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Dear Chancellor,

Re: Representation for Autumn Budget 2021

The Investment Association (IA) is pleased to submit its representation for your Autumn 2021 Budget.

This is a vital budget. As we rebuild after the pandemic, accelerate our move to a greener economy and make sure that every corner of our country thrives, a flourishing investment management sector is more important than ever. As we emerge from this uncertain time, the importance of having a strong savings and investment culture cannot be overstated.

Our industry stands ready to play its part in this process and our submission sets out several related recommendations.

As you will know, investment managers help families right across the country to build their financial security and have a stake in the economy. Overall three quarters of UK households use the services of an investment manager, usually thanks to pensions or ISA savings.

Our members invest across the country too. Every community in the UK benefits from our members' infrastructure investments (£40bn in total at the end of 2020), and we also provide much of the capital which keeps businesses serving communities and creating jobs.

This investment is increasingly focused on projects with a specific environmental or social purpose. UK savers put almost £1bn a month into responsible investment funds last year, showing how important investing in a way which supports our communities has become.

In our submission, we make proposals which will boost the competitiveness of the UK economy, our savings culture, and the global standing of the UK investment management industry. These are ambitious plans to capitalise on the areas in which the UK is already leading.

Many of the proposals in this submission originate from HM Treasury's own Asset Management Taskforce. This is an invaluable forum for the Government, industry and regulator to identify and deliver better outcomes for consumers and keep us globally competitive.

We look forward to continuing this constructive relationship and would welcome a Budget which shows that the Government will continue to back the UK's world-leading investment management industry for the sake of the savers, business and infrastructure programmes which rely on us.

Yours sincerely,

Chris Cummings
Chief Executive

1. Supporting long-term investment

The investment management industry has long been advocating for broadening investor access to long-term assets both in the UK and globally, and we are extremely pleased to see this echoed by the proposed 'Investment Big Bang'. Such investments can provide investors with the ability to diversify their portfolios and potentially boost returns. For companies and projects seeking long-term capital, a broader investor base will give them a deeper pool of capital to draw from.

In the UK, defined contribution (DC) pension schemes and retail investors are two groups who face particular challenges in accessing long-term illiquid assets and we welcome the Government's desire to address these barriers through the work of the Productive Finance Working Group (PFWG). The IA played a central part in this and we support its recent report and recommendations. Implementing these recommendations will be critical in unlocking capital from DC and retail investors.

We highlight three key areas where we think further work is needed by government and regulators following the publication of the report, and which, if addressed, can succeed in delivering the government's objective of harnessing greater amounts of long-term UK capital:

- **1a) Widen access to the LTAF**
  The Long-Term Asset Fund (LTAF), which the IA pioneered, needs to have a broader distribution in the retail market than currently envisaged under the FCA's draft rules. This is crucial in making the LTAF a viable commercial proposition in which investors reap the benefits of economies of scale. The proposed restriction on LTAF distribution to professional investors, DC default arrangements and those retail investors covered under the Non-Mainstream Pooled Investment (NMPI) exemptions will prevent this from happening. We have put forward an alternative proposal to the FCA to allow for broader retail distribution based on the FCA's existing Product Governance framework and look forward to discussing this further with HMT and the FCA.

- **1b) Support appropriate tax wrappers**
  An important dimension to the debate around commercial viability and retail distribution of the LTAF concerns its treatment within tax wrappers that are used by retail investors. Current HMRC rules would prevent LTAFs from being held within ISAs, while the FCA's rules on capital requirements for SIPP providers would create a significant disincentive for SIPP providers to distribute LTAFs. An inability of retail investors to access an LTAF through these popular tax wrappers would severely limit the LTAF's appeal to them. These issues should be addressed as part of the broader work on ensuring retail access to the LTAF – however, we note that the PFWG deemed them to be out of scope of its work. We therefore strongly urge HMT and HMRC to consider these issues alongside the PFWG/FCA work on broader retail distribution of the LTAF.

- **1c) Further align the interests of investors and managers**
  Performance fees are commonly levied in certain asset classes, such as private equity and venture capital, and can be a highly effective way of aligning the interests of investors and managers. We welcome work done by DWP to try to accommodate performance fees within the DC charge cap, but think a different approach is needed to overcome the fundamental uncertainty that pension trustees face when operating performance fees under the charge cap: they cannot be sure on an *ex-ante* basis of complying with the cap, even when this is smoothed over a longer time period, per the DWP proposals.

  This is a significant disincentive to use performance fees. A better approach would be to exclude performance fees from the cap – recognising that they are in effect a profit-share and only triggered when the scheme benefits from outperformance. It is noteworthy that UK DC schemes compete globally for investment opportunities, and the restrictions imposed on them by the cap can leave them at a disadvantage relative to less-constrained investors, such as their counterparts from Canada and Australia. This is especially problematic in the context of the government's objectives where there is competition for investment opportunities in the UK.

- **1d) Create an appropriate tax system for the LTAF**
  A number of key tax considerations are also important in creation of a strong and attractive UK LTAF regime. In particular:

  - LTAFs must protect the **tax neutrality** that investors need. The existing UK authorised fund tax regime, which the LTAF is expected to use, must be augmented in order to remove tax leakage at the fund level while ensuring simplicity of the tax regime. The UK Fund Regime call for input issued in early 2021 asked important questions around tax exemption of UK funds which are also important considerations for the LTAF and must therefore be consulted on as part of the wider exercise of simplifying the UK fund tax regime to bring it in line with international fund tax regimes.

  - Critically, the VAT regime for fund management must be significantly enhanced through **zero rating of UK funds**, in order to make setting up and management of UK LTAFs as attractive as offshore funds.

  - There should also be a **stamp duty and SDLT seeding relief for LTAFs** similar to that available for UK Authorised Contractual Schemes.

  - The UK tax regime makes it unviable for UK resident non-domicile investors to invest in UK funds and has the effect of encouraging them to invest in non-UK funds. It is a significant factor in preventing growth of UK fund structures. Therefore, the **regime for resident non-doms** should also be reviewed and amended to encourage investment in UK funds including LTAFS. One way of dealing with this issue could be to remove funds from the remittance basis of taxation rules. Alternatively, the extension of business investment relief (as applies for investments made by

remittance basis users in UK trading companies) to investments in a UK fund could also be considered.

2. Building a thriving business environment

The UK is already a leading centre for international investment management, built on strong businesses working together with a supportive policy environment. The wider context in which investment managers work needs constant refinement to ensure that the world's leading businesses choose to locate here and so that domestic firms can thrive. This could be achieved through the strategies below.

- **2a) Ensure the UK is home to a competitive, predictable regulatory and tax regime**
  As HM Treasury continues its review of the UK regulatory framework, it should ensure the regulators have consideration for appropriateness and proportionality in its decision-making, as well as a regard for the importance of global innovation and competitiveness.

  Successful regulators have transparent priorities and consider the cumulative impact of changes being made, and their total costs. This should include:

  - **Ensuring tax competitiveness.** With the corporation tax rate set to increase from 19% to 25% from April 2023, the UK needs to urgently consider the competitiveness of the wider tax regime in its efforts to remain an attractive jurisdiction both for funds and fund management businesses. We eagerly await the outcome of the UK Fund Regime Call for Input to understand the next steps of this important exercise.

    One of the critical elements in the success of UK as a fund and fund management location is the UK fund management VAT regime which acts as an important influencer while making fund location decisions. A competitive UK VAT regime for existing and new UK-domiciled funds, including LTAF and OPF, that eases the VAT burden to the industry, funds and their investors, is critical for their success as suitable alternatives to offshore funds. As such we strongly recommend that zero-rating of all UK funds is considered as part of the upcoming VAT in fund management review.

  - **Protecting the interest of UK savers and investors.** The UK should protect the interest of savers and investors in UK funds by reviewing double tax agreements with EU27 member states with a view to removing withholding taxes that UK funds now suffer from following the UK's exit from the EU. This significantly impacts on the returns of savers and investors in UK funds, thereby damaging the competitiveness of UK funds investing in the EU compared to their EU counterparts.

  - **Providing clear and strategic direction.** Businesses need a tax regime that offers them certainty and confidence to invest and expand in the UK and we urge that the government publish a clear roadmap setting out their short-term and long-term plan across a range of taxes and administration of such

taxes. The IA supports the government's agenda of reducing the tax gap while improving the effectiveness of the tax administrative framework. There however needs to be a wider strategic plan that outlines and links various initiatives, as frequent incremental changes to the tax rules without a broader longer-term strategic plan undermine competitiveness.

- **Allowing meaningful consultation.** Recently there has been a surge of consultations across a range of a tax related measures, often without giving businesses sufficient advance notice and without a broader strategic objective and vision to link these initiatives. An example includes the notification regime for uncertain tax treatments by large businesses, where the draft legislation was published a few weeks after the close of the consultation on the revised proposals, giving HMRC and businesses little time to reflect on feedback to the last consultation, work out the details of the draft legislation, understand the impact on resources and draft suitably clear guidance. This risks damaging the UK's competitiveness through increased uncertainty and compliance for already tax compliant businesses.

- **Reviewing tax policy post-implementation**. Along with a 'fail fast' mechanism for policy changes that are not meeting wider economic cost benefit analysis criteria, this would help to ensure that all changes meet their intended aims.

- **Keeping in mind proportionality.** More generally, we urge the government to take both a stronger and more pragmatic line on issues where there is perceived risk to the tax base. Recent announcements with regard to reducing the 'Tax Gap' through the Uncertain Tax Positions, Transfer Pricing Documentation and Making Tax Digital for Corporation Tax have looked at generalised solutions to specific problems and while we agree with the objectives set out by HMT and HMRC, it is important to take a proportionate approach that does not unduly add significant compliance and systems costs for businesses. Also, before creating further compliance obligations on businesses, that can require time consuming and expensive IT changes, HMRC must consider existing tools and extensive powers already available to administer the tax policy.

- **Supporting technology**. Investment management uses ever evolving technology to connect to customers and to provide the very best services and investment opportunities. A regime that supports this will have a positive effect on the role that the sector can play in promoting the wider government objective of increasing R&D spend as a proportion of GDP. It is encouraging to see the government recognising the importance of innovation and investment and we very much welcome the introduction of super deduction for new investments and the review of the UK's Research & Development (R&D) tax credit regime. It is equally critical that the UK VAT regime also keeps up with technological changes in the way in which businesses is carried out and services delivered.

- **2b) Make the UK the go to destination for international businesses and talent**
  One in five of the people employed in UK investment management are international workers, bringing with them expertise and innovation not just about this specific service, but about the global investment opportunities available and the needs of consumers around the world.

  This international outlook is what has made the UK a global hub for investment management and this openness to international workers must be protected, not simply in terms of ensuring that people with the right skills and expertise can work in the UK, but also that the immigration and visa system is flexible enough to allow businesses to recruit easily, and simple for both firms and individuals to administer.

  In particular, fast track approval for senior managers - those most likely to be brought into roles which will boost UK productivity - would help to ensure that world class leaders bring their expertise to the UK. So too would a smooth process for intra-company transfers, allowing organisations to make sure that the very best of their global workforce can come to the UK.

  At the same time, government should enable the development of domestic skills and jobs by redirecting unspent Apprenticeship levy money back into industry. Reinvesting unused levy money the development of skills and creation of new entry-level jobs outside the apprenticeship programme will help to create a strong stream of skilled workers in the industry at all levels.

- **2c) Create a supportive regulatory culture**
  A regulatory culture which is positive, supportive and effective is one of the most important factors in allowing home grown businesses to thrive and global businesses to choose to base here. Following the UK's departure from the EU, we now have a unique opportunity to update our regulatory framework ensuring that it remains appropriate to meet the social, economic and geopolitical challenges that are ahead.

  This is timely: our regulatory system must have competitiveness hard wired into it, ensuring that the UK is the best place to offer and consume investment management. It must also be nimble, able to support rapid innovation in areas such as climate change and FinTech. In particular, the current system of formal post-implementation regulatory reviews should be augmented with a 'fail fast' mechanism for policy changes that are not meeting cost benefit analysis criteria or achieving the intended outcomes.

  This should help to address any failing regulations which threaten to undermine the UK's competitiveness before harm is done. A high cost regulatory regime acts as a powerful disincentive for firms to establish themselves or stay in the UK and the current inexorable rise must be addressed.

  The stand-out item in this regard is the FSCS levy. Our industry has seen a rapid increase in its contribution to the scheme. Despite its relatively low risk profile, which has remained unchanged over a number of years, we now fully fund 24% of the cost (£200m of £833m levy). This unreasonable level of increase cuts deeply against the proportionality of costs levied on industries (given that FSCS levy increases are driven by poor behaviours outside the investment management sector). An urgent review of the purpose and scope of the

FSCS levy is long overdue, including consideration of reinstating the “polluter pays” principle.

- **2d) Protect the position of the UK as a leading international financial services hub**
  As a widely recognised international norm, delegation is central to the proper and efficient operation of the investment management industry. In the same way using global supply chains allows a plane manufacture to acquire a fuselage in one market, wings in another, and an engine in a third – minimising costs and leveraging local expertise in the process - the ability to delegate portfolio management functions to the UK has proven integral to its success as a world leading investment management centre.

  Investment management sits at the beginning of the financial services value chain with many other related financial and professional services existing to support the sector. Of the nearly 114,00 people employed directly or indirectly in our industry in the UK, 24% are in portfolio management roles with an additional 14% in supporting roles such as research, analysis and administration.

  Critically, of the £9.4trn in assets currently under management in the UK, at least £2.1trn is for clients based in Europe using delegation arrangements. When carried out under robust supervision and oversight, the delegation principle allows fund managers in one jurisdiction to benefit from the experience and investment expertise in another, all while lowering costs for investors thanks to the economies of scale that can be created.

  It also helps to reduce barriers to entry for new fund providers by permitting the outsourcing of core functions that would otherwise be too prohibitive to carry out internally, in turn fostering competition and innovation in the fund industry. The UK’s investment management industry is built on the delegation principle and the British government agrees that maintaining it is critical.

- **2e) Allow UK capital markets to thrive**
  Capital markets play an important role in advancing opportunities for both investors and businesses, and increasing diversification and risk sharing, and the depth of liquidity in UK markets is an important factor in our global standing. It is imperative that this is protected and enhanced.

  In particular, London’s place as a deep and sophisticated capital market is underpinned by its role as a venue for new listings. As the needs of companies looking to list changes, we need to consider whether the UK’s listings regime should adapt. We support the government’s work in this area through Lord Hill’s listing review, to attract a diverse range of high-quality, innovative companies from high growth sectors to list and operate in the UK.

  It is important government is aligned in its thinking across Whitehall to ensure the UK is strategically positioned to attract a diverse range of high quality companies from key sectors to list and operate in the UK is essential to providing jobs, investment and tax revenues and delivering a sustainable economic recovery that supports the UK in achieving its net zero commitments. Attracting these companies to list in the UK may also provide significant investment opportunities to UK pension funds and savers.

We believe that this debate needs to go beyond changes to the listing rules. One important consideration is how the UK can achieve a cluster of similar companies to list in the UK as it is this cluster effect that will support the investment in research and analysis needed to encourage further listings, essentially forming a 'virtuous circle'. Achieving this will require a number of developments from various actors, including intervention from regulators and policy-makers; increased expertise and focus from analysts, banks, and legal institutions; and ensuring that there is appropriate research provision for investors. There should be dedicated resources from across Government, regulators and wider stakeholders to support the active promotion of the UK as a listing destination with various options for companies to access public markets, from admission to the premium segment through to SPACs.

Crucial to the UK's international competitiveness is our reputation as a leader in stewardship and corporate governance. The UK enjoys a high level of investor confidence, attracting the capital of both domestic and overseas investors to UK equities. Higher governance standards, flexibility through the comply and explain regime and an appropriate regulatory approach combined with effective investor engagement are seen by overseas investors as representing lower risk, meaning companies can raise capital at a lower cost than competitors in markets which are perceived to have lower standards.

- **2f) Support wholesale markets**

  We agree with many of the changes set out in the UK Wholesale Markets Review and support swift amendments to onshored regulations to ensure requirements remain appropriate for the UK market. Ensuring the secondary markets work well for the buy-side is a vital part of ensuring a strong investment ecosystem for clients and consumers. In particular, our members support the intention to make some of the administrative aspects more proportionate, for example by using qualitative rather than quantitative indicators where appropriate. In making any changes the government should keep in mind that, in addition to serving the UK market, many of our members are established in the UK to serve a wider business that operates across borders. As such, any measure that creates hurdles or barriers to that cross-border business or adds cost could damage the world-leading ecosystem that is established in the UK for businesses that operate in these markets.

3. Financing a green transition

Investment managers' long-term view means that they focus on threats like climate change which have the potential to undermine our economy.

Climate change is one of the single biggest systemic risks facing society and the planet today. If this is not addressed it will fundamentally undermine the basis on which our economy, businesses and jobs are founded. For the sake of the ordinary savers and pension funds we serve, we must change course now to protect the value of their long-term investments.

But this isn't just a story about managing risk. As long-term investors there is significant economic opportunity to be found in the new industries and technologies that are emerging to tackle climate change and to adapt to its impacts. This should include the actions below.

- **3a) Create a Green Investment Big Bang**
  In August 2021, the Prime Minister and the Chancellor issued a challenge letter calling on the UK's institutional investors to seize the moment for a 'Investment Big Bang' to boost Britain's long-term growth. We must consider how investment can serve the twin aims of building a green industrial revolution in the UK and supporting a just transition to net zero in developing economies. Indeed, a significant focus of the UK's COP26 presidency has been on attracting investment to emerging markets.

  Creating new opportunities for long-term investment is an important way to channel capital into meeting the Government's objectives. In this regard, the opportunities offered by climate change mitigation and the UK's transition to net zero are particularly relevant: in order to meet the UK's net zero target, low-carbon investment each year will have to increase from around £10 billion in 2020 to around £50 billion by 2030, continuing at around that level through to 2050.

  There is an initial need to identify specific sectors or projects which align with the goal of net zero transition and where additional investment is sought. Investment Association members have asked us to seek a dialogue with UK Government on which areas of the economy or government policy are currently experiencing a shortage of investment.

  Dialogue could focus on sectors, nascent technologies, or underdeveloped overseas markets. With sectors or projects identified, the dialogue could consider appropriate mechanisms to crowd in private finance, perhaps based on the principle of blended finance.

- **3b) Develop sector-specific net zero transition plans**
  Climate change is one of the most urgent and significant systemic risks the world faces, and we are committed to the UK's vision for a successful COP26 that drives change. This will both support the action on climate change we need, and cement the UK as a home for the activity that underpins this.

  We recognise that if the threat of climate change is not addressed it will fundamentally undermine the basis on which our economy, businesses and jobs are founded. We have welcomed the government's roadmap to ensure mandatory Task Force on Climate related Financial Disclosures (TCFD) reporting across the economy by 2025.

  We have asked that the Government sets out clear, long-term signals and guidance on the nature and speed of the UK's transition to net zero, including the specific actions that will be necessary in every sector of the economy.

  While a number of sector strategies have been published since the introduction of the Ten Point Plan for a Green Industrial Revolution last year, further detail is needed if the investment management industry is to support transition in different sectors of the economy. This will enable investment managers to factor climate transition risks more accurately into their investment decisions for the long-term benefit of their clients and the planet. We welcome the publication of HM Treasury's Net Zero Review ahead of Budget

2021 and urge the Government to ensure investors are provided with sufficiently detailed sectoral transition plans for every part of the economy they invest in.

- **3c) Enhance sustainability-related disclosures**
  We welcome an approach from both UK government and UK regulators that seeks to encourage and support international harmonisation of standard for ESG/sustainable products and funds, including alignment with the EU sustainable finance rules, but crucially, where it is deemed to be in the best interest of end investors. We also welcome the Government's roadmap to ensure mandatory Task Force on Climate-related Financial Disclosures (TCFD) reporting across the economy by 2025. Enhancing sustainability-related disclosures by businesses and investors will be critical to support capital to flow to a sustainable economy and will underpin the global transition to a net zero economy.

  It is now particularly important that the UK shows its support for the IFRS Foundation's International Sustainability Standards Board (ISSB) to work at pace to develop sustainability reporting standards and increased cooperation between national regulators to endorse and implement these standards. A clear commitment to TCFD and the ISSB is an important milestone in tackling climate change. As an industry which invests in companies around the world to deliver sustainable value on behalf of both UK and overseas savers and investors, we welcome this commitment which will enable us to take informed investment decisions which support these aims.

  In terms of the UK Sustainable Disclosure Requirements regime, we look forward to working with the Government and regulator over the coming months to develop the regime. At the heart should be the need to enable and empower consumers to make informed investment choices that are aligned with their needs and preferences - this includes asset allocation and fund selection. We are completely behind this goal and our members are committing significant time and resource not only to the development of new responsible investment products, but also on consistent and clear disclosure of the sustainability characteristics of their products. Many of our member firms conduct business on a cross-border basis and therefore fragmented approaches across different jurisdictions run the risk of not treating consumers consistently and fairly – this is especially important in the context of developing a UK taxonomy and ensuring a globally harmonised approach.

  It is also important that we not only focus on the needs of end consumers but also take the distribution community on this journey with us, as with the heavily intermediated UK market, our members need to work with the distribution community to help inform the end-consumer.

4. **Build our global attitude**

UK investment management is world leading. The £9.4 trillion in total that UK investment managers look after makes the UK the second largest investment centre in the world, following only the US in scale, and bigger than the next three centres in Europe (France, Germany and Switzerland) combined.

Over £4.2 trillion is managed in the UK on behalf of overseas savers, as of the end of 2020, equivalent to 44% of total assets.

This brings immense benefits to communities all across the UK. The scale and success of the industry contributes directly to the economy: the industry responsible for £6.3 billion of net exports in 2020, 4.5% of the total.

There are many indirect benefits, too. Having a world leading investment sector right here in the UK makes it easier for British savers to access the very best products and expertise. It also means that investment decisions are made close to the UK businesses and infrastructure projects which rely on the capital channelled into them by investment managers.

But this position is not automatic, and other leading centres (notably Shanghai, Hong Kong and Singapore) are beginning to challenge. If the UK does not stay innovative and welcoming to international business, this risks being lost. Now is therefore the right time to cement the UK's position, taking the actions below.

- **4a) Create a globally attractive UK funds range**
  There is an opportunity right now for the UK to create a globally attractive fund regime – our shop front for funds which can be marketed around the world. Government is in the process of looking at reforms which are intended at enhancing the UK's attractiveness as a fund domicile, and potentially with it, wider investment management activity.

  The UK's opportunity is to attract new investment approaches especially in areas where we already excel such as green finance. Investment is a dynamic, not a static process, and the UK needs to be innovative and responsive, with support from government and regulators. In a post-Brexit context, developing a more attractive fund domicile may also mitigate the risk of a more challenging approach to delegation in the EU, should this arise, resulting in relocation of portfolio management capability outside the UK. This should be done though:
    - Developing both the Long Term Assets Fund (LTAF) as detailed above and the Onshore Professional Fund (OPF) regime and enhance the flexibility of the Qualified Investor Scheme. The OPF could in turn be prioritised according to areas which are the most straightforward to implement in terms of legislation, notably the Professional Investor Fund (PIF) contractual scheme structure.
    - Working with industry to establish a branding and naming approach that will aim to provide a coherent and attractive UK funds framework, from the OPF through to UCITS.
    - Implementing a competitive direct tax and VAT regime for funds that aims at greater simplicity and stability in the longer term, while minimising administration costs. Taken together, these areas will help to increase the confidence in the UK which will in turn provide the key ingredients for future success as a fund domicile.

- **4b) Support trade ambitions**
  Britain's investment managers are ambitious and enterprising, constantly looking for new markets. This is most effective when it is backed by practical support from government. This has already proven to be a successful model: the UK-Brazil Economic & Financial Dialogue

encouraged Brazil to lift the regulatory hurdles placed in front of Brazilian pension funds, making it easier now for them to use IA members to diversify their investments overseas.

This can and should also be reflected in trade agreements as the UK starts to reshape its trading links. The new UK-Australia FTA agreement in principle is an example of this, including its investment protection provisions for portfolio investment, a recognition of the role of back-offices to stop forced localisation measures, a recognition of the need to keep free flows of data, and steps to make it easier to move staff between UK and Australian offices.

This type of practical support from government backed by a can-do attitude and regular dialogue with exporters should continue, giving companies the backing they need to turn opportunities into outcomes. As an example, the tripartite approach of government, industry and regulator, as used successfully in other major markets, should be adopted in the UK. The relative success of other jurisdictions has been driven by an agile regulatory environment combined with strong and enduring political and regulatory support in promoting those jurisdictions' business interests internationally.

- **4c) Draw on the full international toolbox for mutually beneficial cooperation and mutual access**
  Working with the industry to identify key markets, HM Treasury should use the full range of policy routes to advance cooperation, including free trade agreements (FTAs), regulatory dialogues, MOUs, tax treaties and data agreements, with mutual recognition as the key platform. The role of FTAs and regulatory dialogues are to clear the way for savers and investors to have the maximum choice of fund and fund manager, placing the UK at the centre of international capital allocation.

  This approach is reflected in the inclusion of financial services regulatory dialogue in the UK-Japan Comprehensive Economic Partnership and the UK-Swiss MOU with its intent to negotiate an ambitious, outcomes-based mutual recognition agreement between the UK and Switzerland. For the latter, the IA has made separate representations and is supportive of the Chancellor's belief that, "it is possible to achieve genuinely fluid cross-border trade in financial services, while recognising that different jurisdictions can achieve the same outcomes in different ways". One of the benefits of a regulatory dialogue with a sophisticated market like Switzerland is that there is also the opportunity for the UK to learn from their regulatory experience, for example in the classification of investors.

- **4d) Strengthen the UK's voice in global rule-making**
  The UK has a well-respected reputation as a leader on financial services regulation. The government has developed a meaningful dialogue with free trade agreement partners to address market access issues and take advantage of the opportunities from greater cooperation.

  The IA is a member of the government's Financial Services Trade Advisory Group which provides HM Treasury and the Department for International Trade with strategic insights into how the sector is responding to trade developments. We recommend the UK leverage strong bilateral partnerships with the major markets, their regulators and governments as part of a wider approach to economic diplomacy and that the UK makes the representation

of the UK's interests on international bodies, such as IOSCO, a metric for measuring the performance of the FCA, PRA and other authorities.

In future this will become particularly important in areas where the UK can play a natural leadership role, for instance as the norms governing sustainability and green finance are fixed. The UK has an opportunity to lead here, establishing a set of rules which allow seamless work across borders and simplifying the process of living up to the standards of sustainability which are increasingly expected of us.