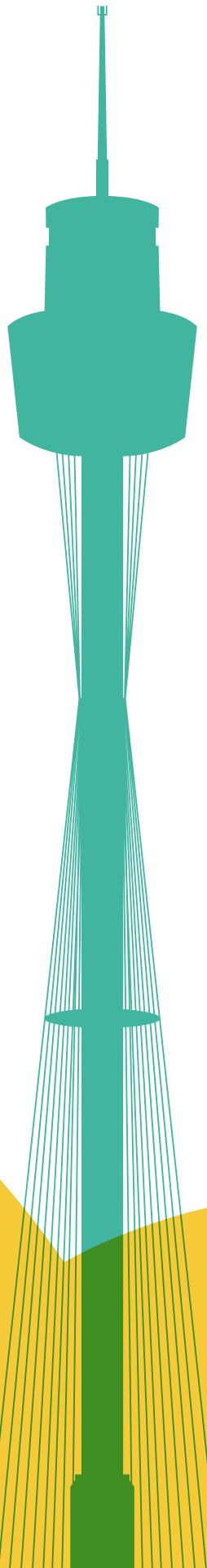
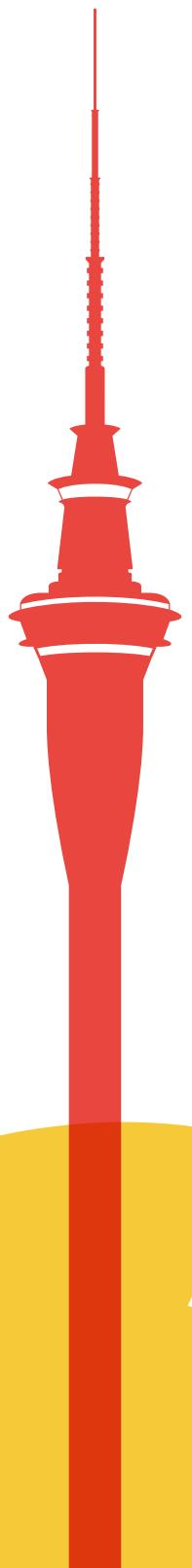




Building a bridge:

Boosting trade links with Australia and New Zealand
for UK financial and professional services

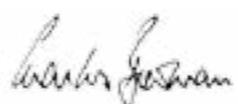


Foreword



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The UK has a strong and growing trade and investment relationship with Australia and New Zealand, reflected in our shared history, language and culture. Flows of investment, trade and skills between the markets have developed and strengthened over time, leading to mutually beneficial links and prosperity.



Charles Bowman,
The Rt Hon The Lord
Mayor



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**Catherine
McGuinness**
Policy Chairman of
the City of London
Corporation

Opportunities for financial and professional services firms in the UK, Australia and New Zealand are growing. Australia and New Zealand provide sizeable, outward-looking and open markets that welcome innovation, in which UK firms can flourish by expanding business relationships and increasing opportunities. London's pro-business environment, global outlook, culture of innovation, and deep pools of capital make it easy for Australian and New Zealand firms to increase scale and innovate. Recent developments like the UK-Australia FinTech Bridge, promoted by the City of London Corporation, and the expected future negotiation of a Free Trade Agreement between the UK and Australia, highlight the potential for the UK to further links with Australia and New Zealand as key partners. They also highlight the urgency for policy makers to take action to alleviate or remove barriers to trade, where they exist, allowing firms to take advantage of these key opportunities.

For this report, firms across the financial and professional services industry have highlighted areas where policy action would make a material difference to their global expansion plans. This research matches those areas with actionable recommendations for policymakers and regulators, changes which would encourage and promote bi-lateral trade and investment, for the long-term benefit of the UK, Australia and New Zealand. It builds on our previous research 'From strength to strength', which looked at the wealth of opportunities for UK financial and professional services firms across traditional and high-growth areas of the sector.

Commissioned by the City of London Corporation and produced by International Investment Services, this research forms part of the City's ongoing programme of engagement and collaboration with Australia and New Zealand.

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Executive summary

Building a bridge expands on our previous report From Strength to Strength that highlighted opportunities for UK financial and professional services businesses in the Australia and New Zealand markets. Building a bridge identifies recommendations for policymakers and regulators that would help to expand trade and investment with Australia and New Zealand based on the issues financial and professional services firms face.

Current state of play: Australia and New Zealand

The UK, Australia & New Zealand enjoy a strong and growing trade and investment relationship. Over the past three years, the UK's direct investment in Australian financial services has almost doubled, from £5.5 billion to £10.6 billion. Inward investment from both markets into UK financial services has risen over the past two years, as has the value of UK financial services exports going to these markets. The growing relationship also extends to policy initiatives between the UK and Australian governments to develop business links further, such as the recent UK-Australia FinTech Bridge announcement.

A wealth of opportunities for financial and professional services (FPS) firms

The Australia and New Zealand (A&NZ) market contributed £2.1 billion in FPS exports for UK businesses in 2016. As outlined in *From Strength to Strength*, A&NZ markets provide substantial high growth trade opportunities for UK FPS firms across sub-sectors, in particular:

- Asset managers can access the world's 4th largest pension market.
- FinTechs can access a market forecast to grow by 76% p.a in revenues to 2020 to exceed £3 billion.
- Cyber security suppliers can service a market expected to triple by 2026 to £4.3 billion p.a.
- Infrastructure pipeline forecast of £213 billion.

A&NZ combined markets offer FPS firms a population of 29.6 million and have the eleventh largest GDP in the world, and this is expected to grow to the tenth largest market by GDP by 2022.

In addition to being significant markets in their own right, A&NZs extensive Free Trade Agreements (FTAs) provide further trade opportunities for UK FPS firms to access up to 53% of the global economy. UK firms like Darktrace, a cyber security company, have benefited from expanding into A&NZ and using their base as a launch pad to Asian markets.

While bi-lateral trade and investment links are growing, the opportunity is larger than currently being captured by UK FPS firms. For example, the combined A&NZ markets procured £2.7 billion from external cyber security suppliers in 2016. This single sub-sector demand is greater than the value of the UK's total FPS exports recorded to A&NZ, demonstrating the potential opportunities that UK FPS firms can access in these high growth markets.

Opportunity for policy to boost trade and investment links

There is a shared ambition of developing comprehensive FTAs between the UK and both A&NZ. Beyond 2021, FTAs have the potential to expand and investment between these markets, as similar trade agreements have done between Australia and the US, where two-way investment has tripled since the agreement came into force.

This report focuses on the short-to-medium term actionable policy initiatives, to help consumers, firms, and governments realise the benefits of a more open relationship as soon as possible. This report highlights existing barriers to trade, and suggests how changes to regulation and policy could help to reduce those barriers, such as building on the mutual recognition of regulatory regimes in FinTech, and helping firms to access the talent they need to grow their businesses and expand into new markets. These changes will help UK FPS firms to realise the opportunities offered by the A&NZ markets, enabling them to boost exports, attract investment into the UK, and providing jobs and growth.

Reflecting the FPS industry voice

This report has drawn on consultation with over 120 decision makers from across FPS businesses and industry bodies to discuss issues, challenges and opportunities in expanding FPS trade and investment with A&NZ, complemented by review of existing literature.

Our scope of FPS is focussed on traditional FPS sub-sectors, alongside assessing some of the future opportunities in market created by the blurring of sector boundaries. New FPS firms encompass diverse organisations from digital challengers like Transferwise to established corporates transcending industry boundaries, with retailers such as Tesco offering consumer financial services, telecommunications companies like Vodafone leading mobile money solutions, and technology giants such as Apple in payments.

A summary of the barriers and solutions

This report presents actionable and evidence-based recommendations to policymakers and regulators, to build on the UK's globally competitive position as the world leading international financial centre.

UK FPS businesses are outward-looking and ambitious, with 67% of FPS firms we talked to looking to explore global opportunities. However, when asked specifically about opportunities to expand trade with A&NZ, FPS business leaders raise these key issues that affect the business environment:

1. Regulation and compliance requirements are a restriction to expanding trade between markets.
2. Moving authorised and senior managers between markets causes delay and uncertainty.

Decision-makers also raised commercial barriers in deciding whether to expand trade and investment with A&NZ:

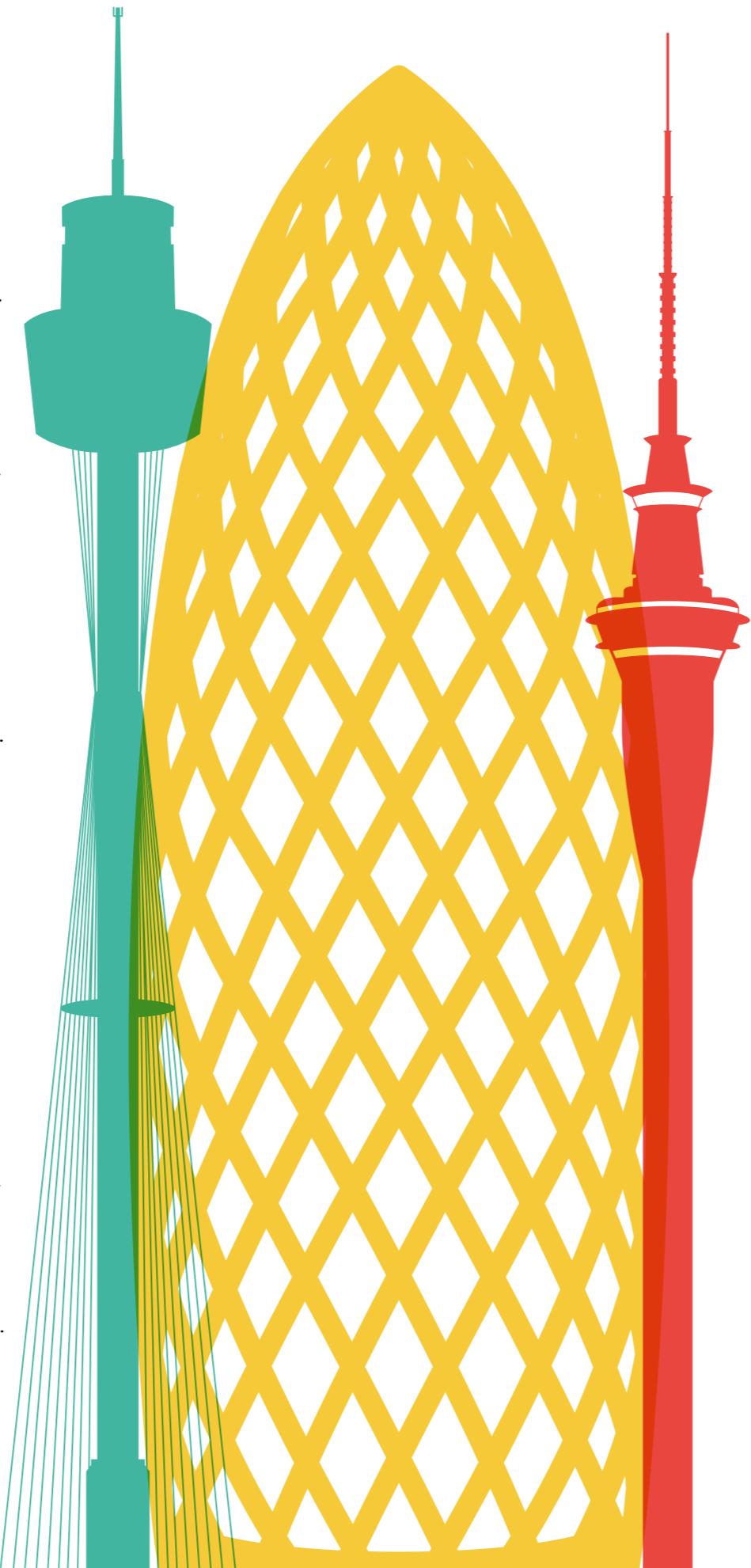
1. Initial market assessment for complex financial products and services can be difficult to undertake from a distance.
2. Verifying the business case during initial market entry was restricted by the lengthy and complex nature of supplying FPS, constraining cash flow.
3. Investing in a market to establish a permanent presence requires access to capital.

Our five recommendations to expand UK FPS trade and investment with A&NZ are:

1. Develop a comprehensive FPS Bridge with an expansion of the UK-Australia FinTech Bridge. Commencing with selective mutual recognition where substantial regulatory overlap exists leading to an optimal FTA.
2. Attract highly skilled workers and entrepreneurs with reciprocal visas with A&NZ matched to FPS business needs.
3. Government co-funding and support for FPS SMEs willing to invest in export development.
4. Provide "Landing Pads" for UK FPS SMEs to simplify set up and launch in A&NZ.
5. Attract new global headquarters to the UK by enhancing Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS) for FPS businesses.

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Key drivers of trade and investment between the UK and A&NZ FPS firms

The allocation of scarce resources requires firms to prioritise based on the sales and growth potential of a market and return on investment, access to talent, access to finance, barriers to entry and risk diversification.

Our survey of FPS firms identified three key factors that drive and shape firms' decisions to expand their trade and investment between the UK and A&NZ: potential for increased sales, access to talent and skills, and the availability of

funding and wider support options as key drivers of their decision to expand.

Confidence in one or more of these areas prompts FPS firms to invest. For example UK firm Darktrace decided to expand into NZ based on the government's commitment to increased investment in cyber security enabling Darktrace to generate 600% revenue growth. Removing barriers in these areas would further boost trade and investment.



Sales potential

Accessing a new market to boost revenue growth is a key driver to export. Enterprise sales cycles for FPS businesses are based on key relationships and can be lengthy, often requiring a sustained presence in market to generate initial sales.



People

FPS businesses rely on knowledge-intensive workers to obtain regulatory authorisation, integrate technical solutions and network. FPS firms seek certainty to transfer their staff from existing locations and access key people in market.



Funding & support

Access to new capital pools, investors, and support networks are primary factors for FPS firms in selecting a target market, and planning future growth. FPS authorisation and regulation requirements must be complete prior to trading in a new market.

Darktrace - generating 600% growth

Situation Global cyber security company
Darktrace is a high growth company founded in the UK. Darktrace has 650 employees in 32 offices globally, delivering 5,000 deployments and was named 'Best Security Company of the Year' 2016.

In 2015, Darktrace was encouraged by the New Zealand government's commitment to a cyber security strategy and increased investment in cyber security.

Opportunity Identifying New Zealand as a growth market with the opportunity to transform the way cyber security is being delivered in New Zealand. Darktrace identified New Zealand as an early adoption market for cyber artificial intelligence (AI) and a prime location to grow a business.

Solution As in New Zealand, Darktrace continues to grow at pace across the region expanding its operations in Sydney, Melbourne and beyond to record 600% growth in Asia Pacific during 2016.

Issues and barriers

Bridging the gap

to expand FPS trade and investment between the UK and Australia and New Zealand

The A&NZ markets currently generate £2.1 billion in FPS exports for UK businesses. The UK's financial services (FS) FDI into Australia has almost doubled since 2014, rising from £5.5 billion to £10.6 billion, while its FS FDI into New Zealand has risen from £53 million in 2015 to £57 million in 2016, and there is opportunity for further growth across FPS.

The UK's relationship with A&NZ is one of co-operation and innovation, as evidenced by the recent UK-Australia FinTech Bridge announcement. The Bridge, designed to lower the barriers to trade for disruptive firms operating in highly regulated industries, is an excellent first step. The next step is to translate this into practical benefits for FPS firms.

The benefits are clear, for example the A&NZ markets procured £2.7 billion from external suppliers in cyber security in 2016. The opportunity in this single sub-sector is greater than the total value of the UK's FPS exports to A&NZ in 2016.

The UK's FPS businesses, while globally competitive, experience challenges in A&NZ compared with Asian and US firms who have proximity, active FTAs and more favourable migration policies.

We asked FPS business leaders about issues which prevent UK firms from expanding trade and investment with A&NZ. Based on their feedback we separated them into two categories:

1. Business environment issues government can directly influence with policy and regulation.
2. Commercial barriers government can reduce to expand FPS trade and investment with A&NZ.



Top business environment issues impacting FPS trade with A&NZ

Business environment issues are those that can be directly influenced by policymakers and regulators to support FPS firms to capitalise on the trade and investment opportunities between the UK and A&NZ. These issues create barriers to both export market entry and inward investment. Almost every FPS business we spoke to for this report identified two primary business environment issues related to:

1 Regulation and compliance requirements are a restriction to expanding trade between markets.

2 De-risking the movement of critical talent and authorised persons between the markets to support new market entry.



Top commercial barriers to FPS businesses expanding trade

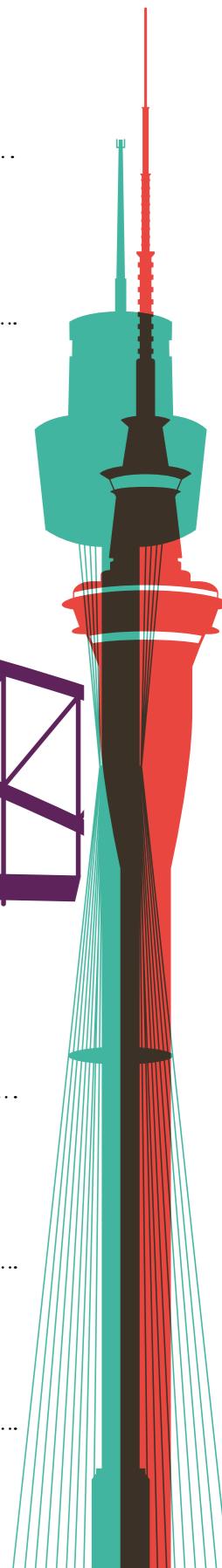
Alongside the regulatory challenges FPS firms face, commercial barriers can increase the time, cost and uncertainty in accessing new markets. FPS firms trading internationally face long sales cycles, duplicated regulation, increased compliance costs and the challenge of proximity in accessing A&NZ markets.

We found three stages in the life-cycle of a decision to invest in a market, from initial market research, market entry validation and establishing a permanent presence. FPS businesses reported the commercial barriers to expanding further activity in the A&NZ markets over these stages as:

1 Lack of support and information to build a viable business case for investment in the time required.

2 Lengthy FPS enterprise sales cycle and regulatory complexity delay market entry

3 Trouble accessing working capital required to scale an FPS business in a new market



Top business environment issues impacting FPS trade with A&NZ that government and regulators can address

1 Regulation and compliance requirements are a restriction to expanding trade between the markets

More than one in three FPS firms stated regulatory and compliance requirements, and associated costs were the key restrictions in expanding trade.

FPS firms must be authorised and demonstrate their compliance with regulatory requirements in each market before trading between the UK and A&NZ. As illustrated by the Standard Chartered case study, a lack of regulatory coherence incurs cost and operational complexity in competing for trade in A&NZ and globally.

Mutual recognition could directly impact the business environment for FPS firms to pursue the opportunity in the A&NZ markets.

Many regulations across the UK and A&NZ markets are similar and provide an opportunity for selective mutual recognition to be established. For example, regulations on authorisation of entities and anti-money laundering. The UK and Australia have world leading financial regulators and have committed to a FinTech Bridge to lower barriers to trade and investment – the next step is for this to deliver practical benefits to businesses.

Standard Chartered - compliance challenges in serving new markets

Situation Standard Chartered Security Services (SCSC) provides direct and sub-custodian asset management services supporting Australian sourced funds delivered by SCSC from Asia.

Challenge Australian funds require custodial suppliers to demonstrate compliance across their global operations with ASIC's RG133, which is comparable to the UK's CASS, COBS and MiFID requirements. To compete for Australian sourced funds, SCSC invest in a compliance manager to conduct a global review across their operations in 42 markets adding cost and delays.

Solution Selective mutual recognition on such standards would remove duplicated compliance requirements and enable UK and A&NZ firms to compete in both respective markets.

The capital, cost and time of dual regulation was underestimated. Reducing each of these will enable FPS firms to expand trade in both directions.

Rob Lincoln, CEO PayDoc

2 De-risking the movement of critical talent and authorised persons between the markets to support new market entry.

29% of FPS businesses surveyed identified access to talent and the ability to relocate staff as an impediment to expanding between the UK and A&NZ. This section highlights specific issues raised in moving key people and critical talent between markets, particularly around the time and cost implications such as authorisation requirements and visa application times, and the degree of certainty staff have in terms of the right to remain in A&NZ. As well as affecting UK FPS firms looking to set up in A&NZ, UK visa policy is also seen as a barrier for A&NZ firms looking to invest in the UK.

Staff in critical management positions are often required to be authorised by the host market regulators prior to operating in market, and this may require at least six people to complete compliance requirements. Designated Senior Managers and Banking Executives must await authorisation to take up their position in market, with executives reporting delays of up to six months for the process to be completed.

In addition to authorisation requirements, there is also a mismatch between visa policy and the requirements for relocation. Australia's 457 and new Temporary Skills Shortage Visa only guarantee two years for skilled international talent, whereas UK executives may seek a longer

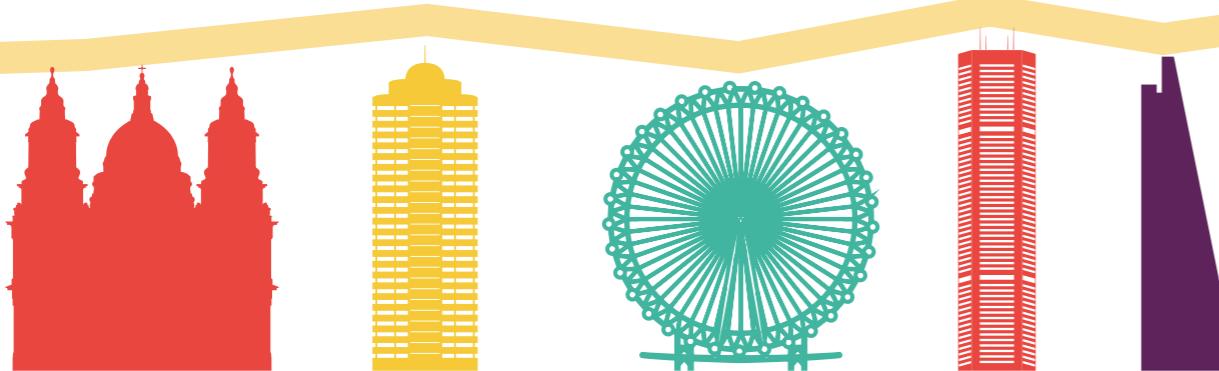
minimum period of assurance to relocate. For SMEs and start-ups, establishing the first person on the ground is critical to building key relationships and generating the first leads. Initial business development visits can occur on a Business Visitor Visa for up to 90 days between the markets, however FPS sales cycles often progress beyond a year, and this substantial timing mismatch requires additional investment and increases the uncertainty involved.

Investors into the UK flagged that obtaining the right visas can be complex. For example, to transfer multiple staff to the UK requires a Tier 2 Sponsor License which requires establishing an FCA and PRA authorised bank account, which can take up-to three months in its own right.

Mutual recognition of approved representatives and Senior Managers, and reciprocal visas for extended business visitors and businesspersons, would reduce the issues and time frames in transferring critical talent to support UK FPS businesses to trade and invest with A&NZ markets.

180 days

Businesses reported that up to six months are lost completing migration and regulatory requirements in transferring Senior Managers between markets.



Commercial barriers to FPS firms expanding trade with A&NZ that government can address with industry

1 Lack of information to build a viable business case for investment in the time required

30% of FPS businesses cited a lack of information and practical market experience during research and business case formation as a barrier to success when looking to expand trade to A&NZ.

Decision makers shared that FPS firms withdraw from completing the initial business case due to limitations on management time and capital.

Support exists for UK FPS firms in the form of advice, regulatory guides and trade missions, however UK FPS businesses see the support and information as complex and incomplete.

Building up presence in market can lead to further expansion and export opportunities. For example UK FPS firms such as RateSetter, Aberdeen Standard Investments, Allen & Overy, Darktrace and Transferwise have overcome the initial barriers to enter A&NZ and have also expanded services into the Asian region.

For UK FPS firms streamlining support would minimise resources required and remove uncertainty in assessing the decision to invest in pursuing trade opportunities in A&NZ.

2 Lengthy FPS enterprise sales cycle and regulatory complexity delay market entry

50% of FPS businesses identified the lack of a timely return on sales and working capital as a barrier to market entry and potential further investment.

UK FPS businesses experience challenges compared to Asian and US based businesses when expanding to A&NZ, geographical distance, time zone challenges and absence of an FTA with the market are all factors. UK firms absorb a higher cost of market entry and bear a higher risk on investment.

This is a particular challenge for FPS firms given they typically require lengthy and complex sales cycles that can only commence once all relevant regulatory requirements are completed.

However abundant the A&NZ markets opportunities, UK SMEs in particular risk withdrawing from market due to working capital constraints before they close their first sale in the new market.

HMG providing sustained in market advice, support and connections will help avoid missed opportunities by lowering the barriers to UK FPS firms to complete their first sales in the A&NZ markets.

3 Trouble accessing working capital required to scale an FPS business in a new market

16% of FPS businesses surveyed identified access to funding as the primary barrier to establishing a permanent presence in a new market.

Establishing an overseas FPS operation is a substantial investment regardless of size. Corporates like Aberdeen Standard Investments must generate returns from investing into new markets and this pressure is even more acute for SMEs like Prevalent AI. An absence of regulatory synergy requires funding to be authorised and working capital until the market is self funding.

The UK's tax regime provides incentives to encourage investment into early stage and smaller firms boosting the capital pools available in the UK through initiatives such as the Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS). Entrepreneurs like Barbara Sharp at Pax Republic identify the UK's pools of capital available to smaller firms as a driver for inward investment into the UK. However, FPS firms and investors are frustrated that funding is restrained by SEIS/EIS investor limitations.

Expanding SEIS/EIS limitations for knowledge intensive sectors to specifically include FPS and technology firms would release greater capital for these high growth businesses to pursue trade opportunities and attract global headquarters.

Prevalent AI: Investing to secure the first international sale

Issue The lengthy and complex sales cycles and regulatory hurdles in the FPS sector meant that leading UK firm Prevalent AI was still negotiating with their first Australian client following numerous visits to market. The first sales are critical to reduce the strain on working capital as the organisation establishes its market credentials in Australia.

Complication "We invested tens of thousands over four-six months in the market to achieve the requirements and finalise contractual terms to close the first sale and issue an invoice."

Solution Direct support such as a subsidised soft landing pad in key cities would reduce costs to business, facilitate access to vital capital and avoid management distraction to focus on securing new sales in market.

Source - CEO Paul Stokes

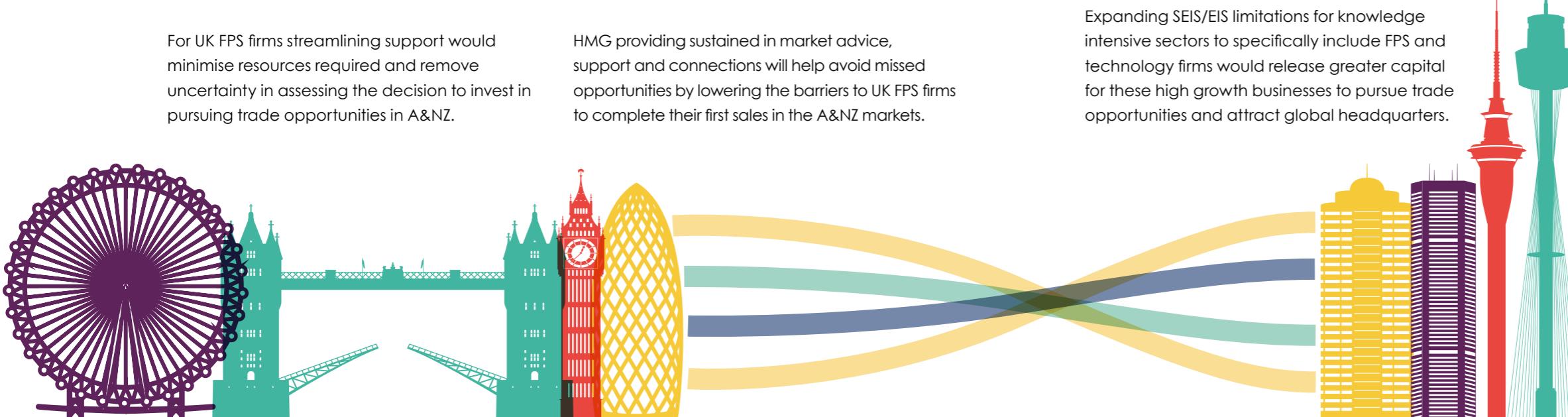
Aberdeen Standard: Establishing relationships in new markets

Issue Aberdeen Standard Investments recognised the potential growth opportunity of Australia as the world's 4th largest pension industry. Aberdeen's philosophy of establishing teams and client-facing staff in the regions in which they operate led to launching the Australian operations to be closer to their clients and investments.

Complication Initial marketing efforts were frustrated in a market where global relationships, international management expertise and profile in the UK did not carry the same marketing influence.

Solution Early insight into local market dynamics and the FPS ecosystem enable the firm to increase chances of success for an expanding UK company – a soft landing-pad could facilitate this.

Source: Brett Jolie, MD Australia.



Recommendations to policymakers and regulators

Following *From Strength to Strength* which focused on market opportunities with A&NZ, this report looks at recommendations for policymakers and regulators to expand FPS trade and investment between the UK and A&NZ

From Strength to Strength highlighted the vast trade opportunities for UK FPS firms in A&NZ and the reciprocal demand from A&NZ to invest in the UK, while this report highlights policies that could boost trade and investment with A&NZ.

Given the internationally competitive nature of UK FPS businesses and with 67% of UK FPS firms currently considering investment into international markets, this report is timely in recommending policies and actions that could help shape and boost this relationship, enhancing the UK's role as a global FPS centre. However, when it comes specifically to A&NZ trade, UK FPS businesses experience challenges in competing with Asian and USA firms who have proximity, existing FTAs and favourable migration policies. These challenges increase the time, cost and risk of investing in expanding FPS to A&NZ.

This position is compounded by the resource requirements of non-value adding processes in the UK and A&NZ. These include business environment issues such as regulation, compliance, migration restrictions and strategic commercial barriers such as insufficient information and resource to support efficient decision making and limitations on raising capital.

The UK's proposition as the leading international financial centre should not be burdened with unnecessary barriers to succeed in high opportunity markets like A&NZ.

We have developed a range of recommendations that policymakers and regulators could follow to enable UK FPS firms to access the opportunities in A&NZ. Our recommendations have been informed

through extensive consultation with decision makers, review of research and global best practice from international governments. Equally, our recommendations are conscious of the pressures on government when considering policy.

Reflecting the categorisation of drivers of issues, our recommendations are in two categories:

1. Recommendations for government and regulators to address business environment issues for FPS trade.

These recommendations encompass initiatives which fall directly into the remit of UK policymakers and regulators, and are designed to be clear, actionable and focussed on short-term impact in the business environment.

FPS firms operate in a highly regulated and relationship driven market. This accumulates to increase the strain on management time, costs, capital and risk tolerance to succeed in market. However, these are issues that can be addressed by building on existing policy and initiatives.

2. Recommendations for government initiatives in collaboration with industry to generate a private sector multiplier on government funded support.

These recommendations identify specific initiatives across the lifecycle of the decision to invest in new markets. We observed how other governments supported industry to overcome new market entry risks with tangible results. FPS firms responded strongly to these initiatives, promising action if delivered.

Recommendations for government and regulators to address business environment issues for FPS trade

Build on existing regulatory overlap with selective mutual recognition to expand FPS trade and investment

As illustrated in this report, many regulations across the UK and A&NZ markets are similar and overlap with each other, creating additional cost and causing delays in market entry for expanding FPS firms. This regulatory overlap provides an opportunity to support UK FPS to address the cost, risk and time barriers in accessing A&NZ markets.

One means of achieving this outcome would be to expand the recent UK-Australia FinTech Bridge to be a comprehensive FPS bridge for trade and investment. The FinTech Bridge is a positive start, however it is in its infancy and the next step is to deliver practical benefits to businesses. As demonstrated in the Standard Chartered case study, mutual recognition could enhance UK FPS global competitiveness.

HMT, FCA and PRA could develop a modular approach with their A&NZ counterparts to maximise opportunities where regulatory coherence exists. For example, authorised and appointed representatives, dual Regulatory Sandbox authorisations and ASIC's RG133 Managed investments, custodial and depository services and its comparable UK requirements.

To accelerate delivery of commercial outcomes for FPS businesses from the FinTech Bridge, HMT and DIT could ring-fence the funding to deliver the UK's existing commitments as stated in the FinTech Bridge matched with specific, additional and measurable trade and investment targets.

Policy options to consider:

1. Ring fence funding for the UK-Australia FinTech Bridge matched with additional trade and investment targets.
2. Pilot selective mutual recognition where substantial regulatory overlap exists.

Improve the visa environment to suit the dynamics of FPS firms looking to trade between the UK and A&NZ

The current UK and A&NZ visa environment presents challenges in terms of application time-frames and limitations on duration that create uncertainty for FPS firms over the long enterprise sales cycle. As shown by Prevalent AI, UK FPS businesses value attracting and moving key, highly skilled people between markets for extended periods to close the first enterprise sale in market.

Business Visitor visas only allow three months and are too short to complete the FPS sales process. The Home Office and HMT may wish to consider the opportunity to expand trade with A&NZ by simplifying the reciprocal requirements for longer business visitors. A reciprocal extended Business Visitor Visa (12 months) designed to match the longer duration of the FPS sales cycle will provide FPS firms with confidence that they can stay to complete initial sales in the new markets of A&NZ.

UK FPS firms are more likely to expand to A&NZ with the confidence that their potential migration is assured when creating a permanent establishment in A&NZ, similar to the free Turkish Businesspersons Visa. For the UK, a reciprocal visa with A&NZ would support the UK's bid to attract more global headquarters and inward investment for the UK.

Mobile, highly skilled workers and executives from A&NZ have similarly not been able to permanently settle in the UK if their Indefinite Leave to Remain (ILR) requirements restarted due to a visa change.

Policy options to consider:

1. Pilot extended reciprocal Business Visitor Visas for UK and A&NZ FPS and technology sectors.
2. Pilot reciprocal UK and A&NZ Businesspersons Visa
3. Review ILR requirements for A&NZ FPS talent to complete five years residency on one visa.

Recommendations for government to partner with industry to expand FPS trade with A&NZ

Provide landing pads for scalable FPS SMEs to access trade opportunities

A fundamental challenge facing UK FPS firms entering the A&NZ markets are navigating the first three to six months where they must setup a new operation, migrate key staff and/or hire in market - in addition to the core priority of creating relationships required to succeed and navigating lengthy FPS procurement processes.

One simple and internationally proven way to help firms navigate this period is to provide subsidised 'Landing Pads'. These initiatives usually include offices in co-working spaces, administration services, business and taxation registration, access to banking, supply of research and review of marketing materials before supporting firms to network in market.

For example, government trade agencies Austrade and New Zealand Trade & Enterprise have established Landing Pads in key global hubs including San Francisco, Berlin, Singapore, Shanghai and others. Austrade and NZTE's landing pads have recorded 100% commercial impact for the organisations that used their services, such as Australian FPS firm EWG.

A similar service exists for developing UK trade in the China-Britain Business Council's "Launchpad"

International landing pads – platforms for success

Policy Initiative International 'Landing Pads' established by government investment agencies in key global hubs provide offices, insight and connectivity to smooth market entry for firms.

Action Austrade and New Zealand Trade & Enterprise have established 'Landing Pads' in San Francisco, Berlin, Singapore, Shanghai and others.

service. The service has expanded into 13 Chinese cities and has supported over 200 British organisations to access China.

DIT, HMT and BEIS could all benefit by providing similar support in collaboration with commercial partners to establish a landing pad service for UK FPS SME businesses to access the A&NZ markets. Initially, this could be included within the FinTech Bridge deliverables. Equally, a landing pad in London could be used to complement the UK offer in competing for A&NZ FPS businesses to establish their Global Headquarters (GHQ) in the UK.

The Scale-Up Institute has offered to provide an independent assessment of the effectiveness and impact of a landing pad initiative to A&NZ.

Examples shown to work in other markets could be achieved through the following steps:

1. Partner with industry to pilot A&NZ landing pads for three years, supporting the UK Australia FinTech Bridge deliverables.
2. Pilot a London based landing pad for A&NZ FPS businesses establishing GHQs in the UK.

Potential short-term impact:

Landing pads enable FPS SME firms to access new markets with lower cost and time efficient integration of the local ecosystem to assess and test their ability to compete in the new market.

Impact 100% of Austrade Landing Pad participants expected to achieve some form of commercial outcome as a result of participating in the programme (2016-17 Austrade Survey) with San Francisco FPS member EWG stating:

"In just three months, we secured multi-year contracts, growing our revenue forecast by 300%.... Without the Landing Pad, we might have delayed moving international as quickly as we did" (CEO Bennett Merriman).

Review financial support for innovative FPS SMEs investing in export market development to reduce cost and risk

As outlined in this report, the first 3-6 months of entering and establishing in the A&NZ markets presents significant working capital challenges and associated risks for UK FPS firms.

One evidenced means of supporting FPS firms to overcome these initial challenges is through a funding support mechanism for qualifying FPS SME firms. For example, the A&NZ governments provide innovative co-funding financial support for qualifying businesses that de-risk the initial challenge of market entry through the Australian Export Market Development Grant (EMDG) and New Zealand's International Growth Fund (IGF).

Co-funding initiatives directly reduce the cash flow burden and risk that is magnified during the longer sales cycle of FPS organisations. The New Zealand Government has estimated the economic return for every dollar invested in IGF projects in the last five years is 6:1 (NZTE Annual Report 2016/2017) against a target of 4:1. Developing a UK export development funding programme for FPS SMEs may generate similar results for firms and HMG.

Austrade highlights that Australian SMEs are twice as likely to explore the USA over the UK for international expansion. For each 1% swing to the UK by Australian firms could direct £800k in market development activity to the UK economy. This economic activity could be attracted with co-funding vouchers to invest in the UK, for example on UK legal, advisory and compliance services.

Possible pathways to deliver this include:

1. Pilot an A&NZ export trade development co funding programme for UK FPS SMEs.
2. Pilot a programme with A&NZ to increase UK market share of FPS export development from high growth and innovative A&NZ FPS firms.

Potential short-term impact:

FPS firms can assess A&NZ markets with lower costs and risks with economic results closely monitored.

Attracting FPS global headquarters by streamlining HMRC services and enhancing EIS and SEIS for FPS SMEs

Encouraging A&NZ organisations to establish their FPS global headquarters (GHQ) in London strengthens the UK's FPS business environment with liquidity, scale, talent and globalisation.

One means of enhancing the UK's position as a GHQ destination is to enhance the EIS and SEIS. By increasing the incentives for investors to invest in small firms, these policies act as a strong lure to the UK for small firms as stated by Australian FPS firm Pax Republic's CEO Barbara Sharp.

For example, the recent EIS and SEIS investor announcements could be explicitly expanded to include FPS, technology and other skills-based sectors to expand funding pools from both new and already active investors.

A&NZ FPS firms stated that faster responses from HMRC on SEIS/EIS Advanced Assurance that shares to be issued will satisfy the requirements of the SEIS/EIS scheme will attract more GHQs. A faster response will provide confidence to A&NZ FPS entrepreneurs to establish their GHQ in the UK to promote their capital raising with SEIS/EIS.

Policy options to consider:

1. Pilot streamlining HMRC Advance Authorisations for EIS/SEIS applications from A&NZ.
2. Pilot expanding SEIS and EIS limits for investment into UK FPS and technology sectors.

Potential short-term impact:

Releasing alternative sources of finance to attract A&NZ FPS firms to establish their GHQ in the UK to expand London's international finance cluster.

Making EIS Advanced Assurance happen quickly is the most important issue to activate UK investment.

Source: Barbara Sharp, CEO, Pax Republic

Our methodology

Developing actionable, evidence-based recommendations for UK policymakers to expand FPS trade and investment with Australia and New Zealand



Research review

Stage one laid a foundation for understanding the current thought leadership and existing initiatives in FPS trade and investment:

1. Scanning industry and professional organisations, think tanks and statistics.
2. Reviewing global best practice in FPS trade and investment promotion.

Survey of business and industry across markets

Stage two involved 127 surveys completed by respondents from all three markets of the UK, A&NZ to identify key issues and common themes:

1. Filtering survey responses for quality and completion rates.
2. Analysing responses to provide insights to guide interview questions.

One on one interviews with organisations and industry

Stage three saw a deep-dive into these issues with over 45 interviews held with decision makers, executives and entrepreneurs:

1. Targeting sectors across FPS and their supply chain of all sizes including Banking, Consulting, FinTech, ICT, Asset Management and Tech.

Analysis and prioritisation of issues and solutions

Stage four involved quantitative and qualitative analysis of feedback:

1. Identifying trends and common themes.
2. Identifying a range of solutions without knowing the business impact.

Roundtable discussions with industry to assess impact

Stage five sought to identify the real business impact of our solutions:

1. Roundtable discussions with industry bodies and multipliers.
2. Assessing impacts in business international activity by new revenue forecast, new market dedicated headcount, working capital invested in market expansion and speed of ability to commit resources.
3. Pathways to effective policy delivery and best practice.

Prioritisation of policy and initiative recommendations

Recommendations were filtered and ranked by:

1. Ability of policymakers and regulators to implement change.
2. Fiscal impact to HMG and commercial impact as stated by organisations.
3. Importance of issue by business in restricting international expansion.
4. Ultimate goal recommendation and first call-to-action.

Glossary of terms

- **ASIC** Australian Securities & Investments Commission
- **Australian Export Market Development Grant (EMDG)** Australian Government financial assistance programme for aspiring and current exporters.
- **Client Assets Sourcebook (CASS)** UK Financial Conduct Authority rule book for those who hold or control client money or safe custody assets as part of their business.
- **Conduct of Business Sourcebook (COBS)** UK Financial Conduct Authority rule book for regulating the conduct of the business of authorised persons carrying on designated investment business.
- **Custodial Suppliers** range of security services, including safekeeping and settlement, reporting, corporate actions, dividends collection, proxy voting and tax reclaim services.
- **DIT** Department for International Trade.
- **Enterprise Investment Scheme (EIS) & Seed Enterprise Investment Scheme (SEIS)** UK government schemes designed to help smaller higher-risk trading companies raise finance by offering a range of tax relief to investors who purchase new shares in those companies.
- **Enterprise Investment Scheme Advance Assurance** UK scheme enabling companies to receive a provisional indication from HMRC whether they may be eligible to apply for tax relief for their investors.
- **Financial Conduct Authority (FCA)** The UK financial regulatory body.
- **FPS** Financial & Professional Services.
- **G20 Global Infrastructure Hub** Established by the G20 to increase the quality and flow of infrastructure investments globally by connecting the public and private sectors.
- **GDPR** A new regulation that requires businesses to protect the personal data and privacy of EU citizens for transactions

that occur within EU member states, with the compliance deadline in May 2018.

- **Goods and Services Tax (GST) - Australia**

A broad-based tax of 10% on most goods, services and other items sold or consumed in Australia, with few exceptions.

- **Goods and Services Tax (GST) – New Zealand**

A consumption tax of 15% on most goods, services and other items sold or consumed in New Zealand.

- **HMG** Her Majesty's Government.

- **HMT** Her Majesty's Treasury.

- **Landing Pad** Government backed spaces, often in co-working offices, in key hubs to support exporters.

- **Markets in Financial Instruments Directive (MiFID)** The framework of European Union (EU) legislation for: investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as 'financial instruments').

- **MSSP (Managed Security Service provider)** An Internet service provider (ISP) that provides an organization with some amount of network security management.

- **New Zealand International Growth Fund (IGF)** New Zealand Government co-investment program for accelerating international growth.

- **PSD2** The second Payment Services Directive, designed by the countries of the European Union.

- **Pay As You Earn (PAYE)** A method of paying income tax and national insurance contributions.

- **RG133** Australian Securities & Investments Commission Regulatory Guide 133. Outlines the obligations that apply to Australian financial services (AFS) licensees in relation to holding assets.

- **Value Added Tax (VAT)** - UK Tax levied on most goods and services provided by registered businesses in the UK.

About the author

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