

12th December 2024

**The Chancellor of the Exchequer &
Economic Secretary to the Treasury,**
Financial Services Strategy
HM Treasury
1 Horse Guards Road
SW1A 2HQ

Submitted by e-mail to: FSGrowthStrategy@hmtreasury.gov.uk

Dear Chancellor and Secretary,

CFA UK & CFA Institute's letter in response to HMT's Financial Services Growth & Competitiveness Strategy - Call for Evidence

The CFA Society of the UK (CFA UK) and CFA Institute (CFAI) welcome HMT's call for evidence and provide selective comments in this letter for your consideration. Our response reflects themes on which we have consistently advocated and includes references to previous research and opinions.

Our response reflects the perspective of the investment community – our members working as analysts, fund managers, asset owners and their advisers. The continued growth and sustainable health of the UK's financial services sector is of vital importance to their ability to deliver for their clients and for their own careers.

HMT'S APPROACH TO THE STRATEGY

- We commend the **10 year time frame (vs. short termism), and the overdue assessment** of UK's financial services competitive strengths and challenges.
- We recommend that the assessment should also include a **transparent recognition of key weaknesses and threats**, which will lead to a more resilient strategy, leveraging competitive advantages while mitigating weaknesses.
- While the UK is a leading global player in most financial market categories, this position is disproportionate to the scale of the UK economy, and we recommend concerted action to ensure that UK financial services **serve not only the needs of the UK but also a global clientele.**

- The paper indicates that the strategy will be formalised in spring 2025, following this Call for Evidence. We recommend **a consultation on the draft strategy** prior to its finalisation as part of the process.

STRATEGY OBJECTIVES

- We **support the six objectives, and commend the reference to ‘all regions and nations’**, given the importance of financial centres beyond London.

Reference: Recent letter from CFA UK’s Scottish Committee on reviving Scotland’s place in the sector [Letter: Labour’s finance sector ambitions should focus on Scotland](#)

- However, we **recommend more ambitious language** is used in framing some of the objectives, to galvanise all stakeholders. For example, relating to capabilities, the objective ‘*provides financial services firms with access to a highly-skilled workforce*’ could be stronger, such that we focus on ‘*attracting and retaining the best UK and global talent, providing easy and consistent access to a qualified, competent and modern workforce*’.
- In the first objective, arguably the most important, we recommend explicit reference is made to the to a **predictable, simple, and consistent regulatory framework that supports investor protection as well as business growth**.

While focussing on growth, we caution against the risk of undoing some of the UK’s existing competitive advantages. In particular, we **advise against diluting key principles of investor protections and disclosure, while supporting less micro or prescriptive regulation**. We have previously advised that jurisdictional competition for listings should not erode investor protections and regulation, and policy should continue to ensure that investment professionals receive high-quality information from issuers to make informed decisions for their clients.

References: Recent CFA UK / CFAI responses to deregulation proposals, advocating simplification but adherence to core principles:

- [response---march-21-the-fcas-consultation-paper.pdf](#)
- [Microsoft Word - CFAI FCA Consultation CP24-12 POATR \(2024-10-18\)_Final.docx](#)
- <https://acrobat.adobe.com/id/urn:aaid:sc:EU:8c1733e2-4705-4c1e-b031-2853bb853938>

POLICY PILLARS

- We agree with the five policy pillars and recommend **an additional sixth pillar covering the broader ecosystem supporting financial services** in the UK. This is an area where the UK has a competitive edge, and which also merits the government’s attention. Our legal, accounting, and educational resources – including our world-leading professional bodies – provide vital support to the broad financial services sector and should be brought within the review’s consideration. This ecosystem is underpinned by rule of law, a clear differentiating factor in view of

global geopolitical shifts and varying attitudes towards financial regulation. There are numerous examples, such as the FRC’s Stewardship Code, where the UK’s leadership has driven global adoption.

GROWTH PRIORITIES

- We agree with the growth priorities, but for strategy completeness recommend an additional **focus on competitive strengths or pillars that need to be maintained**. For example, “skills and access to talent” is a pillar and not a growth priority, and as a result it could be overlooked without being part of a policy package and risk being diluted over time.
- We recommend that **the Capital Markets priority should explicitly reference Private Markets**, which can contribute strongly to direct investment in the UK and where the UK’s resources and track record provide a relative global advantage. While the competitiveness of UK public markets is important, more growth is now supported and enabled through private markets. Attracting investors across global infrastructure, private equity, private credit, and long-term real asset investment should be a differentiating growth strategy for the UK.

References:

CFAI overview of public v private market trends

[capital-formation.pdf](#)

Report from Apollo Management with useful global statistics.



RethinkingPrivateVsP
ublic-Apollo.pdf

- At the same time the rise of private markets creates **governance issues where the UK can again show leadership**, with scope for better regulation, conflicts of interest management, disclosure of fees, transparency on valuation and performance measurement.

Reference: CFAI survey [Private Markets: Governance Issues | Survey Report](#)

CAPABILITIES, SKILLS, AND TALENT

- The UK has had a longstanding competitive advantage in the quality and availability of competent, qualified, and experienced personnel. However, as mentioned in the previous point, we recommend **policy action to maintain this advantage, as technology and markets drive changes in required skills** – to attract global talent, through providing clear, modern competency frameworks and leading in ongoing learning and development. As an example, the UK positioned itself as a leader in promoting quality advice and education through the RDR, and can similarly lead in other areas, while also modernizing existing frameworks.

References:

CFAI report on the changes in skills and roles in the investment sector

[FoW Skills and Learning Online.pdf](#)

CFAI report on the skills gap in investments

<https://rpc.cfainstitute.org/en/blogpage#q=aed10e3fbeb58d52864ee705d87a9fefb98e22bf6b620aed69382f3b2885>

REGULATION AND ETHICS

- A regulatory and conduct regime based on ***strong principles such as simplicity predictability and consistency*** can be a key competitive advantage for the UK. We support the FCA’s competitiveness objective but only if the primary objective to protect financial market integrity takes precedence to avoid any confusion on supervision and enforcement. We believe that the work on consumer duty and value for money are good examples of effective, principles-based regulation.
- A review of the ***key policy focus areas for EU regulation*** (the “blueprint”) may be a useful input when formulating the regulatory aspect of the strategy.

Reference: A joint report on the challenges faced by the EU in growing listed capital markets, with some read across to the UK: [CFA Institute and BETTER FINANCE Report on the Review of the Listing Rules in the EU: With input from FESE](#)

SUSTAINABILITY

- We agree that there is a clear ***opportunity for the UK to lead on sustainable and transition finance***, particularly at a time when global leadership on this issue is unclear and the EU’s approach is regarded as too prescriptive and burdensome. The UK has already built a leading role in sustainable finance (across climate, transition, and impact) and has the opportunity over the next few years to cement its position at the centre of a growing, global sector.

References: CFAI report on the opportunities and issues in transition finance. [Navigating Transition Finance: An Action List](#)

TECHNOLOGY & INNOVATION

- ***UK financial services could be at risk of falling behind in attracting talent and financing*** for technology firms and slower in the pace of adoption of technology and AI, particularly in comparison to Asia and the US. This is a potential concern for the UK, as digital transformation, personalization of products, financial literacy and investor engagement can all benefit from AI and new technologies, and we look forward to a strong suite of actions in the strategy on this front. The UK can also lead in creating an ***ecosystem from startup to going public in new technologies***, taking advantage of UK’s unique position in areas such as genomics (because of UK Biobank + unified NHS records unlike splintered US system) and the development of AI and Machine Learning processes using an appropriate regulatory framework.

References:

CFAI’s view of the most significant developments for the investment industry in the next 5 to 10 years: [future-state-of-the-investment-industry.pdf](#)

CFAI report on the benefits of technology for clients.

[How tech lets wealth managers focus on client relationships | CFA Institute](#)

Tech adoption as an accelerator of trust.

<https://rpc.cfainstitute.org/research/surveys/enhancing-investors-trust>

CFAI recommendations on the framework to support crypto assets

<https://rpc.cfainstitute.org/research/reports/2023/cryptoassets-beyond-the-hype>

Not to forget the ethics aspect of technology adoption:

<https://rpc.cfainstitute.org/research/reports/2022/ethics-and-artificial-intelligence-in-investment-management-a-framework-for-professionals>

The proposed work on a financial services growth and competitiveness strategy is promising and we look forward to a draft strategy early in 2025.

We hope our comments and reference materials are useful and would be grateful for the opportunity to meet and discuss our feedback, and indeed conduct any further research or analysis that would help with your strategy.

Yours sincerely,

CFA Society of the United Kingdom



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APPENDIX I: About CFA UK and CFA Institute



CFA UK serves nearly 12,000 members of the UK investment profession. Many of our members analyse securities, manage investment portfolios, advise on investments, or are in roles responsible for investment operations or oversight.

Our role is to help investment professionals build and maintain their skills and competencies so that they are technically and ethically competent to meet their obligations to clients. We advocate for high standards of ethical and professional behaviour and our work with regulators, policymakers and standard setters is focused on skills, knowledge, and behaviour.

We are not a lobby group or a trade body. We are an independent, professional association whose mission is to ‘educate, connect and inspire the investment community to build a sustainable future.’

Founded in 1955, CFA UK is one of the largest member societies of CFA Institute. Most of our members have earned the Chartered Financial Analyst® (CFA®) designation. All our members are required to attest to adhere to CFA Institute’s Code of Ethics and Standards of Professional Conduct.

For more information, visit www.cfauk.org or follow us on Twitter @cfauk and on LinkedIn.com/company/cfa-uk/



CFA Institute is the global association for investment professionals that sets the standard for professional excellence and credentials. The institute is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Its aim is to create an environment where investors’ interests come first, markets function at their best, and economies grow.

It awards the Chartered Financial Analyst® (CFA) and Certificate in Investment Performance Measurement® (CIPM) designations worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

CFA Institute has members in 162 markets, of which more than 170,000 hold the Chartered Financial Analyst® (CFA) designation. CFA Institute has nine offices worldwide and there are 158 local member societies.

For more information, visit www.cfainstitute.org.

