UK TRADE & BUSINESS COMMISSION

Agenda: Live Evidence Session on the Future Trade in UK Financial Services

10.15am-12pm
13th May 2021

CLOSED Session, 10.15am-12.00am [105 MINS] - Commissioners Only

Chaired by Peter Norris

In attendance:

- **Members of the Commission:** Peter Norris (Chair); Hilary Benn MP; Sir Roger Gale MP; Layla Moran MP; Claire Hanna MP; Paul Blomfield MP; Dr Philippa Whitford MP; Paul Girvan MP; Aodhan Connolly; Andrew Ballheimer; Dr Geoff Mackey; Tamara Cincik; Caroline Lucas MP; Professor Alan Winters; Professor Shearer West; Dame Rosemary Squire
- **Expert Advisor to the Commission:** David Henig.
- **Attendees from the Secretariat (Best for Britain):** Flo Hutchings; Julia Meadon; Paul Haydon; Laura Savage; Jake Verity; Lauren Tavriger.

Apologies:

Alison Williams, Dr Philippa Whitford MP, Dr Stephen Farry MP; Liz Saville Roberts MP

Live Evidence Session Begins

Chair: Good Morning everyone and welcome to the third live evidence session of the Commission. Today we're going to discuss the extremely important topic of the impact of the Trade and Co-operation Agreement on UK Financial Services, one of the largest sectors of the UK economy and probably the one of which there remains the most to do in terms of defining how our new relationship with Europe will change things.

I'd like to thank very much indeed the witnesses who are appearing today. With us William Wright, Emma Reynolds, Philip Wood and Nick Collier and I'd like to start by asking each of them briefly to introduce themselves before we go to questions.

William, would you like to start?

William Wright: Good morning everyone and thank you very much for the invitation to join you today. I'm William Wright, the founding and managing director of the think tank called New Financial. We focus on making the case for bigger and better capital markets in Europe. Before launching New Financial in 2014, I was a financial journalist; an editor of financial news for 20 years.

Chair: Thank you. Emma?

Emma Reynolds: Thank you Peter and thank you for having me this morning. My name is Emma Reynolds, I'm the managing director of public affairs, policy and research at TheCityUK. TheCityUK is an industry body that represents financial and related professional services industry, so, a wider industry than the financial services industry and we have over 140 members.

Chair: Thank you. Philip?

Philip Wood: I'm Phillip Wood, I was former head of the intelligence unit at the law firm Allen & Overy. I have taught courses at Oxford, Cambridge and Queen Mary University. I've lectured at about 60 universities, I've written about 20 books including books on financial regulation and I have two honours from the queen. An honorary Queen's counsel and CBE.

Chair: Thank you Philip. Nick?

Nick Collier: Good Morning. I hope you can hear me. I'm joining on my mobile phone because I couldn't access from my iPad temporarily. My name is Nick Collier, I am the representative of the City of London in Brussels normally, although I am in London at the moment. As you know the City of London represents the square mile but we have a wider representational role for the sector and I am effectively their ambassador to the EU and the member states.

Chair: Thank you very much indeed each of you. Let's go to the first question which is a framing question from Layla Moran.

Question 1: Layla Moran MP

Layla Moran MP: Thank you so much Chair. Good morning everyone, thanks for joining us and I'll admit I'm very much a lay person when it comes to these matters so I wondered if you could help to explain to me and others. I mean London is often described as a global financial services hub, but what does that actually mean? What are we selling? William, I wonder if I can come to you first?

William Wright: That's an excellent question. In this debate we often assume a high level of knowledge and we often use confusing, competing terms. One way we think about it is to think of financial services in five different buckets in terms of the sectors within the industry. Three different types of clients and in the context of this debate on Brexit, a very clear separation between domestic activity and international activity. So those five buckets by sector we would say were banking; insurance; investment; market infrastructure, so exchanges, stock exchanges, IT, trading platforms; and then the wider community that Emma mentioned. The advisors, the PR firms, the law firms and so on.

The three groups of clients broadly we would put into retail, individuals, you and me. Commercial, smaller companies. And then the wholesales and institutional group which is I think really the focus of the impact of Brexit. We're talking there about larger companies, international companies, governments and government agencies. And then there's very clear separation between domestic and international.

There's lots of domestic activity in the UK that is largely unaffected by Brexit. Our bank accounts, our pensions may be affected at the margin. But they are not going anywhere. What we're really focusing on I think in terms of the potential impact of Brexit on financial services is the international element, and it is in international banking and finance, where the UK, where London really have this outsize market share in global activity relative to the size of the UK economy.

Layla Moran MP: Thank you very much. Philip, do you have anything you'd like to add?

Philip Wood: Yeah, I'd just add that the financial flows worldwide are about 100x trade flows, they are enormous and the figures themselves are pretty colossal. If you take world GDP as 80 trillion, it's like eight football fields. If you take eight football fields at 10 trillion each, now one of the markets in London which London in fact dominates worldwide is the foreign exchange market, and the size of that is 50 football fields and the amount which goes through payment systems is 1500 trillion which is 150 football fields so that gives you the impression of the amounts which are involved in these markets.

Layla Moran MP: Thank you. Emma?

Emma Reynolds: Just to add to that Layla, London and the UK, I mean our international financial centre here is one of the world's most international and arguably the most international because although New York is our direct competitor, a bigger proportion of the business done in New York serves the US market and London serves the UK market and I will come onto this on the second question but we musn't just talk about the City. Despite the organisation that I represent, this is about jobs across the country. There are huge clusters in big cities around the UK that have both financial services, banks and others set up but also professional services so if you think of the financial district in Manchester, PwC, even in the last year where we've had a very difficult time have opened a huge new office in Manchester. Goldmans Sachs announced recently that they were opening a new office in Birmingham so please don't just think of financial services as the City.

Layla Moran MP: Thank you very much and Nick, is there anything that hasn't been covered yet from your perspective?

Nick Collier: Well I just, to frame the conversation for what's to come. William's point is a really valuable one when you talk about the wholesale sector really, so let's park the retail sector. It's really important as Emma said outside London as well. So the way I often explain it is it is a form of a supply chain, and it's invisible. One of TheCityUK's predecessors was called british Invisibles for that reason. It's all about as Philip was saying capital flows, so for a very specific example you've got teams of people in London in capital markets helping a German company to raise money to do something, build a factory with a bond and the people who buy that bond are probably Japanese Pensioners, so its an international supply chain. Just like other supply chains but it's pretty invisible or an Italian investor, part of their pension is invested in Brazil they'd say and that's another supply chain and of course there's inward investment as well so it's an ecosystem. I think that world will come up today. And it's largely regulated which makes it very different to any forms of other services or indeed the forms of supply chains and that's an important element of what we're going to talk about today because the question is how do you regulate the supply chain? Because you cannot regulate the entire supply chain in one place.

Layla Moran MP: Well, so let's come onto the invisible supply chain and specifically the Trade and Cooperation Agreement itself and Nick perhaps you can start on this one. What was in it and also critically what are the most important elements that are missing, And we know we've signed a memorandum of understanding. Is it going to help?

Nick Collier: Yeah was that to me?

Layla Moran MP: That was to you, Nick.

Nick Collier: Yeah, so it's a pretty standard FTA isn't it the TCA? And FTA's generally don't cover financial services because as I said just now they are a regulated service and generally speaking the financial regulators don't want to be included in trade agreements. So I think we tend to say it is disappointing there wasn't more on Financial Services, disappointing on services generally in fact on both sides, but we are where we are. That reflects the red lines of both sides and in particular I think for financial services it reflects the view of our regulators and indeed EU regulators that they don't want to be rule takers if you like. They don't want to be dependent on others rules or supervision where possible so therefore there could be the consequence of the TCA that you lose that access that you had in the single market. And that's pretty unique in the world. There's nowhere in the world where you get cross border access like you had inside the single market. Obviously that stops for retail, but it also stops for wholesale so it's quite a radical change for our sector.

Layla Moran MP: So therefore what are we hoping to achieve with the MoU?

Nick Collier: Well I think the MoU is a fairly standard outcome of the TCA. There's a similar regulatory co-operation agreement in the EU-Japan agreement, there's a similar one in the UK-Japan agreement. And one would hope you might get the same agreement with others. We might talk about that later. And a regulated cooperation is a good thing and I think it's really important we have the MoU. It's a platform to build trust between the finance ministries and the regulators on both sides. It does reflect reality in the way I don't the TCA really does in there's a strong nexus between the two and by that I mean there's ongoing co-supervision. So like it or not we've got divorced, a fairly radical divorce and with certain implications, but our regulators still need to co-supervise major financial institutions who are active in the UK side and the EU side and indeed quite often internationally too. So life goes on if you like in terms of our supervisors having to work together and life goes on in terms of those cross-border flows that you described earlier continue.

Layla Moran MP: Thank you. Emma, is there anything you'd like to add on that one?

Emma Reynolds: Yeah, thanks Layla. Just to say all credit to the firms that we represent and indeed the Government and regulators on both sides really because although there wasn't much in this deal for financial services, you didn't see a big cliff edge on the 31st of December. There was no big shock to the system. Things went very smoothly when markets opened in early January.

So although there was a fundamental change in the relationship, firms, regulators and others had done so much preparation in advance and basically our members thought that we wouldn't get much out of this deal. That was pretty clear early on. We knew we were going to lose passporting pretty soon after the referendum and therefore they had set up subsidiaries in EU member states and they had made sure they had applied for those licenses ahead of time and regulators worked with them to ensure that happened too. So just to say there was a pretty smooth transition early this year, and had that preparation not been done, then there could have been some shocks to the system but there weren't so just to say that's part of it.

There are other than the MoU other outstanding issues that we are pushing for, for example we don't know what the impact of the TCA's gonna be on short-term business travel. You know the restrictions are in but obviously nobody's travelling so that hasn't become apparent. So we are watching that one very carefully when that becomes more apparent. Data is a big issue, not just for financial services but services generally. We are confident that that is going in the right direction, we hope. And then the Lugano convention which is about the jurisdiction across borders. That doesn't look like it's going in the right direction. So there are other issues beyond the MoU. The MoU is important as Nick said because it is important that both sides. Both the treasury on our side and DG FISMA, the financial services part of the Commission stay close together in terms of how they are going to change regulation. They haven't granted many equivalences to the UK, only two. So therefore there is going to be change on both sides, that's inevitable and it's important in that dialogue they get ahead hopefully of those changes so that they can continue to build trust and cooperation. So we think the MoU and when the dialogue starts is incredibly important and so will be the consultation with industry too which we're discussing with the treasury.

Chair: Emma, thank you very much. Layla I think we must in the interests of time.

Layla Moran MP: There's one really quick question perhaps to ask to William if that's alright Chair. Which is simply was the financial services sector let down by the Government in negotiations?

William Wright: Multi-trillion euro question. I don't want to sound heretical but my answer would be no. There was lots of talk of the Golden Goose and the City being sold down the river or thrown under the bus. As Nick said, once you make political decisions in late 2016 on red lines about no single market, no ECJ and no freedom of movement, the outcome for the city becomes mechanical. The outcome may not be what many people in the city wanted, but between making those it's a direct consequence of the political decisions taken five years ago.

Layla Moran MP: Thank you.

Chair: Thank you very much. Could I now move to the second question. Tamara Cincik?

Question 2: Tamara Cincik

Tamara Cincik: Hi, thank you. Like Layla I am not from the financial services industry but what I do see in the questions that I've been asked to submit and ask you are parallels with the industry that I come from which is the fashion industry that also is looking at its global presence. It's the largest of the creative industries but also has built up a global reputation as a leader in the UK.

So the first question I'd like to ask are, is this first to Emma. What are the benefits to the country of being a leading financial services player?

Emma Reynolds: Thanks Tamara. Lovely to meet you, albeit virtually. So there are both direct and indirect benefits, but I just wanted to underline again that financial services underpins this wider ecosystem that Nick referred to earlier of professional services that support financial service. So whether that's the accountants, the advisors, the other professionals at law firms. Other professional services firms and that ecosystem is pretty unique and unrivalled actually.

As a whole it employs 2.3 million people and 2/3rds of whom are outside of London so again, this is relevant to the rest of the country. Not just to London or the City. The industries the biggest tax payer and last year paid 75.6bn in tax which is around 2/3rds of the government's education budget, and it's the biggest exporting industry bar none because it generates trade surplus which is greater than all other net trade exporting industries in the UK and half of those exports come outside London.

For individuals, obviously the financial services sector has benefits too because it allows people to buy homes, save for the future, plan for retirement, ensure their belongings. All of the people on this call will be using those services I'm sure. But for businesses it's an engine for growth, because it allows them to access finance either through traditional loans or other means, and allows them to raise money on capital markets. So we believe it's a national asset and we believe that working in partnership with government and regulators, it's critical we ensure the future continued success of our industry.

Tamara Cincik: Thanks Emma. So in my Industry, on average, a half to ⅓ of workers across the entirety of the sector which is of course from creative to manufacturing are EU or pre-Brexit were EU passport holders. What's the demographic of that with your sector?

Emma Reynolds: I don't have the stats at hand but I can certainly send them to you afterwards. There are lots of European's working in financial services in the UK but I don't have the final figures for you.

Tamara Cincik: Thank you, it's just because.

Emma Reynolds: William might have them at his fingertips.

Tamara Cincik: Yeah, thank you. And I'm drawing in Philip perhaps if you know about that? It's just because what I'm hearing from my sector is long-term they are worried that some of the jobs that relate to customer facing opportunities are going to be less attractive to people with other multilingual capacity that they have, so customer services for the fashion industry for example will be relocated out of the UK and I wonder if that's the same for the financial services. But thank you Emma.

If you could pick up on these questions please Philip. What are the benefits of, I'll repeat it again, What are the benefits to the country of being a lead of financial services player? Thank you Philip.

Philip Wood: As Emma said it's basically jobs, tax, GDP and material prosperity and status you know. But I think looking at the thing in terms of the wider world, you know one of the purposes of capital finance or credit or whatever you like to call it is firstly to alleviate poverty and secondly to redistribute wealth, and thirdly to provide for growth, to enable growth. Now of course, I realise a lot of the money is wasted, but a lot of people waste their lives and that's not unreasonable.

Tamara Cincik: Brilliant. That's quite a philosophical answer to the question. Do you have any stats at all on the kind of ethnic makeup of the people within the industry. How many come from the EU?

Philip Wood: I don't have stats but I certainly found in the work I do in my firm that there's hardly an englishman in the place to be honest, and frankly in the city, I think one of the great glories of the place is people are from all over the world so I think it's a great boon and something we really want to try and keep.

Tamara Cincik: Thank you. I mean that leads onto the second session and I think we're starting with you on that, before that does anyone, William or Nick would you like to come in on those points before we go to the second part of the question?

William Wright: Tamara, just very briefly on the stats on EU employees, there is a jobs board for the City called efinancialcareers and every year they publish their anonymised analysis of the nationality of people in their database for city jobs. Their latest figure I think is around 15% were pre-Brexit EU. That to me sounds a little bit low if we're talking about the wholesale international end of the city. I would put it at more like 20% and in some sectors even higher than that.

Tamara Cincik: The reason I've asked that is because it actually draws on the second part of the question in terms of attraction and what builds status, and certainly being a cosmopolitan city supports that.

Nick, do you want to come in before I go to the second part of the question at all?

Nick Collier: Just two separate points really. One is there is an advantage to the UK economy of having international sort of wholesale markets here which is that it gives you more diversity and I think we would argue more resilience in your economic system. Not for the purposes of today's discussion but as William knows we did some work on this, one of the problems EU member states have is they don't have a capital market system so your companies and your sector may depend just on their local bank for financing. So the fact you've got these international firms, who many a primary international servicing companies, actually there is a capital market in the UK they can tap into, so it makes our financial system more competitive and that's a point I'll come back to later on. It's really important and more resilient

My second point which I guess leads onto what you're going to ask right now. On your example of staff I think William's right, I think in wholesale firms its often higher, I've come across firms where it's 30% if you like EU. But the sales functions, you've talked about sales functions Tamara. You can't do that anymore. Because as I said at the beginning this is a regulated activity, so the German speaking salesperson speaking for big investment bank X, sitting probably most of the time on a plane travelling around seeing German clients but technically based in London, will now be based probably in Frankfurt because that's a regulated activity. So you'll lose some of your EU staff who would have been the sales force. Not all of them but of course they've had to go.

Tamara Cincik: Thank you. That's really valuable information. Thank you very much. So Philip, you're leading on the second part of the question and that's what does the UK need in order to remain a strong financial services exporter? What attracts activity to the UK and where are our main competitors?

Philip Wood: Thank you very much Tamara. That really is a pretty central question. I think my answer to this, I'll sort of deal with it in a slightly different order from the way you put it, is to look at what the city has got and I think it needs a little bit of background.

Now the first piece of background is that there about 320 jurisdictions in the world, which are sort of legal territories you know and out of those 320, 40% of them are based on English law. So the preponderance of English ideology is very important in the world, as it is with other European countries such as France or Germany. About 85% of the world's jurisdictions are based on a Western legal system. Now English law has another characteristic that is very important for what we're talking about and for financial markets and that is it is an international public utility. It is one of the two most used governing laws for all of the big contracts indicated credits, bonds, issues, derivatives and long-term supply agreements. Contracts have to have a governing law and English law is chosen anecdotally between New York and English law, they have about 80% of that market. So that's an enormous thing which this country has and an enormous sense it's very important to the general status of the country. And the third thing about the legal system which is the real underpinnings of any market you operate within a system of laws, private laws, not just regulated law, is that the legal system for all sorts of funny historic reasons to do with Adam Smith and the 19th century and god knows what else is very suited, it's suited to financial business and one of the reasons for that is for a very high degree of contract predictability that is the courts don't decide what they think is fair. They tend to leave it to the parties to negotiate their own contracts. I'm talking about business to business contracts here. Not consumers. And the second thing is it's got some very very important systemically important risk producing features which are embedded in the legal system. As a technical matter Tamara this is only for people in the business they happen to be set off and netting the presence of the trust and custodianship and collateral.

Now those result in a quite fantastic reduction of the immense risk that I have been talking about. Now those things are not available in any of the EU civil legal systems. Again for historical reasons. They are not wrong. It's not right or wrong. It's not good or bad. It's a question of how your legal system has adapted to a particular business, the English law has quite incredible ideology which fortuitously tends to favor the free workings of financial business. It reduces risk basically and it is very conducive to forwarding the business.

Now so that's one thing which is really important. The legal system which has taken centuries to build it up. The second thing is that this country has the language. Now I don't want to make a big jingoistic point about that but I would mention that ironically the language combines the streams of the latin and germanic traditions in Europe and therefore is ironically the most European of all the languages. And it happened to be the lingua franca of business. I'm not claiming I think the Americans did that, not us and also ironically the language was the result of two colonial conquests of Britain with the anglo-saxons and then the normans so they did us a favour to be honest. And then the next thing so we have a legal system, we have the language, third we have an immense amount of goodwill and I don't want to get sort of patriotic or jingoistic about this either but the fact of the matter is that if you look at the rule of law and the impartiality, due process, regulatory proportionality, experience and expertise in all of these things, familiarity of the legal system around the world and how we operate. I would think that if you combine that with the general economic power and defense power and the history of this country, in terms of our overall international clout which is very important for markets, we're probably number three in the world after the United States and China. So those are three things. Legal system, language, goodwill and then there are all the other things you know it's up to the liquidity of the markets, lots of experience, we've got good infrastructure, we've got a good size in terms of population, we're in the right timezone, there are good schools in London, there are transport systems you know worries a lot of people, there's lots of culture and all of those things. But I think the foundation of these are on those things I just mentioned.

Now there's only one other point I'd mention Tamara if I may and that is you know the world they say is becoming financialised and people say that's a very bad thing. But what's really happening is that as GDP goes up, that really is it means that all the boats are going to rise at the same time and we can expect and I certainly hope but who knows, but I certainly expect that world GDP will go up which means there will be lots more business and it will be very important that those businesses are properly regulated and looked after by legal systems the laws are very important in that respect. So I think all of this money is not going to go under the mattress. I think it is going to go into financial markets so this money represents the work and labour of the people and not only is it a means of exchange but also connects us with our futures through our pensions which also is a financial service and in addition it connects us with other nations as we have to trade and need money to do that. Now some people think that some money is the work of Dracula, you know, but I don't. I think it's a very, very good idea. That's that.

Chair: On that note Philip I think in the interests of time it's fascinating.

Tamara Cincik: I would love a lecture Philip, it's really interesting. I loved bringing language into it as I'm an English graduate and I had to learn old English which has no latinate language in it and I'm quite glad we're not speaking like a scene from Beowulf. Do we have time to ask anyone else Chair, or do we have to move on?

Chair: I don't think so. I'm afraid Just to remind everyone we need to keep to seven or eight minutes per question. Thank you very much for that.

Tamara Cincik: Perhaps if the other speakers have points they could put them into the chat and we could pick them up after that would be really helpful and thank you very much. Thank you Philip. Take care. Bye.

Chair: Perfect. I'm now going to ask Caroline Lucas please.

Question 3: Caroline Lucas MP

Caroline Lucas MP: Thank you Chair and this probably is quite a quick question because I suspect the answer might be we don't quite yet know, but it's a question for Nick and it's about the cost of Brexit fragmentation on individual customers and I'm thinking in particular of UK citizens living abroad losing access to bank accounts or small businesses finding it harder to access finance. Have we seen any of that yet and if so, are there any measures that we can try and put in place to reduce any kind of negative impact?

Nick Collier: Well I think you're right Caroline, the answer is we don't know the cost of numbers, the banking association might know and we can check with them if you'd like offline or you can do that. It is true that I think some people have not anticipated you know that cliff edge effect of January the 4th that you did lose because it's regulated activity and so it had to stop and the answer is you then have to take out obviously a local service so we don't know the answer Caroline on the citizens or indeed the other way around EU citizens potentially as well in the UK. So we don't know, nor do we know the impact on the wholesale markets yet. I think you may come onto that but we don't know yet.

Caroline Lucas MP: Thank you, that was very short. Does anyone else have any light to shed on this or is it a general feeling that we just can't anticipate what the answer might be?

William Wright: I think Caroline I agree completely with Nick. There's plenty of anecdotal evidence that UK citizens living in the EU have lost access to services previously provided by UK banks and vice versa. I'm not aware of any data that is being collected by individual firms or by trade associations that are national or EU level to pull that all together.

Caroline Lucas MP: Thank you Chair. Hopefully I can use my extra minutes at a future meeting, I can trade them off.

Chair: Yeah we'll bank those minutes for your next one Caroline. Geoff, can I turn to you please?

Question 4: Geoff Mackey, with Aodhan Connolly asking the first question

Chair: Geoff, I think you're muted. While you sort that out, Aodhan would you like to put the question in for Geoff?

Aodhan Connolly: I'm going to to start with Nick on this, then to Emma to add. How does London compare with other cities as a centre for fintech, sustainable finance and to what extent will it be important to influence global regulations? I do have a follow-up on this as well.

Nick Collier: So, I think that's an important question because digitalisation and use of fintech and supporting the move to a net zero economy are two kind of massive secular drivers for our sector. Right, we're a services sector in the middle of digital transformation so it's important the UK stays ahead of the pack on that and stays competitive and the same with sustainable finance. I think that reinforces all the points that Philip so eloquently made about why London and the UK are centre for this activity. I

I think the signs so far are very positive and almost in a way California and the US are probably the leading centres for innovative technology but the UK comes a close second. I think over $4bn is that stat we use for London alone in fintech in the UK, so it is becoming a cluster just like we discussed. It is a cluster in wholesale financial markets and that's partly about talent and as we were discussing generally, it's important that we stay open to talent. It's partly about the quality of our regulation and the quality of our supervision. That's the one point I would have added to Philip's remarks about why the UK is such leaders, we have well regarded, very experienced supervisors, regulators.

If you asked firms including fintech firms as well as big banks, what's one of the most important things to them in terms of financial regulation it is the quality of supervision and that gives us a huge advantage over most EU centres for being a bit narrow-minded about it because they don't have the experience of regulating and supervising wholesale financial markets and I think we're getting a head start in terms of fintech as well and I would just mention if committee members haven't seen it the kalifa report we were the co-secretariat of reporting to the treasury on fintech recently. The treasury endorsed I think most of the recommendations. It was an excellent report and talks about us needing to get a lot more investment in fintech to get more scale that in turn reflects the openness of the UK to external investment in the UK, being extremely open. Getting the skills and the regulatory environment is really important and I would also endorse the work that Huw van Steenis and Mark Carney did for the Bank of England a couple of years ago, a report called the future of finance that I think was also a very honest assessment of the way that our own regulatory environment and supervisors need to adopt new technology including the buzz phrases you might have heard like regtech or suptech, supervisory technology and indeed increasingly on sustainable finance particularly green tech. The world is run on data as is our sector, so the way that you can reflect that in your supervisory tools as well as in your financial products is really, really important.

On sustainable finance, the UK obviously helped by our leadership in G7 this year plus the COP26 in Glasgow later in the year particularly on the push to net-zero, Mark Carney representing the UN and British Government on sustainable finance is a tremendous momentum behind the sector, particularly in fund management which is really important which is going to invest in sustainable projects, label funds as ESG (Environment Social and Governance funds) for sale to wholesale and retail investors so we're very optimistic of the UK and the City is leading the world in terms of sustainable finance too and that's of course supported by the Government's own efforts on net-zero.

A particular challenge then you ask about global regulation so all of these things are increasingly globally regulated. Our sector unusually compared to other sectors. We have very detailed international rules for banking for insurance, for securities trading there will also be quite detailed international standards for sustainable finance, in particular the disclosure. You know things like Carbon disclosure, carbon byproducts and disclosure by our own sector of what's in their funds. You know they will be selling you and me a sustainable investment pension product or something like that. So these standards and these labels become extremely important and are being worked on globally and we are very influential on things that Philip said, very important, very influential on the G7, G20, the financial stability board in Switzerland that Mark Carney was the Chairman of. So we are very influential and we hope that we will be able to maintain a leading centre if you like where these rules are obviously going to be laid down by the American's or the Chinese or the Europeans or the British, but we hope that they will be at least aligned and inter-operable so I think we are very positive about that and I should also put in a plug for the green finance institute that was set up by us and the Government a couple of years ago to try and lead the world's thinking on how you encourage our sector to facilitate the move to net-zero.

Aodhan Connolly: Thank you very much.

Chair: Geoff, I think you're back on are you?

Dr Geoff Mackey: Thank you very much Peter. My apologies somebody obviously gave horlicks to the donkey.

The reality of sustainable finance particularly at the sharp end of industry when we are in hard to abate sectors, the need for investment is clear. Emma, you talked about consultation with industry. I wondered if there are any comments you'd like to make about our new trading relationship with Europe about the barriers that UK companies have got to finance, including for sustainable economy developments and evolutions.

Emma Reynolds: I will but if I could just say a quick word about fintech, I mean Nick covered it very comprehensively, but just to mention that when the Chancellor spoke about financial services in Parliament on the 9th of November last year, he talked about granting equivalence to the EU but he also talked about the growth sectors for the future. The two that he alighted on were green and sustainable finance, but also fintech and just to say the industry as Nick already said very much welcomes the Kalifa review, and one of the recommendations, I mean the government is looking at all of them and has warmly welcomed them, but one of them I think is critically important is this fast-track tech visa for bringing in highly skilled people to come into the UK to help these fintechs to scale up. I think this is an important element to talk about.

On your second question, I don't see that there's a great deal of difficulty in that as frankly London and the UK has kind of been the financial centre for Europe, not the other way round, so a lot of these sources for sustainable finance and others will come either from the UK itself or will be able to be accessed from other markets, so it's not a particular concern that we have.

Geoff Mackey: Emma, thank you very much. William, I was just wanted to finish off my set. In your opinion would diverging standards help or hinder the ambition that we're now talking about?

William Wright: In an ideal world it would be lovely to have one global standard implemented in the same way in every region and in every country but that's not the world in which we live. In sustainable finance I think there is a fascinating experiment about to take place. We have effectively two large potentially competing blocs, the EU and the US in terms of trying to set global standards for ESG and sustainable finance. Philosophically, the US and the EU approach this challenge from a different perspective. The EU is arguably more prescriptive and based on some definition of what it is as a means to encourage it. And the US is more market oriented. And I think there is an opportunity/challenge for the UK of which of these blocs it ends up aligning more closely with. If it supports the EU's approach then perhaps there is a higher chance of the EU becoming the de facto global standard. If as a free agent, a significant free agent post-Brexit, the UK leans more support to the US approach, then the US standard becomes the de facto global standard and I can see that playing out in a number of other sectors where the UK and the US between them utterly dominate international banking and finance. And there is an opportunity and a challenge for the UK at the same time to decide on where or with whom to align itself in this global debate.

Geoff Mackey: Very helpful. Thank you very much. Thank you Chair, much appreciated for your patience.

Chair: Thank you very much Geoff. I'd like to turn to Roger Gale please.

Question 5: Sir Roger Gale MP

Sir Roger Gale MP: Thanks very much. Nick and William have touched on the global standards up to a point at quite considerable length. But Philip, what I'd like to know is to what extent are the financial services regulations global, and distinct from between individual countries?

Philip Wood: Well, first of all financial regulation is a matter of sovereignty of individual countries and so there's quite a low amount of harmonisation. The EU is a harmonised region and the other main force of harmonisation comes from the Basel regulations in Switzerland mainly to do with a very important sector of setting how much capital banks have to have, how much easy money they have if there is a crisis. Banking sovereignty and things like that really are the heartbeat of financial regulation and are set by Basel and pretty well we almost have to go along with what Basel says.

Now, otherwise it is absolutely no doubt that around the world financial services, the barriers around the world are very considerable for all the usual reasons. Protection of local business, local money, local consumers, the risk factors, stability factors, the fear that foreigners are always the scam artists, the foreigners are always wicked and we are the great people, the innocent people. And that's somehow very deeply embedded in humankind's psyche in the world at the moment I'm afraid.

But there is another very important point and that is the administrative sanctions imposed by regulatory authorities are never enforceable abroad, so there's no way that one country can enforce its own regulation against foreigners, that's a legal matter as they are viewed as criminals, so for all of those reasons the barriers are huge. You can't set up a local business, you can't take deposits from local people as you are taking away the savings of the people which should be for their domestic economy and so on and so on, and exchange controls. It really is a ferocious and extremely complicated, impenetrable, thick it is, completely out of control so far as I can see but there is one glimmer and that is in the region of the wholesale market, dealing with big institutions, it's pretty free. You can buy and sell foreign exchange, you can send out prospectuses raising capital, you can do loan syndications all over the world without generally speaking, without the hindrance of local regulation provided you only deal with sophisticated investors. So I think that's an important development, but on the whole, I think the world situation is not very good.

Sir Roger Gale: Thank you very much. That's very interesting indeed. Now, if we can move on and perhaps William you could have a crack at this. Those of us that are not involved in financial services tend to think of financial services being big banks, big bucks, big companies and big international business, but one of the things that has been of a lot of concern to us all on the panel has been the effect on small businesses, and I wonder if one of you. Possibly William, possibly Philip, could indicate how much these differing regulations from country to country to country, and then from bloc to bloc, United States, European Union, how much those impact and are a barrier upon trade for the smaller businesses?

William Wright: It's a very good question. If I could hazard a stab at an answer. The larger the firm, the larger it's government affairs, legal, compliance department whose day job it is to deal with these differences and help overcome them. Indeed lobby Government and regulators directly to smooth off the rough edges. And obviously, the smaller the firm the less capability that they have.

We've certainly seen in some of our work over the last few years, a number of smaller firms that don't have this in house capacity deciding to reduce their activities. In one or two cases deciding to cease their activities altogether in the EU because it simply wasn't worth their while. They didn't have the capacity to deal with the problem, but in many cases these firms had a relatively limited business or footprint in the EU and I'm not sure about the causation or correlation. I'm not sure if they had a small footprint because they were a small business, or they were a small business because they had a small footprint in the EU but certainly the complexity that Philip talked about of different financial regulations on a global, regional and national level doesn't help and it has a higher perhaps barrier to growth for smaller businesses.

Sir Roger Gale MP: Do you know, does anybody know if there is an organisation that is providing serious back up to those smaller businesses? I understand exactly that you've got the scale of a big company, they've got the in house capacity to deal with all of this stuff, tedious though it may be, but it clearly is a barrier to small companies. Is there anybody providing that services saying yeah okay fine we can do this for you?

William Wright: There are some third party providers so for example, a number of firms that we've identified as relocating some of their activity to Luxembourg post-brexit. They are actually channelling that activity through a Luxembourg company that operates as a third-party host if you will. It is offering to take on the administrative capacity and burden of looking after that firm operating in the EU. I'm not aware of that happening on a wider scale. I'm also not aware perhaps Emma and Nick might be more aware of any sort of support mechanisms available through trade associations and government.

Sir Roger Gale MP: Emma do you know? You've just been honest.

Emma Reynolds: I don't know and there are small businesses in our membership. It's true to say in finance that because of the reasons that William has just set out, it does tend to be dominated by bigger banks, bigger asset managers. These things kind of lend themselves to that scale, so I don't really have a good answer for you. We certainly don't. We are a representative body that seeks to make sure that the policy environment is as good as possible. We do not give the sort of support that you are talking about Roger, and I'm not sure whether other trade associations which are more specific to specific sectors do so either, but I can check and certainly come back to you if that would be helpful?

Sir Roger Gale MP: That would be really useful to know. I'm happy with that unless Nick, you wanted to add anything? But I'm happy with that answer. If you could let us know.

Nick Collier: Nothing to add to that.

Emma Reynolds: Happy to come back to you on that.

Sir Roger Gale MP: Thank you, that's great.

Chair: Thank you very much Roger. Hilary can I move to you please?

Question 6: Hilary Benn MP

Hilary Benn MP: Thank you very much indeed. Can I just go back to Caroline Lucas' question and put this to you, Nick and others. I mean from the press reporting about those banks that have said we won't be able to provide a bank account for UK citizens living in the EU, what's striking is some have said there won't be a problem, some have said there will be but in certain countries and they announced in this country, this country we won't be able to provide the service anymore.

That prompts me to ask you, to what extent is what the sector can continue to do dependent on the different regulatory regimes in different member states?

Because we've talked a lot about the overall agreement and the loss of passporting, but it is quite clear there are different degrees of regulation, and for those banks to have said "we're stopping accounts in these countries and not others" suggests the local regulation is actually more significant here. Can you comment on that? Nick?

Nick Collier: I'm not an expert on the retail banking regulation, Philip might want to comment. I mean deposit taking is a regulated activity and it's now set out in EU legislation but most of the things we're talking about today are regulated activity and therefore you cannot do as a rule of thumb cross-border. So you know, the investment banker in London in some cases can't even talk to the client in Italy as that conversation you know is giving investment advice on their structuring a bond counts as a regulated activity. There are some national, the reason I'm being a bit cautious Hilary is there are some national exemptions for dealing with third countries. They tend to be in the wholesale space where you can continue to do business with somebody that you already know crudely speaking. But I think most regulatory players would probably advise against you building a business model on that and I think in the case of some of these retail questions, I think maybe some jurisdictions have kind of said well if you're already doing it, it's okay, you're not entering into financial promotion. I'm not trying to get you Hilary as you know I'm not a German bank trying to get you as a new customer if you're in Germany, so in some cases continue, you can't do regulated activity between the EU and the UK.

Hilary Benn MP: Okay, but to take an example, if say a German engineering firm has a business interruption insurance policy with a British insurer, can the British insurer pay out?

Nick Collier: Well, so that's a good example of a regulated activity. So what has happened all of last year is all of that kind of activity was repapered to use the kind of term that the sector uses to an EU entity, so almost certainly, that insurance, best practice would have been for that insurance contract had been repapered to the European arm of that company. So what you saw last year was hundreds of millions of euros spent by the sector and essentially splitting that Europe by business into UK business and EU business and making sure their clients were signed to the right entity as it were and of course in the case of insurance companies and banks, that means the capital backing that has to be moved to the new EU entity. If it was a new EU entity or you beefed up your EU entity. There was a slight exception the other way around because the UK has actually granted if you like an exemption for inwards business, a temporary permissions regime so if you like if the reverse were true, the company would still be insured let's say by the German provider for the time being under a temporary license, but the end state in a couple of years time even in the UK will be you can't do that kind of activity without a UK license. So it could be the situation of the German insurance company if you like or indeed a branch insurance company so the answer to the fundamental question is we split is an active of deliberate fragmentation if you like and deliberate cost to split the business in two.

Hilary Benn MP: Okay, that is really helpful. Emma, can I turn to you. You said in answer to an earlier question there had been so much preparation that the transition after the end of the transition period has been quite smooth. Do you yet know what difference, if any, there has been in the total amount of financial services trade with the EU so far this year compared to last? There have been some sectors that have done less business, some that have done more because we've obviously seen the trade figures. Can you or any of our other witnesses give a sense of just what's happened so far?

Emma Reynolds: One of the key things, this may not answer your question so I'll come back. One of the key things that did happen on the 4th of January when markets re-opened, because the EU didn't grant the UK equivalence in derivatives and shares trading, if you were an EU entity that wanted to trade those you couldn't trade those out of London so we saw a Euro denominated share trading largely move to Amsterdam. You may have seen some headlines about that and derivatives more probably equally split between New York and other places. In terms of trade flows, it's a little early in terms of exports. We think that the proportion, we haven't got the figures at hand, so we used to export a high proportion of financial services exports to the EU. That has certainly decreased and will continue to because of these new rules and regulations.

Hilary Benn MP: Right, that's over. Does anyone else want to briefly supplement that? I've got just one other very quick question. Yeah, Nick.

Nick Collier: So it's important I think for the context and what we discussed earlier about the wider relationship. The EU, almost uniquely in the world, was very dependent on London for its wholesale market activity in Europe. So shares are perhaps not a very good example because French shares are generally traded on the French exchange as it were but London had a huge share of the international capital markets in particular as it said earlier on exchange I would say commodities and derivatives. Fixed income derivatives for example, hedging your mortgages and things like that. Now they want to onshore what they regard as important markets in Euro, so that's why as Emma just said they didn't allow european, EU, euro domination shares to be traded on the London platform despite the fact that London platforms are regulated in exactly the same way. They are equivalent to use that word of course, you could argue probably better supervised and regulated than the EU markets are. Therefore, there was a challenge for that business to be repatriated and that isn't going to change, so you have fragmented that market. You may remember they did that with Swiss shares a while ago and said you know the Swiss platforms couldn't trade their European shares and the Swiss retaliated and so the business was split. I mean we hope the UK by the way wouldn't have that kind of approach but that's what you've seen as Emma said on the 4th of January.

Hilary Benn MP: That is very helpful. I just want to put one final question. The Lugano convention which the EU has negotiated with a number of other non EU countries which deals with national courts have jurisdiction in cross-border, civil or commercial disputes. The UK government said we'd like to join and the EU has recommended to member states that the UK not be allowed to join. Is that something you are concerned about? Any of you?

Nick Collier: Yes.

Emma Reynolds: Yes we are.

Hilary Benn MP: You are. Oh right, okay.

Emma Reynolds: I mentioned it at the top. Yeah, absolutely. We have been in touch with the UK government and stressed how important this is in terms of enforceability so it's important for those businesses that have those cross-border contracts that they should be able to, there should be this enforceability you know and to be quite frank we think this is fairly political. We don't know why this should be the case that we shouldn't be able to join. It's not just as I understand it EU member states. It's the EEA, the Commission as you said has advised the Council not to allow us to join. I don't seem to be any particular objective reasons for that and now it's with the council and the ministers.

Hilary Benn MP: Well that's something to pursue. Thank you very much indeed.

Chair: Thank you Hilary. I'm not actually going to put the next question on behalf of Stephen Farry who is having to give a statement in the house this morning and therefore isn't with us.

Question 7: Dr Stephen Farry MP - asked by Chair Peter Norris on his behalf.

Chair: Is it at all likely that we will be able to restore access as it was to the EU markets. Could I start with William?

William Wright: In the interests of expectation management, the short answer is no. Most of the access was a mechanical consequence, mechanical benefit of being part of the single market of the EU. Once we have decided not only to leave the EU but to leave the single market, and the jurisdiction of the ECJ and entry of movement just at a mechanical level, that access cannot be, we cannot have the same level of access.

We may in the next few years regain a small amount of access in some sectors, but my instinct from talking to people across the EU is their thinking is why would why? Their perspective is that they have successfully repatriated a degree of activity that in many cases they were never entirely happy with the fact it had relocated to London under the single market over the previous 20 years, so why should having successfully repatriated, regained this activity, why would they let it flow back to London again in future? So I think the safest working assumption for the industry is that while the EU may grant some limited additional equivalence in future, it will not grant any substantial additional access to limited markets and customers for firms from London.

Chair: Nick would you like to? Sorry William. I was going to say Nick would you like to add anything to that?

Nick Collier: I totally agree with William you see from the Brussels, maybe the Paris perspective they want to build up their own on shore capacity and they were heavily dependent, they still are heavily dependent on capital market services from the UK and so I think William is right and in a way Brexit goes with the grain of what they were trying to do with single market agenda on capital markets anyway which is to build up capital markets activity in Europe and senior officials in the Commission will say we were very heavily dependent you know 90%+ you hear people use that statistic on the UK and now we've got to build it ourselves so I think William is right, they will try and build up on-shore capacity. There are one or two gaps there, that's why it is in the EU's interest to access international markets through London which they are not going to move to the EU and I'm thinking of things like commodity markets or foreign exchange markets let's say perhaps more broadly derivative markets, then what do they do. So I think William's right, you keep open a window and perhaps they will allow some form of access in the future but I think for the time being it's pretty clear that access has gone.

Chair: Thank you. Emma or Philip do you have anything to add?

Emma Reynolds: No, I would agree. I think the big question is have we hit rock bottom? Or are there further restrictions? I mean our member firms are not optimistic about further equivalences being granted, and we've got a question about this coming up but if the EU's objective was to tie us in and make sure our regulations were aligned with theirs, they should have granted us equivalence and then if we had diverged then withdrawn equivalence which you can do at 30 days notice. That's not their objective. Their objective is a sort of location vs efficiency agenda, which is to locate as many jobs as you can and these capital markets within the EU, but there could well be implications of that fragmentation. Caroline asked about fragmentation earlier with relation to you know British people living in the EU, but there could be costs of fragmenting that supply of capital and the services that London provides to EU businesses that rely on those products and services. I.e. they could become more expensive.

Chair: Yes, thank you. Well that's a very good segway into the next question. Professor Winters.

Question 8: Professor Alan Winters

Professor Alan WInters: Thank you, Peter. I've got the sort of complimentary question to that. I understand that you believe the EU is going to offer nothing, but are the things where London would be, sorry the industry, the city, financial services sector would be able to contemplate aligning with EU regulations for the sake of an improvement in trading conditions or is it the case as I think I inferred a year or two ago we so value our independence as a regulator that frankly we wouldn't be willing to compromise and be regulation takers at all?

Emma Reynolds: So in answer to that, where to start really. You could talk all day about equivalence and market access. The first thing to say about equivalence is many of the equivalence provisions don't actually regard market access. Some do, and many don't. Given that the EU hasn't granted equivalence beyond two very specific areas, I don't see really the point in the UK cleaving to exactly what the EU is going to do. There isn't that much advantage to that.

I think the advantage to the UK of now being outside the EU is that regulators and the government have that agility particularly in those new emerging areas that we talked about whether it's fintech, green finance, data to tailor regulation to the UK's market. I put a caveat around that in that global coherence, global standards are important and convenient to global business and I would not say this is about a race to the bottom. Nick and I do a whole engagement programme with EU interlocutors, other trade associations, member state governments and we're always at pains to say for us, what's happening now is not about a race to the bottom in standards. We regard the UK's high standards, coupled with crucially the openness of the UK market as a significant, competitive advantage and a way to attract business here, so just to say this is not a deregulatory agenda, certainly not on behalf of the industry.

Professor Alan Winters: Okay. Thank you very much. Does anybody else want to add very briefly to that? William?

William Wright: If I could say very briefly one of the lines that we use, equivalence is another word for trust. Right now that trust simply doesn't exist because of the politicisation and the tone of debate during the negotiation period. There is as Emma said, almost every EU regulator, policy maker, politician that we have spoken to over the past five years is utterly convinced that the UK wants to deregulate, wind back the clock and steal business from the EU. I'm simplifying but I think that's their broad assumption and until that gap can be closed, until trust can be built up through the mechanism of the MoU through perhaps a dialling down of the political tone and language in the debate, then I don't think it's even material as to whether the UK would be prepared to consider alignment, because equivalence is not on offer.

Professor Alan Winters: Okay. I think that confirms what I thought the situation was. Can I switch direct to the last couple of questions about jobs. I mean first of all I think the estimates are little over 7000 jobs have got up and left the city for European destinations, European centers so far. Do you have any feeling for what that number might be in five years time?

William Wright: Can I jump in on that one. We recently published research which came up with a very similar number, 7400. We think that's an underestimate. We think the real number at this stage is closer to 10,000 and that is to be clear very much in line with the Bank of England's forecast for what the number of relocations, job relocations would be on day one of Brexit. What will be the number in five years, I don't know. The one thing I think we do know is that it will be higher. The number at the end of this year, at the end of 2021 is going to be higher than that as a lot of firms have already agreed to move capital, jobs, to their entities in the EU over a defined period of time, they just haven't moved them yet. But they've agreed with European regulators, so we know the number will be higher in a year's time and I'm almost certain the number will be higher in five years' time.

What I think we also know, there was an unfortunate number that was thrown around shortly after the referendum of 232,000 jobs moving. That assumed that literally everyone who works in wholesale banking and finance in the city would have to up sticks and move to the EU. We know it's not going to be of that magnitude. For what it's worth, our working estimate at New Financial is that over a five year period from actually leaving we could be talking about something around 30-35,000 jobs. That's roughly 10% of what we might call 'the city'.

Emma Reynolds: Can I just add what's interesting though, is that if you look at the most recent financial services jobs figures, and admittedly they go up to 2019 the ones I've got in front of me. The employment in financial services as a sector has remained broadly stable at just shy of 1.1 million. Worth bearing in mind.

Professor Alan Winters: Okay. Thank you very much. So finally, another sort of related question at the other end of the telescope. Emma has told us that half of financial services exports go, originate elsewhere than in the City of London. I'm interested to know to what extent do financial services sectors elsewhere in the country depend on the arrangements struck with the EU. In other words do we expect that the rest of the country is completely immune because it's just domestic, or is it the case that we expect some of these frictions that we talk about to come back to reside outside London.

William Wright: So a lot of that work is not strictly dependent on the rules and regulations and the nature of our relationship with the EU. However, I think one way of thinking about Brexit and its impact on financial services in the UK and on jobs is that Brexit as the occasion or the catalyst for restructuring and rethinking firms footprint and activity across Europe rather than strictly the cause. That 7,000, 10,000 numbers that we mentioned earlier doesn't include the thousands and thousands of jobs that have been created, particularly in countries like Poland, over the last five years in predominantly support and back office roles. Firms like RBS, CreditSqueeze have moved significant numbers of people from their support functions in the UK elsewhere, not because of Brexit. They don't have to move these people because of the shift in our trading relationship. Brexit caused them to be the fundamental rethink of their footprint in a business that for the last few years has already been pretty challenged from an economic perspective.

So I think Emma makes an excellent point in that we must view these jobs in terms of total employment in financial services. We must also view any longer term impact of Brexit on jobs in terms of this sort of wider Brexit as the occasion. Not necessarily the cause. There are jobs in Bournemouth, Manchester, Glasgow, Belfast that could find themselves at risk of being moved to Estonia, Poland, Lisbon. Not because of the regulation but because firms have had to rethink their whole business model as a result of Brexit.

Emma Reynolds: Can I just add to this, I think we're going to get onto this. I think the missing piece of the picture of all of this is we're just talking about Europe and Europe is really important, but the rest of the world is too so I don't think we can see the future success of the financial services sector in London and the rest of the country through just an EU lens, and actually obviously the argument for Brexit that was made that we would have more flexibility, agility to pursue markets across the world and that's what the Government now need to deliver on. You know we're looking at the US, Switzerland, they're looking in a mutual recognition agreement with Switzerland which would be excellent. It's not just about free trade agreements. As Nick said, they tend to focus on goods, although the recent one with Japan was very promising in terms of the focus that it had on services and we were pleased with the provisions on there. I know that this Commission is looking more broadly, so I think it's just worth putting that point on the table.

Professor Alan Winters: Thank you. Okay. That sounds like a catalyst to move forwards. Back to you Peter.

Chair: Indeed, Emma that was a fair point to make. I'm actually going to change the order of the questions here as Professor West has a hard stop, so Shearer would you like to take yours now?

Question 9: Professor Shearer West

Professor Shearer West: Thank you very much and this has been a really interesting session and I appreciate everyone being so open with their thinking about this. This is following on from points that have already been made. Emma I think you said you mentioned earlier on at the very beginning of this different parts of the UK and the impact of 2/3rds of those employed in financial services were outside of London.

I just wonder and it may be too early to tell, how are the relocation of these jobs and assets being felt and what you think the direction of travel is or the impact of a lot of the changes that we have just heard about not just on London but on different parts of the UK. I think the point that William just made about really almost Brexit as an excuse to restructure was very interesting and I am thinking about not just London but particularly with the Government's levelling up agenda the different parts of the country as well.

Emma Reynolds: Well from what we see and from our members there are thriving sort of regional hubs across the country and bytheway in the devolved nations so you know there's additional, a number of firms are making an additional investment into Scotland for example Barclays is opening new offices in Glasgow, so we are not really seeing a bleak picture if that's the question across the UK in terms of jobs.

On the contrary, that 2/3rds figure is more for the wider ecosystem, the 2.3 million of financial and related professional services jobs and as I said, broadly the employment figures for financial services are just shy of 1.1 million. On assets I think assets are slightly different and more complicated and according to the EY Brexit tracker, firms have declared £1.3 trillion in assets to be transferred to the EU. Now we don't know exactly how that would work out in terms of tax and economic activity but obviously assets are linked to those things so could have detrimental impacts on those but I think William you did a bit of work on this too so you might want to come in on that.

William Wright: Firstly, just to add a little bit of context to my comments earlier about the outlook on jobs, it's very easy in this debate to become very pessimistic, very quickly. Because 10,000 jobs. When people start saying it's only 10,000 jobs I think that's not the way we should be thinking about it at all. That's 10,000 individuals and their families' livelihoods but it's very important to think about the wider picture and the number of jobs in this industry in the UK and it's clear there has not been a wholesale shift in jobs and activity to the EU. I don't think anybody's under any illusion that we're at steady state, but where we are right now is roughly where most people thought we would be. It's not a remoaner argument to say this is bad news. It's equally not a Brexiteer argument to say it's less than some of the worst projects.

The issue of assets, one of the things we try and do is isolate in our research banking assets. What we found in our research is £900 billion of bank assets are being moved or have been moved from the UK to the EU. That's obviously a very big number. To try and put that in context it's 10% of the entire UK banking system, so 10% of bank assets in the UK rather. So international and UK bank assets in the UK. 10% in that is going or has already gone. We can add to that another £125 or so billion because JP Morgan announced that it's moving up to another $200 billion to the EU. JP Morgan did not wake up last Tuesday and think we've already moved £220 billion, I'll tell you what, let's move another 200 next week. This is part of what I mentioned earlier. They have agreed already with EU regulators that this activity, these assets, these staff will be moved as part of their authorisation. If you run that through the long-term impact, if you think headline number banking and finance provides, generates roughly 11% of UK tax receipts. Let's imagine there is a linear relationship between assets moving and profits generated. It's probably not linear but let's imagine that it is. Then what you've got is 10% of 11% receipts moving form the UK to the EU so we're talking about roughly 1 percentage point, 1% of UK tax receipts of the direct economic impact. Now it won't be as neat as that, but I think that's roughly the ballpark in which we're heading.

Professor Shearer West: Thank you very much. I think I'll pass back to the Chair now.

Chair: Sorry, mute again. Thank you very much Shearer. Paul, can I turn to you please?

Question 10: Paul Blomfield MP

Paul Blomfield MP: Yes, thanks and kind of a natural next step from the discussion we're having I think. If we kind of reflect back to the point of which we decided as a country to leave and the Government drew the red lines about the single market, there was a lot of speculation about the opportunities that might present for the ambitions of Paris, or where, how Frankfurt might be advantaged. It kind of feels like the consensus is that the risk to London isn't primarily from European centres, and I welcome your kind of confirmation or disagreement with that. But what about the non-european financial centres. Where is the New York and Singapore we've talked about but where is the competition, what does the terrain look like going forward? William?

William Wright: I'm assuming everybody can stay on until about half past 5. Is that okay? That is a huge topic, so to break it down. Firstly, yes Paul I think no single EU financial centre was ever going to challenge London as an international financial centre and I think it was always a bit of a straw man argument before the referendum and since for anybody to claim that it would.

What we have seen is over 400 firms have moved something to the EU in response to Brexit to ensure continuity of access and we have seen that those relocations have been distributed across five or six financial centres. They've not just gone to Frankfurt or all gone to Paris. It's a mix and they've gone, they've tended to relocate in line with their sector. So asset management firms have tended to relocate whatever they have needed to, to dublin. Banks have tended to move to Frankfurt and so on and I'd be very happy to share the research we did on this offline with all of you. Those firms are competing with London to the extent that there is certain EU related business that used to be done in London that no longer can be done in London. It is that mechanical. They are not competing with London for the rest of world international global business that was previously done in London and I think that's a really important distinction. The rest of world business from London's perspective is more important, bigger than the EU business ever was. So London's competitors as an international financial centre, a global financial centre are predominantly New York on the one hand and a mix of Singapore and Hong Kong on the other. Those are the only realistic competitors in any sense. At the margin a small amount of business will relocate, has relocated to the US as a result of Brexit. We've seen a shift in some derivatives trading. Again, it's mechanical. It cannot be done on a trading venue which is not recognised by the EU. There are trading venues in the US that are recognised by the EU. This is a global business at the press of a button, that business is relocated and done through New York, but it is done very much at the margin. I'll shut up in a minute I promise. Just to give one example, a few years ago, we spoke with the global head of markets at a big US investment bank that have chosen to headquarter the vast global headquarters for the vast majority of its trading businesses are in London. There's a reason for that, which is they experimented running global businesses from New York. It doesn't work because of the time-zone. They experimented running global businesses from Singapore, from Hong Kong. It doesn't work because of the time zone. So if we add that back onto all the reasons Philip outlined earlier as to the basis of London's position of a global dominant international financial centre, that isn't going to change because of Brexit. Firms are here because it works for them and they concentrate their activities here because they choose to. The stuff that moves as a result of Brexit is stuff that has to move because of regulatory change, but it is a relatively small percentage of the total volume of activity that is done through London.

Paul Blomfield MP: Thanks for that. That's very helpful. Summing up, there are no ways in which London's position has been damaged beyond the specific from our departure and the nature of that departure?

William Wright: It's certainly been damaged, but the point I'm trying to make is being a little more optimistic than I have often been over the last five years. Not hopefully being polyamish but there is a definite mechanical impact London has been damaged. We would characterise that damaging more as a bruising or a fracture or breaking an arm. This is not terminal. The UK was a very significant global financial centre before the emergence of single market of financial services in the EU. That position was concentrated by the creation of the single market in financial services in the EU over the past few decades but it was not entirely dependent upon it. What we're seeing is rewinding the clock 25 years in terms of the distribution of activity in Europe between London and other financial centres. If you rewind to the mid-nineties, London was by far and away the biggest financial centre in Europe as it still is today the second largest financial centre in the world. So we're rewinding to where we were 20-25 years ago perhaps, but it's not terminal.

Paul Blomfield MP: Just following on that, in terms of when we talk about major financial centres, do you think that the terrain is going to remain similar or we are going to become kind of less dependent on major global hubs?

William Wright: It's a really, really interesting question. You might expect given we are hosting this meeting we are sort of dotted all over the country. We don't all have to be sitting in London any more to be doing business. We might expect that in a sort of post-COVID, post-Brexit world you might see this kind of dispersion effect in financial centres but actually over the past 20-30 years, despite all of the progress in technology in the banking technology more broadly and the application of technology in banking and finance we've actually seen a greater concentration of activity in financial centres, so I don't see a sort of dispersion. The individual might be sitting a one-hour train drive, train journey from their office in London, but London will be where the activity is legally based, authorised, where the tax benefit accrues, where the economic activity is based. I think we will see that continue to be concentrated post-Brexit, post-COVID. Not dispersed.

Paul Blomfield MP: Thanks. I'm afraid Chair, I've lost track of time. I don't know whether I've got the opportunity to ask the panelists if they've got any additional points?

Chair: Very briefly Paul.

Paul Blomfield MP: Simply that, are there any points anybody would like to add to William's?

Philip Wood: I'm okay. I completely agree with what William's saying.

Nick Collier: I would just add and what William said was brilliant, look at the predictions for economic growth around the world in terms of demography and size of markets and it's quite a revelation. Europe shrinks, so the growth is going to come from China, South East Asia and potentially from Africa too as you get an emerging middle class with pension fund assets to invest, and London hopefully remains the major international centre in helping channel those funds as I said earlier it's all about intermediation. So, William's right in the sense that the loss of the EU or the fragmentation of the EU business that was done here is a lose lose right, costs rise and nobody particularly wins from that, but London can stay as a major international centre.

Chris Giancarlo who's a former chairman of the CFTC which I think was in his effectiveness resignation speech in London talked about mean reversion and I think that's exactly what you were just saying. You go back to being much more of a major international centre than an EU centre. I mean the irony is we used the single market to great effect since the 1990s to centralise more and more in London and that has now ended. The point about the hubs, we in the city are confident they will be a return to the city, there will be a hub effect but it goes back to what we were saying earlier there's a secular trend going on in terms of looking at costs and operational centres and you may well end up with trading floors. I think the big investment banks are very clear they want trading floors together, largely for compliance and cultural reasons, but you can have some of the support functions can be outsourced, so I think you're seeing that in the UK and possibly even globally and the only thing that can stop that would be regulators I guess saying well enough is enough, you can't outsource too much and that may be a threat by the way in the future from the EU to say we don't want outsourcing to your operational centres from the European operations but broadly speaking I think the growth will be in the rest of the world.

Chair: I think that's a very good introduction to Andrew's question.

Question 11: Andrew Ballheimer

Andrew Ballheimer: Thank you very much and thank you also to each of the speakers for their sort of clear and punchy answers actually. I think all of this has sort of been well educated.

Picking up on the earlier points, the London financial services market is a world leader and I think we've heard a small or creeping loss of jobs as a result of Brexit I think it was you know in the words of William a fracture, and the words of Nick a lose lose as a result of Brexit. How do we stop a deterioration in terms of our positioning and are we at risk of losing our global belief in this space? Emma?

Emma Reynolds: Thank you and this will be building a lot of what's already been said particularly by William and also earlier by Philip Wood. My view, our view is we're confident but not complacent about our competitiveness and I think there's two things going on here. Firstly, we have underlying strengths that Philip set out very very eloquently earlier, but they are really important. So time zone is incredibly important, English as the international language of business, English law, the ecosystem that I've talked about repeatedly this morning, that supportive ecosystem of professional services around the financial services that we've got in the UK. But we're not complacent because things don't stand still.

We are working very closely with the Government to make sure we build on those underlying strengths and how do we do that? We've got to make sure we remain open and the Government is very focussed on that, and that's absolutely correct in order for us to remain attractive and competitive. The traditional view of the UK is that we've been very open to international business etc. so that is really important. High standards are also important. We've got to look at not only ensuring that we've got a stable predictable welcome business tax regulatory environment but beyond the work that the Treasury traditionally does the Home Office, DCMS, DIT, these departments are all really important to the future success of financial services so international agreements with other markets to ensure that we open up those as much as possible.

The final thing what I'd say and we've covered this again is that we've got to be focused on the future areas of growth. What are the future areas of growth? We've covered them. Fintech, green data. It's pretty simply really put together underlying strengths, build on them, make sure that we're incredibly competitive going forward. I'm sure that we can do that but it won't happen automatically. I do think the government's made a huge amount of progress since November, they were sort of shackled by the brexit negotiations if you like because they didn't want to talk about new policies going forward and then in November the Chancellor gave what was a very important although very short 10-minute speech outlining many of these things and launching many calls for evidence around this so we've since had the hill review on listings, we've had the kalifa review. All of this is creating momentum and we need to build on that and make sure we don't take our competitiveness for granted and a relentless focus on that. That's going to be a cross-governmental effort working alongside regulators and industry.

Andrew Ballheimer: Picking up on that maybe Philip, how are the Government actually helping in terms of putting in place agreements with the states or asian markets, tangible steps I'm very interested in hearing how they can help.

Philip Wood: Yes, I think there are two things we can do as a country. The first is we've got to press the case for free trade in world forms, in Basel in WTO especially the EU. We need to repair relations with the EU. The EU is founded on the principle of freedom of trade, it's absolutely fundamental to their idea and I think that idea applies worldwide including to us. I don't think the present rank and resentment has with it a degree of protection which I'm sorry to see. It's a fact of life but I do hope that the future will be brighter. I'm very confident for the future of London for all kinds of reasons. I also think we ought to reopen the possibility of not just negotiating treaties which take a long time but having interregualtor cooperation agreements which ease the path towards mutual recognition of each other's regulatory regimes. It is ridiculous to say that the UK has not got a strong regulatory regime or that we're not up to it or that we're sinking to the bottom. That really is ludicrous. Most of it apart from the American's was designed by this country, so I think those points about the freedom and the importance of regulation providing it's properly streamlined, doesn't have too much red tape and the promotion of mutual cooperation between regulations need to be pushed.

Andrew Ballheimer: William?

William Wright: I would absolutely echo that. Firstly to echo Emma's point, we need joined-up thinking across government. There's no, it will have a limited impact if we talk about the city being the open crossroads for global international trade if we are simultaneously for various political reasons applying at least the perception of a more closed approach to the rest of the world, whether that's tougher scrutiny on international takeovers, whether that's visa requirements, the immigration scheme so we do need more joined up thinking so that what government actually says works. It flows all the way through the chain. To Philip's point absolutely, I think the way forward here is not, it would be an absolute waste of time to start trying to negotiate financial services free trade agreements with countries around the world. The only example of a financial services comprehensive free trade agreement is the EU itself and that's imperfect and has taken 30 years more since the beginning of the single market and there's still a long way to go in financial services.

So it's all about bilateral closer partnerships, specific regulator to regulator discussion, negotiation to remove individual barriers and impediments to trade. They won't have a huge impact, we're not suddenly going to start having UK firms able to sell on passports into the US market and vice versa. We probably wouldn't want that. If you want to have a big impact on jobs in the city, do a full passport free trade agreement in financial services with the US and a huge number of people will move straight back home to the US, so it's very much about individual bilateral. But we have to choose our potential allies and battles very carefully. In international banking and finance, I don't think there's a huge value to taking on Nasdaq or New York's position as the global centre for international tech ipos. Work out what are the battles where we can win, what are the battles where we already have expertise and a strong track record and build on them.

Andrew Ballheimer: Thank you, Nick?

Nick Collier: I don't have a lot to add to that. I think if you're that point William makes is really important, you're not going to get hard access encoded in trade deals and William said the EU's the only one who have done that and that's because we did it. We drove the single market in services and financial services and the EU probably wouldn't have done it if we hadn't have pushed them to do it so you're back to the status quo ante which is essentially setting up local establishments but what you can do William is quite right you could set up regulated co-operation agreements, the Japan deal is a good example of that, you could look at the adjacencies of things like work mobility, getting your stuff moving in and out, looking at data obviously as we've discussed the digital sector these days so data flows becomes very important and I think probably going forward agreement on things like sustainability so you're setting the context for what we would call deference which is sort of the international regulators use that term or mutual recognition Philip you said that, and that would be done regulator to regulator. The best example really is Switzerland where we are very close we think, Emma mentioned it earlier in having some kind of mutual recognition agreement or at least allowing our regulators to negotiate mutual recognition agreement under the rubric of a kind of a free trade deal.

Andrew Ballheimer: Thank you very much. Chair.

Chair: Thank you very much Andrew, we've actually reached the appointed hour, but all of our witnesses we're most grateful for you to be able to stay on. Let's set a new target of 12:15 to finish. Aodhan, could I turn to you please?

Question 12: Aodhan Connolly

Aodhan Connolly: Thank you, Chair. Firstly to say witnesses have been absolutely wonderful and one of the things this has proved is that we need a bit of an education piece on this. I think there's been a lot of emphasis and even in my own sort of sphere of trade of goods rather than trade of services, and I think there is a need for a further education piece on this and hopefully our interim report will bring that out.

I'm going to play devil's advocate for the moment, and I'm going to start with Nick then go to Emma and William. I'm going to ask about the effects of what the UK's doing on possible financial services and the fact that nothing that we do happens in a vacuum and whatever political games are played do have ramifications.

My questions, I'll roll them all together so you can answer them, has the UK's threats to breach international law undermined trust with the EU and made it less likely they will grant equivalence for the financial services sector? And how are those current tensions and lack of trust between the UK and EU for example over the Northern Ireland protocol or fishing rights impacting on the prospects for better market access in the EU for the financial services sector? And finally, is there a prospect of a fish for finance deal? I'll start with you Nick please.

Nick Collier: The way I describe it Aodhan. We've just been through a rather traumatic divorce right, so levels of trust are low. As Emma said between us we talk to a lot of people in Brussels and the member states and some of them tell us that's 10 years right to rebuild the relationship. I've not ever been divorced so I don't know if 10 years is realistic or not but it sounds plausible, and in our sector, remember as we mentioned earlier we coexist day by day anyway, both in terms of actual financial activity, major European firms are still doing a lot of business both in London or from London, big fund managers are doing a lot of international activity from London so you know they are also co-supervised.

So our supervisors, our regulators are literally in daily contact and the feedback we get on that is that relationship works very well, and UK regulators of course have a very high reputation and of course they have a lot of expertise in the wholesale markets which many of the European regulators are still drawing quite heavily on. As William explained earlier, there have been a lot of moves. Well I can tell you without mentioning names some of the new regulators of entities which are in London are still very heavily dependent on talking to the Bank of England for helping supervising them, so if you like day-to-day at technocratic regulatory level I think there is ongoing trust.

Your question is in a way we don't operate in a vacuum and I think that's absolutely true, so I don't think equivalence as we've hopefully explained earlier on as Emma did, I don't think equivalence is particularly and issue because we don't think there's going to be equivalence granted by the EU. There was a question about the existing one. The clearing one but I think that's driven by their attempts to build on capacity rather than a political concern about the UK or indeed a concern about the quality of regulation within the UK, but you make a very good point which I don't think there is a fish for finance deal it's too late anyway for a fish for finance deal but I do think that we do hear back about concerns about international law, rule of law, Northern Ireland, fishing or whatever, that political backdrop is always there. We are confident that on financial services they will be able to get that bilateral dialogue up and running. As I said it kind of is anyway right under the radar, and that more importantly going forward, the two sides will be able to talk as sort of independent sovereign regulators and parliaments about the challenges we face and as we've said many many times to you today, those are how do you deal with net zero and sustainable finance, how do you deal with the challenges of digitisation probably things like cryptocurrencies and cyber threats and all these kind of things, the two sides have very similar systems and need to talk to each other about how they're going to do that and co-operate internationally and that's a really important part we've said repeatedly. Most of what we do in our sector in terms of regulation is international so we sit next to the Europeans in anything from the G7 down to the network for greening the financial system in Paris, all the central banks sit together and talk about sustainable finance. We literally sit at the table next to each other and talk to each other and cooperate so I think in the medium term we are quite confident, but I think you make a good point it would be helpful if these international tensions were resolved.

Aodhan Connolly: Thank you, Nick. Emma, I want to tease this out a wee bit further with you. One of the things that Nick said that resonated with me as far as on a bureaucratic level on a day-to-day level, this is almost as if it is business as usual for the moment. We know through the trade of goods that when it comes to an agreement, when it comes to furthering the relationship it's good less to day with day-to-day bureaucracy and more to do with member states and that sort of political dynamic that is there and whether the Commission has a mandate from the member states to actually go that extra mile. How do you see what's happening at the moment as far as the political tensions affecting the likelihood of us getting a closer financial services relationship?

Emma Reynolds: Well I broadly agree with Nick. I think the EU has an agenda anyway that we've talked about onshoring some of these jobs and I'm not sure even if the relationship were better which we'd obviously hope it could normalise more quickly than a 10-year sort of timescale but even if it were a very harmonious divorce, I haven't been divorced either I'm glad to say, even if it were, I'm not sure that we would be able to get any further equivalence of any further access to the market but saying that, when Nick and I, and we see each other a lot many times of the week when we're in a meeting with EU interlocutors, partners and others, these things come up you know as we say, we're not operating in a vacuum. The Northern Irish protocol, the problems around that, the fishing issue which is a big one, the row over vaccines which seems to have abated, but none of this is helpful to the relationship and I remember saying last year you know we really want a deal, even though the deal we know is going to be very very thin for financial services and services more generally, but we don't want an acrimonious no-deal situation, if we're not careful we'll end up in an acrimonious deal situation and obviously that is not, that is in nobodies interests.

Just very briefly on what you said at the start of your questioning about exports and trade, you're absolutely right and I was an MP for nearly 10 years and I served in Hilary's exiting the EU select committee and we didn't fall foul of this, but I think in parliament there is a lot of focus on manufacturing when you talk about international trade and exporting. That's because it's really fun if you're an MP to go visit that factory in your constituency that makes cars because you can see it, and it goes back to Nick's earlier point about invisibility. It's not particularly exciting to go visit a bank. I shouldn't say this, I'll get in trouble with my members. It's not as exciting for politicians and therefore I think services are a bit overlooked and not just financial services. I'd make a plea, we make up, services as a whole make up 80% of our economy and 70% of the EU's economy, so objectively it looks very odd indeed that the agreement had very little in there for services and for financial services between the EU and the UK. The TCA.

Aodhan Connolly: Thank you Emma, that's very thorough. William, I'm going to bring you but not least.

William Wright: Thank you. I just want to draw what I think is an artificial distinction in the debate on regulation. Often you hear that this has been politicised. It should be a technical process, it's been politicised from the EU or people in the EU saying people in the UK are playing politics with regulation. All regulation is political. Any decision about regulation is political, so I think it's an artificial distinction.

To your points that yes we've absolutely undermined trust. I said earlier there is a deep held view in the EU that the UK wants to diverge, they don't quite understand where the UK wants to go, what it wants to do, but they do think the UK wants to undercut them in some way. That will take a long time, hopefully not 10 years, it will take a long time to rebuild that trust. While there have continued to be day to day, week to week contact at a sort of technical supervisory regulator to regulatory level, that has also been impacted lets not forget by covid. I was talking to the senior EU regulator the other day, he was complaining that what he misses about his relationship with UK supervisors and regulators is not just that we're not in the EU anymore, but it's the physical not bumping into them on the sidelines of conferences and after meetings and that chat over coffee. That's all gone, so the relationship is more difficult to rebuild in the current environment.

On a more optimistic note, I think we're going to get to the point relatively soon, three five years where the EU says enough. This came up in a discussion Nick was involved in last week. There isn't a single mastermind sitting in Brussels or Paris that is watching the number of jobs and when it gets to a particular number of jobs relocated says okay we'll stop now let's talk, let's have a sensible discussion about a deal but I do get the sense that the EU roughly has in mind, roughly how much activity it would like in its view to repatriate, how much more domestic capacity it would like to build and once it gets to that point, I think it will be satisfied that it sort of achieved the outcome from its perspective of the negotiations of Brexit of the TCA and then we can perhaps have a more grown up trust based conversation in future. At least I hope so.

Aodhan Connolly: Very useful, I liked your paraphrasing of the German novelist Thomas Mann, everything is political. Chair, back to you.

Final Question from the Chair

Chair: Thank you very much Aodhan. Well that's the end of the questions. Save for one, I'd like to ask each witness for their single top recommendation for policy as we go into the next phase of developing our relationship with the EU on financial services. Emma, can I start with you?

Emma Reynolds: How to choose, I'll get in trouble with my members. If I've got three briefly.

We need further progress on the data advocacy position agreement which is going in the right direction.

We'd like progress on Lugano.

We need to see what happens with mobility, obviously the UK decided to leave freedom of movement and not have freedom of movement, but we don't know what's going to happen, how that's going to impact short-term business travel as I said earlier.

We'd still like to see the operalisation of the MoU so the MoU between the Treasury and DG FISMA coming together twice a year to talk about regulatory co-operation.

Chair: Philip, what about you?

Philip Wood: If I could follow Emma I've just got very short points. First I think the UK should tell the world that the UK is back with it's brand. Secondly, I think we should continue to support freedom in the right of the people to put their money to work, the law should restrict us only to liberate us, the laws are our servant not our master. Lastly, we should look after one of the most precious assets of this country, placed at the service of the planet which no longer belongs to us which has been the product of many centuries of the world. I don't refer to rugby or cricket, I refer to our laws.

Chair: Thank you. Nick?

Nick Collier: Well I agree with both Philip and Emma. I want to make one point specifically on the kind of follow-up to the TCA which is to try and get the user or the customer voice in there. I don't think that was done very well by either side actually, but because as we've discussed there is a cost of the fragmentation and let's expose that cost so for example, Lugano, Emma quite rightly mentioned Lugano, we very rarely hear the voice of the citizen on Lugano. Maybe the financial markets as Philip knows very well, are operating under English law or choose english and are not quite so affected by that but Citizens are for example using the divorce analogy, you want your real citizens there was the point that Hilary was making earlier about retail bank accounts, things like that and we hear it from big corporates, German corporates complaining about oh you mean I won't be able to trade my aluminium in the London's metal markets and things like that, well that kind of voice we need raised a bit more and as William was saying in his last comment hopefully then we can get back to a more balanced discussion with the EU about what is in their users, their citizens benefit to get better access and of course vice versa.

Chair: Thank you Nick, William, to you.

William Wright: All I would add is an example. The large Chinese company that recently got in touch with us because they are conducting a review of European financial centres with a view to where they should be best placed or whether they should keep their international treasury operation in London or move it, I would make a futile plea to make Brexit boring again. To particularly in financial services to dial down the politics and start focusing on the technicalities, the nuts and bolts to build on the MoU, to get the MoU across the line, to build on it, as Emma said inevitably EU regulation is going to change over time, it's going to evolve. Inevitably ours is going to as well. There is going to be divergence. We can all be grown up about that so long as the UK sits down and talks about where it wants to diverge, or where it thinks it needs to diverge and what it means by divergence. The quicker we can rebuild trust with the EU which is still unclear as to what it thinks the UK wants to do in future and that is the fundamental barrier in my view to closer cooperation between the UK and the EU in financial services in future.

Chair: Thank you very much, and the point you make about Brexit is a very good one and of course the work of the commission, Brexit is a historical fact and we're looking to the future and hoping to come up with some positive recommendations for those involved in policy. I'd like to thank all of the witnesses very much indeed for their contribution today, it was extremely interesting on all fronts. I've learnt a lot. I'm sure all of the commissioners have learned something and it's a very very positive contribution to our overall work. So thank you very much indeed and look forward to developing various other topics that we've discussed in follow up in due course. Thank you all.

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