



Contributing to global prosperity

Financial services around the world

The UK is at the heart of the global economy, helping raise funds for overseas businesses and providing financial services to people, businesses and governments around the world.

In every sector, the UK is a leading global provider:

- Banks in the UK originate more loans overseas than banks in any other country – 18% of the world total

- The UK insurance industry is the third largest in the world, and London is the largest international insurance market with gross premium income of £32bn in 2009
- The London Stock Exchange has more foreign listed companies than any other exchange, and is a leading centre for foreign equity trading

Case Study

A second home for the world's wealthiest investors

London provides a European base for some of the world's richest sovereign wealth funds (SWFs), which invest wealth earned from oil and other commodities on behalf of their nations. They are attracted by the

City's unique cluster of financial and professional services, its broad skills base, the UK's open markets and the primacy of English law in many international transactions. Their number includes the Abu Dhabi

Investment Authority, the world's wealthiest SWF with \$627bn of assets, Temasek/General Investment Corporation of Singapore and the Kuwait Investment Authority.

- London is the foremost global centre for international bond trading, with an estimated 70% of secondary market turnover
- UK fund managers look after more than £1,400bn of assets on behalf of overseas clients
- The UK foreign exchange market is the largest in the world, with average daily turnover of \$2,191bn in April 2011 – more than New York and Tokyo combined
- The UK is Europe's largest centre for commodities trading, with around 15% of the global market

- London leads in the supply of business services to the international maritime community – ship-broking, finance, insurance and classification.

In addition, the UK is the biggest market in the world for interest-rate derivatives traded over the counter (OTC), and the second largest centre for exchange-traded futures and options. It is the largest European market for private equity, raising £7.7bn in 2009 – a third of the funds raised in Europe. It is also the largest hedge fund market in Europe, with around four-fifths of European-based hedge fund assets managed in the UK.

The UK's market share in global financial markets

Market	Share	Ranking
Non-ferrous metals trading	90%	1
International bond trading	70%	1
Ship-broking	50%	1
Derivatives (OTC interest rate)	46%	1
Foreign exchange trading	37%	1
Marine insurance premiums	21%	1
Hedge fund assets	20%	2
Cross-border bank lending	18%	1
Foreign equities turnover	17%	2
Private equity investments	13%	2

Source: TheCityUK

Supporting sustainable development

Around 40% of the world's population live on less than \$2 a day, and lifting them out of poverty requires sustainable economic growth. A substantial body of research has shown that growth rates are faster in countries with well-developed banking systems and markets which can help fund the growth of businesses.

The UK banking sector is the largest lender to emerging economies, with \$862bn outstanding at the end of 2010 – 19% of total lending to emerging markets. UK banks account for 30% of lending to China, India and Malaysia; 17% of lending to Brazil; and 71% of lending to South Africa.

The UK is also a leading investor in emerging market businesses. And it finances infrastructure services in water, telecoms, transport and power through Public-Private Partnerships, a funding model pioneered by the UK which is particularly suitable for countries where governments have little cash to invest.

London-based banks and investors have funded microfinance institutions which provide relatively small loans to help very low income people start up or expand a business. Other financial services for the world's poorest people have been created by UK-based businesses, such as MicroEnsure's low-cost insurance policies to protect African farmers against crop failure caused by drought or excess rain.

The International Finance Facility for Immunisation (IFFIm), a UK initiative, has raised \$3.4bn since 2006 in the global capital markets to vaccinate children against potentially fatal diseases, to be repaid by aid payments pledged by 10 countries over up to 20 years. The first \$1bn was raised by a bond issued in London, and the scheme is projected to protect more than 500m children by 2015. It is estimated that this will prevent the deaths of 10m children and adults from diseases such as diphtheria, whooping cough, yellow fever, polio and hepatitis B.

Case Study

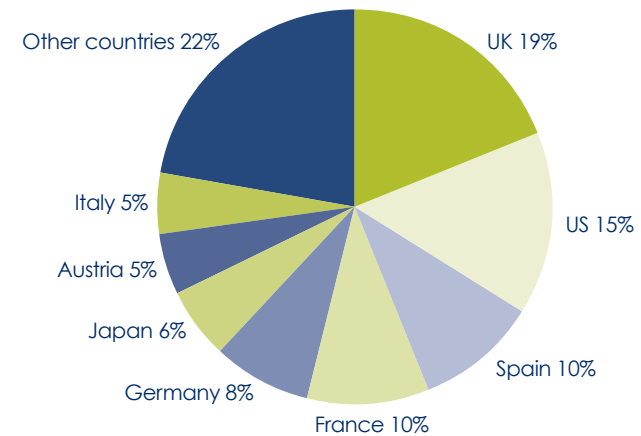
Protecting new-born babies

A newborn child dies every nine minutes worldwide due to the lack of a clean delivery and the resulting tetanus infection. Yet two doses of tetanus toxoid vaccine will protect mother

and child against maternal and neonatal tetanus which are estimated to have caused 59,000 deaths worldwide in 2008. Tens of millions of women have been vaccinated since 2007

in a campaign funded by \$61.4m raised through the IFFIm, eliminating the disease in 20 countries as well as large parts of India and Indonesia.

Countries lending to emerging markets, share of total at the end of 2010



Source: TheCityUK, Bank for International Settlements

Tackling climate change

Climate change is widely seen as a threat to economies and societies round the world. The UK has taken the lead in two aspects central to the international drive to reduce greenhouse gas emissions: carbon trading and clean technologies.

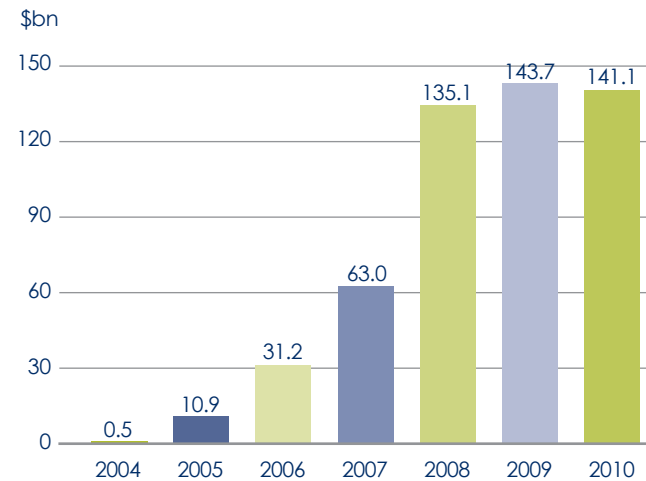
Carbon trading systems cap the total amount of greenhouse gas emissions and issue permits to emitters which can be bought and sold – providing incentives for the biggest emitters to reduce their emissions. London is the world's carbon trading capital, home to the European Climate Exchange which handles the bulk of trading in the permits issued under the European Union Emissions Trading Scheme.

Companies which fund the reduction of greenhouse gases in countries outside the EU – which are often big emitters – earn carbon credits, which can be used to offset their own emissions or sold to others.

A total of \$82bn has been invested in China, \$19bn in India and \$18bn elsewhere in a range of projects, including hydro-electric power (30%), wind (21%), biomass (12%) and methane avoidance (12%). The UK dominates trading in certified emissions reduction permits from such projects, and is also the lead investor in them, with investments in 1,445 projects up to June 2011 – 26% of the total.

Finally, the UK is a leader in investing in cleantech – the development of renewable and related technologies. There are 37 cleantech companies listed on the London Stock Exchange main market, with a market capitalisation of £48bn, and another 78 on AIM worth £3.9bn. These companies have raised £10bn in equity to promote energy efficiency, renewable and alternative energy sources, water infrastructure and pollution controls.

Value of emissions traded on global carbon markets



Source: TheCityUK

Case Study

Cleantech lighting in Africa

For 600m people in sub-Saharan Africa, flickering candlelight or polluting kerosene lamps are the main source of lighting. Nuru Light supplies entrepreneurs in African villages with LED lights which are sold to villagers for less than

\$7 each and can be recharged cheaply using a pedal generator operated by the entrepreneur. The buyers recoup the cost of a light in just 22 days through savings on kerosene which typically costs 10-40% of a villager's income. The

scheme is being scaled up with finance from Bank of America Merrill Lynch in London in return for carbon credits – the reduction in kerosene burning is expected to cut carbon emissions by 3.5m tonnes over a decade.