Business

City can keep top billing by focus on listings

Gerard Lyons
Comment

Last week President Macron was the latest to raise doubts about the future of the City. He is wrong. London has much to be positive about, but it must not be complacent.

In a forthcoming research paper for the Institute of Economic Affairs, I focus on the factors influencing the City's competitive position, with a focus on equities. This area has not received as much attention as it should.

One important and often overlooked dimension is London's ability to attract global listings. This has been highlighted over the past year by the global competition to attract Saudi Aramco's proposed listing. This week *The Times* reported on London's bid to win the $18 billion flotation of Softbank Group.

It is also vital that London retains the listings it already has.

One potentially vulnerable area is those big companies that have a dual listing, on London and on another exchange. There are seven of them: Unilever, Rio Tinto, BHP Billiton, Reed Elsevier, Carnival, Mondi and Investec, with all but Investec in the FTSE 100. These have a collective market capitalisation of $235 billion. Each is dually listed on another exchange, where their aggregate market capitalisation is $259 billion.

The downside would be to lose this $235 billion. The upside is to retain it and to attract an additional $259 billion of market capitalisation to London. This swing factor of $494 billion is at risk. This is a huge prize to play for.

In a fiercely competitive arena, it is vital that London retains and develops its listings dominance. To safeguard this, we need to use all the tools at our discretion. The UK Listings Authority and FTSE Russell, owner of the FTSE 100, must ensure flexibility in interpreting their existing rules. In particular, they must ensure continued access to the UK markets and indices such as the FTSE 100 for key international companies.

It also would send the right global message. The UK needs to continue to build on its approach of being an international index. This is a key part of a wider wealth-creating ecosystem for post-Brexit Britain. The global

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London's financial centre is a global magnet for companies and investment

reach of the London stock market is remarkable, evident from where the earnings of present listed firms emanate. In the FTSE 100, the international exposure is 66 per cent, while for the FTSE 250 it is still high at 46 per cent. By market capitalisation, the FTSE 100 is the world's fifth biggest stock market. But New York dominates in this area. Moreover, global competition is intensifying.

In many other areas, London is strongly placed. It is in pole position to be the financial technology capital of the globe. Over the past year, the giant technology companies have committed new investments to London to make it their global tech hub outside Silicon Valley. Given the growing interaction between finance and technology, this is positive.

In addition, many features of the City are deeply embedded and "Brexit-proof". That is, they will remain, regardless of the UK-EU negotiations. These include the independence of institutions and the importance of English common law across the globe. To this can be added the London vibe and that it is the only truly global mega city in western Europe: a place where people want to do business in and from, as well as live, work and study.

London looks set to remain the financial centre of Europe. Other financial centres in Europe are niche players, unable to match the infrastructure or attract the clients and market depth and liquidity that characterises the City. After all, the UK is the leading exporter of financial services across the world.

Immediate attention may be on the future relationship with the EU, including a transition deal and the ability to attract skilled labour, but it is not only this regional component that is important. London has much to be positive about. It must play to its strengths, but be prepared to adapt and change. To retain its premier status, its attitude to the listing of firms needs to be a reflection of that future adaptability.

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