NON-UK STUDENTS REPRESENT

23.8%

OF THE UK'S TOTAL UNIVERSITY
STUDENT POPULATION



THERE ARE

1,600

FINTECH COMPANIES IN THE UK



THE LONDON MARKET EMPLOYS MORE THAN

48,000

PEOPLE AND EARNS MORE THAN

\$120M ANNUALLY IN PREMIUMS



THE UK PRIVATE EQUITY MARKET IS THE MOST
DEVELOPED IN THE WORLD OUTSIDE THE US. UK
PRIVATE EQUITY FUNDS INVESTED

£44.7BN

THE LARGEST AMOUNT
IN EUROPE, IN 2022



UK-BASED ISLAMIC BANKS' ASSETS REPRESENT **85%**
OF TOTAL EUROPEAN ISLAMIC BANKING ASSETS
(EXCLUDING TURKEY); AROUND **£5.3BN** IN 2022

Foreword

The latest edition of our flagship research highlighting the UK's role as a leading international financial centre comes at the beginning of another year of uncertainty following yet another tumultuous 12 months. In 2023, the UK saw persistently high inflation and lacklustre economic growth; for 2024, the macro outlook remains fairly subdued. Moreover, an impending general election in the UK, as well as elections in several of the UK's key trading partners, such as the US and the EU, mean that the prevailing sense of uncertainty will remain.

Amidst the ongoing political and economic shifts, the UK-based financial and related professional services industry continues to demonstrate its resilience and adaptability, remaining a key source of international competitiveness. The UK remains the world's second-largest exporter of financial services (after the US), and is the largest financial services net exporter (that is, measuring industry exports minus imports).

Among large economies, the UK has one of the highest equity market capitalisations relative to GDP (91%). It plays an important role in a number of specialist areas of financial services, and retains the leading share of trading in many international financial markets, such as foreign exchange trading and cross-border bank lending. It also holds a leading role as a global FinTech centre; in a difficult environment globally for FinTech, UK FinTechs managed to attract more funding in 2022 than their counterparts in the rest of EMEA (Europe, the Middle East and Africa) combined.

As usual, our statistics-focused research demonstrates the depth and breadth of the UK's internationally-oriented financial and related professional services sectors. Our aim is to highlight the contribution the industry makes to the UK's international competitiveness, but also to remind readers that in a fast-changing world, the advantages conferred by a strong financial and related professional services industry are not necessarily permanent and must therefore be safeguarded, for the benefit of the wider economy and society.

Anjalika Bardalai

Chief Economist and Head of Research, TheCityUK



Executive summary

- The UK is one of the world's leading international financial and related professional services hubs, with London central to this position. This report uses the latest available annual data to highlight a number of measures and markets that demonstrate the UK's role as an international financial centre.
- In 2022, the UK's trade surplus in financial and related professional services is estimated to be \$113.6bn (£92bn). The magnitude of exports relative to imports indicates that the industry is highly competitive globally.
- The UK maintains a globally leading share of a number of financial markets. For example, it has 14% of the global total of cross-border bank lending. London is a centre for foreign banks, with around 170 foreign banks or branches in the city.
- Around twice as many US dollars are traded on the foreign exchange market in the UK than in the US. Overall, the UK has 38% of the global total of foreign-exchange turnover.
- The UK insurance sector is the biggest in Europe and third largest in the world. UK insurance premiums represented around one-quarter of premiums in advanced European economies.
- The UK is the largest source of pension funds in Europe, with \$2.6trn (equivalent to £2.1trn) in assets under management in 2022.
- London's importance as a centre for global equity trading is illustrated by the 307 foreign companies listed on the London Stock Exchange (LSE) as of September 2023 – putting London in the top five exchanges globally by this metric.
- The UK has one of the highest equity market capitalisations in relation to GDP among the largest countries – 90.6% at the end of 2022. The LSE had a 3.2% share of global equity market capitalisation as of September 2023.
- London is the world's second-largest centre for hedge fund management, after New York. The UK had around £300bn (\$370bn) in assets under management (around 8% of global assets) in the hedge fund sector in 2022.
- The UK private equity market is the most developed in the world outside the US. UK private equity funds invested \$55.2bn (equivalent to £44.7bn), the largest amount in Europe, in 2022.
- The UK plays a leading role in a number of specialist areas of financial services. Islamic finance and maritime financial services are all sectors where the UK has been at the forefront of development.
- The UK is the world's second largest destination for FinTech investment, after the US, and continues to be the most attractive destination for FinTech in Europe. As of 2022, the FinTech sector in the UK was comprised of over 1,600 firms, a number that is projected to double by 2030. Moreover, there are more than 76,000 people employed in the sector.
- The UK is the largest legal services market in Europe and is second only to the US globally. It is home to a wide range of international law firms with more than 200 foreign law firms from around 40 jurisdictions operating in the country.
- A range of UK-based organisations provides education and training in financial and related professional services internationally. Three UK universities are part of the global top 10 higher-level institutions specialised in accounting and finance courses.

The central role of UK financial and related professional services

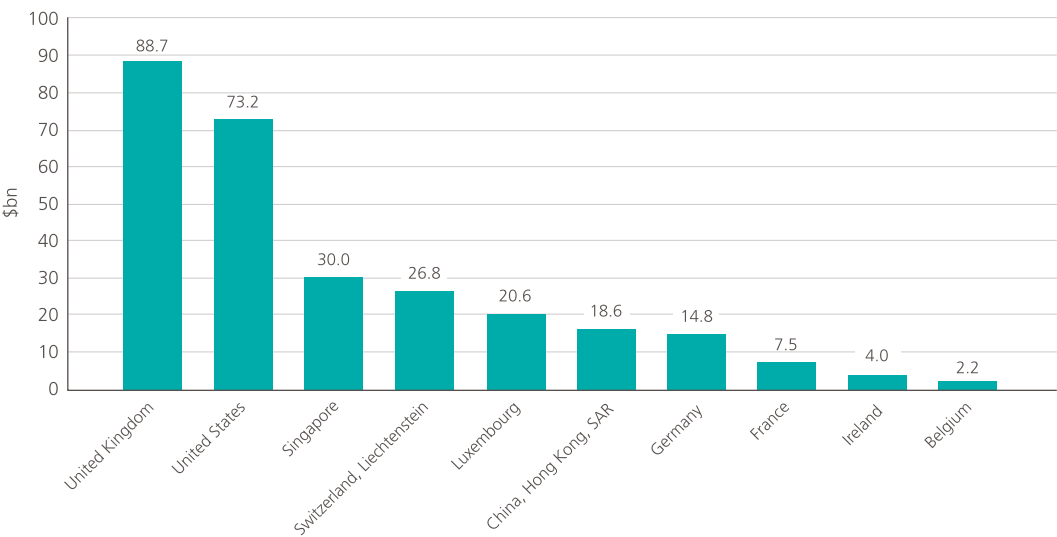
The UK is a major global hub for international wholesale finance, and as such, the financial and related professional services industry is a strategic national asset for the UK. The UK’s financial and related professional services industry employs nearly 2.5m people across the country, two thirds outside London; generates large tax revenues; and contributes to a substantial trade surplus in services. It has also secured significant levels of inward investment to the UK, helping to fund businesses across the country, and positioned the UK as a key hub for strategic, forward-looking industries like technology and life sciences.¹

The UK is the leading net exporter of financial services across the world

The UK’s financial services trade surplus totalled \$88.7bn (equivalent to £71.8bn)² in 2022 – higher than that of the US (\$73.2bn, or £59.3bn)³; for more information see Figure 1. When the estimated trade surplus for related professional services – legal, accounting and management consulting services – is also taken into account, the total financial and related professional services figure climbs to around \$113.6bn (equivalent to £92bn).⁴

Figure 1: Largest global net exporters of financial services, \$bn, 2022

Source: TheCityUK calculations based on UNCTAD data



In 2022, the UK was the world’s second-largest exporter of financial services, after the US and ahead of Luxembourg, Singapore and Germany. The UK’s financial services exports totalled \$117.1bn (equivalent to £94.9bn) – compared with the US’s financial services exports which were \$190.4bn (equivalent to £154.2bn)⁵; for more information see Figure 2.

1 TheCityUK, ‘Making the UK the leading global financial centre: An international strategy for the UK-based financial and related professional services industry’, (September 2021), p. 10, available at: <https://www.thecityuk.com/media/q0mewp0i/making-the-uk-the-leading-global-financial-centre.pdf>

2 All currency conversions for data referring to years prior to 2023 have been made using the average annual exchange rate for the relevant year

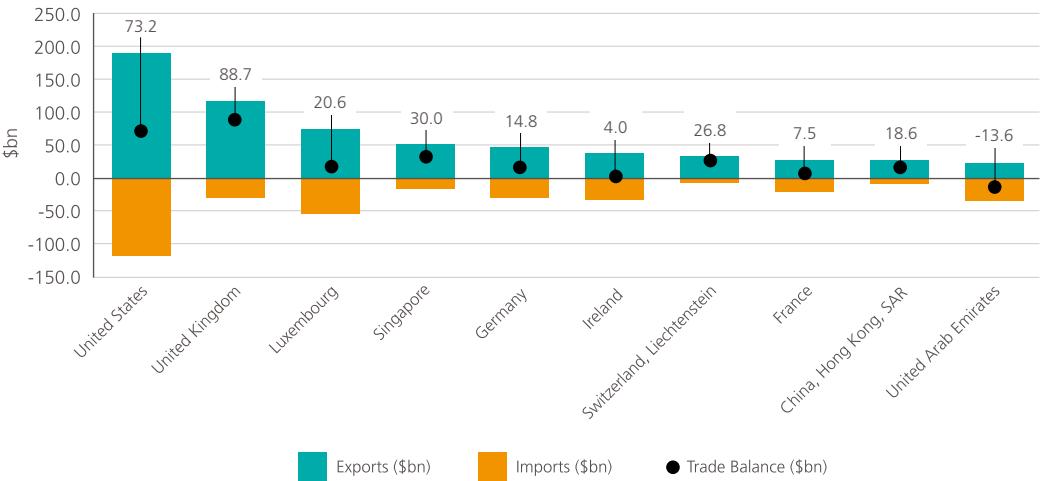
3 TheCityUK calculations based on UNCTAD, ‘Data Centre’, (September 2023), available at: <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

4 TheCityUK calculations based on Office for National Statistics (ONS) data, ‘03 Trade in services, the Pink Book’, (31 October 2023), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

5 TheCityUK calculations based on UNCTAD, ‘Data Centre’, (September 2023), available at: <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>

Figure 2: Trade balance of largest global exporters of financial services, \$bn, 2022

Source: TheCityUK calculations based on UNCTAD data

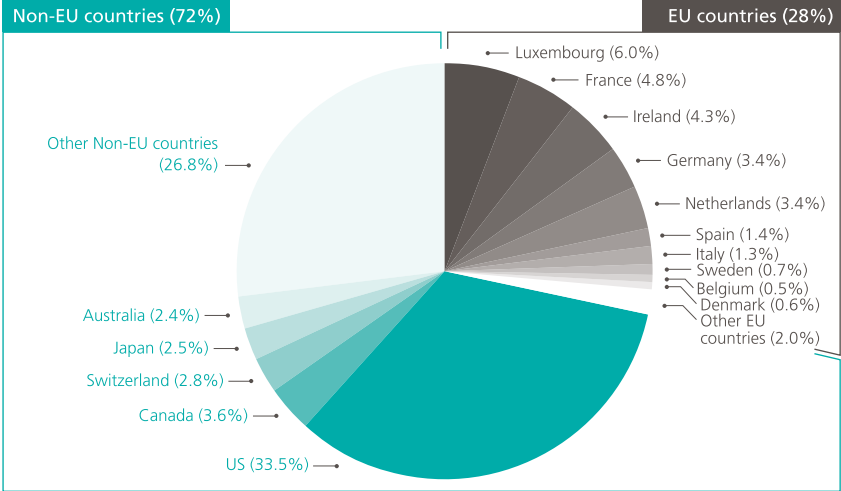


The main destinations for the UK's financial services exports are the US (34% of total UK financial services exports) and the EU (28%). For more detail, see Figure 3.⁶

⁶ TheCityUK estimates based on ONS data, 'UK trade in services: service type by partner country, non-seasonally adjusted', (26 October 2023), available at: <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktradeinservicesservicetypebypartnercountrynonseasonallyadjusted>

Figure 3: UK financial services exports by destination, 2022

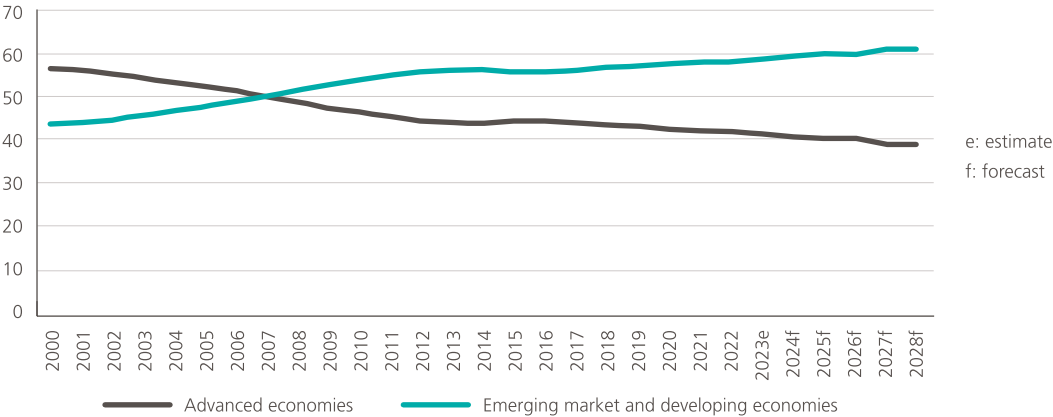
Source: TheCityUK calculations based on ONS data



The UK has a strong record in managing financial and related professional services business from developed economies. Developing economies also require financial services to achieve further progress in industrial development, infrastructure investment, poverty reduction and promotion of financial inclusion. The volume of trade with these countries has significant potential for growth due to the rise in the importance of emerging markets to the global economy (Figure 4).⁷ The UK has been able to support them through its leading role in many international financial markets.

⁷ International Monetary Fund (IMF), 'World Economic Outlook Databases', (October 2023), available at: <https://www.imf.org/external/datamapper/datasets/WEO>

Figure 4: World GDP (based on purchasing power parity) %
Source: TheCityUK calculations based on International Monetary Fund data



One of the top-ranked global financial centres

London is generally considered one of only two full-service--that is, offering the full range of financial services--international financial services hubs globally--the other being New York. For example, according to Z/Yen's Global Financial Centres Index⁸, a widely accepted source for ranking financial centres globally, London currently ranks second as an international financial services centre, after New York. Similarly, the UK ranks second, after the US, in the latest available Global Financial Centres Index report published by New Financial.⁹ Meanwhile, according to research from the City of London Corporation which examines what makes international financial centres competitive, in 2022 London and New York ranked first as leading financial centres globally.¹⁰ London's role as a hub is based in large part on the co-location of banking, insurance, fund management, securities, derivatives, foreign exchange expertise, and skilled labour, along with its developed market infrastructure and clusters of related professional services (legal, accounting

and management consulting) excellence.

The number of financial centres conducting international business is growing. According to Z/Yen's research, financial centres can be grouped into various sub-categories; for example, those with both depth and breadth (eg, Shanghai, Singapore, Tokyo and Frankfurt); those that are broad (eg, Paris, Seoul and Washington D.C.); and those with particular specialisms (eg, Beijing, Hong Kong, Dubai and Luxembourg). A well-targeted specialist or regional offer can bring success for emerging international financial centres as they seek to develop niches or provide a particular set of products.

Regional and specialist international financial centres have challenged larger ones to be more innovative and to respond to competitive dynamics. Part of the constant challenge to remain competitive comes from a re-definition of the basis of competitive advantage. While factors such as language, rule of law and culture are important components of a competitive offering, they do not tell the full story. Regulatory and supervisory coherence, tax policy, deep pools of talent, sustainable finance policy commitment, and political recognition and support are also part of the mix and may create a differentiated momentum over time. As global trade and investment grows in new directions, international financial centres will adapt to reflect new needs and opportunities.

Working with other financial centres has helped develop the international networks of UK-based firms, allowing them to expand their international business. In return, the UK has provided access to its markets and expertise for overseas companies, and has acted as a template for many developing centres. This is helping to build a stronger and more prosperous global economy.

⁸ Z/Yen, 'The Global Financial Centres Index 34', (September 2023), available at: <https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-34/>
⁹ New Financial, 'Driving Growth – the New Financial global financial centres index', (June 2021), available at: <https://newfinancial.org/report-driving-growth-the-new-financial-global-financial-centres-index-2/>
¹⁰ City of London Corporation, 'Our global offer to business: London and the UK's competitive strengths in support of growth', (March 2023), available at: <https://www.theglobalcity.uk/competitiveness>

Figure 5: Financial centre indicators, share by country (%)

Source: TheCityUK calculations based on data from the Bank for International Settlements and Swiss Re Institute

	UK	US	Canada	France	Germany	Switzerland	Singapore	Japan	China	Hong Kong	Others
Cross-border bank lending (Q2 2023)	14.4%	9.2%	3.7%	12.7%	9.7%	2.6%	2.2%	11.4%	4.0%	4.8%	25.3%
Foreign exchange turnover (Apr 2022)	38.1%	19.4%	1.7%	2.2%	1.9%	3.6%	9.4%	4.4%	1.6%	7.0%	10.7%
Interest rates OTC derivatives turnover (Apr 2022)	45.5%	29.3%	1.2%	3.5%	4.7%	0.3%	2.7%	0.9%	0.2%	5.6%	6.1%
Insurance premiums (end-2021)	5.4%	43.7%	2.5%	3.9%	3.6%	0.8%	0.7%	5.0%	10.3%	1.0%	23.1%
International debt securities outstanding (Q1 2023)	11.9%	8.6%	4.4%	4.8%	4.6%	0.5%	0.8%	1.9%	0.8%	1.2%	60.5%

Figure 6: UK share of financial markets (%)

Source: TheCityUK calculations based on data from Bank for International Settlements, Willis Towers Watson, Investment Company Institute, Insurance Europe, The General Insurance Association of Japan, The Life Insurance Association of Japan, Insurance Information Institute, and International Monetary Fund

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 *
Cross-border bank lending	18%	17%	16%	17%	17%	16%	15%	16%	15%	14%
Foreign exchange turnover	--	--	37%	--	--	43%	--	--	38%	--
Interest rates OTC derivatives turnover	--	--	39%	--	--	46%	--	--	46%	--
Conventional fund management	7%	7%	7%	6%	6%	5%	--	--	--	--

*Cross-border bank lending for Q2-2023

The World Alliance of International Financial Centres

TheCityUK is a member of the World Alliance of International Financial Centres (WAIFC), a grouping of international financial centres from both developed and developing countries established in 2018. The WAIFC provides an important forum through which different international financial centres can exchange insights and best practices, pursue cooperation and explore how international financial centres can best support economic growth.

WAIFC members include international financial centres from Europe, North America, Eurasia, Asia Pacific, the Middle East and Africa. Together, members have worked on a series of projects which explored how international financial centres are facilitating the development of FinTech solutions, green investment and infrastructure projects, funding for SMEs and the role of financial centres in financing the economy.

The WAIFC provides an important opportunity to draw together the diverse expertise and capabilities located within international financial centres worldwide to promote broader economic development objectives, as well as increase diversity in the industry.

International financial markets in London and the UK

Banking

Indicators of the UK’s strong international position include:

Size of the industry: UK banking sector assets totalled \$11.6trn (£9.3trn) at the end of the third quarter of 2023, the sixth largest in the world and the third largest in Europe, behind France (\$13trn), similar to Germany (\$11.6trn), and ahead of Italy (\$4.1trn); for more information, see Figure 7.¹¹ Around 47% of UK banks’ assets are denominated in sterling; the remainder are foreign currency based.¹²

Figure 7: Largest banking centres’ assets, \$bn, Q3 2023

Source: National Central Banks

Banking centre	Largest banking centres’ assets, \$bn, Q3 2023
China*	64,862
US	22,906
France	12,984
Japan*	12,101
Germany	11,633
UK	11,612
Italy	4,148

*Measured as of Q2 2023

Cross-border banking: the UK is the world’s largest centre for cross-border banking, with 14% of the outstanding value of international bank lending in the second quarter of 2023. It was also the largest centre for cross-border borrowing (16%); for more information see Figure 8.¹³ London is a centre for foreign banks, with around 170 foreign banks or branches in the city.¹⁴

11 All values in 2023 were converted to US dollars using the average exchange rate of the relevant period of 2023, available at: <https://fred.stlouisfed.org/categories/95>

12 TheCityUK calculations based on Bank of England, ‘B1.4 monetary financial institutions’ (excluding central bank) balance sheets’, (November 2023), available at: <https://www.bankofengland.co.uk/statistics/tables>

13 TheCityUK calculations based on Bank for International Settlements (BIS) data, ‘A2: Cross-border positions, by location of reporting bank and sector of counterparty’, (23 October 2023), available at: <https://stats.bis.org/statx/srs/table/a2?m=S&p=20232&c=>

14 TheCityUK estimates based on Association of Foreign Banks data, (October 2023), available at: <http://www.foreignbanks.org.uk/>

Figure 8: International bank lending and borrowing, % share Q2 2023

Source: TheCityUK calculations based on Bank for International Settlements data

Country	Lending	Borrowing
UK	14%	16%
France	13%	15%
Japan	11%	4%
Germany	10%	10%
United States	9%	13%
Hong Kong SAR	5%	4%
China	4%	4%
Canada	4%	3%
Netherlands	3%	3%
Switzerland	3%	3%
Spain	2%	2%
Singapore	2%	2%
Italy	2%	2%
Luxembourg	2%	1%
Australia	1%	2%
Others	15%	16%

Private and investment banking: London is one of the most important centres for private and investment banking. Many international banks have their private and investment banking business in the UK, including Bank of America, , Goldman Sachs, J.P. Morgan, Morgan Stanley, RBC Capital Markets and UBS.

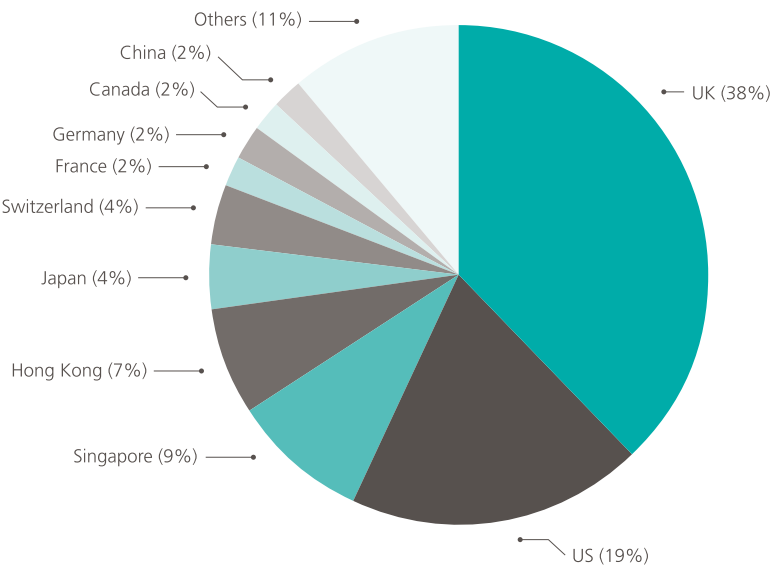
According to the latest available data from the Bank for International Settlements (BIS), the UK accounted for 38% of global foreign exchange trading in April 2022, well ahead of the US (19%), Singapore (9%), Hong Kong (7%) and Japan (4%); for more information see Figure 9. The bulk of the UK’s daily turnover averaging \$3.8trn (equivalent to £2.9trn) in April 2022 was transacted in London. Around twice as many US dollars are traded on the foreign exchange market in the UK than in the US.¹⁵

15 TheCityUK calculations based on BIS data, ‘Triennial central bank survey of foreign exchange and over- the-counter (OTC) derivatives markets in 2022: Foreign exchange turnover: D11.2 by country, 1986-2022’, (27 October 2022), available at: <https://www.bis.org/statistics/rpfx22.htm>

London is also a global leader in offshore renminbi trading, and remains the biggest renminbi foreign exchange centre and the second largest payments centre outside of Greater China. London accounted for 38% of total offshore renminbi transactions in June 2023, down 1.5% from June 2022.¹⁶

Figure 9: Foreign exchange trading, % share, April 2022

Source: TheCityUK calculations based on Bank for International Settlements data



Insurance

The UK insurance industry is the largest in Europe and third largest in the world, with around \$363bn (equivalent to £294bn) in premiums in 2022 (Figure 10).¹⁷ It consists of insurance companies (including the specialist London Market); the Lloyd's market; intermediaries; and various specialist support professions and services.

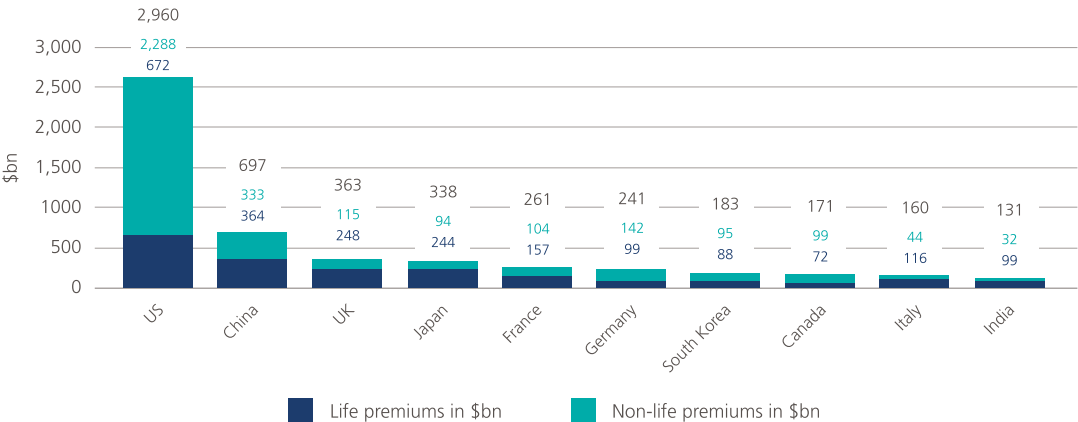
16 City of London Corporation and People's Bank of China, 'London RMB Business Quarterly: Issue 16', (December 2023), p.5, available at: <https://www.cityoflondon.gov.uk/supporting-businesses/global-programme/asia-programme/china-publications/the-london-rmb-business-quarterly-report>
17 Swiss Re Institute, 'SIGMA No 3/2023-World insurance: stirred, and not shaken', (10 July 2023), p.15, available at: <https://www.swissre.com/institute/research/sigma-research/sigma-2023-03.html#:~:text=sigma%20%2F2023%20%2D%20World%20insurance&text=High%20interest%20rates%20sparked%20bank,over%20the%20next%20two%20years>

The UK insurance market's strong international position is indicated by the fact that:

- The UK is the largest source of pension funds in Europe, with \$2.6trn (equivalent to £2.1trn) in assets under management in 2022.¹⁸
- In 2022, the UK insurance and long-term savings industry was the largest in Europe and played an essential part in the UK's economic strength, with members of the Association of British Insurers (ABI) managing investments of £1.5trn, equivalent to \$1.9trn.
- UK companies feature prominently in rankings of the world's largest insurance companies.
- The UK accounted for 5.4% of global premiums and almost one-quarter of premiums in advanced EMEA economies in 2022.¹⁹

Figure 10: Largest insurance markets, \$bn, 2022

Source: TheCityUK calculations based on Bank for International Settlements data



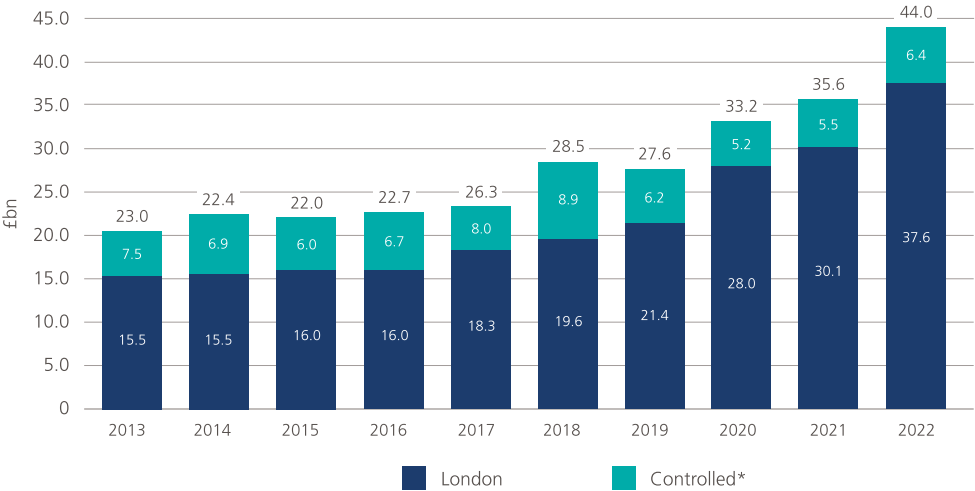
18 Willis Towers Watson, 'Global Pension Assets Study 2023', (2023), p.16, available at: <https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2023/>
19 Swiss Re Institute, 'SIGMA No 3/2023-World insurance: stirred, and not shaken', (10 July 2023), p.15,38, available at: <https://www.swissre.com/institute/research/sigma-research/sigma-2023-03.html#:~:text=sigma%20%2F2023%20%2D%20World%20insurance&text=High%20interest%20rates%20sparked%20bank,over%20the%20next%20two%20years>

The UK’s commercial reinsurance and insurance markets lead the world in providing specialty commercial insurance, taking on the most difficult and sophisticated risks.²⁰ The London Market is a separate part of the UK insurance and reinsurance sector, based in central London. It consists mostly of general insurance and reinsurance and predominantly involves high-exposure risks. Moreover, the London Market is the largest global hub for commercial and specialty risk, employing over 48,000 people and earning more than \$120bn in premium each year.²¹ According to the latest data provided by this market-wide body, London remains the largest insurance and reinsurance hub globally, accounting for \$84bn (equivalent to £61.3bn) of global gross written premiums in 2020—equivalent to 7.6% of total global gross written premiums. The London market comprised 24% of the GDP of the City of London, contributing £39bn (equivalent to \$53.4bn) to the UK economy in 2020.²² In addition, London is the global centre for complex risks, with a 42% market share of specialty risk classes. In 2020, 68% of the London Market’s business came from companies outside the UK and Ireland, based on gross premiums by insured location.²³

According to data from the International Underwriting Association of London (IUA, the representative body for insurance and reinsurance firms in London), the London company market—which comprises non-Lloyd’s international and wholesale insurance and reinsurance companies operating in London—saw average annual premium growth of 6.6% over 2013-22, reaching around £44bn (equivalent to \$54.3bn) in 2022 (Figure 11).²⁴

Figure 11: London company market’s premium, £bn

Source: International Underwriting Association of London



*‘Controlled’ refers to premiums generated outside London, but for London-based insurance companies (i.e. London company market).

Lloyd’s of London is a corporate body and marketplace for insurance and reinsurance business in London. Lloyd’s gross written premium income reached £46.7bn (equivalent to \$57.7bn) in 2022. Average annual growth of Lloyd’s gross premiums has been 7.4% over the past five years.²⁵

20 London Market Group, ‘A Plan for the Future’, (June 2021), available at: https://img.london/wp-content/uploads/2021/06/LMG_A-plan-for-the-future-FINAL.pdf

21 London Market Group, available at: <https://img.london/the-lmg/#:~:text=The%20London%20Market%20is%20the,and%20underwriting%20communities%20in%20London>

22 London Market Group, ‘London remains global insurance leader for complex risks’, (13 September 2022), available at: <https://img.london/news/london-remains-global-insurance-leader-for-complex-risks/#:~:text=Premium%20has%20risen%20steadily%20over,share%20of%20specialty%20risk%20classes>

23 London Market Group, ‘Why London Matters 2022’, (13 September 2022), p.8, available at: <https://img.london/wp-content/uploads/2022/09/Why-London-Matters-2022.pdf>

24 International Underwriting Association of London, ‘London company market statistics report 2023’, (September 2023), p.1, available at: https://www.iua.co.uk/IUANew/NewsPages/London_Company_Market_Statistics_Report.aspx

25 Lloyd’s of London, ‘Lloyd’s annual report 2022’, (2023), p.23, available at: <https://www.lloyds.com/about-lloyds/investor-relations/financial-performance/financial-results>

Equity and bond markets

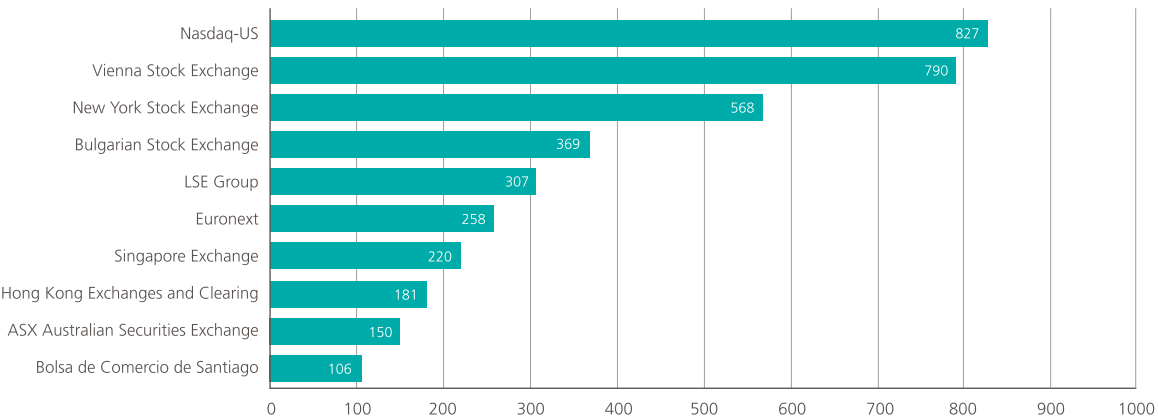
Equity markets

London’s importance as a centre for global equity trading is illustrated by:

- The 307 foreign companies listed on the LSE as of September 2023, putting London in the top five exchanges globally by this metric²⁶; for more information see Figure 12.
- In 2023, 23 companies raised capital through new issues and IPOs equivalent to £1bn (equivalent to \$1.2bn).²⁷
- Its 3.2% share of global equity market capitalisation as of September 2023.²⁸
- The UK having one of the highest equity market capitalisations in relation to GDP of the largest countries – 90.6% at the end of 2022.²⁹
- The Alternative Investment Market (AIM), a sub-market of the LSE, supports smaller growth firms to raise capital through the equity market. Since 1995, almost 4,000 companies have been listed on the AIM, according to the latest data available from the AIM. These companies are from 79 countries, raising £130bn since then. In 2021, the AIM delivered over half (53%) of European growth market funding.³⁰

Figure 12: Top ten stock exchanges by number of foreign companies listed, Sep 2023

Source: World Federation of Exchanges



Bond markets

The UK’s substantial domestic market in bonds is complemented by London’s continuing role as a major centre for issuance and trading of international bonds. The UK’s outstanding value of international bonds was the largest in the world at the end of the first quarter of 2023, totalling around \$3.3trn (equivalent to £2.7trn), equivalent to 12% of the global total.³¹ Eurobonds accounted for 27.7% of this.³²

Fund management

UK assets under management totalled a record £10.3trn (equivalent to \$12.7trn) in 2022, 11% less than the previous year. The UK is one of the largest markets in the world for fund management. The sector has a strong international orientation, reflected in the institutional presence of a broad mix of UK and foreign firms; equity and bond investments of 78.2% and 60.3% respectively in overseas markets; and management on behalf of overseas clients of funds totalling \$5.2trn (equivalent to £4.2trn) among The Investment Association (IA) members.³³ Some of the key indicators of the UK’s international position include:

26 World Federation of Exchanges, ‘Market statistics – Nov 2023’, (October 2023), available at: <https://focus.world-exchanges.org/issue/november-2023/market-statistics>

27 London Stock Exchange, ‘New issues and IPOs’, (30 November 2023), available at: <https://www.londonstockexchange.com/reports?tab=new-issues-and-ipos>

28 World Federation of Exchanges, ‘Market statistics – November 2023’, (2023), available at: <https://focus.world-exchanges.org/issue/november-2023/market-statistics>

29 CEIC data, ‘United Kingdom Market Capitalization: % of GDP’, (November 2023), available at: <https://www.ceicdata.com/en/indicator/united-kingdom/marketcapitalization--nominal-gdp#:~:text=What%20was%20United%20Kingdom%27s%20Market,table%20below%20for%20more%20data>

30 London Stock Exchange, ‘AIM by numbers’, (January 2022), available at: <https://www2.londonstockexchange.com/AIMforgrowth>

31 BIS, ‘C1: Summary of debt securities outstanding’, (2023), available at: <https://www.bis.org/statistics/secstats.htm?m=6%7C33%7C615>

32 TheCityUK calculations based on BIS data, ‘United Kingdom: Debt securities issues and amounts outstanding’, (2023), available at: <https://stats.bis.org/statx/srs/table/c3?c=GB&f=pdf>

33 The Investment Association, ‘Asset Management in the UK 2022-2023, The Investment Association Annual Survey’, (October 2023), p.9, 22 & 106, available at: https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf

- **Pension fund assets:** UK pension assets accounted for 5.4% of global pension assets in 2022, which was well ahead of other European countries. At 80.3%, the UK’s pension assets-to-GDP ratio was among the highest in the world in that year.³⁴
- **Mutual funds:** in the second quarter of 2023, \$1.9trn (£1.5trn) were managed by UK mutual funds,³⁵ one of the highest amounts globally, and the fifth highest in Europe after Luxembourg, Ireland, Germany and France.
- **Insurance funds:** in 2021 (latest available data), the UK insurance industry had the third largest funds under management, after the US and Japan.

Figure 13: Conventional investment management assets, \$bn

Sources: Thinking Ahead Institute, OECD, Investment Company Institute, PwC

	Pension funds (Dec 2022)	Insurance assets (2021)	Mutual funds (Q2 2023)
US	30,439	8,482	31,599
Japan	3,099	3,700	2,078
UK	2,568	3,158	1,915
France	125	901	2,412
Canada*	2,880	NA	1,717
Others*	8,750	NA	25,351
Total**	47,861	NA	65,072

*Global insurance assets 2021 is not available, as well as total insurance assets for Canada, ‘other countries’.

Hedge funds

London is the world’s second-largest centre for hedge fund management, after New York. The UK had around £300bn (\$370bn)³⁶ in assets under management (around 8% of global assets)³⁷ in the hedge fund sector in 2022. The UK

remains by far the largest centre for hedge funds in Europe. The UK is also the leading centre for hedge fund services such as administration, prime brokerage, custody and auditing.

Private equity

The UK private equity market is the most developed in the world outside the US, the world leader, whose private equity sector invested \$1trn (equivalent to around £810bn) in 2022.³⁸ UK private equity funds invested \$55.2bn (equivalent to £44.7bn), the largest amount in Europe, in 2022.³⁹ The UK private equity industry invested \$181bn (equivalent to £146.6bn) in 8,795 firms worldwide between 2019 and 2022. The UK private equity industry invested in 1,973 firms in 2022 alone.⁴⁰

Target companies based in the UK received \$33bn (equivalent to £26.7bn) in 2022 (Figure 14).⁴¹ London is the largest European centre for the management of private equity investments and funds.

Figure 14: Private equity investments, top 10 European countries, \$bn, 2022

Source: TheCityUK calculations based on Invest Europe data

	Investments (location of the PE firm)	Investments (location of the portfolio firm)
UK	55.2	33.0
France	30.3	25.4
Germany	11.1	15.9
Sweden	7.2	13.3
Netherlands	6.6	12.0
Italy	5.9	9.8
Denmark	4.9	6.7
Spain	3.5	3.6
Luxembourg	1.8	0.4
Norway	1.7	7.6

34 Willis Towers Watson, ‘Global Pension Assets Study 2023’, (2023), p.14, available at: <https://www.thinkingaheadinstitute.org/research-papers/global-pension-assets-study-2023/>

35 Investment Company Institute, ‘Historical Supplement: Worldwide Public Table, Second Quarter 2023, Data in US Dollar (xls)’, (19 September 2023), available at: <https://www.ici.org/research/stats/worldwide>

36 The Investment Association, ‘Asset Management in the UK 2022-2023, The Investment Association Annual Survey’, (19 September 2023), p.22, available at: https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf

37 TheCityUK calculations based on Barclay Hedge data, ‘Hedge fund industry assets under management-Q4 2022’, (November 2023 2022), available at: <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management>

38 PitchBook, ‘US PE Breakdown’, (2022), available at: https://files.pitchbook.com/website/files/pdf/2022_Annual_US_PE_Breakdown.pdf

39 TheCityUK calculations based on Invest Europe data, ‘Investing in Europe: private equity activity 2022 data’, (May 2023), p.49, available at: https://www.investeurope.eu/media/6809/invest-europe_pe-activity-2022.pdf

40 TheCityUK calculations based on British Private Equity & Venture Capital Association, ‘BVCA Report on Investment Activity 2022’, (July 2023), p.23, available at: <https://www.bvca.co.uk/Portals/0/Documents/Research/Industry%20Activity/BVCA-Report-On-Investment-Activity-2022.pdf>

41 TheCityUK calculations based on Invest Europe data, ‘Investing in Europe: private equity activity 2022 data’, (May 2023), p.53, available at: https://www.investeurope.eu/media/6809/invest-europe_pe-activity-2022.pdf

Venture capital

The UK is a hub for venture capital. In the past five years, 40% of European venture capital raising was based in the UK. Venture capital investment into UK start-ups totalled \$21.3bn (equivalent to £17.2bn) in 2023, down from \$31.3bn (equivalent to £25.2bn) the previous year, according to research by HSBC and Dealroom.⁴²

Derivatives trading

A derivative is a contract whose value and method of payment and delivery are agreed by two or more parties, and whose value is based on that of an underlying asset. The underlying assets of a derivative include stocks, bonds, commodities and currencies, among others.

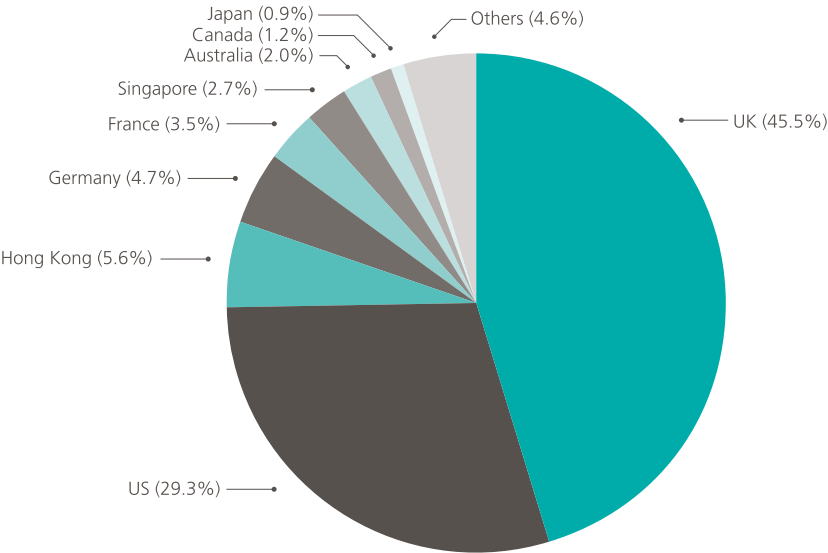
The UK is one of the world’s leading derivatives centres. For example, the latest data available from the Bank for International Settlements indicate that the UK had a 45.5% share of trading in over the counter (OTC) interest-rate derivatives in April 2022 (latest available information). The US is the only other major location for OTC interest-rate derivatives trading, with 29.3% of trading (Figure 15).⁴³

There are a number of derivatives exchanges operating in the UK. For example:

- NYSE Liffe, the leading exchange for trading in short-term euro interest rates contracts. Liffe is part of the Intercontinental Exchange group.
- London Metal Exchange, a major non-ferrous metals exchange.
- ICE Futures Europe, the largest regulated energy futures exchange in Europe, and the second largest in the world. ICE Futures Europe is part of the Intercontinental Exchange group.
- Several derivatives markets hosted by the London Stock Exchange Group, including, for example, for interest-rate futures.

Figure 15: Location of OTC interest rate derivatives daily average turnover, % share, April 2022

Source: TheCityUK calculations based on Bank for International Settlements data



Commodities trading

The UK is home to a number of international commodity organisations such as the International Coffee Organization, the Grain and Feed Trade Association and International Sugar Organisation. As one of the world’s leading international financial centres, London benefits from being the preferred location for many international firms trading in commodities as well as investment banks and other financial institutions that trade in commodities derivatives.

Bullion markets

A large proportion of trading in precious metals takes place on the OTC market in London. The average daily volume of gold cleared at the London Bullion Market Association in 2022 was 19m ounces (worth \$34.5bn, equivalent to £27.9bn). The average daily volume of silver cleared was 233m ounces (\$5bn, equivalent to £4.1bn). London is also a leading centre for energy brokers operating in energy and carbon markets.⁴⁴

42 Dealroom.co and HSBC, ‘UK innovation: forward look’, (January 2024), p.4, available at: <https://dealroom.co/reports/uk-innovation-forward-look-for-2024>
43 TheCityUK calculations based on BIS data, ‘OTC interest rate derivatives turnover, D12.2 by country, 1995-2022’, (2022), available at: <https://stats.bis.org/statx/srs/table/d12.2>

44 London Bullion Market Association, ‘Clearing Statistics’, (2023), available at: <https://www.lbma.org.uk/prices-and-data/clearing-data>

The UK's role in specialist financial services

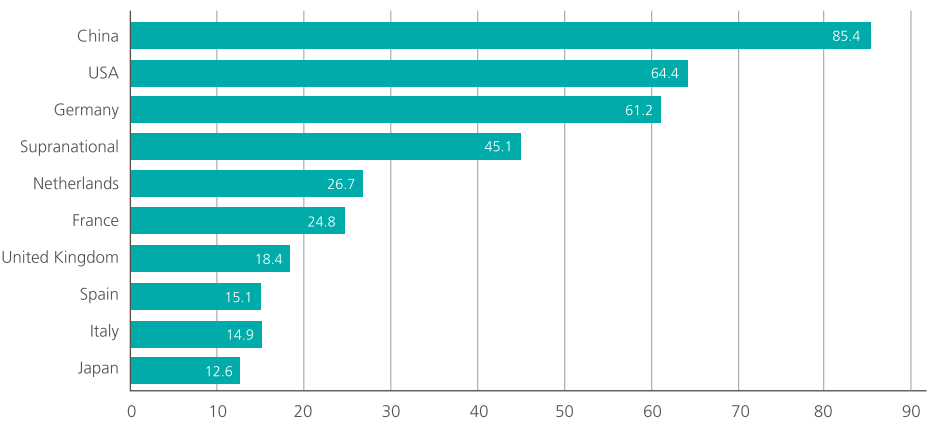
Green finance

Green finance matches sources of funding to new capital and operating expenditures that generate measurable progress towards the achievement of a well-recognised environmental goal.⁴⁵ It involves more than just green bonds or funds; however, comprehensive data covering the full spectrum of green finance are not available.

According to data from Climate Bonds Initiative, UK issuance of green bonds—by far the largest segment of green finance—grew from \$3.8bn (equivalent to £2.9bn) in 2018 to \$18.4bn (equivalent to £15bn) in 2022.⁴⁶ In 2022 the UK was the world's sixth-largest green bond issuer (excluding supranational issuers); see Figure 16 for more detail.⁴⁷

Figure 16: Top ten green bond issuers, \$bn, 2022

Source: Climate Bonds Initiative



The LSE's dedicated Sustainable Bond Market (SBM) replaced its Green Bond Segment in 2019. It is the first major exchange to launch a dedicated segment for green bonds. The SBM includes green, sustainability and social bonds. There were 410 active sustainable bonds listed on the LSE from over 120 issuers by the end of 2022, which have raised

around \$198bn (equivalent to £160.4bn).⁴⁸ The LSE launched the Sustainable Bond Market Advisory Group (SBMAG) in 2020. The SBMAG is an advisory forum that encourages development of the LSE's Sustainable Bond Market.

London is a global hub for 'green funds' – investment funds that provide exposure to technologies and projects across wind, solar, energy storage and efficiency, and other renewable infrastructure assets. The LSE's Green Economy Mark cohort involves companies and funds on the Main Market and AIM which provide green products and services which achieve net-positive environmental objectives. This group is the third-largest in terms of capital raising since 2021, making up 6% of all London-listed companies. Between June 2021 and June 2023, they have raised a total of £6.16bn through 85 IPOs and follow-on issuances, creating new jobs, developing and implementing new clean technologies, reducing emissions and funding innovative green products and services.⁴⁹ Likewise, there were almost 300 Environmental, Social and Governance (ESG) exchange-traded funds (ETFs) listed on the LSE in 2022.⁵⁰

The relevance of green finance and net-zero goals becomes more important with the development of new markets. This is the case of carbon markets which are trading systems where agents—individuals, companies or government—can buy and sell units of greenhouse gas (GHG) emissions aiming to limit global carbon emissions and to help to constrain the long-term rise of global temperatures. Within the compliance carbon markets (regulated by an authority), there are popular mechanisms named Emissions Trading Systems (ETSs) which are cost-effective pricing policies where a government (or other authority) sets a maximum level of carbon emissions produced by some industries, and then issues an annual amount of carbon emissions permits - for each tonne of GHG emitted. These units can be sold by auction and then be traded in a secondary market.

In this context, as of April 2022, there were 34 ETSs implemented globally. China and the EU ETS's are the global leaders in terms of traded value and emissions covered, respectively. The UK ETS was implemented in January 2021 as result of Brexit; the UK scheme issues units of allowances called UKAs, each one representing 1 tonne of carbon dioxide equivalent. Trading of these allowances started in May 2021 under a price floor of £22/tonne. The volume of UKAs in 2022 reached 81 MtCO₂e⁵¹, generating a value of £6.5bn (equivalent to \$8bn), whereas in 2021 the volume auctioned was 84 MtCO₂e with revenue of £4.3bn (equivalent to \$5.9bn). Regarding UKAs' traded volume, in 2022 there were 431 MtCO₂e, up by 72% year on year, while the value traded increased by 132%.

Moreover, following one of the UK's government's priorities related to net-zero carbon emissions, the London Stock Exchange Group launched its voluntary carbon market (not legally mandated) in December 2022, aiming to develop

45 TheCityUK and Imperial College Business School, 'Growing green finance', (September 2017), p.7, available at: <https://www.thecityuk.com/assets/2017/Reports-PDF/21ef6f5fef/Growing-Green-Finance.pdf>

46 Climate Bonds Initiative, available at: <https://www.climatebonds.net/market/data/>

47 Ibid.

48 London Stock Exchange Group, 'Quarterly debt capital markets update: Q4-2022', (2023) p.16, available at: <https://docs.londonstockexchange.com/sites/default/files/documents/dcm-q4-2022-vfinal.pdf>

49 London Stock Exchange, 'Green Economy Report 2023', (2023), p.8, available at: <https://docs.londonstockexchange.com/sites/default/files/documents/LSE-green-economy-mark-report-2023.pdf>

50 London Stock Exchange, 'Green Economy Report 2022', (2022), p.26, available at: <https://www.londonstockexchange.com/raise-finance/equity/green-economy-mark/green-economy-mark-report-2022>

51 1 tonne = metric ton = MtCO₂e = 1.10231 tons.

a new market offering to support publicly traded carbon funds focused on investing in climate mitigation projects by increasing the supply of quality carbon credits worldwide and increasing the flow of financing into projects that will directly reduce the amount of GHGs in the atmosphere.⁵²

Islamic finance

The UK’s profile as the leading Western centre for Islamic finance has continued to grow in recent years. Institutions in London and other UK cities have now been providing Islamic finance and related professional services for around 40 years. Moreover, the UK is a Western leader in supporting infrastructure and environment for Islamic finance. Services in the UK are offered by financial intermediaries, asset managers, insurance providers and international law, accountancy, and consultancy firms.

In 2022, UK-based Islamic banks’ assets were \$6.5bn (equivalent to £5.3bn). The UK made up just 0.1% of global Islamic banking assets⁵³, but it stands out as comprising 85% of total European Islamic banking assets, with the most Islamic banking assets of any single European country (excluding Turkey).⁵⁴

All UK Islamic banks have Gulf Co-operation Council (GCC) shareholders which support government initiatives in attracting foreign direct investment. Most Islamic banks provide wealth-management and real estate financing solutions to GCC clients, while some conventional banks have stopped offering Islamic products.

Domestic sukuk⁵⁵ issuance remains very low, but the LSE lists more than 55 sukuk, with over \$50bn (equivalent to £40.3bn) outstanding as of March 2023. UK-based conventional banks are key arrangers of international sukuk. Moreover, the London Metal Exchange is often accessed by Islamic banks in many countries to facilitate cash financing to customers through tawarruq⁵⁶ contracts.

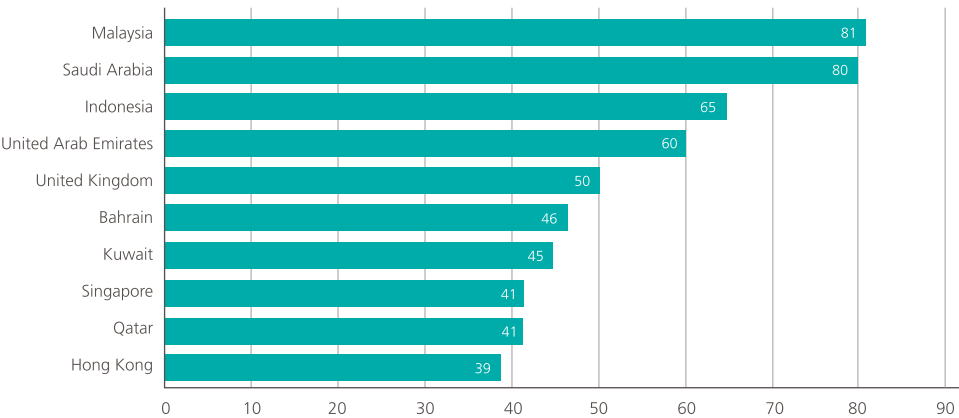
Furthermore, the UK is one of the largest markets in the world for fund management. This has been one of the key reasons why many Islamic finance institutions have chosen the UK as their base of operations and are searching for market prospects. The assets under management of UK-based Islamic funds totalled \$280.6m (equivalent to £226.2m) as of March 2023, corresponding to four active funds. The UK is facing competition in the Islamic mutual fund industry

from Luxembourg, an industry leader, followed by Ireland, the Cayman Islands, and Jersey.⁵⁷

The UK was ranked fifth in the latest (2021 data) Global Islamic Finance FinTech (GIFT) index, with a score of 50. It is the first Western country to have created an ecosystem supportive of Islamic FinTech. By the end of 2021 there were 68 Islamic FinTechs in Europe, and 45 of these were headquartered in the UK. For more information see Figure 17.⁵⁸

Figure 17: Top 10 countries by GIFT Index scores 2021

Source: Global Islamic FinTech Report 2022



FinTech

In the first 11 months of 2023, the UK ranked second globally in terms of investment raised by FinTechs (\$3.2bn), behind the US (\$18.6bn), and ahead of India (\$2.5bn).⁵⁹ This investment, combined with a wealth of talent and expertise in London plus a network of FinTech centres throughout the rest of the country, a strong venture capital base, tax breaks for start-ups, and hubs such as Tech City, has helped boost the UK’s global position as a global FinTech

52 TheCityUK, ‘Global carbon pricing mechanisms and their interaction with carbon markets’, (2023), available at: <https://www.thecityuk.com/our-work/global-carbon-pricing-mechanisms-and-their-interaction-with-carbon-markets/>

53 Fitch Ratings, ‘UK Maintains Islamic Finance Western Hub Status, Despite Domestic Niche’, (June 2023), available at: <https://www.fitchratings.com/research/islamic-finance/uk-maintains-islamic-finance-western-hub-status-despite-domestic-niche-20-06-2023>

54 TheCityUK & Refinitiv, ‘Islamic finance: global trends and the UK market 2022’, (November 2022), available at: <https://www.thecityuk.com/our-work/islamic-finance-global-trends-and-the-uk-market-2022/>

55 Sukuk: financial certificate that complies with Shariah, representing an ownership interest in assets generating a cash flow – similar to a bond in Western finance.

56 Tawarruq means selling something on deferred payment, and then buy it back in cash, albeit at a lower price than the deferred price.

57 Fitch Ratings, ‘UK Maintains Islamic Finance Western Hub Status, Despite Domestic Niche’, (June 2023), available at: <https://www.fitchratings.com/research/islamic-finance/uk-maintains-islamic-finance-western-hub-status-despite-domestic-niche-20-06-2023>

58 TheCityUK & Refinitiv, ‘Islamic finance: global trends and the UK market 2022’, (November 2022), p.30-31, available at: <https://www.thecityuk.com/media/u00h3ri4/islamic-finance-global-trends-and-the-uk-market.pdf>

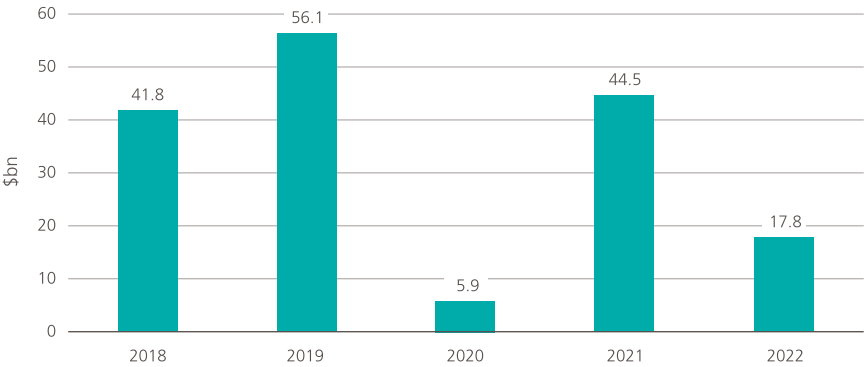
59 Dealroom.co, ‘FinTech’, available at: <https://dealroom.co/guides/fintech-guide#:~:text=The%20share%20of%20total%20VC,share%20has%20dropped%20to%2013%25.&text=Fintech%20had%20been%20the%20top,in%20the%20last%2024%20months.>

leader. According to Innovate Finance, the UK FinTech sector comprises 1,600 companies and employs 76,000 people.⁶⁰ The UK is the world's second-largest destination for FinTech investment, after the US, and remains the most attractive destination for FinTech in Europe.⁶¹ Investments in the sector declined by nearly 56% in 2022 from £32.5bn (equivalent to \$44.5bn) in 2021 to £14.4bn (equivalent to \$17.8bn) due to rapidly shifting market conditions, high interest rates, downward pressure on valuations, and persistent inflation, according to KPMG⁶² – see Figure 18. Despite this drop, the UK remains at the centre of European FinTech investment, with UK FinTechs attracting more funding than their counterparts in the rest of EMEA combined. Five out of the ten largest FinTech deals in EMEA were completed in the UK.

2022 saw the completion of 593 UK M&A, private equity and VC FinTech deals, down from 724 in 2021. Historically, the US has been the leading VC market for FinTech, followed by the UK. As of November 2023 the UK FinTech start-ups raised £2.6bn (equivalent to \$3.2bn), behind the US with £15bn (equivalent to \$18.6bn).⁶³

Figure 18: Total FinTech investment activity in the UK, deal value, \$bn

Source: TheCityUK calculations based on KPMG data



According to KPMG, in the first half of 2023, UK FinTech investment dropped to £4.6bn (equivalent to \$5.7bn), down 57% from £10.8bn (equivalent to \$13.3bn) in the same period in 2022. Factors including high inflation, rising interest

60 Innovate Finance, 'Talent and Skills Programme', available at: <https://www.innovatefinance.com/talent/>

61 US International Trade Administration, 'United Kingdom – Country Commercial Guide – Financial Technology (FinTech)', (2023), available at: <https://www.trade.gov/country-commercial-guides/united-kingdom-financial-technology-fintech>

62 KPMG, 'Pulse of Fintech: H2 2022 Report', (February 2023), available at: <https://kpmg.com/uk/en/home/insights/2023/02/pulse-of-fintech.html#:~:text=UK%20fintech%20investment%20falls%2056,down%20from%20724%20in%202021.>

63 Dealroom.co, 'FinTech', available at: <https://dealroom.co/guides/fintech-guide#:~:text=The%20share%20of%20total%20VC,share%20has%20dropped%20to%2013%25.&text=Fintech%20had%20been%20the%20top,in%20the%20last%2024%20months.>

rates, geopolitical tensions (the ongoing conflict between Russia and Ukraine), and tech sector challenges (depressed valuations and a continued lack of exits) have all dampened investor demand. The collapse of several US banks early in 2023 likely also kept many investors cautious during the first half of 2023.

Maritime business services

The UK maritime business services sector provides services to the international shipping industry which, through the movement of cargoes, is vital in enabling the world economy to function. London is the world's leading centre for the supply of a wide range of financial and related professional services to the international shipping industry including: banking, insurance, shipbroking, legal services, accounting services, ship classification, education and publishing.

The latest available research from Menon Economics, a consultancy, ranks London as the third leading maritime capital in the world by five measurements: shipping, finance and law, maritime technology, ports and logistics, and attractiveness and competitiveness (Figure 19). Notably, London is second ranked in the 'finance and law' and 'attractiveness and competitiveness' metrics, a testament to its particular strength in financial and related professional services.⁶⁴

Figure 19: Leading maritime capitals of the world, 2022

Source: Menon Economics

	Overall rank	Shipping	Finance and law	Maritime technology	Ports and logistics	Attractiveness and competitiveness
1	Singapore	Athens	New York	Singapore	Shanghai	Singapore
2	Rotterdam	Singapore	London	Oslo	Rotterdam	London
3	London	Tokio	Tokio	Busan	Singapore	Copenhagen
4	Shanghai	Shanghai	Oslo	London	Hong Kong	Rotterdam
5	Tokio	Hamburg	Paris	Shanghai	Guangzhou	Oslo

Shipbrokers in the UK operate at the centre of the international shipping business, bringing together ship owners, charterers and other related parties. Shipbrokers are represented by the Baltic Exchange, the world's only independent source of maritime market information for the trading and settlement of physical and derivatives contracts. Baltic members are also involved in the sale and purchase of over half the world's new and second hand tonnage.

64 Menon Economics, 'The Leading Maritime Capitals of the World 2022', (13 January 2022), p.5, available at: <https://www.dnv.com/maritime/publications/leadingmaritime-cities-of-the-world-2022.html#:~:text=Singapore%20retains%20its%20number%201,5th%20to%203rd%20position%20overall>

Infrastructure investment

The UK government last published a National Infrastructure Strategy in 2020, where it set out its goal to deliver an infrastructure revolution to put the UK on the path to the net zero carbon emissions by 2025, and to encourage private investment in UK infrastructure by increasing policy certainty and stability.⁶⁵

Additionally, the UK Infrastructure Bank was established in 2021 with the objective of providing finance to the private sector and local government for infrastructure projects. The Bank has £12bn of initial capital to deploy and can issue up to £10bn of guarantees. By March 2023, it had agreed 11 deals for projects in telecoms, energy, water and transport.

However, in addition to the establishment of the UK Infrastructure Bank, clear policy and a stable regulatory environment is needed to mobilise the significant volumes of private financing needed for infrastructure development.⁶⁶ The private sector has played, and will continue to play, a vital role. The majority of projects in energy, utilities and digital infrastructure, for example, have been financed privately. Nearly 50% of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest £150bn-£190bn in infrastructure in the UK in the next decade.⁶⁷ More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

The role of London and the UK as a global provider of professional services

Legal services

The UK is the largest legal services market in Europe (valued at £43.7bn in 2022, equivalent to \$54bn) and is second only to the US globally. The UK is home to a wide range of international law firms with more than 200 foreign law firms from around 40 jurisdictions operating in the country and all of the world's top 40 law firms having an office in London. Eight of the 20 largest law firms, based on number of lawyers in 2021/22, have their main base of operations in the UK, and seven of the top 20 revenue generating law firms are based in the UK. The largest international law firms in London have 42% of their lawyers abroad. Net exports of UK legal services stood at £5.7bn (equivalent to \$7bn) in 2022. Moreover, the UK has become a global hub for LawTech and is home to 43% of all LawTech start-ups in Europe.⁶⁸

The UK's position in legal services is helped by the international prestige of English common law, which forms the basis of the legal systems for some 27% of the world's 320 jurisdictions. Meanwhile, the UK's reputation as the leading centre for international dispute resolution is a strong driver for commercial parties to frequently opt for their contracts to be governed by English law.⁶⁹

Accounting services

The UK occupies a key position in the delivery of accounting services worldwide, with many of the largest global firms headquartered here. For example, all of the 'Big Four' accounting firms—Deloitte, EY, KPMG and PwC—have offices and businesses in the UK. Net exports from UK accounting services totalled £1.7bn (equivalent to \$2.1bn) in 2022.⁷⁰

Management consultancy

Management consulting has been one of the fastest growing industries in the UK in recent years. A key feature of management consultancy in the UK is the concentration of activity among a few large and medium-sized international firms at one end of the scale, and a large number of specialist smaller firms which have specific expertise or skills at the other end.

65 HM Treasury, 'National Infrastructure Strategy', (25 November 2020), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938539/NIS_Report_Web_Accessible.pdf

66 National Infrastructure Commission, 'Infrastructure Progress Review 2023', (2023), p.84-85 available at: <https://nic.org.uk/app/uploads/IPR-2023-Final.pdf>

67 HM Treasury, 'National Infrastructure Strategy', (25 November 2020), available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938539/NIS_Report_Web_Accessible.pdf

68 TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2023', p.7 & 13, (12 December 2023), available at: <https://www.thecityuk.com/media/0didtzlm/legal-excellence-internationally-renowned-uk-legal-services-2023.pdf>

69 TheCityUK, 'Legal excellence, internationally renowned: UK legal services 2023', p.7 & 8, (12 December 2023), available at: <https://www.thecityuk.com/media/0didtzlm/legal-excellence-internationally-renowned-uk-legal-services-2023.pdf>

70 ONS, '03 Trade in Services: The Pink Book', (31 October 2023), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016#:~:text=About%20this%20Dataset,cultural%20and%20recreational%2C%20and%20government>

The UK is a significant exporter of management consulting services. According to the Office for National Statistics, which uses a wider sector definition than TheCityUK does, business management and management consulting net exports totalled £25.3bn (equivalent to \$31.2bn) in 2022.⁷¹

Financial services education and training

A range of UK-based organisations provides education and training in financial and related professional services internationally.

Universities and business schools have a key role in attracting foreign students to the UK. Indeed, in 2021/22 there were 679,970 non-UK students in UK universities, representing, 23.8% of the total student population in 2021/22, according to the latest data available from Universities UK International.⁷² In relation to the QS ranking 2023⁷³, three UK universities are part of the global top 10 higher-level institutions specialised in accounting and finance courses; and seven UK universities lead the top 10 higher-level institutions with a great reputation in accounting and finance courses in Europe.⁷⁴

Specialised training services are offered by a variety of providers including exchanges, specialist training firms and industry associations. For example, the LSE offers its training and academy to support market participants.⁷⁵ UK Finance delivers an extensive programme of digital training throughout the year on various topics, such as compliance, risk management and presentation skills for practitioners. Its learning hub offers a range of award-winning eLearning content, and hosts its in-depth IF/ABL certification programme. In addition, they have partnered with a comprehensive, on-demand video-delivered learning platform built specifically for finance professionals, as well as the leading professional body for the global regulatory and financial crime compliance community.⁷⁶

A number of sustainable finance-related initiatives have also been launched in recent years. The Green Finance Institute runs a Green Finance Education Charter that aims to equip finance professionals with the knowledge, skills and attitudes needed to accurately assess climate-related risk and opportunities; it also aims to help incorporate sustainable finance principles and practices in the financial and professional services sector.⁷⁷ The Chartered Banker Institute also offers a Certificate in Green and Sustainable Finance that aims to increase the learner's knowledge of climate change

and its impact, climate risk, the evolution of green products and services in different sectors, and the role of the financial sector in supporting the transition to a low-carbon world.⁷⁸

The Financial Services Skills Commission is the independent, non-partisan, member-led body, representing the UK financial services sector on skills. With 42 members, employing over 300,000 people--around one third of the workforce in the sector--as of 2022, the Commission works to increase and diversify the supply of skills in the sector.⁷⁹

Meanwhile, UK-based professional institutions play a key role in the development of accounting skills throughout the world. For example, according to data from the Financial Reporting Council, there are nearly 400,000 members in seven main accountancy bodies in the UK and the Republic of Ireland, up by 2.1% year on year. These qualifications represent a global standard, as well as providing a training ground for the next generation of business leaders.⁸⁰

Conclusion

The UK's financial and related professional services industry continues to lead in many international markets (such as foreign exchange trading and cross border bank lending), and maintain very a notable presence in the trade of financial, legal, accounting, and management consultancy services. Moreover, with London well-recognised as an international financial hub, the UK industry consistently attracts foreign investment due to its expertise and capacity to innovate and reinvent itself to respond to the needs of new and specialist markets, such as green finance, FinTech, and Islamic finance.

71 Ibid.
72 Universities UK International, 'International facts and figures 2023', (7 November 2023e), available at: <https://www.universitiesuk.ac.uk/universities-uk-international/insights-and-publications/uuki-publications/international-facts-and-figures-2023>
73 The QS World University Rankings by Subject are based upon academic reputation, employer reputation and research impact.
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75 London Stock Exchange Group, 'Training Courses', (2023), available at: <https://www.lch.com/membership/training/training-courses>
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78 Chartered Banker Institute, 'Certificated in Green and Sustainable Finance', available at: <https://www.charteredbanker.com/qualification/certificate-in-green-and-sustainable-finance.html>
79 Financial Services Skills Commissions, available at: <https://financialservicesskills.org/about-us/>
80 Financial Reporting Council, 'Key Facts and Trends in the Accountancy Profession', (August 2023), p.5, available at: https://media.frc.org.uk/documents/FRC_Key_Facts_and_Trends_in_the_Accountancy_Profession_for_2023.pdf

Our international programme

TheCityUK's international strategy has the objective of making the UK the world's leading international financial centre within five years of its launch in September 2021. Achieving this objective requires industry, government and regulators in the UK to work together to strengthen the UK's international competitiveness and seek to:

Make the UK's IFC more open and competitive by:

- Boosting inward investment by shaping a new dynamic investment strategy, supported across central and local government, and ensuring that the process for screening investments into and out of the UK is efficient, transparent and well-targeted on policy goals
- Attracting global talent through streamlining business visa processes
- Adopting a dynamic, agile approach to regulation to drive innovation and support FinTech

Grow the UK's share of key global financial and related professional services opportunities by:

- Prioritising effort where liberalising trade with developed and emerging markets will have maximum commercial impact
- Utilising the full range of trade policy tools available and concluding regulatory agreements, such as digital economy agreements, which support services trade
- Securing recognition overseas for UK qualifications and improving labour mobility

Build new global markets around future demand, so making the UK:

- A global hub for financial and professional services data
- A world-leader in sustainable finance
- The leading gateway for global companies seeking to raise capital for their international growth
- A global centre for risk management and risk advisory services

The strategy sets out several policy recommendations that can help the UK become the world's leading international financial centre, and TheCityUK is monitoring industry's success in delivering on those objectives via a tracker and set of metrics. The strategy is being delivered across all areas of the industry's international engagement, which covers the following:

Multilateral trade and investment policy: TheCityUK works with a range of intergovernmental organisations, overseas businesses and partner alliances, including at bodies such as the WTO and OECD, to shape more integrated global services markets.

Bilateral trade and investment policy: Through our country and region-specific Market Advisory Groups and the India-UK Financial Partnership, we build financial and related professional services ties between the UK and its key trading partners in the developed and developing world. Our groups provide a platform for industry to advocate for policies that will boost trade and investment with the US, Europe, Japan, China, India, ASEAN, Eurasia, Middle East and Africa. They also provide a forum for the UK-based industry to deepen co-operation with its key international business partners, including on key forward-looking issues such as sustainable finance and digital governance. We also work closely with HM Treasury to foster closer regulatory cooperation with key counterparts, including serving as industry partners in key bilateral milestones such as the UK-Switzerland Mutual Recognition Agreement for Financial Services, the EU-UK Financial Regulatory Forum, the Economic and Financial Dialogues with China and India, and the Financial Dialogues with Japan and Singapore.

Regulatory coherence: Some of the biggest trade barriers affecting financial and related professional services businesses are regulatory in nature. Through the International Regulatory Strategy Group and TheCityUK's international workstreams we aim to foster global regulatory coherence through financial services deference agreements, mutual recognition of professional qualifications, and more globally consistent rules around green finance disclosure standards. TheCityUK is currently conducting policy work to explore how the UK might deepen international regulatory coherence via a more extensive use of bilateral agreements structured around mutual trust in and recognition of respective regulatory regimes.

Sector specific advocacy: Through our Sector Advisory Groups – including our Legal Services Group and our Islamic Finance Group, we focus on ensuring the continued international competitiveness of the UK's offering in these sectors and promoting UK expertise.

International development: TheCityUK, in collaboration with our members, industry partners and trade associations, supports UK development projects that help governments in emerging markets to improve their country's financial and professional services and business environments to international legal and statutory standards, and best practice. As a leading international financial centre, the UK and its financial and related professional services industry can offer partner countries access to targeted subject matter expertise on how to develop their own financial and professional services ecosystems – ecosystems which, in turn, enable broad-based sustainable and inclusive economic growth throughout the host country and regional economy. Our recent initiatives include projects in Vietnam, Nigeria, Kenya and Ukraine.

Sources of information

Association of Foreign Banks	KPMG
Bank for International Settlements (BIS)	Lloyd's of London
Bank of England	London Bullion Market Association
Barclay Hedge	London Market Group
British Private Equity & Venture Capital Association	London Stock Exchange
Chartered Banker Institute	Menon Economics
CEIC data	National Infrastructure Commission
City of London Corporation	New Financial
Climate Bonds Initiative	Office for National Statistics (ONS)
Dealroom.co	PitchBook
Financial Reporting Council	PwC
Financial Services Skills Commission	QS Top Universities
Fitch Ratings	Swiss Re Institute
FTSE Russell	TheCityUK
Green Finance Institute	The Investment Association
HM Treasury	UK Finance
HSBC	UNCTAD
Imperial College Business School	Universities UK International
Innovate Finance	US International Trade Administration
International Monetary Fund (IMF)	Willis Towers Watson
International Underwriting Association of London	World Federation of Exchanges
Invest Europe	Z/Yen
Investment Company Institute	

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