Call for Evidence

Financial Services: Growth and Competitiveness Strategy

12 December 2024

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **Financial Services Growth and Competitiveness Strategy**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors, and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

Executive Summary

This paper outlines our high-level response to the call for evidence on the Government's Financial Services Growth and Competitiveness Strategy, focusing on key areas such as sustainable finance, the adoption of emerging technologies, capital market funding, securitisation, investment research, and the cost of market data.

We believe that high-quality regulation, international competitiveness, and economic growth are essential for the prosperity of the UK's financial markets.

Introduction

AFME is the voice of wholesale financial markets across geographical Europe. Our members are headquartered in the UK, the United States, Switzerland, Japan, and the EU, and are active in wholesale capital markets. Beyond their direct lending activities, they provide governments, corporates of all sizes as well as other banks and financial sector entities with access to capital via market-based financing, together underwriting 75% of European listed equity capital issuances and 89% of European corporate and sovereign debt. In addition to helping clients raise funds via primary markets, they use their balance sheet capacity to make markets and provide liquidity so that securities and commodities can be bought and sold as efficiently and cost effectively as possible. They also provide foreign exchange services and risk management solutions to a wide range of corporates and financial institutions and help institutional investors, such as insurance companies, pension

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funds and other asset managers, which manage retail investor money, to access a diverse range of investment opportunities.

AFME’s mission is to advocate for deep, integrated, and sustainable financial markets which serve the needs of companies and investors, supporting economic growth and benefitting society. We believe that high-quality regulation, international competitiveness, and economic growth are essential for the prosperity of the UK's financial markets. We support ongoing policy development based on regular dialogue and consultation between policymakers and industry, providing the clarity, certainty, and predictability that international businesses and investors need.

AFME and our members work on issues in financial services that affect market performance, stability, and growth. We approach our response to the call for evidence, like we do all our work, in a way that supports innovation and growth while ensuring market stability and protecting investors.

We welcome the fact that financial services is one of the eight growth-driving sectors that the Government has identified and will be prioritised based on both existing and emerging strengths.

The UK Government should focus on subsectors with high growth potential, which are currently or can contribute to international competitiveness and make significant contributions to economic activity and innovation. This response focuses on securitisation, sustainable finance, and digitalisation, as well as other areas that will help drive growth in the UK economy.

The Government should consider the interdependencies between financial services and other sectors. This involves clear governance structures and arrangements for public-private finance models, along with policy measures, incentives, and investment vehicles that cater to different approaches, pools of capital, and risk tolerances.

Using Capital Markets to build a Competitive and Growing Economy in the UK

The Government's Call for Evidence rightly highlights the UK's strong foundations, including some of the most liquid capital markets in the world, a highly innovative economy, and one of only two truly global, full-service financial centres. We agree with this assessment, but this does not mean that there are not structural problems and barriers that are restricting the sector from reaching its full potential to create growth across the real economy.

Building on the UK's strong foundations, the Government’s focus should be on key issues hindering growth. Specifically, capital market funding, securitisation, investment research, and market data, which are areas where real economic benefits could be realised with the correct reforms and approach. We have outlined recommendations to address these issues and boost the sector's growth and competitiveness.

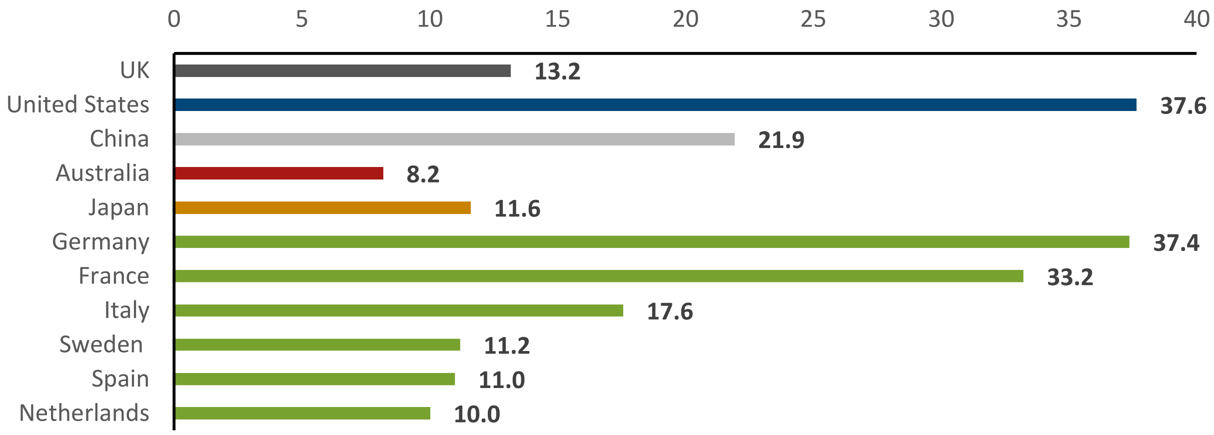
Financing and meeting the goals of net-zero

We strongly support the inclusion of sustainable finance as one of the priority growth opportunities within the Government's strategy. This is an important area of opportunity to support growth and the transition of the economy to meet Net Zero, complementing the Government's broader objectives. We agree that there is an opportunity for the UK to further enhance its leadership in this area and strongly support the proposed long-term vision of a streamlined regulatory regime and effective policy framework that supports innovation and fosters growth of the new markets that will be needed to support the domestic and global transition. We welcome the sustainable finance package announced at Mansion House and look forward to engaging with the Government across all aspects as it puts this framework into practice. We also recognise the importance that a proportionate and effective tax regime can play around sustainable finance, and this is referred to later in our submission.

Although the UK is currently only the fourth largest originator of green bonds among European countries, the UK has genuine potential to lead the transition to net-zero. With some of the most liquid capital markets in the world and a reputation for innovation, the UK has an opportunity to become a global hub for sustainable finance.

Increasing green bond issuance offers substantial economic benefits. Green bonds not only provide essential funding for sustainable projects but also bolster the UK's standing as a leader in sustainable finance. This enhanced reputation can attract more international investment, further solidifying the UK's position in the global financial market.

Green bond issuance by country of issuer: 2024H1, £b



Source: CBI, Dealogic

As the impacts of climate change and nature degradation continue to be seen around us, it is imperative to make further progress towards global and national greenhouse emission reductions, nature restoration and broader sustainability goals. AFME continues to strongly support the important role of capital markets and private finance in supporting the transition of the UK and global economies to meet climate, environmental and social objectives.

We welcome the Government's plans to deliver green growth and make the UK a leading centre for green finance. Financial institutions have an important role to play in providing and facilitating the financing needed to support companies as they decarbonise. However, as emphasised by the Transition Finance Market Review, we would encourage the Government to recognise that the financial sector's ability to support the transition will depend on whether the conditions are in place to enable the real economy to transition, thereby creating opportunities for finance and investment to support such activities.

- **Recommendation 1: To make progress in meeting the UK's Net Zero and broader sustainability goals, it is crucial that the Government focuses on putting in place the policies, roadmaps, incentives, mandates, and investments for the real economy to have the information, the tools, and the incentives to adapt their businesses.**

Alongside this, as recognised in the Manifesto and Financial Services Strategy, it is important to proceed with targeted and proportionate policies on sustainability reporting and transition plans. The UK's ambition to become a leading hub for the provision of transition finance should also be upheld, building upon the recommendations of the Transition Finance Market Review. It is crucial that the framework is integrated and coherent, working together as complementary elements of the overall solution.

We believe that the Government should prioritise: a) Endorsement and consultation on adoption of UK Sustainability Reporting Standards aligned with the International Sustainability Standards Board (ISSB) standards; b) Consulting on the adoption of transition plan disclosures for listed and unlisted companies; and c) Following up on the recommendations of the Transition Finance Market Review to facilitate transition finance. Further to this, welcome the recent announcements at and alongside the Chancellor's Mansion House speech and look forward to engaging with the Government across these priorities.

In addition, it is important to reflect on how the public and private sector can work together, including on blended finance solutions, to maximise the impact of public investments and support innovation. We welcome the Government's plans to invest in renewable energy and use public investment to crowd in private funding.

It is important to proceed with the consultations by the Government and FCA for listed and unlisted companies to establish an effective sustainability disclosures regime in the UK. We support the endorsement of the ISSB standards for use in the UK without any substantive changes. However, the UK should avoid going beyond the ISSB framework at this stage. This will enhance international interoperability and support the UK's ambition to become a green finance hub. It should promote the international interoperability of sustainability disclosures and avoid introducing jurisdictional requirements for subsidiaries of groups which are covered by sustainability disclosures at group level. Sustainability-related strategies, targets and metrics for large and multinational firms are typically set at group-level and in the case of non-UK groups, at a consolidated ultimate parent level.

As emphasised by the Transition Finance Market Review, policymakers have a pivotal role in fostering conducive conditions for transition finance. AFME was pleased to contribute to the Transition Finance Market Review and welcomes its recommendations. We encourage the Government to reflect upon these and take forward recommendations to facilitate the UK as a leading hub for transition finance.

Regulation should not hinder ambition and innovation. While regulatory frameworks are essential for ensuring transparency and accountability in sustainable finance, they must be designed in a way that encourages rather than stifles progress. Overly burdensome regulations can increase compliance costs and deter investment in innovative green projects. Therefore, it is important to strike a balance between robust regulatory oversight and the need to foster an environment where ambition and innovation can thrive. Additionally, predictability in regulatory standards is vital to give firms the confidence to proceed with sustainable initiatives.

Companies need assurance that they will not be judged retrospectively by shifting criteria, which can undermine their efforts and investments. By maintaining consistent and clear regulations (including where relevant the principle of "grandfathering"), the UK can ensure that businesses are motivated to contribute to its net-zero goals without fear of future regulatory changes. This approach will help the UK maintain its competitive edge in the global sustainable finance market and drive meaningful progress towards its net-zero goals.

Transition plans

Transition plans can provide valuable information for banks to understand the decarbonisation trajectories of their clients and engage with them to understand constraints and potential needs or opportunities for financing, supporting the provision of transition finance. They also help companies understand and address their climate impact and adapt their business strategy to make the most of opportunities from the transition. While the adoption of transition plans can help promote the credibility and integrity of sustainable finance, it is important to recognise that transition plans alone do not create the economic conditions needed to make real economy transition activity commercially viable.

- **Recommendation 2: The Government should prioritise a whole of economy approach to transition and recognise that banks' balance sheets, and therefore their transition plans, reflect the wider economy.**

We look forward to engaging with the Government and the FCA on how to ensure that transition plan disclosures can be designed to support the Government's ambition to become a global hub for transition finance. The introduction of transition planning requirements must go through proper consultation and careful consideration. For a disclosure regime around transition plans to be effective, it will need to strike the right balance between credibility and flexibility. We welcome the confirmation that the Government will be consulting on transition plans next year.

Carbon markets

We welcome the Government's announcement that it will consult on Voluntary Carbon Markets (VCM). We encourage the Government to reflect upon the recommendations of IOSCO in its Final Report and to adopt a high-level approach towards developing VCM regulatory principles and bringing financial market best practices to VCMs. Regulatory good practices will likely be most relevant to supporting sound market structures and promoting market integrity within secondary VCMs. Conversely, matters related to the environmental integrity (or 'quality') of carbon credits and the maintenance of associated standards are best managed by private-led Voluntary Carbon Credit initiatives (e.g., the ICVCM). Therefore, we urge the Government to support these initiatives to ensure robust verification processes for carbon credit attributes within VCMs.

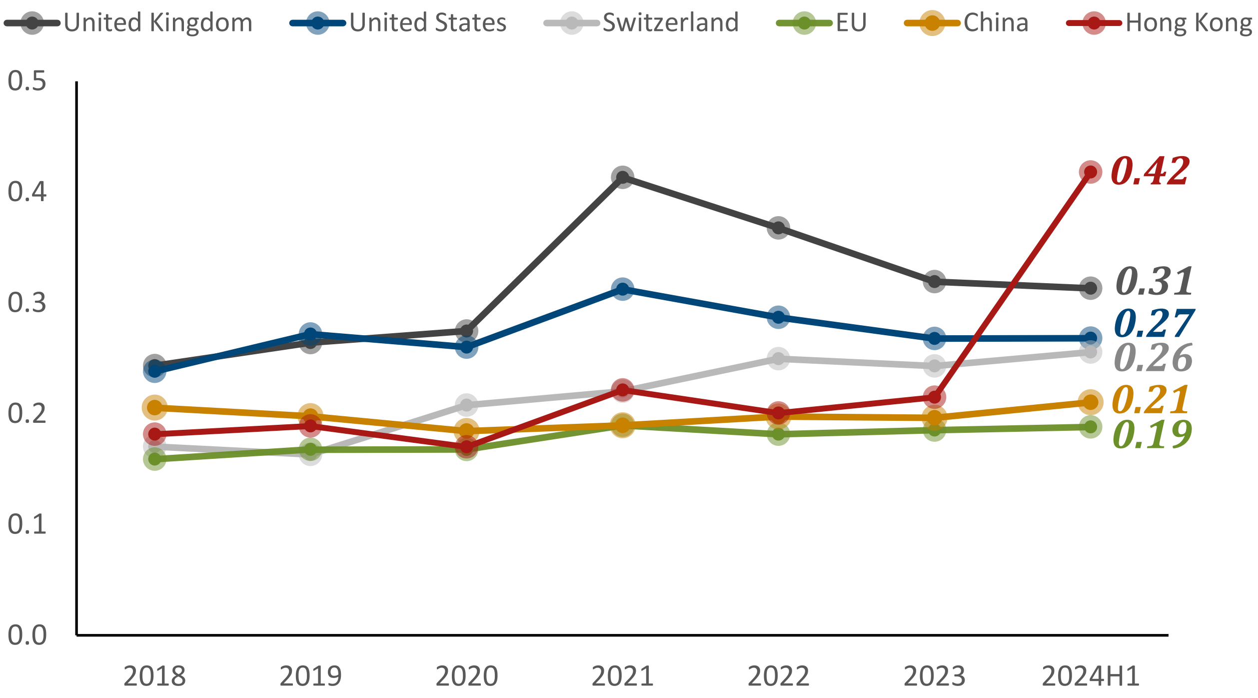
The UK should also consider linking the UK ETS with the European Union's Emissions Trading Scheme (EU ETS). This would put into practice the 'serious consideration' the UK and EU have given to linking in the Trade and Cooperation Agreement (TCA). Linking the UK and EU ETS would enhance the confidence in both carbon markets, reduce compliance costs for covered entities, optimise price discovery, and enable participants to manage their carbon exposure more effectively. Critically, such linkage would negate the need for carbon borders between the UK and EU, thereby preventing carbon leakage and alleviating the significant challenges that industry is likely to encounter with the implementation of carbon border taxation.

Emerging Technologies and Digitalisation

Over the next 10 years, one of the most significant trends in financial markets will be digitalisation, which is poised to transform the sector and change the way the sector operates. Digitalisation is already transforming the financial services industry by enhancing efficiency and reducing costs but has the potential to do much more.

According to the FinTech Indicator, contained with the most recent Capital Markets in the UK: Key Performance Indicators report, the UK is a both a global and regional hub for FinTech companies, ahead of other major economies such as the US, China, and the EU. This world leading position is driven by multiple factors, including the generation of innovative ideas through company patents, the number of FinTech unicorn companies valued above $1bn, a business-friendly regulatory environment for FinTech, a robust talent pool, and high levels of funding available to the FinTech sector. However, latest indicators show a slight deterioration due to lower volumes of funding to fintech companies, and a rapid increase in Distributed Ledger Technology (DLT) issuance seen in other countries.

FinTech Indicator (0: Min, 1: Max) Composite indicator based on regulatory landscape, funding availability, innovation, and talent pool



Source: AFME Research

The adoption of emerging technologies such as artificial intelligence, blockchain, and big data analytics is enabling financial institutions to offer more personalised services, streamline operations, and enhance security. It is essential that Government policy creates the right conditions, for the digital transformation, and as such, the Government should adopt a forward-looking approach in setting strategies and policies for emerging technologies. This includes establishing appropriate and clear guidelines, nurturing UK talent to meet changing skills needs, and fostering collaboration between academia, industry, and startups. Additionally, the Government should consider the importance of sandboxes and lessons learned in financial services to gather qualitative insights and identify emerging trends.

In this section of our submission, we consider a wide range of issues that we see as key to helping the industry meet the challenges and reap the rewards of the digital transformation.

Tokenisation

The development of DLT holds promise for unlocking efficiencies and driving growth. Experiments have allowed a greater understanding of the technology and provided evidence of the benefits. Payments, settlement, and securities lifecycle events may be carried out with greater safety and more efficiency; access to capital markets, through tokenised securities / assets, may be expanded to a broader set of participants. At scale, these developments would benefit the real economy.

Adoption of DLT has been growing, but the pace at which this is happening could be increased. The challenges are largely linked to the need for the broad ecosystem to move in the same direction, so that larger scale use of DLT – necessary for reaping its benefits – can be achieved. A turning point is seen as being within reach but to catalyse this evolution all stakeholders need to play a role.

Large issuers, particularly public-sector issuers of debt instruments - sovereign, supranational and agency issuers – can play a key role in this process of scaling DLT-based capital markets through increasingly deploying DLT solutions in their issuances. AFME sees significant opportunities and benefits for DLT issuance - including speed, cost reduction and trade life-cycle efficiencies. We welcome the launch of a pilot to deliver a Digital Gilt instrument and are pleased to see the UK developing its DLT policy framework to underpin these market innovations.

We welcome the progress made by the FCA towards a regulatory framework, including their recent crypto roadmap. However, providing regulatory certainty is a priority for all firms active or intending to become active in areas such as stablecoins and other digital assets, either directly or as service provider by way of, for example, offering clearing or custodial services. We have seen that this regulatory certainty attracted crypto asset related activities to Europe. The sooner that regulatory certainty can be delivered in the UK, noting that regulation should be proportionate and technologically natural, the better positioned it will be to become a hub for digital assets and DLT.

- **Recommendation 3: Policymakers should develop DLT policy framework, working towards a harmonised, technology-neutral, risk-focused approach.**

Open Finance

We note the introduction of a Digital Information and Smart Data Bill. An Open Finance framework, if designed correctly, can facilitate cross-sectoral technological innovation, and create value for end clients.

- **Recommendation 4: A roadmap towards developing an Open Finance framework must be grounded in robust and granular impact analysis evidencing benefits to consumers and market demand and be segmented by products and services.**

When developing an Open Finance framework, a level playing field is crucial for the development of the sector and the technology that underpins it. A genuine data ecosystem needs to cover multiple sectors beyond financial services. In addition, consistent and appropriate regulatory oversight should apply to all potential data users. This should be coupled with an appropriate framework for compensation, to ensure fair allocation of costs across the data value chain and to safeguard fair competition.

Cyber resilience

Cyber resilience is crucial for the UK financial services sector to safeguard against digital threats that could disrupt services and impact financial stability. With increasing cyber attacks, robust cyber resilience ensures the protection of sensitive data, maintains consumer trust, and upholds market confidence.

- **Recommendation 5: Explore mechanisms for developing best practice industry guidance on operational and cyber incidents. Leveraging on the intelligence UK authorities have collated.**

- **Recommendation 6: Ensure a coherent framework, particularly for a heavily regulated sector like financial services, where the risk of overlaps and inconsistencies between horizontal and vertical regulatory frameworks is high.**

Artificial Intelligence

Many financial institutions have been integrating artificial intelligence (AI) into their operations across a wide range of business functions and use cases. The use and application of AI tools and systems are diverse and include enhanced and more tailored customer experience and improved ability to detect anomalies, risks or frauds; automated processes and improved trading strategies; support in complying with regulatory requirements and risk management processes in particular, firms have utilized "traditional" forms of AI and machine learning for many years, and consequently have developed governance processes to oversee, manage and monitor their application of AI, in accordance with their existing regulatory obligations.

- **Recommendation 7: Regulators should take a principle and risk-based approach to AI, giving financial institutions flexibility in how best to operationalise the principles in relation to their AI adoption, in recognition of the fact that the technology is still evolving. Regulators should leverage the existing regulatory framework, and existing supervisory tools, to the greatest extent possible before pursuing technology-specific regulation.**

The significant leap forward represented by the rapid emergence of generative AI has the potential to bring additional opportunities. Overall, AI has the potential to transform financial services and capital markets to make them safer, more efficient, accessible, and tailored to consumer needs. This, in turn, brings important benefits to consumers and the wider global economy. At the same time these opportunities require careful consideration of new risks and challenges introduced by a growing use of AI. These include the need to ensure fairness, avoiding biases, and ensuring transparency. With AI applications becoming more sophisticated and complex, regulatory frameworks can struggle to keep pace. Complex AI models can also be difficult to interpret, making it difficult to understand / explain how a decision is reached. Adoption at large scale of AI could make critical functions increasingly reliant on such technology and be accompanied by a concentration of AI suppliers, requiring effective risk management.

We fully support the UK regulators' view that the existing regulatory framework (such as the Consumer Duty, Senior Managers and Certification Regime (SM&CR), and the Critical Third Parties regime) provides the tools necessary to address the risks associated with the wider use of AI. Should risks not covered by the existing regulatory regime emerge, industry will be eager to work closely with the regulators to develop a framework which addresses the risks while supporting the growth and competitiveness of UK financial services.

Capital Market Funding

It is essential to highlight the critical role of public sources of funding to a successful Growth and Competitiveness Strategy. Public markets provide significant capital for businesses, enabling them to fund expansion, innovation, and operations, which are vital for driving economic growth.

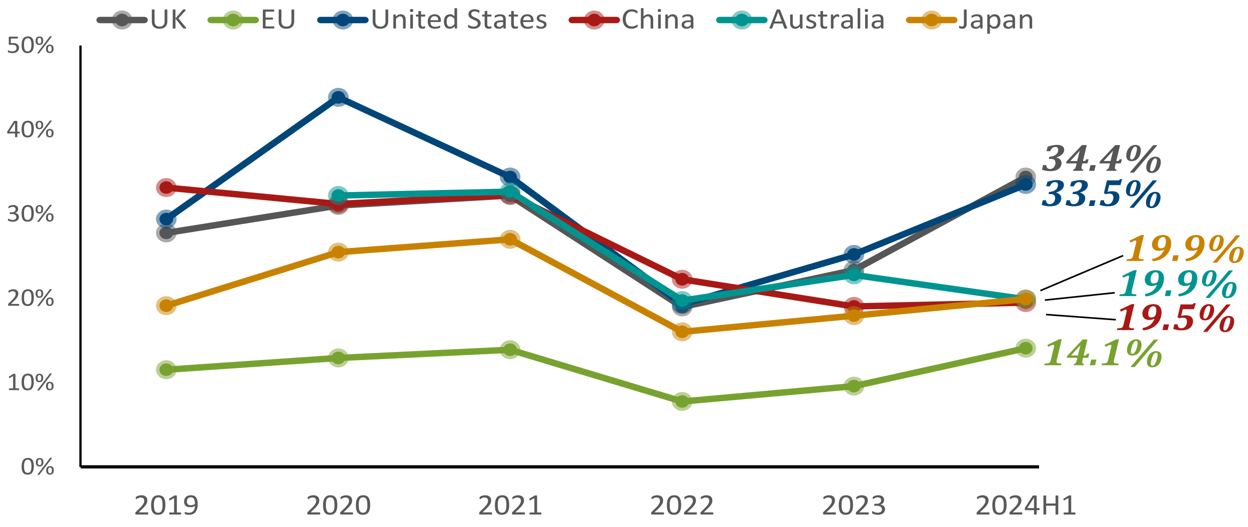
Public markets allow businesses to diversify their funding sources, reducing dependency on funding sources such as bank lending, and offer more stable and flexible financing options. The stringent regulatory requirements of public markets ensure transparency and accountability, protecting investors and maintaining market integrity.

UK capital markets remain a strength of the wider economy, providing benefits across all the sectors that the Government has outlined in the industrial strategy. The UK is a global hub, and maintaining robust public funding mechanisms is crucial for supporting the industrial strategy, fostering economic growth, and ensuring the UK's competitiveness on the international stage.

UK capital markets continue to be a regional and global hub for capital market funding. Over the previous 3 years, UK corporates have raised a quarter of their funding via public markets, although the 3-year average is 1.5% higher than was recorded last year, showing growth across this metric which is similar to that seen in the US. More UK businesses continue to use capital markets for a significant share of their finance needs compared to other European countries.

The Market Finance Indicator contained in our recently published Capital Markets in the UK: Key Performance Indicators measures the capacity for companies to raise finance on public markets. The indicator achieves this by quantifying the proportion of total finance for non-financial corporates (NFCs), which is provided by capital markets instruments (equity and bonds). The indicator is calculated as annual gross NFC equity and bond issuance as a percentage of the sum of annual gross lending (new loans) to NFCs and equity and bond issuance.

Market Finance Indicator (NFC equity and bond issuance as a % of total NFC annual financing)



Source: Dealogic, US FED, ECB, BoE, and other European central banks

Following a challenging 2022 for market-based funding, capital markets issuance continued to grow for UK non-financial corporates in 2024, continuing the recovery seen in 2023. The UK has continued to see growth comparable to that in the US, seeing 6-year highs and outperforming US issuances in the first half in 2024. If we want to see continued growth in the ability of capital markets to fund economic growth there are a number of key areas outlined below that should be at the forefront of the Government's consideration when developing a regulatory and legislative agenda to underpin the industrial strategy and the Financial Services Growth and Competitiveness Strategy.

Securitisation

Data from our Capital Markets in the UK: Key Performance Indicators suggests that the UK securitisation market is underdeveloped and underutilised compared to other regions, and that there is a large potential for growth and expansion. We have already seen from the FCA that the new securitisation regulations aim to make the UK securitisation market work more effectively.

It is crucial that firms operating in the financial markets, and businesses in the real economy, have access to an appropriate range of funding tools, alongside appropriate and proportionate disclosures to investors. Securitisation can help transfer assets and their related credit risk from banks to markets, freeing up capacity on banks' balance sheets and allowing more lending to the real economy.

- **Recommendation 8: A stronger securitisation market should be developed with input from industry to fund more lending to SMEs, facilitate infrastructure spending, and help finance the net-zero transition.**

Once adjusted by loan size, the rate of loan transformation in the UK lags behind other major European markets such as Spain, France, and the Netherlands, but is on a par with the EU average.

This is problematic, as annual securitisation issuance in the UK has experienced muted growth over the last 10 years. Relative to GDP, securitisation in UK was less than half the level in Japan and China, about a quarter the level in Australia, and 40% lower than in US. The absence in the UK of a more developed securitisation market has the effect of "embolising" banks' balance sheets, blocking banks' ability to initiate new lending to the real economy and thereby impacting the flow of capital to the real economy.

Contained within the recent report on EU Competitiveness we have seen a call for an increase of the financing capacity of the banking sector through securitisation**.** We have further been encouraged by the recognition shown by European policymakers of the important role that securitisation can play in order for Europe to remain competitive and to be economically prosperous. We would call on Government to look at developments across Europe and to prioritise a conversation with industry to address and resolve the current regulatory hurdles and support the return of a healthy securitisation market in the UK to help to deliver the significant funding needs over the coming years.

A Competitive Tax Regime

The tax system has a vital role to play in supporting economic growth and competitiveness. In this regard we welcome the publication of the Corporate Tax Roadmap and the Government's confirmation that the current corporation tax rates and the main tax reliefs will remain in place throughout the current Parliament.

The banking sector in the UK is subject to two sector-specific taxes, the Bank Levy, and the Bank Corporation Tax surcharge. These result in a higher overall tax rate for banks in the UK compared to other leading global financial centres, which will be increased further by the national insurance changes announced in the October 2024 Budget. We welcome the Government's commitment to keep the bank tax regime under review in the context of supporting growth.

- **Recommendation 9: The Government should complete the review of the VAT financial services regime. In this regard consideration should be given to the introduction of a VAT exemption for research which would promote investment and create opportunities for growth.**

- **Recommendation 10: To remove disincentives to invest in UK capital markets, we would encourage the Government to phase out stamp duty reserve tax.**

Considering the ongoing efforts to enhance the UK's economic competitiveness, two changes to the tax system around research and the trading of shares would provide an immediate impact to the health of UK financial markets and make UK equities more attractive to investors, increasing liquidity on UK markets and creating a deeper pool of investable capital.

Stamp duty reserve tax increases the cost of capital for companies and makes the UK a less attractive market to do business. The current rate of 0.5% is the highest of any major economy. A detailed study by Oxera in 2024 concluded that the abolition of stamp tax on shares would result in a permanent increase in GDP of between 0.2% and 0.7%, and that the lost tax revenue would be more than offset by increases in revenue from other taxes.

- **Recommendation 11: The Government should also consider tax incentives for long term investments, to capitalise on the UK financial services sector's competitive advantage in innovation and accelerate the net-zero transition.**

Reform of Market Data Costs

The cost of market data including at major exchanges, which issuers, investors must buy to carry out their day-to-day activities, has dramatically increased since 2017. Alongside this, The FCA has also identified areas in credit ratings data, benchmarks, and market data vendor service, where competition does not work well and where users of market data may be paying higher prices for the data they buy. However, the FCA has ruled out significant intervention in this market.

Market data plays a critical role in any market. It empowers the decisions of issuers and investors and gives them confidence in their investment decisions and valuations. Intermediaries that support issuers and investors must also consume, analyse, and store data to make everyday decisions that optimise outcomes for their clients, develop new products and to adhere to regulatory requirements.

- **Recommendation 12: We encourage the Government to monitor the costs of market data and competition within the sector, safeguarding markets and preventing behaviours that impede growth in line with more clearly defined objectives for market data providers.**

Accessible market data is a critical component of healthy and well-functioning capital markets, and we would urge the Government to actively monitor this sector and the impact that it has on wider capital market activity in the UK.

Investment Research

We welcome optionality in research payments, and we note the stated desire in the Investment Research Review recommendations that the UK continue to remain aligned with the EU and the US, and not to be put at a competitive disadvantage. Optionality should be available as a means for paying for corporate access in the same way as for investment research. Creating greater opportunities for investors to directly access SMEs/corporates as part of the normal course of business is an integral part of the investment decision making process.

Our recommendation will help achieve a balanced and flexible framework for all research payment arrangements, including the new "commission sharing arrangements (CSA)-like" arrangement introduced by the FCA in August 2024. We believe that this change will further incentivise the take up of the new payment option and help reinvigorate UK capital markets and bolster UK economic growth.

- **Recommendation 13: As corporate access, like research, forms an integral part of the investment process and the information ecosystem, it follows that it should have the same options for payment as research.**

Corporate access is a critical part of the information gathering process of the investment manager, which is beneficial to not only the investment manager but also ultimately to the investment managers' end clients. This point is acknowledged by regulators in other jurisdictions who allow the arrangements of such meetings to be paid through the use of client commissions recognising the importance of the dialogue to the end consumer and overall capital market information ecosystem.

Overall, the UK regime acts as a limiting factor, particularly for smaller companies and funds, which have fewer resources. Importantly, encouraging providers to create corporate access events which include SMEs, who may not generate as much investor interest, allows a greater opportunity for investors to directly access SMEs/corporate management, which can form an integral part of the investment process. As corporate access, like research, forms an integral part of the investment process and the information ecosystem, it follows that it should have the same options for payment as research.

Conclusion

AFME strongly supports the Financial Services Growth and Competitiveness Strategy and its potential to enhance the UK's financial markets. By addressing key issues such as capital market funding, securitisation, investment research, and the adoption of emerging technologies, we can create a more competitive and sustainable financial environment.

The Government must support regulators to balance risk and competitiveness. Political backing is necessary when regulators take responsible risks but then creates suboptimal outcomes. Without this support, regulators may shift towards eliminating all risk.

We urge the Government to continue its dialogue with industry stakeholders to ensure that the regulatory framework supports innovation and growth while maintaining market stability and protecting investors. AFME remains committed to working with policymakers to achieve these goals and to support the ongoing development of the UK's financial markets for the benefit of all stakeholders.

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