



strategy&

A vision for a transformed, world-leading industry

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UK-based financial and related professional services

A summary of the report produced by TheCityUK and Strategy&

About the report

TheCityUK and Strategy& have developed a 2025 vision for the UK identifying key recommendations for the industry drawing on extensive engagement with leaders across the industry using a rigorous fact-based assessment. These recommendations include specific, detailed actions that should be pursued, both in the short term as well as longer term suggestions. These recommendations should inform and align with the UK's Industrial Strategy on which the government is currently consulting. This is a summary drawing on TheCityUK and PwC Strategy& report – A vision for a transformed, world-leading industry.

About Strategy&

Strategy& is a global team of practical strategists committed to helping you seize essential advantage. We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities. These are complex and high-stakes undertakings – often game-changing transformations. We bring 100 years of strategy consulting experience and the unrivaled industry and functional capabilities of the PwC network to the task. Whether you're charting your corporate strategy, transforming a function or business unit, or building critical capabilities, we'll help you create the value you're looking for with speed, confidence, and impact. We are part of the PwC network of firms in 157 countries with more than 223,000 people committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at strategyand.pwc.com

About TheCityUK

TheCityUK is the industry body for UK-based financial and related professional services, producing evidence of their importance to the wider economy. In the UK, across Europe and globally, we seek to influence policy to drive competitiveness, create jobs and ensure long-term economic growth. The industry accounts for nearly 11 per cent of total UK gross value added and employs over 2.2 million people right across the country. It is the largest tax payer, the biggest exporting industry and generates a trade surplus greater than all other net exporting industries combined.

Introduction: a defining moment for UK financial and related professional services

The UK has long been recognised as a leading international financial centre and, over time, has built up a set of distinctive strengths. The financial and related professional services industry is fundamentally important to the nation, facilitating people's everyday lives and providing services that keep businesses working. It is a significant provider of jobs and the largest single contributor of tax. It is also the UK's most internationally competitive industry, with the biggest trade surplus of any exporting industry.

However, the world is changing at an unprecedented rate – a trend evident across technology, demographics and the global balance of economic power. To remain relevant amid this pervasive change, the UK financial and related professional services industry must continually adapt and evolve. Now Brexit has provided a catalyst for the UK to reconsider its future role and competitive positioning, with the potential to recalibrate the focus of its trade and investment with the rest of the world.

All of this means the UK is at a defining moment, with an opportunity to shape the future of the financial and related professional services industry. Despite its strong position, the industry is confronted by challenges that must be addressed. It remains London-centric, there are gaps in its services, and it faces a risk of reduced access to EU markets. There are also issues in accessing the best talent, and FinTech funding gaps to be filled. Perhaps most critically, the industry needs to regain the trust of customers and society.

The world is changing at an unprecedented rate – a trend evident across technology, demographics and the global balance of economic power.



A 2025 vision for the UK: a transformed, world-leading industry

Against this background, TheCityUK and Strategy& have developed a vision for the future of the industry, drawing on extensive engagement with leaders across the industry and a rigorous fact-based assessment. By 2025:



The industry will have transformed itself to be highly digitised, innovative and customer-centric. It should use data in secure and sophisticated ways to improve how it delivers services, and consistently do what is right for customers.



London will still be one of the most important and attractive international centres for financial and related professional services and global business, retaining the full ecosystem of financial and related professional services. It will continue to play an important domestic role and be a leading FinTech centre at the forefront of global financial innovation.



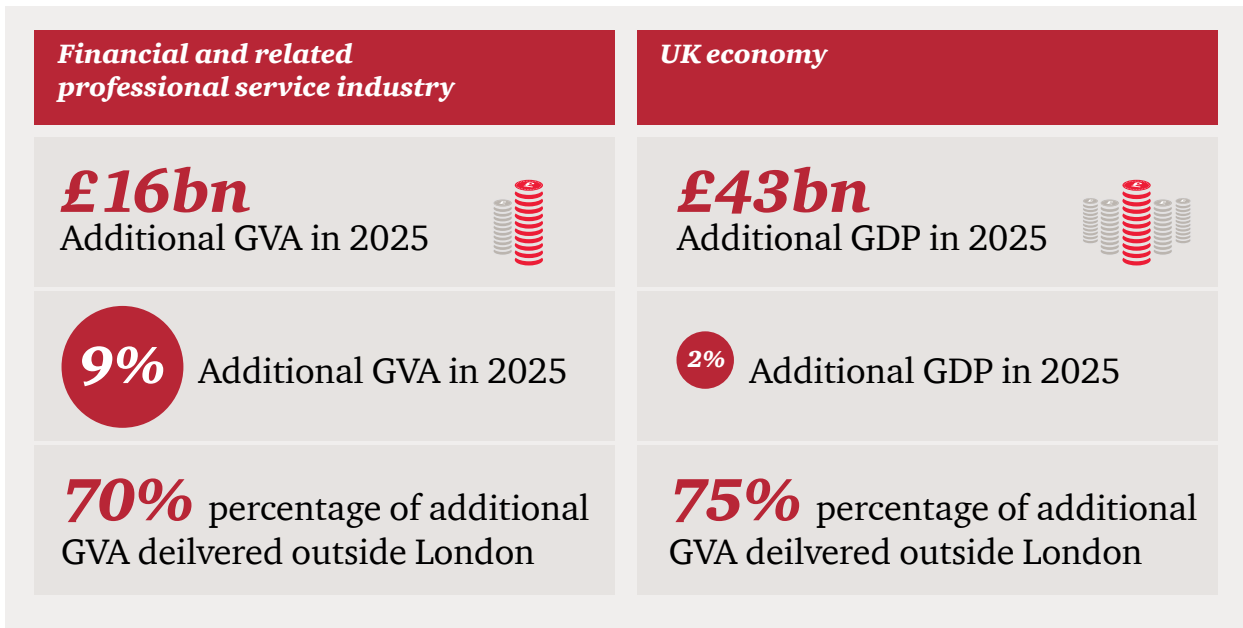
Regional and national financial centres will have become more important within the UK industry, supported by a strong supply of local talent with relevant skills, competitive costs and high productivity. Banking, insurance and asset management centres outside London should continue to develop, while other regional and national hubs focus on providing specialist services to UK and global markets.

Realising our vision will require collaboration between the industry, government and regulators, and deliver clear benefits

Turning this vision into reality will demand a coherent response from the industry, government and regulators. It will mean putting digital at the heart of the industry, driving innovation and transformational change for customers, and enabling firms to deliver more sophisticated products that meet customers’ needs more fully and address societal challenges.

Successful delivery of the strategy will lead to an increase in export competitiveness and efficiency for the industry and the UK as a whole. As Figure 1 shows, in 2025 the strategy is expected to drive an increase in industry GVA and higher GDP for the UK, with around three-quarters of the additional benefits being delivered outside London.

Figure 1: The additional economic benefit in 2025 of delivering the strategy against the “as is” scenario

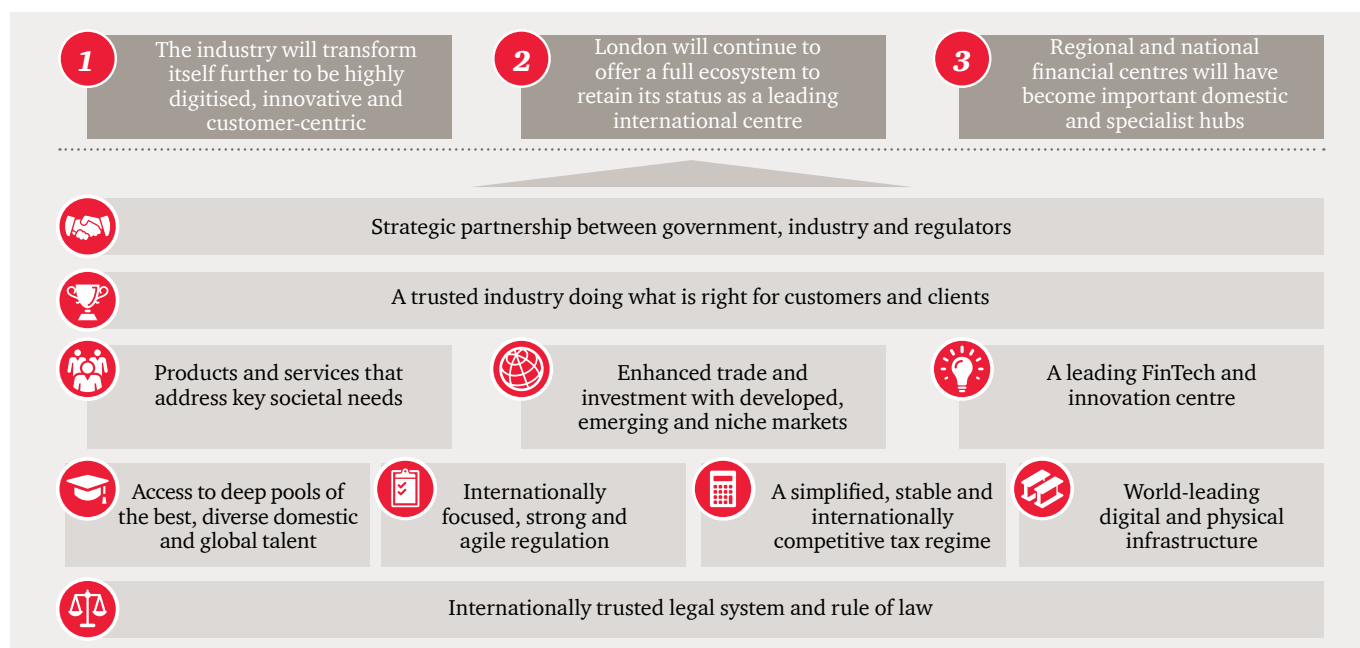


Source: TheCityUK and Strategy& report – A vision for a transformed, world-leading industry (2017)

Several attributes will help to create a transformed, world-leading industry...

The key attributes of our vision are shown in Figure 2. Achieving each of these attributes will require specific, coordinated actions from three key actors – the industry itself, the UK government, and regulators. In combination, these actions can enable the industry to transform itself to be highly digitised, innovative and customer-centric. The right actions will also see London retain its status as a leading international centre, and regional and national financial centres develop across the UK to serve domestic and global markets, including in specialist roles.

Figure 2: The 2025 vision for the UK: a transformed, world-leading industry



Source: TheCityUK and Strategy& report – A vision for a transformed, world-leading industry (2017)



The right actions will also see London retain its status as a leading international centre, and regional and national financial centres develop across the UK to serve domestic and global markets, including in specialist roles.

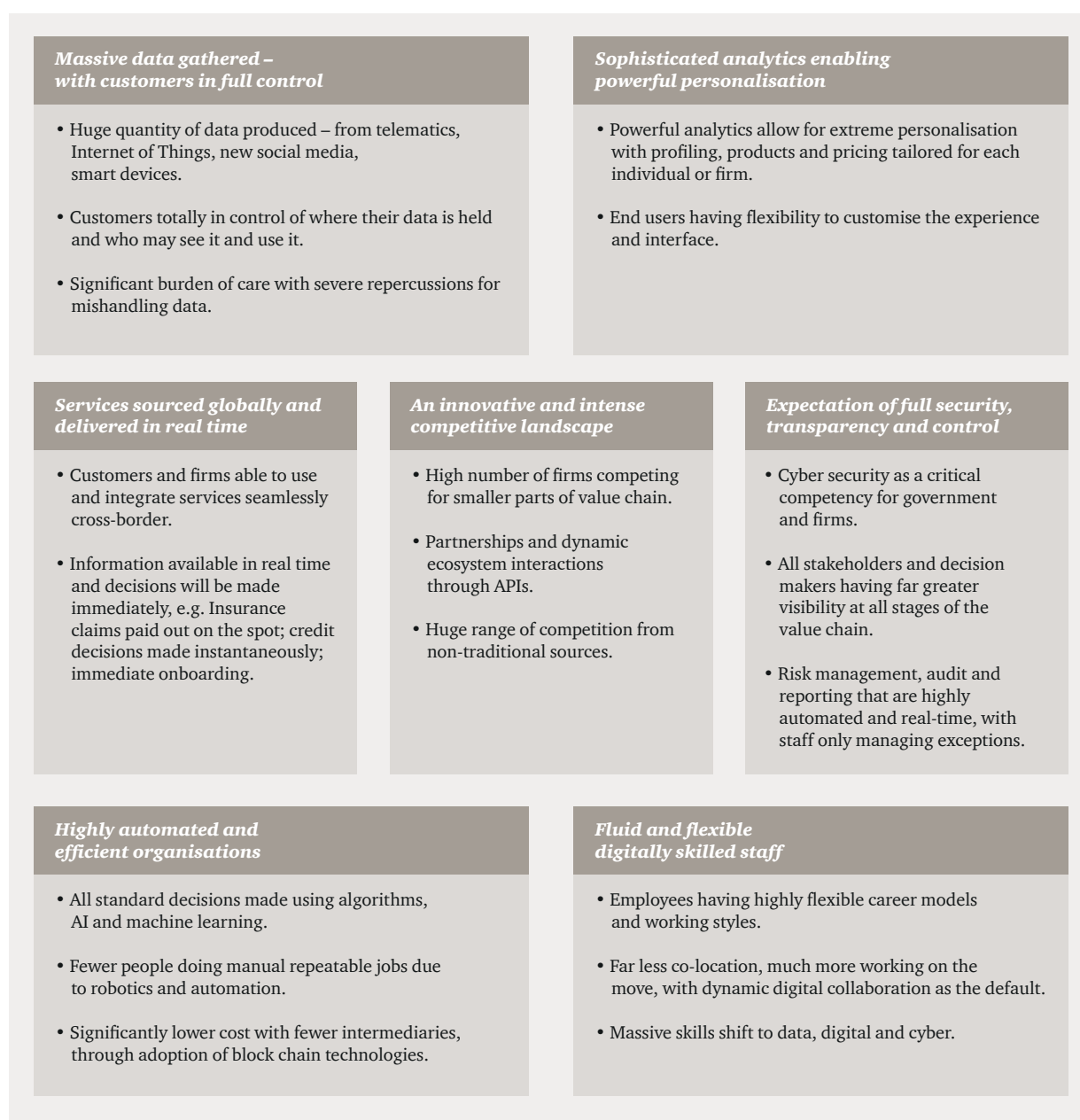
...for a fundamentally different world

The world in which this transformed industry will thrive in 2025 will be very different from today's – reshaped by a combination of changes in the UK environment, major global trends, and an increasingly competitive landscape for financial products and services.

What will this transformed industry of 2025 look like? First, it will be highly **digitised and dynamic**, controlling vast amounts of data and offering financial services on social media and smart devices, while using sophisticated analytics to personalise and target its products and services. It will also see a skills shift towards data analytics, digital and cyber, with robotics and automation freeing employees from repetitive manual tasks, and standard decisions being made using algorithms and artificial intelligence (AI). Continued innovation will see fierce competition emerge from new sources, with Application Programme Interfaces (APIs) underpinning the creation of dynamic ecosystems, enabling customers to tailor their experience and integrate services from multiple providers. These aspects of the industry are summarised in Figure 3.

What will this transformed industry look like in 2025?

Figure 3: A view of the industry in 2025: digitised and dynamic



Source: TheCityUK and Strategy& report – A vision for a transformed, world-leading industry (2017)

Second, the industry in 2025 will be **refocused and competitive**. There will be new sources of wealth as a result of state-sponsored capitalism and the expansion of the middle class in growing economies, in turn triggering new global capital flows. And people's traditional lifecycles patterns will be fundamentally altered, with individuals choosing to study, earn, borrow and save at different times during their lives, requiring new products and services.

There will also be a move from ownership – to usage-based consumption models, and more urgency around sustainability, triggering a greater emphasis on infrastructure funding, development finance and climate change solutions. Firms will increasingly be influenced by different values, with ethical factors and social responsibility valued more highly than today by both employees and investors. And new alliances will emerge between financial centres, as competitors pursue scale and relevance to new markets. These shifts are captured in Figure 4.

New alliances will emerge between financial centres, as competitors pursue scale and relevance to new markets.

Figure 4: A view of the industry in 2025: refocused and competitive

<p><i>New sources of wealth and capital flows</i></p> <ul style="list-style-type: none"> • Relentless global population growth driving economic activity in the developing world. • State-sponsored capitalism and emergence of middle class in developing economies creating major new sources of wealth. • Bulk of global capital flows moving from and to growth economies, particularly in Asia. 	<p><i>Shifts in trade patterns and alliances</i></p> <ul style="list-style-type: none"> • Shifting trade patterns between economic blocs. • Alliances between established financial centres in order to grow scale and reach. • Partnerships between clusters of established and emerging centres, to accelerate development and relevance while pursuing regulatory consistency. 	<p><i>Aggressive competition between centres</i></p> <ul style="list-style-type: none"> • Protectionism and nationalism in major economies impacting the flow of talent. • Regulation and tax used as powerful competitive levers by centres. • Energetic, coordinated efforts by centres to attract firms, with aggressive marketing and opportunistic deal-making.
<p><i>Fundamentally different lifecycle assumptions</i></p> <ul style="list-style-type: none"> • Macro-economic conditions, lifestyle choices and religion resulting in different consumer preferences and behaviours. • Altered fundamentals about when in their lives individuals study, earn and borrow and save. • A shift from ownership to usage-based consumption models. 	<p><i>Shift in values influencing corporations and individuals</i></p> <ul style="list-style-type: none"> • Generational shift with younger consumers and employees increasingly influenced by ethical factors. • Importance of social and corporate responsibility enforcing changes in senior accountabilities, performance management and remuneration. 	<p><i>Acute sustainability challenges</i></p> <ul style="list-style-type: none"> • Substantial infrastructure investment required to support rising living standards, particularly in emerging economies. • Climate change increasing the urgency and scale of investment into green and sustainability projects. • Greater emphasis on delivering development goals to reduce global inequality.

Source: TheCityUK and Strategy& report – A vision for a transformed, world-leading industry (2017)

There is a need to respond with purpose and energy

Despite having a strong starting-point, the UK-based industry needs to respond with purpose and energy to transform itself and ensure continued relevance and success in a rapidly-changing and increasingly competitive world. It has the opportunity to do this by building on its existing strengths to respond to challenges and opportunities, and pursuing a vision that provides significant benefits both to the industry and the UK as a whole. The good news is that our research and engagement confirm the industry recognises the need to change, with widespread acknowledgement that it must set a new direction for 2025. We believe that by adopting the vision we've set out, it can achieve the shift summarised in Figure 5.

Figure 5: The potential shift in direction for the UK-based financial and related professional services

Today	Potential future direction in 2025
Leading global financial centre with full ecosystem of financial and related professional services, but threatened by reduced access to EU and potential erosion of cluster effect.	Leading global financial centre with a full financial and related professional services ecosystem and strong access to developed, emerging and niche markets.
Facilitates efficient flows of money and helps protect physical assets, but has gaps in services provided.	Meeting a wide range of new and existing customer and societal needs, including the protection of digital assets.
Generates significant employment, GVA and tax, but is London-centric in distribution of value.	Strong UK-wide value generation, with greater participation of regions and nations and spread of benefits.
Attracts and cultivates leading global financial and professional talent but needs a shift towards digital skills.	Leading global talent base including technology skills, entrepreneurs and traditional financial and professional talent.
Has a globally leading FinTech ecosystem, but with funding gaps across the lifecycle.	Well-funded FinTech ecosystem, innovating to develop transformative technologies and offerings.
Is rebuilding trust but potential to further improve reputation.	High levels of trust earned by consistently delivering positive customer outcomes and societal benefits.
Lack of stakeholder alignment to deliver a coherent strategy for the industry.	Strong partnership between government, industry and regulators.

Source: TheCityUK and Strategy& report – A vision for a transformed, world-leading industry (2017)

A call to action for the industry

Our vision, with TheCityUK, for 2025 will see the UK financial and related professional services industry transformed to embrace customer-centricity, embed innovative technologies and regain the trust of society. It'll also enable the UK to remain a leading global financial hub, with London having a full ecosystem and regions playing an important role as domestic and specialist centres.

Importantly, coordinated action is required from government, industry and regulators to bring this vision about. If all play their part, then the resulting social and economic benefits will be significant. They will include enhanced innovation and greater export competitiveness and efficiency, together with an anticipated uplift in the UK's gross domestic product (GDP) and the industry's gross value added (GVA) – with around three-quarters of the additional benefits delivered outside London.




Drawing on the findings of the full report, which you can access at www.thecityuk.com, we've produced a series of three summary reports examining the specific actions that each of the three main actors – **government**, **industry** and **regulators** – will need to take to realise our vision. You can access these reports at www.pwc.co.uk/FutureofFRPS.

Our vision for 2025 will see the UK financial services industry transformed to embrace customer-centricity, embed innovative technologies and regain the trust of society.




Notes

Alan Gemes




Partner

 E: alan.gemes@pwc.com T: +44 (0) 207 212 5265 Profile www.linkedin.com/in/alan-gemes-7ab55546**Mark Hoban**




TheCityUK Board Director and Project Chair

 E: mark.hoban@floodre.co.uk www.linkedin.com/in/mark-hoban-22674297 @mark_g_hoban**Andrew Kail**

UK Financial Services Leader

 E: andrew.kail@pwc.com T: +44 (0) 207 212 5193 Profile www.linkedin.com/in/andrew-kail-5804b245/ @akail001**Marcus Scott**

TheCityUK Chief Operating Officer

 E: marcus.scott@thecityuk.com T: +44 (0)20 3696 0108 www.linkedin.com/in/marcus-scott-756b7 @MarcusJohnScott

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