

## **Abstract of the 2<sup>nd</sup> Lujiazui Finance Salon**

### **A Staggering Success Story in World's Finance Market: the City of London**

**Speaker: Lord Mayor of the City of London, Alderman John Stuttard**

(transcript not reviewed by the speaker)

With funds of over £3.5 trillion, over 600 foreign companies listed in the London Stock Exchange, and 34% of global currency trading, London is the most international and most liquid of all the world's financial centres.

Here are some primary factors for London's staggering success.

#### 1. Openness of market entry and competition

(1) "Big Bang" in 1986 led to the removal of restrictive practices and a deregulation of the market. Foreign capitals have contributed enormously to the success of the financial sector

(2) A large proportion of our talented people come from abroad. These people from all over the globe add greatly to the success

#### 2. The fiscal environment

(1) Foreign nationals working in the UK are not taxed on income arising outside the UK

(2) Continually simplify the tax regime (such as reducing corporate tax rate) and keep it competitive

(3) The independence of the Bank of England has helped to ensure a stable and successful macro-economy

(4) The Finance Service Authority created a single, business-friendly regulator for all financial services. It put the emphasis on improving corporate governance rather than on introducing detailed rules

#### 3. New financial instruments and new areas of business that have been created

(1) The exciting derivatives market

(2) The fast-growing Islamic banking and insurance market

(3) London is the world's largest carbon emissions market and the global centre for emissions trading

The result of this open market access and the favourable regulatory environment is that foreign financial companies have flocked to London. It's a successful and expanding market which is ideal for Chinese companies to raise capital.

#### 1. The City is the most international of all the world's stock exchanges

(1) In 2006, 367 new companies joined the LSE whereas the combined total for NYSE, NASDAQ and Hong Kong SE together was 332. US\$104 billion was raised on the LSE, compared to US\$69 billion on NYSE and NASDAQ combined

- (2) In first half of 2007, US\$26 billion was raised on the LSE, compared to US\$21 billion combined in NYSE and NASDAQ
2. The City can offer a range of listing options tailored to companies with different needs
    - (1) The London Stock Exchange's Main Board
    - (2) Alternative Investment Market (AIM): It's designed to bring young and growing companies to the attention of global investors
    - (3) PLUS markets group
  3. The City's Venture Capital firms and Private Equity houses are very interested in investing in Chinese companies
  4. The City has unparalleled expertise in raising capital, mergers & acquisitions, private equity and SME financing
  5. The experts in the City can explain to Chinese companies how to exploit the UK's global connection to develop international networks

Conclusions:

The elements which London found work best are:

- good principles-based regulation
- non-punitive taxation
- a warm welcome for firms from all over the world
- access to skills and qualifications for people from many different backgrounds
- rapid access to those allied services you need
- attractive, safe and clean working environment
- a reputation for probity, innovation and access to other markets

If Shanghai or anywhere else would be a successful financial services hub, you must attract potential investors. The City of London is the place where China should look to make its huge foreign exchanges work even better to help reach the goals of the eleventh Five Year Plan.