



From strength to strength:

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



Contents

- **Foreword** 1
- **Executive Summary** 2
- **UK AUS NZ overview** 4
- **FinTech** 6
- **Reach of FTAs** 8
- **Cyber security** 10
- **Asset management** 12
- **Infrastructure finance** 14
- **Green finance** 15
- **Conclusion** 16
- **References** 17

Disclaimer: From strength to strength: Boosting trade links with Australia and New Zealand for UK financial and professional services is published by the City of London Corporation. The author of this report is International Investment Service. This report is intended as a basis for discussion only. Whilst every effort has been made to ensure the accuracy and completeness of the material in this report, the author, International Investment Service, and the City of London Corporation give no warranty in that regard and accept no liability for any loss or damage incurred through the use of, or reliance upon, this report or the information contained herein. February 2018 © City of London Corporation, PO Box 270, Guildhall, London, EC2P 2EJ. www.cityoflondon.gov.uk/economicresearch

Foreword



The UK has long enjoyed a successful business relationship with Australia and New Zealand. Fortified by a shared history, language and cultural ties, we have established a continuous flow of expertise, resources and investment for the prosperity of each of our nations.

As the 11th largest combined market in the world, and with growth performance exceeding that of other major developed economies, Australia and New Zealand offer a wide range of opportunities for the UK's globally competitive financial and professional services firms. Underpinned by strong institutions, dynamic and innovative financial services sectors, and an ability to adapt to macroeconomic change, the ANZ market is an exciting partner for the City.

Australian and New Zealand employees and financial-professional services firms already play an essential role in the City's ecosystem, contributing to key sectors such as banking, capital markets and investment management. Around 66,000 of London's workers originate from

Australia or New Zealand and 3,000 of the capital's employees work in ANZ financial-professional services firms. But, we can always do more.

This report will shine a light on new ways for the UK, Australia and New Zealand to build their business relationships – whether that be for the UK to use the position of Australia and New Zealand as a gateway into Asia Pacific markets, or for ANZ companies to take advantage of the wealth of expertise that the City has to offer, helping them to expand their competitive and innovative cyber and FinTech environment.

Commissioned by the City of London Corporation and produced by International Investment Service, this research forms part of the City's ongoing programme of engagement and collaboration with Australia and New Zealand. This programme hopes to boost the UK's trading and investment relationship with these two nations by highlighting the existing and future opportunities for UK financial and professional services companies in sectors such as FinTech, cyber security and asset management.

Charles Bowman
The Rt Hon Lord Mayor
Feb 2018

Executive summary

This report looks at the current and future opportunities for UK financial and professional services (FPS) firms in Australia and New Zealand. The report highlights opportunities for UK trade and investment into key sectors including FinTech, cyber security and asset management. The UK's expertise, scale and strength in financial and professional services means that UK firms are well placed to take advantage of these in-market opportunities.

The UK's trade relationships are well established with Australia and New Zealand who imported over A\$3 bn (£2.1 bn) of financial, professional and business services from the UK in 2016, while Australia and New Zealand suppliers provided over A\$2 bn (£1.4 bn) in services to the UK.

Australia and New Zealand's combined economies have a population of 29.6 million and the 11th largest GDP in the world. According to IMF projections, Australia and New Zealand's combined economy will become the 10th largest market by 2022.

As the UK acts as a gateway to Europe, Australia and New Zealand act as a gateway to Asia Pacific. The substantial Free Trade Agreements (FTAs) in force including financial and professional services

“ Australia is ranked 4th for new patents registered in the cyber security sector ”

provide opportunities for London businesses with operations in Australia and New Zealand to access up to 53% of the world's economy, including the USA, China, Japan and Korea. Asia Pacific financial integration is being further supported by Australia and New Zealand with the development of the Asian Region Funds Passport (ARFP).

Australia and New Zealand provide sizeable markets to test and explore innovation and expand business relationships and opportunities. Like Facebook and LinkedIn, London firms can also conduct BETA test launches in New Zealand and Australia prior to global roll outs.

London offers significant opportunities for Australia and New Zealand firms to increase scale and innovate. London's centres of excellence in FinTech, cyber security, asset management, infrastructure finance and green finance offer a business environment for Australian and New Zealand firms to deliver their global market ambitions. This report will explore the mutually beneficial opportunities for each sector.

London hosts the world's largest FinTech hub, employing more people in FinTech than either Silicon Valley or New York. More than half of Australian FinTechs are seeking international expansion and collaboration opportunities to draw on the scale, capital and tech industry presence of global peers such as London. The FinTech Bridge between Australia and Britain will enable even greater collaboration between these markets.

The UK has established itself as the third largest supplier of cyber security services in the world. It contributes to the A\$1.6 bn (£1.1 bn) of services and software imported by Australia and New Zealand. The Australia and New Zealand cyber security industry is predicted to triple in size to over A\$6 bn (£4.3 bn) p.a. by 2026 supported by fully funded government cyber strategies.

The UK remains a primary centre of global asset management, attracting more Asian sourced FuM than Australia. UK firms can expand solutions available to the world's fourth largest pension market and gain from Australia and New Zealand's world-leading defined contribution pension expertise.

Infrastructure asset management allocations are expected to increase in the UK with the recent introduction of compulsory pension contributions. Substantial infrastructure pipelines in the UK, Australia, and NZ provide the opportunity to collaborate and innovate in infrastructure asset management with global specialists such as Macquarie and IFM Investors.

Green finance is a rapidly growing market with US\$155.5 bn (£110.2 bn) in Green Bonds issued in 2017. The UK was the fourth largest issuer of Green Bonds in 2016 and is home to the Green Finance Initiative. All major banks in the UK and Australia have issued Certified Climate Bonds. New Zealand's Contact Energy launched a NZ\$ 1.8 bn (£0.9 bn) Green Borrowing programme certified by Climate Bonds, a world first of its kind.



£2.1 billion
of financial and professional services exported from the UK to Australia and New Zealand



New Zealand FuM grew by **11.4%** in 2017 to £79 bn



76% growth p.a.
Australian FinTech revenue is predicted to grow to £3.0 bn p.a. by 2020

3x Australian cyber security industry is expected to **triple** to £4.3 bn by 2026

UK AUS NZ overview

Australia and New Zealand are valuable trading partners for the UK. Australia and New Zealand imported over A\$3 bn (£2.1 bn) of financial, professional and business services from the UK in the year to 30 June 2017, while Australia and New Zealand suppliers provided over A\$2 bn (£1.4 bn) in services to the UK in the same period¹. Australia and New Zealand offer a significant and sizeable market for the UK with:

- A combined population of 29.6 million.
- 11th largest combined GDP in the world and is predicted to become the 10th largest market by 2022² on IMF predictions.

FTAs providing access to half the world

As the UK is seen as a gateway to Europe, Australia and New Zealand are seen as a gateway to Asia Pacific. Operations in Australia and New Zealand can utilise the FTAs to provide financial and professional services to half the world's markets including the USA, China and Japan. This, combined with the UK's access to the EU currently offers access to 75% of the world's markets.

- Australia and New Zealand's cultural affinity to the UK and close geographic proximity to Asia provide an ideal entry point for UK businesses looking to expand into Asia Pacific.
- The Asian Region Funds Passport (ARFP) will facilitate cross-border marketing and back-office processing of managed funds across participating economies in Asia. In 2017 all ARFP member economies began implementing ARFP arrangements.

UK market & economic overview

The UK is a sophisticated and mature consumer market and a regional hub for corporate headquarters, trade and international finance. The UK market is of significant size and scale for Australian and New Zealand firms to expand and invest in to.

- The UK has a population of 66 million and generates a GDP of US\$2.7 tn p.a (£1.9 tn), 60% larger than the combined Australia and New Zealand market².
- UK's growth is resilient with the OECD forecasting real GDP growth of 1.5% in 2018³.
- London is home to 60% of European headquarters for the top non-European companies⁴.
- London office hours overlap with countries that account for 99% of the world GDP⁷.
- London retained its ranking as the world's leading Global Financial Centre in 2017⁵.
- London is the leading financial centre in Banking, Investment Management and Professional Services industry sectors⁵.
- London has the highest concentration in the world of global financial institutions across banking, capital markets, insurance, and asset management⁵.
- With over 250 foreign banks, there are more head offices of banks in London than in any other city in the world⁶.

Australian market & economic overview

Australia has a population of 24.8 million and generates the world's 14th largest market with a GDP of US\$1.48 tn (£1.1 tn)².

- The UK is Australia's fifth largest trade partner, valued at A\$ 27.4 bn (£19.4 bn) in the year to June 2017⁸ and Australia imported A\$14.8 bn (£10.5 bn) from the UK.
- In the year ending 30 June 2017, Australia imported A\$5.7 bn (£4.0 bn) in professional services⁹.
- The IMF and OECD forecast Australia will have the largest growth rate of any of the world's largest economies to 2030, excluding China².
- Financial and professional services industry has been growing at 1.5 times the

national economic growth rate, making the sector the largest contributor to the economy¹⁰.

- National Australia Bank's Business Survey 2017 reports that Australia's business conditions are the best in a decade¹¹.
- Australia's economic output and financial services industry is driven by three key clusters. New South Wales, Queensland and Victoria account for 75% of Australia's economic output and 86% of the financial services industry's economic value add¹⁰.

£4.0 billion

Australia imported the equivalent of £4.0 bn in professional services in the year to 30 June 2017

New Zealand market & economic overview

The New Zealand market is geographically similar in size to the UK with a population of 4.7 million people and an economy of NZ\$ 240 bn (£125 bn)².

- The UK is New Zealand's fifth largest export market. Two way trade totalled NZ\$1.4 bn (£729 M) in the year end June 2017¹².
- The Bank of New Zealand's Business Expectations Survey forecasts strong growth between 2.8% to 3.0% in 2018¹¹.
- Exports account for 30% of New Zealand's economy¹³ with New Zealand's tech industry the third largest export earner¹⁴.

- In 2016, New Zealand imported NZ\$1.6bn (£833 M) in financial and insurance services and NZ\$830 M (£432 M) in professional services¹².

- New Zealand was ranked first in the World Bank's Doing Business Report 2018. New Zealand consistently scores well in the Doing Business rankings including first in the world for starting a business, getting credit and registering property.

#1

New Zealand is ranked number one for the ease of doing business (World Bank, 2017)

FinTech

London is ranked the largest FinTech hub in the world, generating revenues of £6.6 bn per annum and employing 44,000 people working in FinTech, more than any other FinTech hub including Silicon Valley or New York¹. In addition, the UK attracts more FinTech investment than any other country in Europe².

London provides:

- An innovative and supportive policy and regulatory environment with the world's leading Regulatory Sandbox to encourage and accelerate innovation in the sector³.
- An abundance of capital, with London's tech sector recording £2.5 bn of VC

investment, more than four times as much as the second placed European location².

Australia and New Zealand's FinTech markets are growing rapidly and are maturing. According to FinTech Australia, more than half of Australian FinTechs (54%)⁴ are seeking international expansion and collaboration opportunities to draw on the scale, capital and tech industry presence of global peers such as London.

Australia and New Zealand provide sizeable markets to test and explore innovation and expand business relationships and opportunities. Like Facebook and LinkedIn, London businesses can also conduct BETA launches in New Zealand and Australia prior to global product and feature roll outs.

54%

of Australian FinTechs are seeking international expansion and collaboration opportunities

Case study: Ratesetter

Ratesetter, founded in London in 2009, has facilitated over 320,000 loans valued at £2.3 bn. "RateSetter chose Australia as its first international market because its financial system was ripe for disruption." (Daniel Foggo, CEO Ratesetter Australia). Ratesetter Australia launched to the public in 2014 as the first peer-to-peer lender licensed to provide services to all Australians. Success in the UK was partially transferable to Australia, particularly expertise in risk adjusted credit pricing and how to build borrower demand via different channels. Since 2014 Ratesetter Australia has grown to over 60 staff and is growing over 100% year on year.

Australia

- The Australian FinTech industry is forecast to grow at 76.3% compounded annually to A\$4 bn (£3.0 bn) in revenue p.a. by 2020⁵.
- The Australian Government has prioritised three areas of focus to lead in Asia and potentially the world, being:
 1. Payments: Australian banks continue to lead on payment technology.
 2. RegTech: representing 10% of all Australian FinTechs. The global market is forecast to reach £83.8 bn by 2020⁷.
 3. Blockchain: Innovation by CBA and the Australian banks in trade finance is leading the integration of Blockchain into main stream banking operations.
- Australia will soon be entering into a FinTech Bridge agreement with the UK to further increase collaboration.
- Australia has launched the Regulatory Sandbox for start-up ventures to demonstrate their innovation in a pilot by removing the requirement to hold an ASIC licence for BETA testing in market.
- Australia's FinTech community is working with the Reserve Bank of Australia and the Federal Government to consider adopting a Digital Australian Dollar ("DAD") pegged to the Australian Dollar.

New Zealand

- New Zealand's low cost barriers and high levels of entrepreneurship led to creating a strong start-up environment for FinTechs that are targeting global problems with market leading positions.
- New Zealand founded Xero, is one of the 31 global FinTech unicorns.
- New Zealand's smaller domestic market is known for early adoption of new technologies and is an ideal place for UK companies to:
 - BETA test a new technology in terms of rate of adoption, quality and usability,
 - Explore alternative possible routes that can be used to market a new technology, and
 - Test new features and roll out to global markets which was demonstrated by both Facebook and LinkedIn⁷.
- New Zealand's FinTech accelerator, Kiwibank FinTech Accelerator 2 is seeking international ventures interested in basing their FinTech operations in New Zealand.

“ Growing at 31% p.a. Fintech is New Zealand's fastest growing tech sector⁸ ”

Reach of the Free Trade Agreements (FTAs)

Australia and New Zealand's active FTAs including financial services, expand to 17 countries. With a further six countries agreed, this covers over half the world's GDP.

This chart illustrates the countries with a Free Trade Agreement (FTA) including FPS with Australia, New Zealand or the UK/EEA. As a guide, the map shows:

Countries coloured in full are one market (Australia - yellow; New Zealand - red or the UK/EEA - blue).

Coloured dots are countries that hold an active FTA with at least one of the three markets using the colour key.

Dark grey dots are agreed FTAs but not yet active.

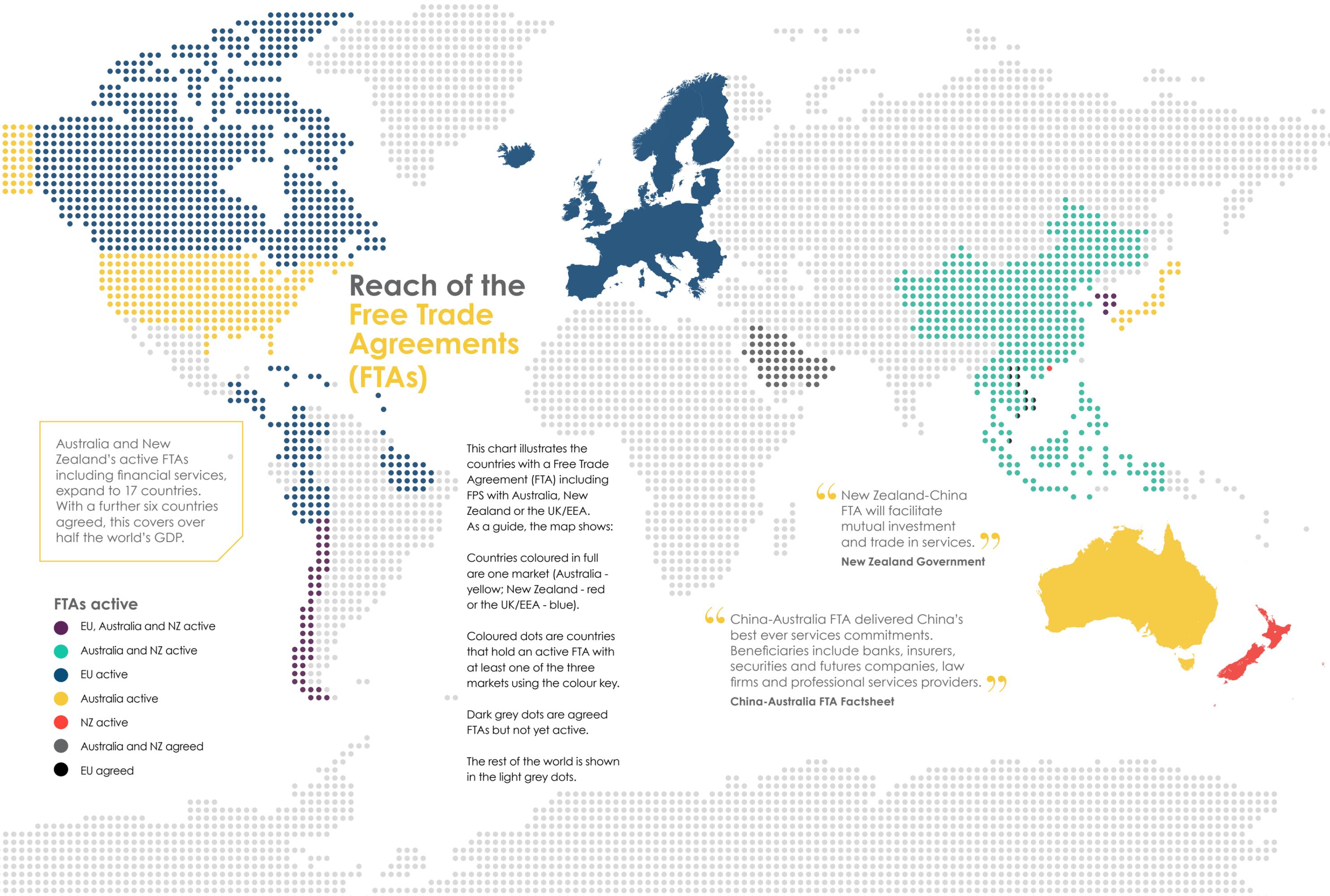
The rest of the world is shown in the light grey dots.

“New Zealand-China FTA will facilitate mutual investment and trade in services.”
New Zealand Government

“China-Australia FTA delivered China's best ever services commitments. Beneficiaries include banks, insurers, securities and futures companies, law firms and professional services providers.”
China-Australia FTA Factsheet

FTAs active

- EU, Australia and NZ active
- Australia and NZ active
- EU active
- Australia active
- NZ active
- Australia and NZ agreed
- EU agreed



Cyber security

The global cyber security market is projected to double to US\$251 bn (£178 bn) per annum by 2026¹.

The UK is the third largest supplier of cyber security services in the world and is the largest cyber security market in Europe². The UK's domestic market for cyber security is valued at just over US\$5 bn (£3.5 bn) p.a.². To maintain this globally competitive position, the UK will inject the equivalent of £1.9 bn into the British cyber security industry through to 2021³. This includes £165 M for the Defence and Cyber Innovation Fund and two new cyber innovation centres to develop innovative technologies.

Australia and New Zealand have attracted international expertise in cyber software and services from the UK to meet the rapidly increasing demand in the local market evidenced by the substantial imports in the sector.

The Australian and New Zealand cyber security industry is predicted to triple to over A\$6 bn (£4.3 bn) annually by 2026⁴.

- Australian and New Zealand companies spent over A\$3.5 bn (£2.5 bn) on external cyber security suppliers in 2016, with A\$1.6 bn (£1.1 bn) sourced from international suppliers¹.
- Australian and New Zealand markets are generating commercial opportunities such as cyber-insurance for financial and professional services firms, where 39% of CIOs purchased cyber-insurance to protect their business in 2016¹.
- As part of the Five Eyes, Australia and New Zealand are seen as trusted markets for multinational corporations to base their Asia Pacific data centres and operations.

“The online economy growing at twice the speed of the rest of the global economy shows the need for companies to access its benefits; the flip side is they have to manage their exposure to its risks.”

Gordon Archibald, **KPMG**

Case study: Darktrace

UK based Darktrace established a presence in New Zealand in 2015. “We saw the opportunity to transform the way cyber security was being done in the local market. Companies in NZ are very forward thinking, they understand the role AI will play in the future”. “Demand for the machine learning technology is growing at a phenomenal rate and we have experienced great uptake from NZ companies. Our success in NZ is reflective of how attractive New Zealand is for foreign companies to do business.”
Craig Watson, Darktrace.

Australia

- Australia's external spending on cyber security grew to A\$3.5 bn (£2.5 bn) in 2016.
- Three quarters of Australia's external cyber security spend in 2016 was on outsourcing of cyber security services^{1,5}.
- In April 2017, the Australian Stock Exchange (ASX) announced the ASX 100 Cyber Health Check, a collaboration between ASIC, the ASX and the big four professional services firms (Deloitte, EY, KPMG and PwC) to develop a cyber health check survey for the Australian business environment.
 - 62% of respondents stated malicious cyber activity had increased in the past twelve months.
 - 39% of CIOs had purchased some form of cyber insurance in 2016, compared to 24% in 2015¹.
- Mandatory data breach notification laws will take effect from February 2018⁵.
- Australia is the world's leading quality research centre by citations and fourth globally for number of new patents registered in the sector⁵.
- The Australian Government announced their cyber security trade ambition that will prioritise software and services, in particular Protection Stacks and Underlying Processes.

New Zealand

- New Zealand businesses procured over NZ\$400 M (£208 M) in cyber security software and services, with over NZ\$100 M (£52 M) allocated for both Situational Awareness and Application Security⁶.
- In New Zealand, cyber security insurance services are low compared to global benchmarks. Only 37% of New Zealand respondents have cyber insurance, compared to 59% globally⁷. Only a few providers supply cyber insurance locally which offers an opportunity for UK companies to enter this market.
- The New Zealand Government is actively engaging with trading partners on the development of their cyber security strategy to ensure that new requirements do not establish barriers to trade.
- Changes to the New Zealand Privacy Act are forecast to increase demand for cyber security services and insurances as organisations will be required to disclose breaches and pay a potential fine of up to NZ\$1.0 M (£0.5 M).



£2.7 billion
procured from external
cyber security suppliers in
Australia and New Zealand

Asset management

The UK asset management industry serves a wide variety of institutional and retail clients from all over the world. The UK remains a primary centre of asset management expertise globally.

The UK pension industry Funds under Management (FuM) is expected to substantially increase owing to the recent introduction of UK compulsory pension contributions of 2% on 1st April 2017 increasing to 8% on 1st April 2019. Australia and New Zealand's expertise in defined contribution and associated funds management in infrastructure can trade and collaborate with London's global asset management expertise.

The Australia and New Zealand fund management industry is the sixth largest in the world, with A\$2.8 tn (£2.0 tn) FuM built upon the fourth largest pension ("Superannuation") market in the world¹.

Non-resident international fund managers, like Aberdeen, now account for A\$854 bn (£605 bn) (39%) of Australian superannuation investment assets. Within the Australian and New Zealand markets international asset classes now make up over 30% of direct asset allocation with 23% allocated directly to international equities and 8% to international fixed interest².

UK

Europe's hub of asset management and a leading centre of global asset management with a market of £6.9 tn in 2016³. The UK manages:

- £2.6 tn on behalf of overseas investors, half of which was from clients in the EEA³.
- 36% of assets in Europe, which is more than is managed from the next three largest countries (France, Germany and Switzerland) combined³.
- London is home to nine of the 20 largest Sovereign Wealth Fund (SWF) offices, more than any other city.
- London accounted for 16% of SWF investment between 2007 and 2015³.
- London's global asset management expertise attracted £350 bn in FuM from Asia, outperforming Australia⁷.
- The development of the Asian Region Funds Passport (ARFP) provides an opportunity for London asset managers with operations in Australia or New Zealand to expand their offer to key Asian markets and compete for greater market share in Asia.

Australia

- The fourth largest pension market in the world and the largest in Asia⁴.
- The world's 4th largest alternative investment asset market including US\$23 bn (£16 bn) in Hedge Funds and US\$9.6 bn (£6.8 bn) in Private Equity^{1,2}.
- Australian superannuation FuM is forecast to grow to A\$4 tn (£2.8 tn) by 2025⁵.
- Australia is world-leading in Defined Contribution ("DC") schemes covering 87% of local pension assets⁶.
- The ninth largest market for High Net Worth Individuals valued at US\$ 735 bn (£521 bn). Larger than India or Singapore and HK combined⁵.
- Home to 15 of the World's Top 500 Asset Managers⁶.

New Zealand

- New Zealand's total FuM grew by 11.41% to NZ\$151 bn (£79 bn) in 2017⁷.
- New Zealand's FuM market is growing faster than Australia with the launch of KiwiSaver a voluntary, work-based savings initiative. With participation of over 2 million New Zealanders, KiwiSaver makes up 30.3% of New Zealand's FuM⁷.
- The responsible investment industry is the largest theme in asset management in New Zealand with \$131.3 bn (£68.0 bn) ("AuM") as at 31 December 2016, a growth of 67% since 2015⁸.
- 19 fund managers hold more than \$1.0 bn (£520 M) FuM. The largest asset managers in New Zealand include Morrison & Co, Fisher Funds Management (NZ\$8 bn / £4.2 bn), Mercer (\$6.1 bn / £3.2 bn) and Milford Fund Management (NZ\$4.9 bn / £2.6 bn).

Case study: Aberdeen Standard Investments

Aberdeen Standard Investments manages more than US\$1 tn (£709 bn) in funds with clients in 80 countries. "Aberdeen has a philosophy of basing its investment teams and client-facing staff in the jurisdictions in which we operate. We recognised the potential growth opportunity in Australia, driven by its compulsory pension regime and we wanted to be closer to it. We also wanted our research teams to be closer to the companies and assets they were covering." Brett Jollie, Managing Director. Aberdeen Standard Investments opened its Australian business in 2000. Today, Aberdeen Australia manages A\$505 bn (£358 bn) in client assets under management and advice. The Australian office manages the Group's assets in Australia and New Zealand and provide local clients access to Aberdeen's wider investment capabilities.

Infrastructure finance

Infrastructure has grown to be an asset class in its own right as governments access the benefits of Public Private Partnerships to deliver national, local and social infrastructure with asset managers.

The UK Infrastructure and Projects Authority ("IPA") predicts that £600 bn of total public and private investment in infrastructure will be required over the next 10 years¹, with £240 bn to be invested within the next four years¹. Australia's infrastructure pipeline is forecast to be A\$300 bn (£213 bn)⁶.

There is an opportunity for institutional investors in the UK, Australia and NZ to connect and collaborate on infrastructure projects that need their capital. All governments will need to work with stakeholders to remove regulatory and structural barriers to build stronger and more liquid markets for infrastructure assets.

To achieve this, the Australian and New Zealand governments launched the Australia and New Zealand Infrastructure Pipeline (ANZIP). ANZIP provides a forward view of public infrastructure activity and is reporting A\$100 bn (£71 bn) in projects in the process of being procured.

The introduction of compulsory pension contributions to the UK is expected to increase funds allocated by UK pension funds to infrastructure assets. In 2016 the Investment Association members reported holding an estimated £29 bn in infrastructure investment³, compared to the Australian funds with US\$116 bn (£82.3 bn)⁴.

Australia's infrastructure finance sector has:

- Three of the five largest direct infrastructure funds in the world being Macquarie, IFM Investors and Colonial First State⁵.
- With the G20's Global Infrastructure Hub in Sydney, Australia is placed as a driving force behind the G20's infrastructure agenda.

Australian and New Zealand asset managers with global expertise in infrastructure such as Macquarie, Morrison & Co, IFM Investors and AustralianSuper openly welcome partners to co-invest in global infrastructure opportunities.

“ Australia has three of the world's five largest infrastructure funds ”

Green finance

The Green Bond market is an important market and a growing asset class. In 2013, £8.0 bn in Green Bonds were issued, while \$110 bn were issued in 2017¹.

The Green Bond market will continue to grow with the adoption of the Paris Accord. The OECD estimate US\$16.5 tn is required for green infrastructure to sustain environmental impacts of global warming. As a result the global green bond market is expected to exceed US\$5 tn in less than 20 years.

Australia's financial sector has been modelling global best practice in green finance with the establishment of the A\$10 bn (£7.1 bn) Clean Energy Finance Corporation (CEFC)². The four major Australian Banks have all issued Certified Climate Bonds, a status unmatched by any other advanced economy financial sector³.

Green finance is a small but growing market in NZ. In August 2017, NZ issued its first green bond, known as the Kauri Green Bond. NZ based Contact Energy's Green Borrowing Programme, as part of a NZ \$1.8 bn (£937 bn) programme certified by Climate Bonds, was a world first for its kind⁴.

London plays a leading role in the green finance industry with the launch of the Green Finance Initiative (GFI) by the City of London Corporation in partnership with the UK government. The initiative brings together international expertise to promote better sustainability disclosure and provide public and market leadership on green finance. Furthermore:

- 90% of all issued Green Bonds align with the London-based Climate Bonds Initiative (CBI)¹.
- 59 Green Bonds have been listed on the London Stock Exchange, including Renminbi Bonds⁵.
- London hosts Moody's Green Bonds Assessment, S&P's Green Evaluation Service, the Green Finance Initiative and green finance audit and compliance services.
- The world's fourth-largest issuer of Green Bonds as at 2016, accounting for 9% of the global total⁵.
- All major UK banks are offering green loan programmes including HSBC and Barclays.

£7.1 billion

Clean Energy Finance Corporation established in Australia in 2012



Conclusion

Firms that seek international expansion for profitable growth and diversification have a pathway to control their future. Australia, New Zealand and the UK are attractive markets in their own right, however together they provide a global market opportunity.

“As the UK acts as a gateway to Europe, Australia and New Zealand act as a gateway to Asia Pacific.”

Australia and New Zealand act as a gateway to Asia Pacific. UK firms with operations in New Zealand and Australia can leverage their extensive FTAs to supply their services into three quarters of the world's markets.

With more than half of the Australian FinTech firms seeking international collaboration opportunities, UK firms could seek to transfer innovation between the markets and utilise BETA launches to de-risk global roll outs. The FinTech Bridge to be announced between Australia and the UK has the opportunity to be ambitious and deliver commercial benefits to FinTechs moving between the markets.

Procurement of cyber security software and services is a £2.7 bn market within Australia and New Zealand, with growth forecast to outperform the global market. Three quarters of the market spend is allocated to outsourced cyber services. Operating across the three markets provides the opportunity for firms to access intelligence, research and innovation to sustain the UK as a leading supplier in cyber security.

Asset managers could utilise an Australian or New Zealand operation to expand investment solutions available to the large and expanding pension market forecast to reach A\$4 tn (£2.8 tn) by 2025. UK based firms can contribute to the implementation of the Asian Region Funds Passport (ARFP) by participating in the pilot through their Australian or New Zealand operations.

London's large and liquid capital markets combined with the location of green assessment and certification agencies, audit services, the Climate Bonds Initiative and the Green Finance Initiative will support London to be the market of choice for Australian and New Zealand green bond issuances.

References

• UK AUS NZ Overview:

- 1 ABS "Trade and Investment Flows Australia". n.d. DFAT, Austrade "Trade in Services Australia" (2016); www.stats.govt.nz/insights?filters=Goods%20and%20services%20trade%20by%20country%2CInformation%20releases
- 2 <http://www.imf.org/external/datamapper/datasets/WEO/1>
- 3 OECD Economic Surveys, United Kingdom, October 2017
- 4 LSE Growth Commission, UK Growth: A New Chapter.
- 5 ZYEN Global Financial Centre Index 22, Sept 2017.
- 6 Startup Genome "Global Startup Ecosystem Report 2017" (2017)
- 7 OAG
- 8 DFAT "Australia's trade in goods and services top 15 partners" (June 2017)
- 9 DFAT "Australia's trade in goods and services top 25 imports" (June 2017)
- 10 Financial Services Council/UBS State of the Industry Report (2017), AiGroup Economic Factsheet. Australian Businesses, June 2016, CommSec, State of the States, October 2017
- 11 NAB: Global overview and Australia and NZ: Where is our multispeed economy at and where to from here.
- 12 www.stats.govt.nz/insights
- 13 www.newzealandnow.govt.nz/investing-in-nz/economic-overview
- 14 <https://www.radionz.co.nz/news/business/341841/nz-tech-sector-now-third-biggest-exporter>

• FinTech:

- 1 London&Partners "London's Fintech Scene at a Glance" (2017)
- 2 <http://www.londonandpartners.com/media-centre/press-releases/2017/20180105-2017-record-year-for-london-and-uk-tech-investment>
- 3 EY "UK FinTech On the Cutting Edge" (2017)
- 4 EY "EY & FinTech Australia Census 2017: Profiling and defining the fintech sector." (2017)
- 5 Frost & Sullivan: FinTech in Australia - Trends, Forecasts and Analysis 2015 - 2020.
- 6 Capgemini: Top 10 Trends in Payments.
- 7 Tin100 "Investor's Guide to the New Zealand Technology Sector 2017." n.d.
- 8 <https://nztech.org.nz/blog/new-zealand-looking-to-a-fintech-future/>

• Reach of the FTAs:

- <http://dfat.gov.au/trade/agreements/Pages/trade-agreements.aspx>; <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/>; http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf

• Cyber security:

- 1 ASCGN "Cyber Security Sector Competitiveness Plan." (2017)
- 2 www.export.gov/article?id=United-Kingdom-Cyber-Security
- 3 HMG National Cyber Security Strategy 2016-2021
- 4 KPMG Australia: Cyber Resilience Among ASX 100
- 5 Australia Government. AUSTRALIA'S CYBER SECURITY STRATEGY FIRST ANNUAL UPDATE. (2017)
- 6 <http://www.gw.govt.nz/assets/WRS-files/Cyber-security-skills-report-final.pdf>. n.d.
- 7 <https://digital.pwc.co.nz/ideas/the-state-of-cyber-insurance-in-new-zealand/>

• Asset management:

- 1 Austrade "Australia's Managed Funds Update." (2017)
- 2 <https://www.superannuation.asn.au/resources/superannuation-statistics>
- 3 Investmnet Association Annual Report 2016/17 and Asset Management Survey 2016/17
- 4 Investment Opportunities in Australian Infrastructure, Australian Government, December 2016
- 5 Financial Services Council/UBS State of the Industry Report 2017.
- 6 Willis Towers Watson, The World's 500 Largest Asset Managers, page 9, Distribution of assets by country, Ten year overview (2005 to 2015, in USD).
- 7 <https://home.kpmg.com/nz/en/home/industries/investment-management.html>.
- 8 <https://responsibleinvestment.org/wp-content/uploads/2017/08/Responsible-Investment-Benchmark-Report-New-Zealand-2017.pdf>. n.d.

• Infrastructure finance:

- 1 Infrastructure and Projects Authority: Analysis of the National Infrastructure and Construction Pipeline, 2017
- 2 BNY Mellon: Pooling The UKs Local Government Pension Scheme (2016)
- 3 Investmnet Association Annual Report 2016 7 and Asset Management Survey 2016-17
- 4 Austrade "Australia's Managed Funds Update." (2017)
- 5 Infrastructure Investor database ii-50
- 6 Australian Federal and State Government Budgets 2017

• Green finance:

- 1 Climate Bonds Initiative: 2017 Highlights Report.
- 2 <http://greenbanknetwork.org/>
- 3 <https://www.climatebonds.net/2017/10/>
- 4 <https://bluenotes.anz.com/posts/2017/11/> and <https://www.climatebonds.net/2017/12/>
- 5 The Green Finance Initiative

• FX Rates: XE.com as at 25 January 19:30 GMT.

About the author

International Investment Service is a boutique consultancy with expertise in international market selection and entry between the UK, Australia and NZ and research and strategy services for inward investment promotion agencies.

We would like to acknowledge David McCredie and the ABCC for their support in producing this report. Thank you to the City of London for the opportunity to highlight how the City's expertise provides mutually beneficial trade and investment opportunities across these three great countries.

