

Financial Services in the UK

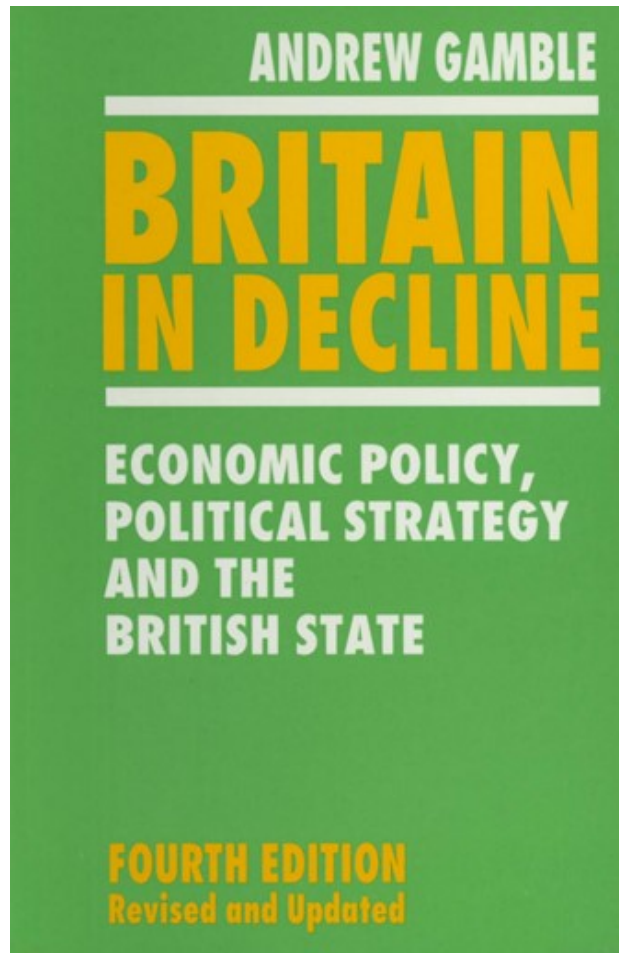
1. Background
2. Post-GFC re-regulation
3. Brexit and financial services

The Rise of the City



- Lloyd's of London 1686
- Bank of England 1694
- HMG has never defaulted (except during 1970s inflation)
- Financial revolution before the Industrial Revolution
- Massive overseas investments before 1914 – at the expense to domestic industry?

Why Did Britain Fight Germany in 20th Century?



- Britain a sea power
- Germany a land power

- But Britain more allied to free markets and free finance, like the United States

The Genius of the Anglo-Americans?

‘A clash of civilizations has dominated the history of the modern world: the clash between the English-speaking powers of the United Kingdom and the United States, and the various enemy nations since the seventeenth century that have fought against them to shape the world.’

GOD & GOLD
Britain, America
and the Making of the
Modern World
WALTER RUSSELL MEAD

Walter Russell Mead, “God and Gold”, 2017

The UK and US – “the maritime order”

Italy had Leonardo, Michelangelo and the Renaissance

The UK and US have finance

<https://www.youtube.com/watch?v=irqwQk3KE98>

The City's Revival after World War II



CANARY WHARF

1960s Eurodollar and Eurobond markets

1970s US banks and petrodollars

1986: Big Bang – deregulation and internationalisation

Docklands become financial centre etc.

New Labour 1997 > GFC 2007/8

- Bank of England – operational independence – 1997: Monetary Policy Committee (MPC)
- A consolidated macroeconomic regime – along lines of “Jackson Hole consensus”
- Stay out of the euro
- BUT “Light-touch” regulation – macroeconomics and finance disconnected – Financial Services Authority (as a company! outside the Bank of England)

After the Global Financial Crisis

- Development of prudential regulation:
 - Financial Policy Committee at BoE (2010)
- Financial Services Act 2012
 - Prudential Regulation Authority (at BoE)
 - Financial Conduct Authority (a limited company selling regulatory services to members of financial services industry)

Re-Regulation



Independent Commission on Banking
The Vickers Commission – final report 2012

- Higher capital requirements: primary loss absorbing capital equal to at least 17%
- “Ring-fencing” by 2019 of commercial and investment banking activities

Individualised Responsibility

Also after GFC and Libor manipulation scandal

- Senior Managers and Certification Regime (SM&CR)
 - banking sector since March 2016
 - dual-regulated insurers since December 2018.