

# The Edinburgh Reforms for the City

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## The Edinburgh Reforms for the City

A major step towards “sovereign independence”

Promising words, but let’s see the deeds

By Professor Daniel Hodson, Deputy Chairman, CIBUK

Chancellor of the Exchequer Jeremy Hunt today unveiled the “Edinburgh Reforms” of UK financial services – over 30 regulatory reforms to unlock investment and turbocharge growth in towns and cities across the UK.

Dubbed the post-Brexit “Big Bang 2.0” by Hunt’s predecessor Kwasi Kwarteng, the regulatory reforms are intended to unlock investment and turbocharge growth in towns and cities across the UK.



The new City Minister, the Rt Hon Andrew Griffith MP, and his team have made an encouraging start under the “**sovereign independence**” strapline, but the devil’s in the detail and speed of implementation will be key, as Paris, Amsterdam and Frankfurt lick their lips at the prospect of the City’s rich pickings.

Yet competitive pressure pervades the framework of these reforms, and this is a golden opportunity to get clear blue water between the EU and Britain, in the latter's premier industry. There is a whiff of proportionality too, particularly in the 'ring fencing' proposals with respect to commercial versus investment banking.

## **Is something missing?**

The only standout omission is the mention of an early wholesale Sterling Central Bank Digital Currency (the retail version is years away), which has massive geopolitical, security and economic importance, as well as protection for the City's current European dominance, never more under threat.

## **Much to applaud, nonetheless**

That said, this is a great next step in moving to a more focused, commercially nuanced UK regime which is nevertheless highly robust. There are many excellent measures contained in the package, such as the removal of PRIIPS (which seeped into the wholesale sector and had a clogging effect), a reconsideration of the short selling regime (which was designed in part to protect the Eurozone from itself) and the new look at unbundling (which has had negative market effects, not least in reducing the availability of high-quality corporate research).



*“The Edinburgh Reforms seize on our Brexit freedoms to deliver an agile and home-grown regulatory regime that works in the interest of British people and our businesses,”* said Chancellor Jeremy Hunt, in a statement. These rules, once created to safeguard people from the financial crisis are now seen as a hindrance to London’s banks and insurers compared to their peers across the world.

We await with interest to see how this new regulatory regime works out.