



KEY FACTS

ABOUT THE UK AS AN
INTERNATIONAL FINANCIAL CENTRE

JULY 2015

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FOREWORD

FROM CHRIS CUMMINGS
CHIEF EXECUTIVE, THECITYUK

London and the wider UK is the leading global international financial and related professional services centre. The UK's trade surplus in financial services of \$95bn in 2014, was more than the combined surpluses of the next three leading countries (US, Switzerland and Luxembourg). The UK has the leading share of trading in many international financial markets such as cross border bank lending (17%), international insurance premium income (26%) and foreign exchange trading (41%). It is also a global leader in providing professional services.

The UK is the heart of Europe's financial system with London being its pre-eminent financial capital. London's major competitors include New York, Hong Kong, Tokyo and Singapore, with Asian centres gaining advantage in recent years from the shifting global trade patterns. At the next level Shanghai and Toronto are being joined by the likes of Istanbul and Dubai as they seek to develop their offerings, often with the assistance of UK-based firms and their expertise, through TheCityUK's network of international relationships. This is not a zero sum game. The growth of emerging international financial centres may increase their market share, but at the same time this will grow the UK's business volumes.

An important and necessary step forward in recognising the value of the industry came with the creation of the Financial Services Trade and Investment Board (FSTIB) in 2013. The FSTIB brings HM Treasury, UKTI, FCO, BIS and TheCityUK together to identify trade and investment priorities and to support UK based firms in pursuing these vigorously across the globe. We look forward to continuing to work with the Government, our members and the wider financial and related professional services industry to extend the promotion of the sector in international markets.

Governments across the world are more focused on growing their economies and supporting jobs for their people than perhaps at any time since the recession. That means that the UK's ability to continue to attract high levels of foreign direct investment, and the jobs it creates, can only be assured if it remains an attractive place to invest. The UK enjoys a clear competitive advantage in financial and related professional services but we need to make sure that this competitive advantage is not lost. It must remain the place in which and from which business opportunities can be pursued. This Key Facts report serves as a reminder of why the UK's leading global position in international financial markets should be valued and supported.



KEY FACTS

\$95_{BN}

THE UK IS THE **LEADING EXPORTER** OF FINANCIAL SERVICES ACROSS THE WORLD. ITS TRADE SURPLUS OF \$95BN IN 2014 WAS MORE THAN TWICE THE NEXT LARGEST TRADE SURPLUS, RECORDED BY THE US.



250
FOREIGN BANKS



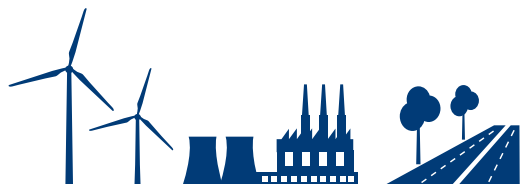
BANKING: THE UK HAS THE FOURTH LARGEST BANKING CENTRE GLOBALLY. LONDON IS HOME TO OVER 250 FOREIGN BANKS – MORE THAN ANY OTHER CENTRE. THE UK ACCOUNTS FOR 17% OF INTERNATIONAL BANK LENDING – MORE THAN ANY OTHER CENTRE.

£6.2
TRILLION

FUND MANAGEMENT: UK ASSETS UNDER MANAGEMENT TOTALLED A RECORD £6.2 TRN IN 2013, THE SECOND LARGEST IN THE WORLD. AROUND A THIRD OF THIS WAS MANAGED ON BEHALF OF FOREIGN CLIENTS. THE UK IS ALSO THE LEADING EUROPEAN CENTRE FOR MANAGEMENT OF HEDGE FUNDS, SOVEREIGN WEALTH FUNDS AND PRIVATE EQUITY FUNDS.

\$3.3
TRILLION

BOND MARKET: THE OUTSTANDING VALUE OF INTERNATIONAL BONDS IN THE UK TOTALLED AROUND \$3.3 TRILLION AT THE END OF 2014.



PPP: OVER 100 COUNTRIES ARE CURRENTLY LOOKING AT HOW TO INTRODUCE PUBLIC PRIVATE PARTNERSHIPS. THE LONG-RUNNING EXPERIENCE AND EXPERTISE OF THE UK IN MANAGING PRIVATE FINANCE PROJECTS OFFERS A WAY TO HELP PLUG THE GLOBAL INFRASTRUCTURE INVESTMENT GAP IN THE COMING YEARS.

ACCOUNTING AND MANAGEMENT CONSULTING: MANAGEMENT CONSULTING HAS BEEN ONE OF THE FASTEST GROWING INDUSTRIES IN THE UK IN RECENT YEARS. THE UK HAS BECOME EUROPE'S LEADING CENTRE FOR MANAGEMENT CONSULTING, GENERATING SOME 13% OF GLOBAL FEE REVENUE.

13%



THE UK ACCOUNTS FOR 41% OF GLOBAL **FOREIGN EXCHANGE TRADING**. MORE US DOLLARS ARE TRADED IN THE UK THAN IN THE US.

INSURANCE: THE UK INSURANCE INDUSTRY IS THE LARGEST IN EUROPE AND THIRD LARGEST IN THE WORLD.



EQUITY MARKET: OVER 500 FOREIGN COMPANIES ARE LISTED IN LONDON (LISTED ON THE MAIN MARKET AND QUOTED ON AIM). THE UK HAS THE HIGHEST EQUITY MARKET CAPITALISATION IN RELATION TO GDP OF THE LARGEST ECONOMIES.

ISLAMIC FINANCE: AROUND 20 BANKS, OF WHICH SIX ARE FULLY SHARIA LICENSED ARE BASED IN THE UK. THIS IS MORE THAN IN ANY OTHER WESTERN COUNTRY.



MARITIME SERVICES: THE UK IS THE LEADING CENTRE IN THE SUPPLY OF A BROAD RANGE OF PROFESSIONAL AND BUSINESS SERVICES TO THE GLOBAL MARITIME COMMUNITY. SHIPBROKERS IN LONDON PERFORM A KEY GLOBAL ROLE IN MATCHING SHIPS AND CARGOES.

DERIVATIVES: THE UK IS THE LEADING DERIVATIVE CENTRE WORLDWIDE, ACCOUNTING FOR 49% OF TRADING IN INTEREST RATES OTC DERIVATIVES. MAJOR DERIVATIVES EXCHANGES LOCATED IN LONDON ACCOUNT FOR AROUND 15% OF GLOBAL TRADE IN COMMODITIES.



LEGAL SERVICES AND DISPUTE RESOLUTION: 3 OF THE LARGEST 5 LAW FIRMS IN THE WORLD BASED ON HEADCOUNT HAVE THEIR MAIN BASE OF OPERATIONS IN THE UK; 200 FOREIGN LAW FIRMS HAVE OFFICES IN THE UK; 24,000 COMMERCIAL AND CIVIL DISPUTES WERE RESOLVED IN THE UK THROUGH ARBITRATION, MEDIATION AND ADJUDICATION IN 2013. ENGLISH COMMON LAW IS THE MOST WIDELY USED LEGAL SYSTEM IN THE WORLD, COVERING 27% OF THE WORLD'S 320 LEGAL JURISDICTIONS



EDUCATION AND TRAINING: PROFESSIONAL INSTITUTIONS IN THE UK COLLECTIVELY HAVE A MEMBERSHIP OF AROUND 1 MILLION, OF WHOM NEARLY A FIFTH ARE FROM OVERSEAS

CENTRAL ROLE OF LONDON AND THE UK IN THE GLOBAL ECONOMY

The UK is a major global hub for international wholesale finance. Within the UK, the importance of London is core to its international position but other cities such as Edinburgh and Glasgow in Scotland; Birmingham, Bristol, Leeds, Liverpool, Manchester, Norwich, Reading and Sheffield in England; Cardiff in Wales; and Belfast in Northern Ireland are also important financial centres. A strong London is good for the regional economies, but it is very much a symbiotic relationship. Strong regional centres increase the global appeal of London by widening the talent pool and offering growth opportunities for financial and related professional services firms.

UK – the leading exporter of financial services across the world The UK's financial services trade surplus of \$95bn in 2014 was more than the combined surpluses of the next three leading countries (US, Switzerland and Luxembourg). When the estimated trade surplus for related professional services – legal services, accountancy and management consultancy – is also taken into account, this figure climbs to \$110bn.

The UK's largest trading partners are the US and other EU Member States. In addition, other advanced economies, such as Switzerland, Japan, Australia and Canada feature prominently in UK trade, as do emerging economies such as China, the UAE and India and other international financial centres such as Hong Kong and Singapore.

\$95_{bn}

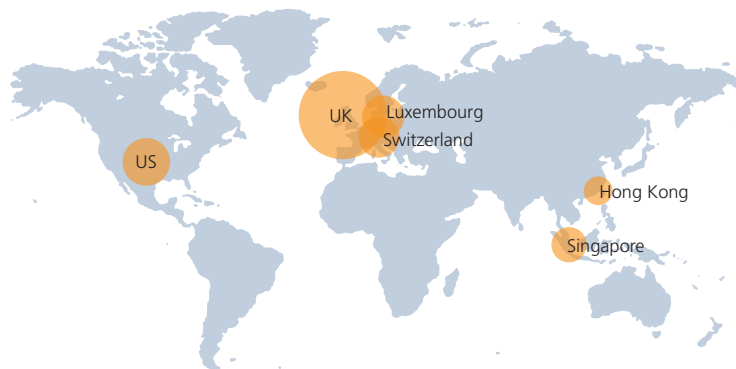
The UK's financial services trade surplus of \$95bn in 2014 was double that of the next largest trade surpluses recorded by the US.

LARGEST GLOBAL NET EXPORTERS OF FINANCIAL SERVICES

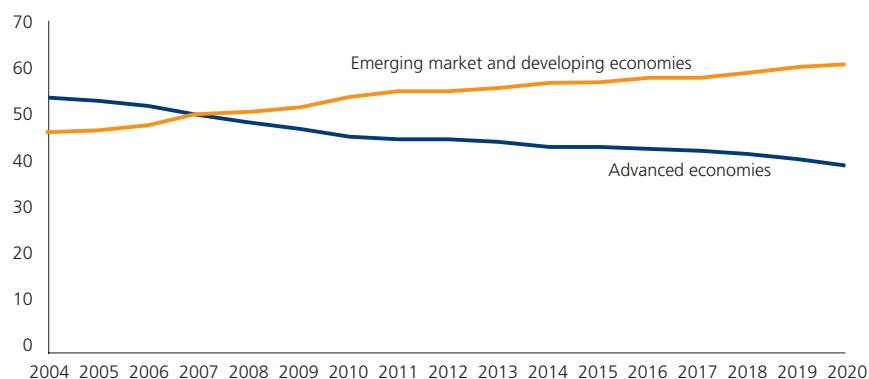
FINANCIAL SERVICES NET EXPORTERS, 2014

UK	\$95bn
US	\$36bn
Switzerland	\$24bn
Luxembourg	\$23bn
Singapore	\$15bn
Hong Kong	\$13bn

Source: UNCTAD



PERCENTAGE OF WORLD GDP (based on purchasing power parity)



Source: IMF

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

FINANCIAL MARKETS SHARE BY COUNTRY (%)

	UK	US	Japan	France	Germany	Singap.	H.Kong	Others
Cross-border bank lending (Sept 2014)	17	11	11	8	8	3	4	38
Foreign exchange turnover (Apr 2013)	41	19	6	3	2	6	4	19
Exchange-traded derivatives, number of contracts traded (2014)	6	36	2	---	10	---	1	45
Interest rates OTC derivatives turnover (Apr 2013)	49	23	2	7	4	1	1	13
Marine insurance net premium income (2013)	26	5	7	4	4	1	1	53
Fund management (as a source of funds, end-2013)	8	46	7	3	2	---	1	33
Hedge funds assets (end-2013)	18	65	2	1	---	1	1	12
Private equity – investment value (2013)	13	53	2	5	2	1	---	24

● Market leader

UK SHARE OF FINANCIAL MARKETS (%)

	1992	1995	1998	2001	2004	2007	2010	2012	2013	2014
Cross-border bank lending	16	17	20	19	20	18	18	18	17	17
Foreign exchange turnover	27	30	33	31	32	35	37	–	41*	–
Exchange-traded derivatives	12	12	11	7	7	6	6	7	6	6
Interest rates OTC derivatives turnover	---	27	36	35	42	44	46	–	49*	–
Marine insurance net premium income	24	21	14	18	19	17	20	22	26	–
Fund management (as a source of funds)	---	---	8	8	8	9	8	8	8	–
Hedge funds assets	---	---	---	9	20	20	19	18	18	–
Private equity investments	---	---	---	6	13	7	17	10	13	–

*April 2013;

Source: TheCityUK calculations and estimates

Rankings of global financial centres By any of the measures used by established indices such as the GFCI survey, The Banker magazine's annual rankings or the PwC Cities of Opportunity report, London ranks first or second as a global international financial services centre. The co-location of banking, insurance, fund management, securities, derivatives, foreign exchange expertise and human talent and capacity all combine with market infrastructure to support London. If legal services, accountancy, management and strategic consultancy, public relations and other related professional services are included, a fuller and truer picture emerges which shows London consistently ranked at the top.

The number of financial centres seeking international business is growing. While London and New York are long established international financial centres, new Asian centres such as Singapore and Shanghai have evolved into well-developed regional hubs. The two latter

The Financial Services Trade and Investment Board (FSTIB)

FSTIB has brought together the UK Government with industry to identify opportunities for growth across the UK financial services industry. It has been set up to share skills and expertise on a number of campaigns with specific objectives to enable growth on a sector by sector basis and to support UK firms in pursuing these projects across the world.

FSTIB and its associated working group are made up of a broad set of stakeholders. The Board is chaired by HM Treasury and meets four times a year.

Members of the Board include senior officials from HM Treasury, The Department of Business, Innovation and Skills and the Foreign and Commonwealth Office. UKTI sit on the board as a key delivery partner and TheCityUK acts as the representative of industry offering strategic advice and guidance as well as significant delivery capacity and capability.

The first projects identified by the Board include Investment Management, Renminbi Trading, the Insurance Growth Plan, Islamic Finance, and Financial Services in EU Trade Policy.

To ensure the UK is able to compete in the global race it is vital to encourage growth in all sectors of the UK economy, create an attractive market for inward investment and promote external trade in the financial services industry.

FSTIB aims to make the UK the most attractive place to do business. Through its various stakeholders and experts, the Board will support UK businesses in reaching their potential for international growth and promote the UK as the leading centre for financial services.

www.fstib.com

centres have used London as a model and are based firmly on UK practices and principles. At the next level, there are a series of regional hubs, including Tokyo, Hong Kong, Toronto, Moscow, Istanbul and Dubai.

There are also specialist hubs and local centres which have a strong but more limited international footprint such as Geneva, Zurich, Sao Paulo, Johannesburg, and Mumbai. A well-targeted specialist local or regional offer can bring success for emerging international financial centres as they seek to develop niches or provide a particular set of products. For example, Dublin and Luxembourg have defined their business by successfully pursuing a focussed strategy.

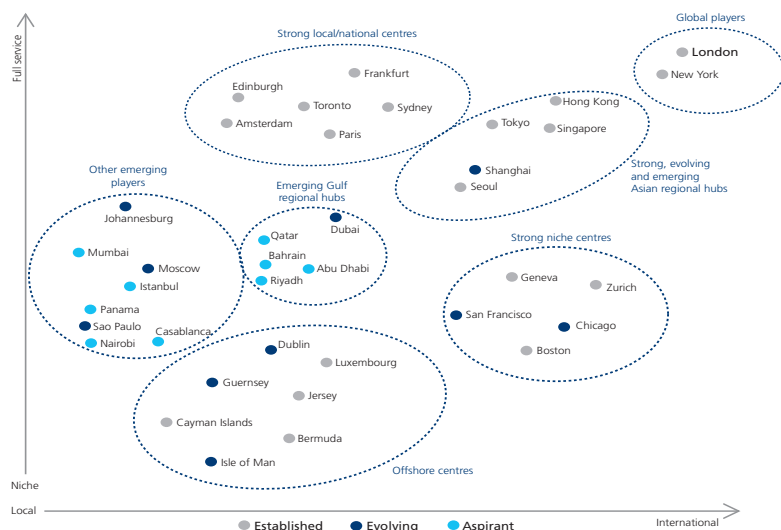
Regional and specialist international financial centres have challenged larger ones to be more innovative and to respond to competitive dynamics. Part of that constant challenge to remain competitive comes from a re-definition of the basis of competitive advantage. It used to be that factors such as location relative to time zones, language, rule of law and culture were component parts of the competitive offering. They remain important but are no longer the full story. Regulatory and supervisory coherence, tax policy, deep pools of talent, and political recognition and support are also part of the mix and may, over time, create a differentiated momentum. As global trade and investment grows in new directions, international financial centres will adapt to reflect new needs and opportunities.

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

Factors underpinning London's status as an international financial centre

- an independent regulatory environment that is fair, transparent, proportionate and consistent;
- a business climate that facilitates new products and ideas;
- a fiscal policy that is certain, clear and competitive;
- easy access to markets internationally for both trade and investment;
- a tradition of welcoming foreign firms. Altogether, there are over 1,400 financial services firms in the UK that are majority foreign-owned, from around 80 countries;
- concentration of financial institutions. London has more foreign banks than any other centre. These banks employ around 160,000 people, 40,000 of whom have a foreign passport;
- high quality professional and support services;
- a highly regarded and impartial legal system based on common law. Common law tends to be more flexible in responding to the development of financial services and is the prime reason why a large proportion of the world's commercial contracts are governed by English law and why the UK is a global leader in both judicial and non-judicial dispute resolution;
- focus on soft infrastructure, including market infrastructure, the exchanges, data management, telecommunications, and security, and hard infrastructure relating to connectivity, transport and accommodation;
- a skilled and diversified labour force;
- a consistent, politically neutral legal system that is widely used and understood globally;
- a central geographical location between the US and Asian timezones allowing London to work virtually around the clock.

KEY FINANCIAL CENTRES, TODAY AND TOMORROW



Source: TheCityUK based on Citi, Oliver Wyman and Z-Yen

London's role as Europe's financial centre is one of the main reasons international firms invest, locate and create jobs not just in the UK, but also across the EU. The links between financial markets in the UK and EU are extensive, and are fundamental to the prosperity of the whole region. Collectively, the EU is currently the largest global market with 500 million people (more than 7% of the global population), and generating over £10 trillion in gross value added (a quarter of global GDP). The EU benefits from having London, one of only a handful of truly global financial centres, as its hub and entry point for companies based outside Europe wanting to access the Single Market.

A high proportion of EU financial market activity is concentrated in London and other cities in the UK, especially in wholesale markets such as foreign exchange and OTC derivatives trading and specialist markets such as hedge fund and marine insurance. More than half of European investment banking activity is conducted in the UK.

The UK is also a leading provider of related professional services and is the biggest EU centre for international legal services and dispute resolution, accounting, management consulting, and financial and professional services education and training. All of the ten largest EU headquartered law firms are based in London.

London and the UK are the top destination for non-EU firms looking to establish their European headquarters: 60% of all European headquarters of non-EU firms are based in the UK and the UK hosts more headquarters of non-EU firms than Germany, France, Switzerland and the Netherlands put together. Some 40% of all European headquarters of the largest 250 companies are based in London.

UK SHARE OF FINANCIAL MARKETS IN THE EU

	% share of UK	date
Interest rate OTC derivatives trading	74	Apr-2013
Foreign exchange trading	78	Apr-2013
Hedge fund assets ¹	85	2013
Private equity funds raised ¹	64	2013
Marine insurance premiums	59	2013
Fund management	50	2013
Equity market capitalisation (LSE)	31	2013
Financial services GDP	18	2013
Bank lending	19	2013
Banks assets ¹	32	2013/14
Insurance premiums	23	2013
Financial and professional services employment	15	2013

¹ % share of Europe

Source: Various sources; TheCityUK estimates.

EUROPEAN HEADQUARTERS OF LARGEST COMPANIES

HQ location of Top 250 companies with global or regional HQ in Europe

	Country	% of European HQs
London	UK	40%
Paris	France	8%
Madrid	Spain	3%
Amsterdam	Netherlands	3%
Brussels	Belgium	3%
Munich	Germany	2%
Luxembourg	Luxembourg	2%
Moscow	Russia	2%
Geneva	Switzerland	2%
Other		37%
		100%

Source: Deloitte analysis, 2014; London Futures

INTERNATIONAL FINANCIAL MARKETS IN LONDON AND THE UK

1. BANKING

Indicators of the UK's strong international position include:

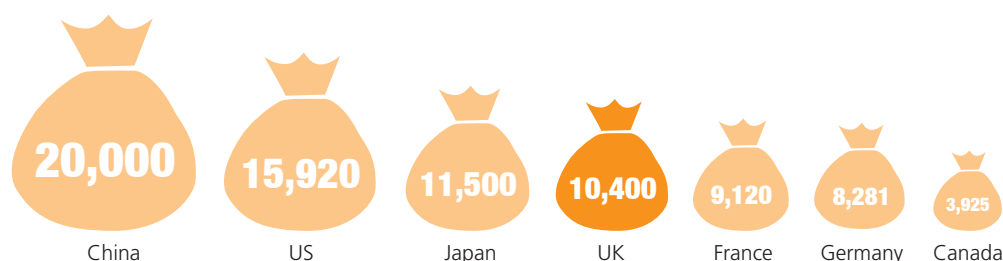
Size of the industry UK banking sector assets are the fourth largest in the world. International banks hold nearly half of the UK's banking sector assets, while UK owned banks have over half of their assets outside the country.

Cross border banking The UK is the largest centre for cross-border banking with 17% of the outstanding value of international bank lending in September 2014. It was also one of the largest centres for cross-border borrowing (16%). London has 250 foreign banks. This is higher than nearest rivals New York, Paris or Frankfurt.

Private and investment banking London is one of the most important centres for private and investment banking. Around a half of European investment banking activity is conducted in London.

LARGEST BANKING CENTRES

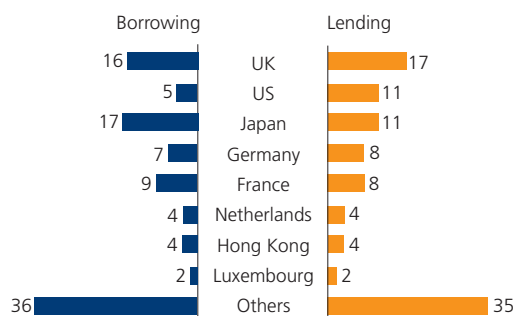
assets, \$bn, 2013/14



* total assets of commercial banks, including subsidiaries. Source: IMF, TheCityUK estimates

INTERNATIONAL BANK LENDING

% share of total, September 2014



Source: BIS

250

London has over 250 foreign banks. This is higher than nearest rivals New York, Paris or Frankfurt.

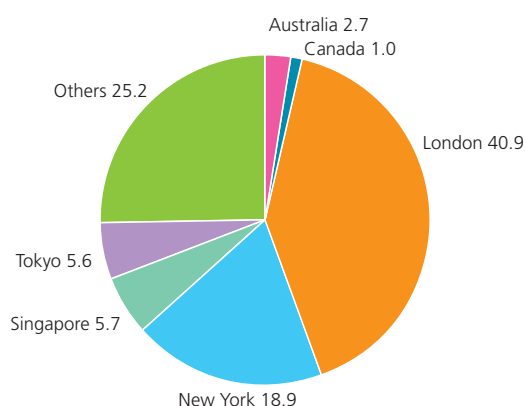
According to the Bank for International Settlements, the UK accounted for 41 % of global foreign exchange trading in April 2013, well ahead of the US (19%), Singapore (6%) and Japan (6%). The bulk of the UK's daily turnover averaging \$2,726bn in April 2013 was transacted in London. Twice as many US dollars are traded on the foreign exchange market in the UK than in the US. More than twice as many euros are traded in the UK than in all the euro-area countries combined.

41%

The UK accounted for 41 % of global foreign exchange trading in April 2013.

FOREIGN EXCHANGE TRADING

% share April 2013



Source: Bank for International Settlements

2. INSURANCE

The UK insurance industry is the largest in Europe and third largest in the world. It consists of insurance companies, the Lloyd's market, intermediaries, and various specialist support professions and services.

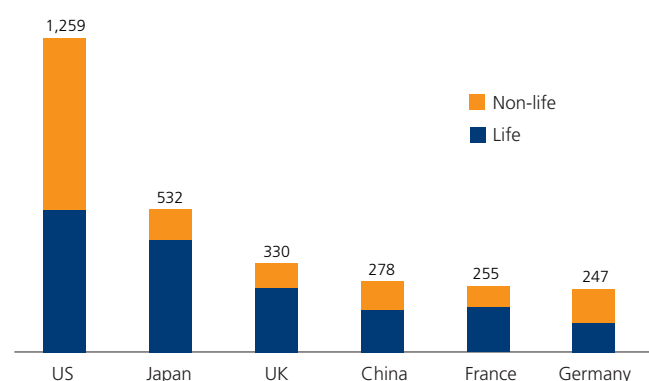
The London Market is a distinct, separate part of the UK insurance and reinsurance industry based in central London. It consists mostly of general insurance and reinsurance and predominantly involves high exposure risks. The London Market is the world's leading market for internationally traded insurance and reinsurance. It is the only place where all of the world's twenty largest international insurance and reinsurance companies are active.

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

- The UK is the largest source of both insurance funds and pensions in Europe;
- UK companies feature prominently in rankings of the world's largest insurance companies; and
- The 26% marine insurance premiums transacted on the London Market in 2013 was higher than in any other country. London accounts for around a 10% share of total world reinsurance.

LARGEST INSURANCE MARKETS

premiums, \$bn, 2013



Source: Swiss Re

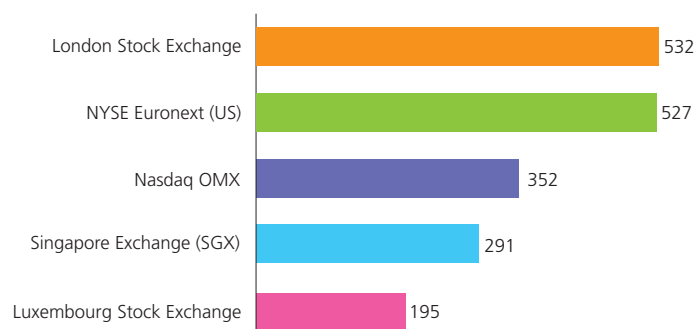
3. EQUITY AND BOND MARKETS

Equity markets London's importance as a centre for global equity trading is illustrated by:

- The 532 foreign companies in London (listed on Main Market and quoted on AIM) accounting for a fifth of the global number of foreign listings, ahead of the NYSE (527) and Nasdaq (352).
- Its 8% share of IPOs by value in 2014.
- Its 7% share of the global equity market capitalisation and 5% of turnover.
- The UK having the highest equity market capitalisation in relation to GDP of the largest countries with 174% at the end of 2014.

LONDON'S SHARE OF INTERNATIONAL EQUITY MARKETS

Number of foreign companies, 2014



Source: World Federation of Exchanges

532

532 foreign companies listed in London.

Bond markets The UK's substantial domestic market in bonds is complemented by London's continuing role as a major centre for issuance and the trading of international bonds. The outstanding value of international bonds in the UK totalled around \$3.3 trillion at the end of 2014, some 15% of the global total and second only to the US. Eurobonds account for around three-quarters of this. London is the leading centre for international bond trading with an estimated 70% of secondary market turnover.

\$3.3 trillion

The outstanding value of international bonds in the UK totalled around \$3.3 trillion at the end of 2014.

4. FUND MANAGEMENT

The UK is one of the largest markets in the world for fund management along with the US and Japan. UK assets under management totalled a record £6.2 trillion in 2013. The UK fund management sector has a strong international orientation reflected in: the institutional presence of a broad mix of UK and foreign firms; the investment of over a quarter of institutional clients' portfolios in overseas securities and; management on behalf of overseas clients of funds totalling around £2.2 trillion.

Some of the key indicators of the UK's international position include:

- **Pension fund assets** UK's pension assets accounted for 10% of global pension assets in 2013. This was well ahead of other European countries and was only exceeded by the US which has a population nearly five times as large. The UK's pension assets-to-GDP ratio is among the highest in the world;
- **Mutual funds** Over \$1,100bn is managed by UK mutual funds;
- **Insurance funds** The UK insurance industry has the third largest funds under management after the US and Japan; and
- **Overseas clients** The £2.2 trillion managed on behalf of overseas clients in the UK cannot be directly compared with any other centre, but is unlikely to be exceeded by any other country other than the US.

CONVENTIONAL INVESTMENT MANAGEMENT ASSETS

\$bn, end-2013

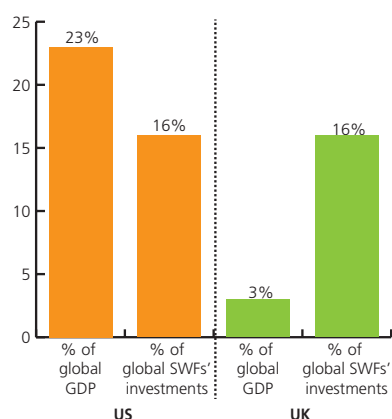
	Pension funds	Insurance assets	Mutual funds	Total conventional	% share
US	21,233	8,458	15,018	44,709	46
UK	3,618	3,282	1,167	8,067	8
Japan	1,732	4,620	774	7,126	7
France	265	781	1,532	2,578	3
Germany	242	1,649	383	2,274	2
Others	11,016	10,319	11,156	32,491	34
Total	38,106	29,109	30,030	97,245	100

Source: TheCityUK estimates based on UBS, OECD, SwissRe, Investment Company Institute data

Hedge funds London is the second largest centre for hedge fund managers after New York. London's 18% global share was more than double its share ten years earlier. The UK remains by far the largest centre for hedge funds in Europe. Around 800 funds located in the UK manage some 85% of European based hedge funds' assets. The UK is also the leading centre for hedge fund services such as administration, prime brokerage, custody and auditing.

SHARE OF GLOBAL SWF INVESTMENTS

% global share



Source: SWF Institute – Sovereign wealth fund transaction database

Sovereign wealth funds The UK and London in particular is an important centre for SWFs as a clearing house and location from where many of these funds are managed. London is the leading Western centre for SWFs. Nine of the largest twenty SWFs have representative offices there compared to seven in New York. SWFs with offices in London include the Kuwait Investment Authority, Brunei Investment Agency, Abu Dhabi Investment Authority, Qatar Investment Authority, Temasek and the Norwegian Pension Fund.

The International Forum of Sovereign Wealth Funds (IFSOF) relocated its Secretariat from Washington DC to London in 2014. This decision further reinforces London's position as the leading global centre for international financial and related professional services.

The US and UK have been the leading destinations for direct SWF investments since 2007, each accounting for around 16% of global investments during this period. The UK, however, attracts over five times more SWF investment than the US in relation to the size of its economy.

Private equity The UK private equity market is the most developed outside the US. Private equity funds based in the UK accounted for 13% of global investments and 8% of funds raised in 2013. London is the largest European centre for the management of private equity investments and funds. Over the past two decades, the UK private equity industry has invested over £200bn in around 30,000 firms worldwide.

9
out
of 20

of the largest
SWFs have a
representative
office in London.

PRIVATE EQUITY INVESTMENTS/FUNDS RAISED IN EUROPE

% share, 2013

	Investments		Funds raised
	Country of management	Country of destination	Country of management
UK	43	27	64
France & Benelux	21	28	16
DACH*	17	18	3
Nordics	11	14	13
Southern Europe**	6	11	3
CEE	1	2	1
Total	100	100	100

Source: PEREP_Analytics, EVCA *Austria, Germany Switzerland; ** Greece, Italy, Portugal, Spain.

49%

The UK remains the leading derivatives centre worldwide with a 49% share in 2013 of trading interest rates OTC derivatives.

5. DERIVATIVES TRADING

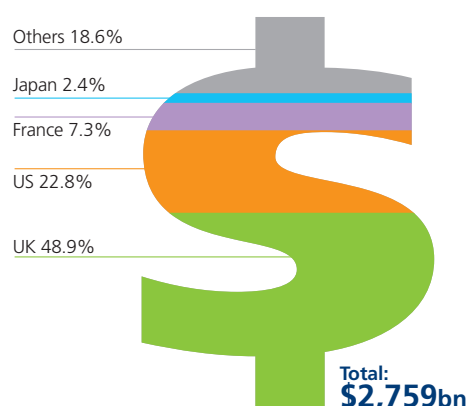
The UK remains the leading derivatives centre worldwide with a 49% share in 2013 of trading interest rates OTC derivatives. The US is the only other major location, with 23% of trading.

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

- NYSE Liffe, the leading exchange for trading in short term euro interest rates contracts. LIFFE is now part of the Intercontinental Exchange group.
- London Metal Exchange, the biggest non-ferrous metals exchange in the world.
- ICE Futures Europe, the largest regulated energy futures exchange in Europe, and the second largest in the world.
- Turquoise Derivatives London, which offers trading of derivatives based on Pan-European and International Order Book equities.
- CME Europe, the CME Group's first overseas exchange (subject to pending FCA application).
- NASDAQ OMX NLX, a new London based market for trading interest rate derivatives.

LOCATION OF OTC DERIVATIVES TURNOVER

% share, average daily turnover in April 2013



Source: Bank for International Settlements

6. COMMODITIES TRADING

Major derivatives exchanges located in London account for around 15% of global trade in commodities: NYSE Liffe, Europe's biggest exchange for 'soft commodities'; London Metal Exchange, the leading global exchange for non-ferrous metals; and ICE Futures Europe, the biggest exchange for energy products in Europe. The UK is also home to a number of international commodity organisations such as the International Coffee Organisation, International Cocoa Organisation, The Grain and Feed Trade Association and International Sugar Organisation. London as the leading international financial centre benefits from being the preferred location for many international firms trading in commodities as well as investment banks and other financial institutions that trade in commodities derivatives.

Bullion markets A large proportion of trading in precious metals takes place on the OTC market in London. The average daily volume of gold and silver cleared at the London Bullion Market Association (LBMA) in March 2015 was 18.7 million ounces (worth \$22.1bn) and 150.0 million ounces (\$2.4bn) respectively. London is also a leading centre for energy brokers operating in energy and carbon markets.

7. CARBON MARKETS

The UK is a leading global centre in carbon markets. It is lead investor in Clean Development Mechanism (CDM), accounting for 29% of all purchases of CDM projects in June 2012, and with seven of the largest 13 buyers based in the UK. European Climate Exchange (ECX) based in London is dominant in the trading of EU Emissions Trading System (ETS) futures and options contracts. Trading on ECX is linked to the UK being a leading centre for energy brokers operating in the carbon market. Major verification agencies are based in the UK. The UK is also a key centre in the provision of equity finance to the renewables market.

8. MARITIME BUSINESS SERVICES

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

- Shipbrokers in the UK operate at the centre of the international shipping business, bringing together ship owners, charterers and other related parties. The 200 shipbroking firms in the UK generate annual net exports of around £1bn.

\$22.1 billion

The average daily volume of gold cleared at the London Bullion Market Association (LBMA) in March 2015 was 18.7 million ounces (worth \$22.1bn).

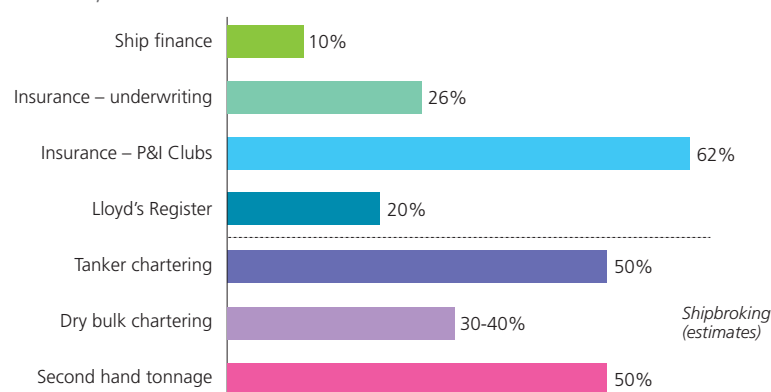
- Shipbrokers are represented by the Baltic Exchange, the world's only independent source of maritime market information for the trading and settlement of physical and derivatives contracts. Baltic members account for 50% of the global tanker and 30-40% of the global dry bulk chartering business. Baltic members are also involved in the sale and purchase of over half the world's new and second hand tonnage.
- OTC derivatives market trading of Forward Freight Agreements (FFAs) by shipbrokers on the Baltic Exchange totalled around 1bn lots per year in recent years.
- Marine insurance exemplifies the high risks placed in the London Market that cannot easily be placed in local markets. With 26% of premiums in the international marine insurance market, the UK is the leading global centre. The UK is also the leading centre for the management of protection and indemnity insurance, with London-based P&I Clubs accounting for nearly two-thirds of the global market.
- The main providers of finance to the shipping industry include international commercial banks, investment banks and smaller boutiques, which act as arrangers or introducers of capital. Total ship finance commitments of over a dozen banks based in the UK accounted for 10% of the world loan book totalling around \$400bn in recent years. Nearly 40% of over 300 international respondents in a recent Norton Rose Fulbright Transport survey said that London was the centre best able to provide for their financing needs.
- Ship classification involves the survey of vessels to establish their compliance with rules relating to structural and mechanical soundness. Lloyd's Register is the oldest of the major ship classification societies and the third largest classification society in the world based on gross tonnage.
- The UK is the leading centre in legal services and dispute resolution. English law is the most widely applied to shipping disputes.

26%

The UK is the leading centre in the international marine insurance market with a 26% share.

INTERNATIONAL MARKET SHARE OF UK MARITIME SERVICES

% share, 2013



Source: TheCityUK estimates; International Union of Maritime Insurance; Lloyd's Register; Baltic Exchange

- There are some 10,500 students studying on marine courses at more than 20 universities and colleges in the UK, of whom a third are from overseas.
- The UK is also the leading centre for the publishing of books, journals and directories for the maritime sector as well as a leading centre in maritime research, technical and engineering consultancy, employment services for recruitment and crewing of ships; telecommunications; and specialist software for shipbrokers and shipping industry.
- In addition to the international firms and organisations that supply maritime business services, over 20 international shipping organisations are based in London, including the International Maritime Organisation, the only United Nations specialised agency to be headquartered in the UK. Several international organisations representing professionals in the maritime industry are also based in the UK.

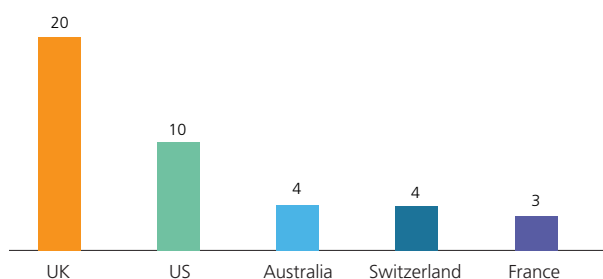
9. ISLAMIC FINANCE

The UK is one of the leading global centres for Islamic finance. This is an industry which is worth nearly \$2 trillion, having grown by 15% – 20% per annum since the 1990s. London's profile as a centre for Islamic finance has grown in recent years, although institutions in the UK have been providing Islamic financial services for 30 years. Key features of the UK Islamic finance industry include:

- Around 20 banks, of which six are fully Sharia licensed, more than in any other Western country. Many foreign banks access Islamic finance through the London markets or their London based teams for specific initiatives;
- The London Stock Exchange (LSE) is a key global venue for the issuance of Sukuk. To date over US\$38 billion has been raised through 53 issues of these alternative finance investment bonds. Seven exchange traded funds and two exchange traded products are also quoted on the LSE. The LSE also launched its Islamic Finance Market Index in 2013;
- Around 25 law firms supplying services in Islamic finance;

ISLAMIC BANKS IN WESTERN COUNTRIES

Number located in each country



Source: TheCityUK estimates

THECITYUK ISLAMIC FINANCE GROUP

At the end of 2014 TheCityUK established an Islamic Finance Sector Advisory Group to respond to developments in the UK and internationally in Islamic Finance and recommend to UK government policy and trade & investment activity to progress the development and promotion of the sector.

The Group's purpose is to be at the centre of UK thought leadership in Islamic Finance; to set the agenda for the development of Islamic Finance within the UK and to develop and promote the UK's position as the leading Western hub for Islamic Finance.

The group delivers this initiative by producing and deploying content with key policymakers in Government and Parliament as well as in other relevant instances.

The Islamic Finance Sector Advisory Group aims to:

- Develop best-in-class messaging on the role of the UK Islamic Finance sector put in the context of maintaining the size of sector and attracting new business to the UK.
- Develop benchmark regulatory and Islamic Finance standards while complying with international regulation on banking and with reference to the ongoing development of global standards within Islamic Finance.
- Encourage support for a legislative programme that promotes rather than restricts the global competitiveness of the sector.

- Use of Islamic finance for major infrastructure projects in London and across the UK including: development finance for The Shard, Battersea Power Station regeneration, London Gateway, the Olympic Village and the redevelopment of Chelsea Barracks;
- The UK's largest accountants, consultants and professional service firms all have Islamic finance departments providing trusted advisory services to UK and international clients; and
- Qualifications in Islamic finance offered by 4 professional institutes and at least 40 universities and business schools.

An important feature of the development of the UK as a centre for Islamic finance has been supportive government policies intended to broaden the market for Islamic products. The UK government sold £200m of Sukuk, maturing in 2019, to investors based in the UK and in major global hubs for Islamic finance. Britain's first sovereign Sukuk was oversubscribed with very strong demand and orders totalling around £2.3 billion.

In late 2014, the UK Government announced that UK Export Finance (UKEF) was planning to provide Shariah compliant support for British exporters. Shortly afterwards, the UK Government-backed export credit guarantee agency underwrote its first Islamic bond, providing cover for a £617m Sukuk issued by Dubai's Emirates Airline.

10. PUBLIC PRIVATE PARTNERSHIPS

The UK has been at the forefront of pioneering a mixed model of infrastructure investment, whereby responsibility for infrastructure is split between the public and private sectors. In the 1980s, public sources accounted for the vast majority of infrastructure construction funding. Private funding has, however, grown in importance since then. In the coming years, over two-thirds of funds needed to upgrade the UK's infrastructure will need to come from a diverse range of private investment sources.

Public Private Partnerships (PPPs) have been an important delivery mechanism by which much of the UK's infrastructure has been procured in the last 15 years. During this period contracts have been signed in over 20 sectors, and by over 100 different procuring authorities. For PPPs, the most widespread form of finance is the structure employed in PFI transactions.

Over 100 countries are currently looking at how to introduce PPPs and 40 countries now have some form of PPP unit to oversee the process. The UK has led in the development of PPPs/PFIs and has now pioneered a new model (PF2) in response to the new economic climate and challenges. The long-running experience and expertise of the UK in managing private finance projects offers a way to help plug the global infrastructure investment gap in the coming years.

THECITYUK INFRASTRUCTURE AND ENERGY GROUP

The Infrastructure & Energy Group is a Sectoral Advisory Group for TheCityUK.

The Group provides thought leadership for the use of the private sector as a means to meet the unfulfilled global demand for infrastructure and public services. It advances the positive public-policy framework required to support public private partnerships in the UK, the EU and further abroad. While doing this, it demonstrates how the UK's unrivalled experience means that UK-based practitioners have a wide and deep range of knowledge upon which to draw.

The Group works with overseas governments at central, regional and local levels to promote the wealth of expertise in infrastructure investment and Public Private Partnerships that are available from UK-based firms. By providing meaningful information and organising relevant, targeted events, we are helping foreign governments make the contacts they need, understand policy issues and select suitable advisers. Over the last two years, some thirty overseas governments have enjoyed the benefits of this work.

The Infrastructure & Energy Group provides support and works in conjunction with TheCityUK's geographic market groups. It also takes the lead for other areas of the world, such as the US, where there are major infrastructure investment opportunities.

ROLE OF LONDON AND THE UK AS A GLOBAL PROVIDER OF PROFESSIONAL SERVICES

1. LEGAL SERVICES AND DISPUTE RESOLUTION

The UK has a strong reputation as the leading global centre for the provision of international legal services and dispute resolution. It is also an important centre for legal education and training. In addition to firms in London, there are high-quality providers offering choice and value in cities such as Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool and Manchester.

The UK accounts for around 7% of global legal services fee revenue which totalled around \$650bn in 2013/14. An important reason for the UK's position as a leading legal services hub rests upon its membership of the EU. TheCityUK's competitiveness report found that decision makers specifically cited access to markets in the EU as a core reason for choosing the UK over other financial centres. The UK is by far the largest market for legal services in Europe accounting for over a fifth of the sector's revenue, and is second only to the US globally. London's pre-eminence in legal and other professional services is not only an asset for the UK, it is also a European asset.

The leading global position of international law firms based in the UK is underlined by:

- Three of the largest five Global 100 law firms, based on head-count in 2013/14, have their main base of operations in the UK. In terms of gross fee revenue, UK based firms held five of the top ten places;
- The largest international law firms in London have between 45% and 65% of their lawyers based outside the UK and many other London-based firms have between 10% and 20% of lawyers overseas. Typically US firms have less than a quarter of lawyers outside the US. Some 6,000 solicitors from England and Wales are located abroad;

THECITYUK LEGAL SERVICES GROUP

The Legal Services Group is a Sectoral Advisory Group for TheCityUK. The work of the Group is focused on ensuring the continued competitiveness of the UK legal services sector. This involves working on the domestic front to identify opportunities for our members to provide thought leadership on the development of the UK legal services sector. From an international perspective, the Group works with the UK and overseas governments at central, regional and local levels to promote the wealth of expertise in legal services that are available from UK-based firms.

LARGEST LAW FIRMS BY GROSS FEES

2013/14

	Headquarters	Gross revenue \$m	% change from 2012/13
DLA Piper	International	2,481	2
Baker & McKenzie	International	2,419	5
Latham & Watkins	National (US)	2,285	3
Skadden, Arps, Slate, Meagher & Flom	New York	2,235	1
Clifford Chance	London	2,126	3
Kirkland & Ellis	Chicago	2,016	4
Linklaters	London	1,963	4
Freshfields Bruckhaus Deringer*	London	1,927	0
Allen & Overy	London	1,897	1
Norton Rose Fulbright	London	1,851	n/a
Jones Day	National (US)	1,766	3
Hogan Lovells	International	1,718	5
Sidley Austin	Chicago	1,601	7
White & Case	International	1,440	4
Gibson, Dunn & Crutcher	Los Angeles	1,387	7

Source: Legal Business

*Norton Rose merged with US law firm Fulbright & Jaworski in June 2013, forming Norton Rose Fulbright.

- The largest international law firms in the UK are leading advisers in deals taking place in international capital markets, and advise on M&As, project finance, tax and intellectual property around the world. The largest UK firms have outpaced US firms in terms of international expansion in recent years, both in terms of number of jurisdictions they operate in and overseas offices opened.
- The role of the largest international law firms is complemented by the activities of a diverse range of UK-based law firms with market leading geographical and technical niche expertise.

The UK is very open in allowing virtually unrestricted access for foreign firms. There are over 200 foreign law firms with offices in the UK. Around a half of these are from the US, with the remainder from Europe, Australia and Canada. The popularity of English law is an important factor contributing to the UK's strong global position. Some 27% of the world's 320 legal jurisdictions use English common law.

The strength of the UK as an international centre for legal services is reinforced by the expertise of barristers and advocates involved in international practice. Over 1,200 members of the Commercial Bar Association, and many members of other specialist bar associations, practice in the field of international commercial law, with many cases heard in the Commercial Court, the Chancery Division, and the Technology and Construction Court.

Dispute resolution in London and the UK All over the world, there are courts, arbitrators and mediators. But with over 24,000 international arbitration and mediation disputes resolved in the UK in 2013, London is the global leader in commercial dispute resolution, whether for the purpose of litigation or for dispute resolution through arbitration or mediation. Around 40% of governing law in all global corporate arbitrations is English law. Many organisations in London facilitate the resolution of disputes between international parties, while extensive arbitration and mediation services have been developed to resolve disputes throughout the UK. Disputes can involve parties in a wide range of trades and sectors, including maritime, commodities, financial services and construction.

Following a consultation process, a new specialist list to deal with the more complex and important financial market cases has been established. TheCityUK welcomes the creation of the Financial List and recognises its potential to help maintain the pre-eminence of the UK as centre for dispute resolution through the development of a deeper pool of financial market expertise.

The biggest dedicated business, property and commercial court in the world was opened in 2011. Commissioned and administered by Her Majesty's Courts and Tribunals Service, the new Rolls Building is one of the most significant new court building projects since the nearby Royal Courts of Justice were opened in 1882. The Rolls Building is a purpose-built, one-stop courthouse with 31 courtrooms. Three of these are 'super-courts', spacious and flexible enough to cope with the most demanding multi-party litigation. There are also 55 conference rooms available for use by litigants and their advisers.

Following a consultation process, a new specialist list to deal with the more complex and important financial market cases has been established. TheCityUK welcomes the creation of the Financial List and recognises its potential to help maintain the pre-eminence of the UK as a centre for dispute resolution through the development of a deeper pool of financial market expertise.

2. ACCOUNTING SERVICES AND MANAGEMENT CONSULTANCY

Accounting services The UK occupies a key position in the delivery of accounting services worldwide with many of the largest global firms headquartered there. Net exports from UK accounting services totalled £522m in 2013. UK professional institutions play a key role in the development of accounting skills throughout the world, with an overseas membership of nearly 120,000, over a third of their total membership of 424,000. The 300,000 members of the accounting profession, and over 7,400 registered accounting firms in the UK, have a key role in the management of businesses, large and small, and other organisations in the voluntary and public sector. Over a third of board members in listed companies are chartered accountants.

Management consulting has been one of the fastest growing industries in the UK in recent years. The industry grew by 8% in 2013, its best performance since 2007. A key feature of management consultancy in the UK is the concentration of activity amongst a few large and medium sized international firms at one end of the scale, and a large number of specialist smaller firms which have specific expertise or skills at the other end.

The UK and Germany are the largest markets in Europe for management consulting, accounting for 13% and 12% of the world market respectively. The UK is a significant exporter of management consulting services – net exports totalled £4.8bn in 2013.

£4.8 billion

Net exports from UK management consulting totalled £4.8bn in 2013.

3. FINANCIAL SERVICES EDUCATION AND TRAINING

A range of UK organisations provide education and training in financial services internationally:

- Professional institutions collectively have a membership of 962,000 of whom 186,000 are overseas. These institutions cover a range of disciplines in financial and related professional services including banking, insurance, capital markets, accountancy, law and dispute resolution.
- Universities and business schools which have a key role in attracting foreign students to the UK. The UK accounted for 13% of 4.5 million international students being educated at the tertiary level in a country other than their home country in 2012. This was second only to the US.
- Specialised training services from a variety of providers including exchanges, specialist training firms and industry associations.

OUR INTERNATIONAL PROGRAMME

TheCityUK works to maintain and improve international competitiveness for the UK by supporting market opportunities for its members through an extensive programme of work on trade and investment policy. We support inter-governmental initiatives around financial and related professional services and have a strong dialogue with regulators, governments and industry bodies internationally. Our international policy work is split into activity focussed on specific geographies alongside a thematic programme of work.

Thematic focus

Global Regulatory Coherence: Regulatory divergence and non-tariff barriers significantly impact global trade in financial and related professional services. TheCityUK is actively working to drive regulatory coherence with our international trading partners to address any barriers to trade. The work that we have done in this field can be seen through the leading position we have taken on the Transatlantic Trade and Investment Partnership negotiations.

Trade and Investment Policy: Through the LOTIS (Liberalisation of Trade in Services) Committee TheCityUK works to promote favourable trade and investment policy for the industry. We regularly engage with the most senior policymakers and regulators within the international community.

Islamic Finance: (page 18), **Infrastructure and Energy:** (see page 19), **Legal Services:** (page 20).

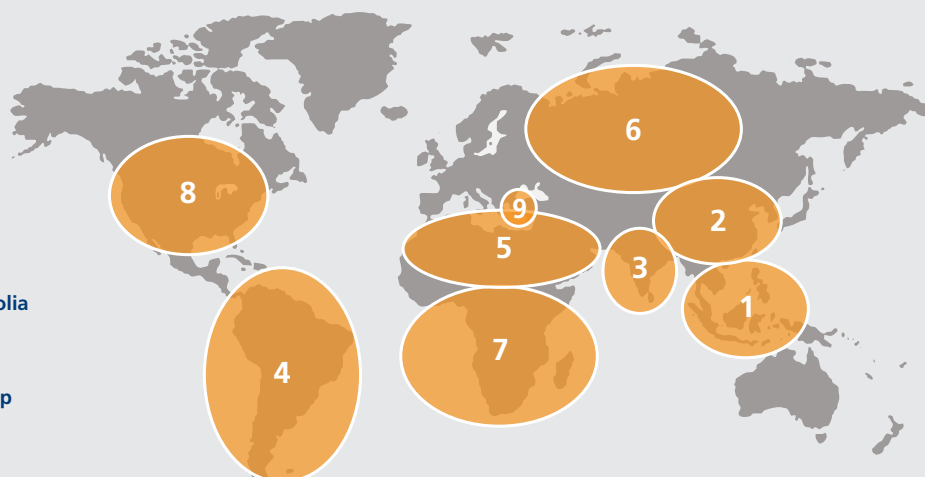
Geographical work

China: TheCityUK works with policy makers in the UK and China to promote the strengths and expertise of our members to our Chinese partners and increase the opportunities available in the China market to UK business. We are committed to highlighting the UK as the global centre for financial and related professional services and a prime destination for inward investment. Our China market advisory group helps frame the strategic priorities for our sector and is run jointly with the China-Britain Business Council (CBBC). Additionally, TheCityUK has been working with partners to deliver key analysis and policy debate under Sir Gerry Grimstone's initiative on helping China develop its free trade zones (FTZs) policy, which is having wide resonance in terms of the next steps of economic reform in China. Fourteen policy discussion papers have been produced under this initiative to date, which have received high acclaim by the Chinese authorities.

India: TheCityUK has sought to develop closer trade and investment relationships between the UK and India. We provide the UK framework for the India-UK Financial Partnership, which was launched by the Chancellor of the Exchequer and the Finance Minister of India in 2014 and is co-chaired by Sir Gerry Grimstone and Uday Kotak. Work-streams which we and our Indian partners have prioritised include development of the corporate bond market, pensions, infrastructure funding, mutual sharing of expertise on the financial sector and market regulation, and financial inclusion. TheCityUK's India market advisory group helps deliver the work of the Partnership in collaboration with a team in Kotak.

TheCityUK runs a number of market advisory groups for other countries and regions. These cover the **ASEAN** region, **Latin America**, the **Middle East** and **North Africa**, **Russia, CIS** and **Mongolia**, **Sub-Saharan Africa**, and **Turkey**. Our work in these groups focuses on improving trade and investment policy, promoting regulatory coherence, highlighting public and private partnerships and identifying investment opportunities. Our market work also supports a programme of international inbound and outbound visits of senior decision makers designed to further our policy objectives and build networks and opportunities for our members.

1. ASEAN
2. China
3. India
4. Latin America
5. MENA
6. Russia, CIS and Mongolia
7. Sub Saharan Africa
8. Transatlantic Trade & Investment Partnership
9. Turkey



KEY FACTS ABOUT THE UK AS AN INTERNATIONAL FINANCIAL CENTRE

The information in this report is drawn from a wide range of statistical sources and reports, compiled and published by TheCityUK. The research provides a comprehensive overview of trends and issues in financial and related professional services. In particular TheCityUK research seeks to highlight the important contribution of financial and professional services to the UK economy and to raise awareness of the role of the UK in international financial markets.

THECITYUK RESEARCH

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MEMBERSHIP

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