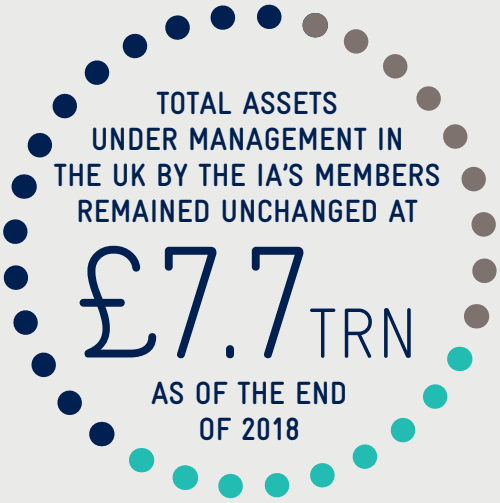
1 UK INVESTMENT MANAGEMENT INDUSTRY: A GLOBAL CENTRE

KEY FINDINGS

SIZE OF THE UK INDUSTRY

- In a year of high volatility within global markets, total assets under management in the UK by the IA's members remained unchanged at £7.7 trillion as of the end of 2018.
- One quarter of firms with UK headquarters are based in Scotland with 7% of total assets (£530 billion) managed in Scotland. This represents an £85 billion decrease from 2017.
- The wider investment management industry (including hedge funds, private equity, commercial property and discretionary wealth managers) is estimated to manage £9.1 trillion from the UK, again unchanged from 2017.



UK INVESTMENT MANAGEMENT IN A EUROPEAN AND GLOBAL CONTEXT

- The UK is one of the largest and broadest investment management centres in the world, second only to the US which has a significantly larger domestic market. It is larger than the top three European centres combined with a European market share of 37% of total assets under management.
- The UK investment management industry serves a global client base with 40% of UK managed assets from overseas clients, this is unchanged from 2017. European clients account for almost 60% of this despite strong growth in North American client assets.
- The UK investment management industry has a strong competitive edge in its unrivalled global focus, the ability to adapt and innovate in response to changing demand and in the city clusters and their proximity to other industries.
- Beyond immediate preparations for Brexit, the industry is looking ahead to how the UK can maintain its global competitive edge in the longer term.The co-location of investment managers and fintech firms is seen as a particularly important new dimension of the financial services cluster.
- There are also a number of challenges ahead to ensure future success, notably continued access to international talent, and maintaining access to overseas markets in a potentially more protectionist world with associated regulatory divergence.

This Chapter looks at the growth of the UK as a pre-eminent global investment management centre and considers the importance of the industry, both to the UK economy and to investors around the globe.

FIGURE 1: WHO ARE THE IA'S MEMBERS?

Full members of the IA can be broken down into five broad groups.

1 **Large investment management firms** (both UK and overseas-headquartered), which may be independent or part of wider financial services groups such as banks or insurance companies. They undertake a wide range of investment management activities across both retail and institutional markets and manage substantial amounts for overseas clients in the UK. Such firms will typically be managing >£100 billion from the UK, but a number of international firms have a smaller UK footprint.

2 **Small and medium-sized investment management firms**, primarily focused on UK and/or European clients, which undertake a diverse range of activities, of which investment management is a constituent part.

3 **Fund managers**, whose business is based primarily on authorised investment funds.

4 **Specialist boutiques and private client managers** with a smaller asset and client base and, typically, a specific investment or client focus.

5 **Occupational pension scheme (OPS) managers** running in-house investment management services for a large scheme.

Alongside these firms, the IA works with affiliate organisations from the wider financial and professional service sectors covering all aspects of the investment management ecosystem and value chain.

Financial Technology firms are proving increasingly important to business operations (see pages 36-37) and since launching the FinTech innovation hub and accelerator in October 2018, the IA now interacts with over 100 buy-side focused Fintech members.

ROLE OF INVESTMENT MANAGEMENT

The investment management industry has a central role in the economy channelling savings into investments, and it is these two sides that define the industry's purpose – see Figure 2.

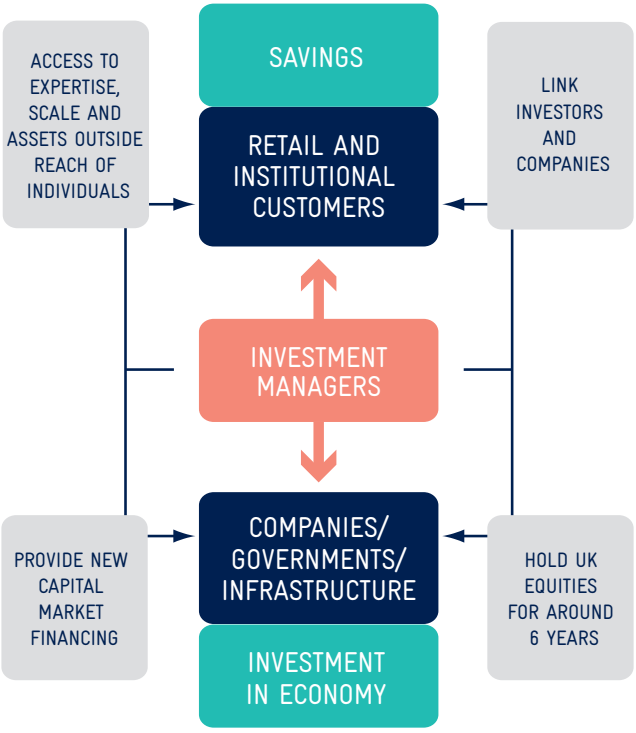
The primary purpose of investment managers is to deliver good outcomes to their clients, whether these are individual savers or institutions such as pension schemes. This includes providing wider expertise in areas such as risk management, achieving economies of scale, and giving access to a wide range of assets that would normally be out of reach for individual investors. The ultimate goal is to provide customers with a basket of shares, bonds and other assets such as property, which can deliver returns over many years without exposing them to undue risk.

The second side of the industry's role reflects the actual investment, ensuring that capital markets work effectively for this investment to take place. In doing so, investment manager activity contributes to efficient markets which price information correctly and allow buyers and sellers to transact. This facilitates both primary issuance when companies or governments are trying to raise money, and secondary trading of different instruments. Without efficient markets, market economies cannot grow effectively or may even destabilise. Investment managers thus contribute to sustainable growth in the economy, benefiting both clients and wider society.

Investment managers are not unique in this as other financial institutions and individuals contribute to capital market efficiency, but the industry has historically been at the heart of long-term capital allocation, whether through shares, bonds or other assets. As long term holders of investments, UK investment managers hold UK equities for approximately six years.[1] The industry therefore also has an important responsibility to undertake stewardship activity over the companies they invest in to protect the value for their clients. As we discuss in Chapter 2, this increasingly extends to broader issues such as environmental sustainability and executive remuneration.

[1] The contribution of asset management to the UK economy, July 2016, Oxera

FIGURE 2: THE ROLE OF INVESTMENT MANAGERS IN CHANNELLING SAVINGS TO INVESTMENTS



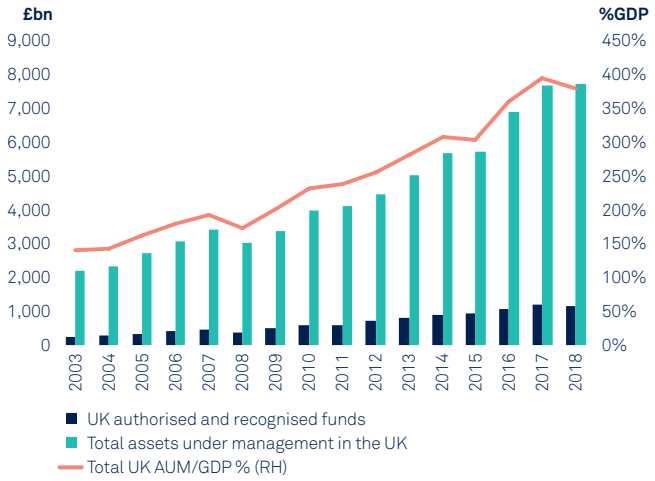
SIZE OF THE UK INDUSTRY

At the end of 2018, IA members managed £7.7 trillion of client money in the UK, almost unchanged from the end of 2017 (see Chart 1).

Although unchanged year on year, the assets under management figures needs to be viewed against a backdrop of high levels of volatility in global markets in 2018. Equity markets around the world suffered sharp falls in sterling terms. Global bonds fared better, and global aggregate bond returns were positive on the year, but overall 2018 was a challenging year in which to generate returns for investors (see "Review of global markets in 2018" overleaf for more detail).

Funds under management for UK investors in investment funds fell slightly to £1,150 billion at the end of 2018, representing 15% of overall assets under management.[2] Since 2003 the growth in funds under management has outpaced the growth in total assets under management with cumulative annual growth rates (CAGR) of 10.3% and 8.1% respectively.

CHART 1: TOTAL ASSETS UNDER MANAGEMENT IN THE UK AND IN UK FUNDS (2003-2018)



Source: IA, ONS

[2] Includes assets in both UK authorised and recognised funds.

As the industry's assets under management stalled in 2018, the UK economy continued to grow. Therefore by the end of 2018, the size of the industry relative to GDP had fallen slightly but remains almost four times the size of the UK's economy.

By comparison, the latest data available for Europe excluding the UK indicated that outside of the UK the average size of an investment management industry in Europe is just over the size of local GDP. This means that investment management is considerably more important to the UK economy than it is to the economies of other European countries.[3]

REVIEW OF GLOBAL MARKETS IN 2018

Returns in 2018 were dominated by market volatility in the final quarter. Until that point, the year had seen largely positive returns in global equity markets, reflecting ongoing economic confidence. This was especially true of the US, where the economy continued to strengthen buoyed by tax cuts. Economic growth in Europe on the other hand showed signs of weakening, causing concern because of the ECB's limited ability to stimulate growth in an already low interest rate environment. Many countries within Europe experienced difficulties, particularly Italy, which struggled to agree a budget with the wider EU. Protests in France and growing political pressure on the German government helped add to the volatility and, in the UK, the ongoing and long-term uncertainty over Brexit had a persistent negative impact on investor sentiment. In Japan, in spite of substantial monetary stimulus and good export growth, the economy slowed and continued to lag the growth of other countries.

Table 1 looks at the 2018 total return of selected indices. Towards the end of the year there was a marked increase in volatility as concerns heightened about a US/China trade war and rising global interest rates. Equity markets fell sharply around the world as a result. UK and Europe ex-UK equities were the worst performers in Sterling terms, ending the year with near double-digit negative returns. Equity markets further afield performed slightly better but this reflected Sterling weakening versus the US and Asian currencies during 2018, rather than higher underlying returns in those markets.

Global bonds fared better but returns were variable and driven by country specific factors. In the UK, inflation, expected increases in interest rates and Sterling weakness on the back of further Brexit uncertainty led to bond yields fluctuating substantially throughout the year. Ultimately bond returns, both UK and overseas, were edged into positive territory at the very end of the year on the back of the volatility in equity markets. Waning optimism over international economic growth led investors back to the relative safety of fixed income markets.

Outside of the two main asset classes, the UK commercial property market continued to post positive returns in 2018, boosted largely by income levels in excess of 5%.

TABLE 1: SELECTED BOND AND EQUITY MARKET RETURNS IN 2018 (£ TERMS)

UK equity	-9.5%
Emerging Market equity	-7.6%
Japan equity	-2.2%
US equity	1.6%
Global bonds	4.9%
UK Gilts	0.5%
UK Corporates	2.2%

Source: Lipper

[3] IA analysis of EFAMA data.

SCOTLAND AS A MAJOR CENTRE

One quarter (25%) of the assets managed by UK-headquartered investment managers are represented by managers with headquarters in Scotland.

Although the City of London remains the leading centre of investment management activity in the UK, Scotland, and particularly Edinburgh, plays a key role nationally.

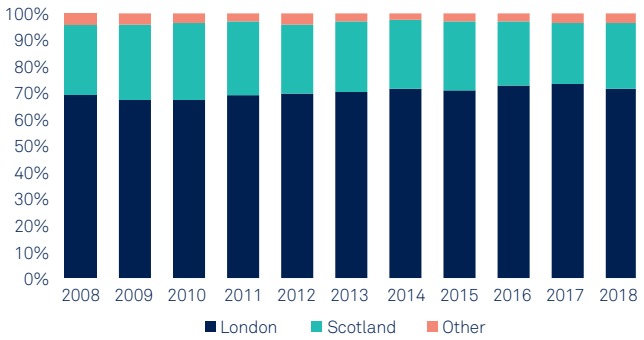
Looking at this from a different perspective, assets managed in Scotland represented 7% of total assets managed by IA members at the end of 2018, accounting for £530 billion of total assets, a fall of £85 billion on 2017.

The fact that lower levels of assets are managed in Scotland than would be suggested by the location of firm headquarters is a consequence of the fact that many IA members headquartered in Scotland undertake investment management activity in other regions, primarily London.

This is consistent with the data collected on staffing levels, which clearly shows that London is more likely to be a location for portfolio manager jobs than other areas of the UK (see p89 – staffing table).

Chart 2 shows that the regional split has remained relatively unchanged from a decade ago, with more than two thirds of assets managed by firms with UK-headquarters run by firms with a headquarters in London.

CHART 2: REGIONAL HEADQUARTERS OF ASSETS MANAGED BY UK HEADQUARTED FIRMS (JUNE 2008-2018)



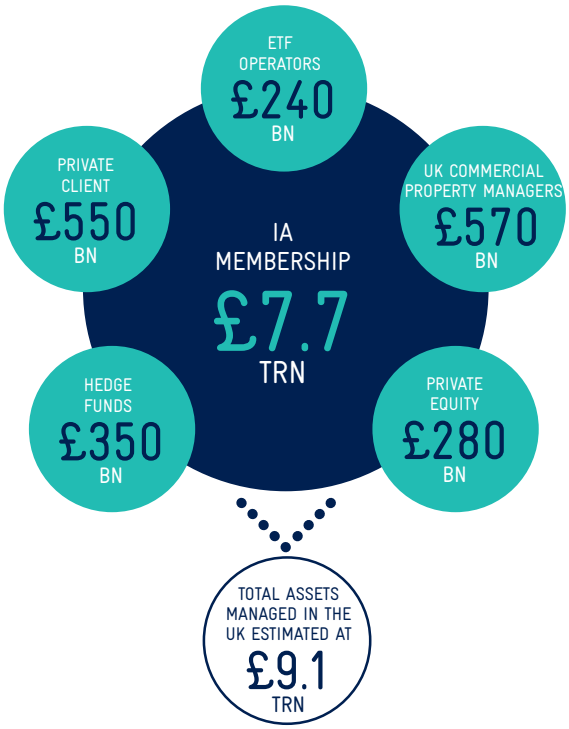
SCALE OF WIDER INDUSTRY

IA members represent the majority of the UK investment management industry in asset terms (85%). Firms not covered in detail in this report can be broadly split into the following categories:

- Hedge funds
- Private equity funds
- Commercial property management
- Discretionary private client management
- A small number of dedicated ETF operators
- Firms who are not members of the IA for reasons not noted above[4]

Figure 3 provides estimates to show how these wider parts of the industry contribute to total assets under management in the UK.

FIGURE 3: WIDER INVESTMENT MANAGEMENT INDUSTRY



Source: ComPeer, Morningstar[5], Hedge Fund Intelligence/ EuroHedge, Investment Property Forum, IA estimate based on private equity return data.

[4] This last group is more difficult to size as there is no consistent third party data available.
[5] ETF data based on ETF funds listed in the UK.

UK INVESTMENT MANAGEMENT IN A EUROPEAN AND GLOBAL CONTEXT

The UK continues to dominate the investment management industry within Europe, with market share increasing from 35% in 2016 to 37% in 2017 (see Figure 4). This market share has remained fairly stable since 2011.

In recent years, the UK's share of the European market has been higher than the next three largest European countries put together. This is still the case. Finland has appeared in the table for the first time, increasing its market share to 1% in 2017, making it the tenth largest centre of investment management in Europe.

Table 2 shows that looking globally, this puts the UK as the second largest investment management centre in the world after the United States, and ahead of Japan as third largest.

TABLE 2: GLOBAL ASSETS UNDER MANAGEMENT

	Assets under management (local currency)	Assets under management (£ equivalent)
US	$33 trillion[6]	£26.1trillion
Europe	€24 trillion[7]	£21.6trillion
Japan	¥618 trillion[8]	£4.4 trillion

FIGURE 4: ASSETS UNDER MANAGEMENT IN EUROPEAN COUNTRIES (DECEMBER 2017)

Country	Net assets (€bn)	Market share
1. UK	8,670	37%
2. France	4,142	17%
3. Germany	2,161	9%
4. Switzerland	1,887	8%
5. Italy	1,294	5%
6. Netherlands	844	4%
7. Denmark	425	2%
8. Spain	409	2%
9. Belgium	332	1%
10. Finland	223	1%
Other	3,363	14%
TOTAL	**23,750**	

Source: EFAMA

[6] Estimate based on North America data. Global Asset Management 2019, BCG, 2019.
[7] Asset Management in Europe, 11th Annual Review, EFAMA.
[8] Japan's Asset Management Business 2018/2019, NRI.

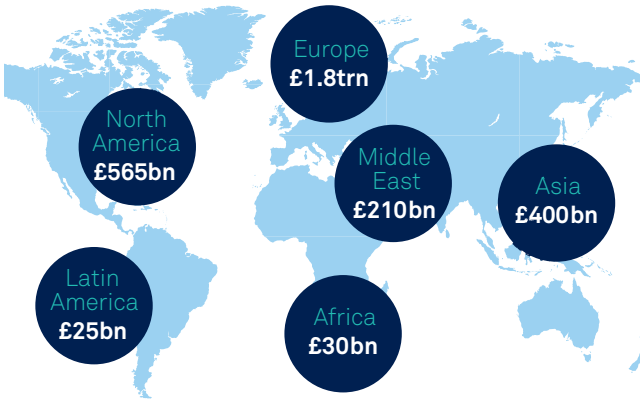
OVERSEAS CLIENT MARKET

The UK remains one of the world's prominent centres for portfolio management on behalf of investors around the world. £3.1 trillion, i.e. 40%, of all assets in the UK, is being managed on behalf of overseas clients, this is unchanged from 2017.

The largest client base remains the European Economic Area (EEA), for which the UK industry manages approximately £1.7 trillion. A further £135 billion is managed for clients in other parts of Europe. Much of this represents assets managed by clients in Switzerland. This takes the total European share of overseas assets to 59% (see Figure 5).

Overseas assets managed on behalf of North American clients saw the biggest relative increase at 11% from £510 billion in 2017 to £565 billion in 2018.

FIGURE 5: ASSETS MANAGED FOR OVERSEAS CLIENTS



SERVICES TO OVERSEAS FUNDS

A significant proportion of UK-managed assets are managed for overseas-domiciled funds.[9] These may be sold either to UK clients or to clients located around the world. For example, UK institutional investors represent a significant proportion of the assets invested in institutional money market funds located in Ireland and Luxembourg. A mixture of UK, European and overseas investors will be found in many funds domiciled in these jurisdictions.

Survey data suggests that, at the end of 2018, £1.8 trillion was managed in the UK for overseas funds (a small increase on 2017). This represents 40% of UK managed funds and has remained unchanged on 2017 following two years of decline (see Chart 3).

As has been evident in recent years, the overwhelming majority of this (79%) was managed for funds domiciled in Ireland and Luxembourg, although IA members manage assets for funds domiciled across all continents.

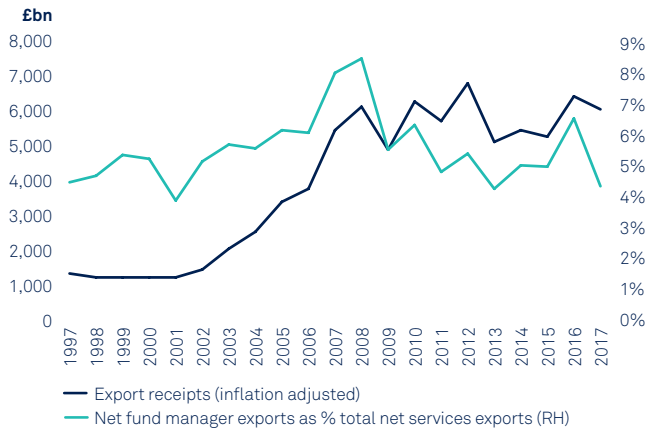
CHART 3: CHANGE IN PROPORTION OF ASSETS MANAGED FOR UK AND OVERSEAS FUNDS (2015-2018)

[9] This is a related but distinct data point from the AUM estimate for overseas customers.

IMPORTANCE TO UK SERVICE EXPORTS

Given the size of its overseas client base, the investment management industry makes a significant contribution to the UK's service exports through overseas earnings. The value of export receipts has increased sevenfold on an inflation-adjusted basis in the last 20 years. Chart 4 indicates that export earnings represented an average of 6% of total net exports over the past ten years. However there has been some year on year volatility in this figure, with more recent figures tending towards the lower end, at 4.3%[10]

CHART 4: EXPORT EARNINGS OF FUND MANAGERS AND CONTRIBUTION TO SERVICES EXPORTS (1997-2017)



Source: ONS

[10] The data in Chart 4 captures earnings by independent investment managers but is likely to understate earnings from asset managers that are part of a wider financial services group such as an investment bank or insurer. As such, this estimate is conservative and the actual contribution of investment management overall to service exports is likely to be higher.

FUTURE ROLE OF THE UK AS AN INVESTMENT MANAGEMENT CENTRE

The UK investment management industry is a leading centre of excellence and one of the most international in the world. Our data shows considerable growth in the international reach of the industry over the last decade:

- 40% of assets are managed on behalf of overseas customers up from 31% in 2008.
- 70% of UK-managed equities are invested overseas compared to 54% a decade ago.
- 57% of assets are managed in the UK by a firm with a parent headquartered overseas, increasing from 40% in 2008.

Looking ahead, clearly Brexit is an imminent, highly significant issue for the investment management industry. Preparations for a range of scenarios, including a hard Brexit, have been taking place for some time. One of the key priorities is the need to ensure business continuity, particularly in the context of a global business model that depends upon delegated portfolio management to deliver for customers internationally.

Beyond the specific terms of a Brexit deal (or the circumstances where there is none), there are wider considerations about the longer-term opportunities and challenges for UK investment management on the global stage.

FIGURE 6: FOUR MEASURES OF A GLOBAL INDUSTRY

In this year's Survey, we spoke specifically to a range of firms to capture their outlook. A number of themes emerged from the discussion and are outlined in the following section.

MAINTAINING UK COMPETITIVE ADVANTAGE

Looking ahead, three key features emerge as important to help ensure the UK maintains its critical edge:

1. The UK FS cluster and the role of fintech
In the view of Survey participants, the ongoing benefit of city clusters, especially London and Edinburgh, should not be underestimated. Proximity to other market participants, particularly investment banks in the traditional 'buy-side sell-side model', has been a key feature. Also important has been the availability – and development in parallel – of critical professional services, including legal, audit and wider business support.

"THE IMPORTANCE OF THE CLUSTER OF THE CITY OF LONDON IS NOT JUST ABOUT INVESTMENT MANAGEMENT OR ADMINISTRATION BUT BUILDING A FULL SERVICE FINANCIAL SERVICES COMMUNITY WITH ALL THE THINGS WE KNOW AND VALUE: LAWYERS, ACCOUNTANTS, PROFESSIONAL SERVICES: THE WHOLE CLUSTER IS INCREDIBLY DIFFICULT TO REPLICATE. YOU CAN COPY BITS IN OTHER JURISDICTIONS BUT YOU CAN'T REPLICATE THE WHOLE THING."

A new form of co-location is identified as absolutely critical to ongoing development and innovation: this is the co-location of investment management firms and fintech, helping to re-define how the industry – and policymakers – think in future about what constitute the key components of centres of excellence. In this regard, the UK is seen extremely positively by the investment management industry, subject to factors such as wider openness and attraction to talent.

"THE PHYSICAL JUXTAPOSITION BETWEEN THE TECH AND THE MONEY IS CRITICAL. THEY'RE IN SHOREDITCH, WE'RE IN BANK - YOU CAN GET THERE IN 10 MINS. IN THE US, THERE IS A REAL SENSE THAT ONE IS ON THE WEST COAST, ONE IS ON THE EAST COAST. WE'VE GOT EVERYTHING TOGETHER IN SUCH CLOSE PROXIMITY. WE WERE APPROACHED BY AN AI DATA SCIENCE BUSINESS WHICH HAS SPUN OUT OF A LEADING LONDON UNIVERSITY. THAT PHYSICAL JUXTAPOSITION IS VERY POWERFUL."

The impact of technological change will clearly be felt throughout the investment management value chain, from capital markets and trading systems through to distribution. Several participants in the Survey could see how some of the potential changes in middle and back office use of technology could help to boost the UK as a fund domicile, through the re-defining of the administrative services associated with a successful domicile.

"THE PLUMBING IS GOING TO CHANGE THROUGH TECHNOLOGY. THE ASSET SERVICING BUSINESS IS INCREDIBLY IMPORTANT, AND THERE ARE THINGS WE CAN DO TO FOSTER THAT. IF THE BACK OFFICE AND THE TRANSFER AGENTS MOVE TO BLOCKCHAIN, OPERATIONAL RISK WILL REDUCE AND HENCE SO WILL THE CAPITAL DEMANDS. THAT MAY CREATE OPPORTUNITY FOR THE UK."

2. Keeping a global focus
There remains a strong sense that the UK is distinguished in its breadth of financial services and investment management expertise, and its ability to be outward looking and to operate with a global view. This is particularly important for firms looking to service their global operations from within the UK and has implications for both businesses and policymakers in terms of global positioning.

"THE UK HAS TRADITIONALLY HAD A GLOBAL PERSPECTIVE. IT DOESN'T JUST THINK ABOUT THE DOMESTIC MARKET. THIS ALLOWS THE UK TO PLAY A REALLY IMPORTANT ROLE BUT IT DOES REQUIRE US TO ENSURE THAT WE ARE ENGAGED FROM A POLICY PERSPECTIVE ACTIVELY IN GLOBAL DISCUSSIONS."

In terms of how the UK-based investment management industry can be most effective globally, a number of participants in the Survey identified a further dimension: exporting the accumulated weight of experience, skills and mindset, alongside specific products and services. This could help to reinforce UK influence internationally, thereby hopefully bolstering commercial success on the back of potential alignment between the UK and other jurisdictions. Like many features of the competitiveness debate, this has always been true, but may become even more important as the UK seeks to define itself more broadly in a post-Brexit environment.

"YOU SET YOURSELF UP AS A THOUGHT LEADER IN THE SENSE THAT YOU HAVE GLOBAL LEADERSHIP IN ASSET MANAGEMENT IF YOU CAN BUILD OUT THAT EXPERTISE IN DIFFERENT COUNTRIES. IT REINFORCES THE CENTRAL POINT OF THE UK BEING A LEADER FROM AN ASSET MANAGEMENT PERSPECTIVE THAT IS APPLYING ON A WORLD STAGE."

"IN ESSENCE WHAT WE'RE ACTUALLY DOING IS HELPING TO CREATE OVERSEAS MARKETS WHICH WILL BE OF MORE INTEREST TO US IN 5-10 YEARS' TIME BECAUSE THERE WILL BE NATURAL CONSUMERS OF MUTUAL FUNDS IN VOLUME WHICH ARE GLOBAL. WE'RE CREATING A NEW MARKET PLACE."

3. Ability to respond to changing demands
Firms identify a strong ability in UK financial services, including investment management, to respond effectively to changing customer needs and markets. One example has been developing Liability Driven Investment (LDI) approaches for the defined benefit (DB) pensions market, which can in turn be exported as part of the industry's global offer.

"THE ABILITY TO BUILD PRODUCTS IN RESPONSE TO A SPECIFIC DEMAND FROM ANOTHER JURISDICTION AND TO ADAPT IN THAT WAY IS A KEY STRENGTH."

There is also a challenge here in ensuring that broader UK approaches to long-term savings and pensions can be adapted, as appropriate, to other jurisdictions. While the underlying investment management processes were likely to be comparable internationally, retirement systems (particularly the shape of Defined Contribution provision) vary considerably. Firms see a need to ensure a flexibility of philosophy and approach to ensure that adaptability and innovation, alongside a specific set of products and services, are part of the UK investment management export offer.

"WE'RE DEVELOPING AN APPROACH TO RETIREMENT SAVINGS IN THE UK THAT IS VERY FOCUSED ON INDIVIDUAL DC PROVSION. THE THING TO BE THINKING QUITE HARD ABOUT IS HOW THESE POLICY ISSUES, WHICH ARE UNIVERSAL, ARE GOING TO EVOLVE DIFFERENTLY ACROSS JURISDICTIONS AND POSITION OUR INDUSTRY ACCORDINGLY."

PRECONDITIONS FOR GROWTH

At the same time, firms identify several concerns about challenges ahead that have the potential to limit future industry growth:

1. Access to talent
The depth of talent in the UK is cited as a significant driver behind firms' decisions to choose the UK as their European or global base. Firms emphasise the importance of continuing to attract the best people in a post-Brexit environment. This links to the broader issue of maintaining UK attractiveness as a jurisdiction in which to do business – factors such as the tax and legal system, transport, housing and education infrastructure.

"WE'RE GETTING THE BEST TALENT AND YOU EXPORT AGAIN AND IT BECOMES THAT VIRTUOUS CIRCLE. OUR GLOBAL CHIEF EXECUTIVE KEEPS COMING BACK TO UK POLITICIANS AND POLICYMAKERS SAYING: 'DO NOT UNDERESTIMATE HOW MUCH TALENT SITS IN LONDON BECAUSE IT POPULATES OUR BUSINESS GLOBALLY. IT IS CRITICAL FOR LONDON'S SUCCESS TO CONTINUE TO GET THE BEST TALENT.'"

"ONE OF THE IMPORTANT QUESTIONS TO BE ANSWERED IS, CAN THE UK STILL BE A MAGNET FOR PORTFOLIO MANAGEMENT EXPERTISE, AND CAN IT CONTINUE TO ATTRACT TALENT? FROM THAT PERSPECTIVE, I STILL THINK THAT BARRIERS ARE INCREASING."

On talent specifically, the view is still broadly positive, but with some caution about direction of travel. At the same time, the industry also recognises the importance of developing home-grown talent, reflected in a range of initiatives, including Investment20/20. A critical point is that the two tracks should be complementary and mutually reinforcing, particularly as UK employees have an opportunity to develop and take skills sets to other international markets (see Point 2 above).

WE NEED TO MAKE SURE THAT WE CAN ATTRACT THAT GENERATION IN OTHERWISE WE'LL BE SEEN AS STUFFY AND OLD FASHIONED. WE NEED A MODERN, THRIVING, DIVERSE EMPLOYEE BASE.

WE USE OUR INTERNSHIP PROGRAMME TO DRIVE OUR INCLUSION AGENDA, SO WE'RE NOT ONLY FOCUSED ON TRYING TO BRING YOUNG TALENT IN BUT DO IT IN A WAY THAT ENCOURAGES DIVERSITY AND DIFFERENT VIEWPOINTS. WE NEED TO MAKE THIS AN ATTRACTIVE PLACE TO WORK SO WE CAN ATTRACT AND RETAIN TALENT. THIS IS THE CRITICAL MASS AS THE HUB FOR ASSET MANAGEMENT.

2. Ensuring overseas market access
The second concern is about the ability to enter new markets. Many developing economies such as China are focussing on building domestic markets and expertise, which requires firms to have a much more significant local presence, potentially limiting the opportunity for portfolio management to be delegated back to UK companies.

Survey respondents flagged barriers rising both to cross-border fund distribution on a global level and potentially to portfolio management. Some of this relates to wider patterns in international economic relations: while UCITS has been a great global success in exporting a European fund standard, there are signs of limits in a broader environment in which protectionism is more evident, both at national and regional level. The last twelve months in particular have seen a ratcheting up of global trade tensions.

"WHERE I DO THINK THIS REGIONALISATION IS A THREAT TO THE UK, IS THAT WE'VE BEEN ABLE TO EXPORT OUR INVESTMENT MANAGEMENT EXPERTISE QUITE FREELY INTO ASIA FROM A PASSPORTING POINT OF VIEW. THAT PASSPORTING WILL GET HARDER AS LOCAL REGIMES FAVOUR NURTURING THEIR DOMESTIC INDUSTRIES. YOU CAN STILL THINK GLOBALLY, BUT YOU HAVE TO BE SENSITIVE TO LOCALISATION. ON BALANCE, WE SHOULD STILL SEE OPPORTUNITIES OPEN UP RATHER THAN CONTRACT."

3. Ability to navigate a complex regulatory landscape
Market access can also be considerably constrained by regulation. This is seen in two ways: directly in terms of demands placed upon firms in specific jurisdictions; and more indirectly in regulatory divergence which can increase complexity and cost for firms looking to operate efficiently as a cross-border level.

"WE'RE IN A DIFFERENT ENVIRONMENT WHERE THE ABILITY TO ENTER A MARKET IN A LIGHT TOUCH WAY IS MUCH MORE CHALLENGING NOW. WHETHER IT'S TO PROTECT CONSUMERS OR SHOW COMMITMENT TO THAT JURISDICTION, TO MAKE THE REGULATOR COMFORTABLE YOU ACTUALLY NEED TO HAVE FULL SERVICE RISK AND CONTROL FUNCTIONS THERE."

"ONE OF THE THINGS WE ARE INCREASINGLY WORRIED ABOUT FROM A GLOBAL PERSPECTIVE IS THERE IS ALWAYS THIS PUSH AND PULL BETWEEN HOW CLOSE REGULATION IS AND HOW FAR APART IT GOES. AT THE MOMENT WE'RE AT A PHASE WHERE REGULATION POLICY IS LOOKED AT FROM A REGIONAL OR NATIONAL LEVEL AND WE SEE INCREASING LEVELS OF DIVERGENCE AND THEREFORE INCREASING LEVELS OF COMPLEXITY COMING IN TO RUNNING A BUSINESS. THIS FUNDAMENTALLY DRIVES UP COST AND MEANS INVESTING IS MORE EXPENSIVE IN A PERIOD WHEN WE'RE TRYING TO ENCOURAGE PEOPLE TO SAVE FOR THEIR LONG TERM FUTURES."