

Top City official sure London will remain a “great” financial centre after Brexit

By Peter Norman, AEJ Meetings Secretary and former Economics Editor of the Financial Times

Catherine McGuinness’ online meeting, with members of the AEJ UK Section, London’s Foreign Press Association and other specially invited journalists, took place on Friday, December 4th, at a delicate moment in UK-EU relations. With a final deadline for talks just days away, the two sides appeared deadlocked in difficult negotiations on the terms that would govern their relations from January 1st 2021 with a “no deal” Brexit a possibility.

As the Corporation’s senior policy maker and deputy chair of City UK, the lobby group for UK-wide financial services, Catherine McGuinness put on a brave face and surveyed the future with apparent optimism.

Although it was “very disappointing” that the UK’s Conservative government had ignored the interests of finance in the negotiations on post-Brexit arrangements, the financial sector no longer felt sore that Westminster had favoured Britain’s tiny fishing industry instead of financial services, which account for around 7% of national economic output.

The government had indeed put “politics over pragmatism” and “politics over reality”, she said. The City knew it would lose “passporting”, the ability to sell its products throughout the EU single market as it does under the current set of mutually agreed arrangements. It accepted there would be some “rebalancing” in which some EU-facing business and jobs have moved and would move abroad. The nature of London’s relationship with its EU partners would change. She expected future relations would be based on the “equivalence” of UK regulation with that in the EU: a complex and partial arrangement, where rules could be reversed on 30 days’ notice and subject to political pressure.

Whatever happened, the City would remain a great centre for global capital. Ms McGuinness was pleased that the UK had recently reached agreements on trade with Japan and Canada. Just a few days before meeting the AEJ she had been in virtual meetings discussing closer relations with the US.

However, the City really does want to see a UK-EU post Brexit deal, she said. Even though it would not be directly affected, an accord could, with good will, set the start for a harmonious and “adult” relationship with EU partners as allies as well as competitors. The Corporation and financial sector more widely were investing to build up relations with the EU’s member states. The Corporation had prepared by increasing its representation in Brussels. After the Brexit vote, Ms McGuinness also resolved that better connections with the rest of the UK should be a City priority as should closer cooperation among the many varied business interests in financial services when trying to attract the attention of government.

There were some encouraging signs from the UK government, she claimed. Chancellor Rishi Sunak was ready to grant equivalence to EU financial companies. He has supported the UK financial sector's drive for innovation and openness and given backing to the City of London Corporation's "green" policy agenda of transition away from carbon-fuelled economies. The climate change agenda offered great opportunities for Britain's financial sector which would showcase its offering at the COP26 climate conference scheduled for November 2021 in Glasgow, she said.

In a lively question and answer session, Ms McGuinness was asked whether, as rumoured, the UK would push for laxer financial regulation once free of EU rules. No, she replied, stressed there was "no appetite" for massive deregulation in the City. While there might be some divergence in regulation -- in part because of changes in the EU itself -- she would rather work with the EU in shaping global standards.

This prompted a question about the rule of law and the UK's government's decision to introduce an Internal Markets bill that could override treaty provisions in the Brexit withdrawal agreement between the UK and EU. Ms McGuinness underlined that the rule of law was a "fundamental attraction" of the UK's financial system. In Brussels, she reported, the government's approach had undermined trust and was unhelpful.

But, she was asked, weren't the UK's financial businesses guilty of hypocrisy? While laying such stress on the rule of law, they also encouraged or turned a blind eye to money laundering on a vast scale often for the benefit of Russian oligarchs and other dubious parties. She replied that the City "absolutely wanted to avoid money laundering" as far as it could and "stamp it out as far as possible". But, she warned, it could never stop money laundering completely because it was impossible to stamp out crime.

In a similar vein, she was asked why she personally had opposed a draft Corporation resolution criticising the Chinese government's security law cracking down on democracy in Hong Kong. Ms McGuinness replied that she and the City's Lord Mayor were focused not on political issues but on business relations with China, such as the promotion of green policies in its Belt and Road initiative, helping western companies in the Chinese asset management arena and developing standards together. She noted that for all the anti-Chinese rhetoric of the Trump administration, US financial companies were similarly engaged.

Earlier, in her opening remarks, Ms McGuinness had addressed the impact of the Covid 19 pandemic on the City. The "Square Mile", the traditional financial district, had been "peculiarly affected" because of its unique pre-Covid population structure, comprising just 9,000 permanent residents and a daily influx of 550,000 workers.

The City's big businesses had proven remarkably resilient, successfully adapting to working from home and turning the City into something of a ghost town during the working day. But the small companies in sectors like hospitality had suffered as had the cultural sector and tourist trade in London more widely.

Looking to the longer term, Catherine McGuinness was confident that the City would prosper. "People still want offices", she said, although they may have to be adapted

to accommodate different working patterns. The City Corporation had plans, branded "London Recharged", to seize the initiative, encourage development and "build back better".

"Retaining international competitiveness" was central to the future of London and the City, she insisted. London needed to keep "on the front foot". But summing up, Catherine McGuinness said she was "very confident" about London's long-term future as a global financial centre. It could even look forward to a good future relationship with the European Union, supporting its projects such as the Capital Markets Union "as a service provider if no longer a member" of the EU.