

CMIT KEYNOTE SPEECH

Julia Hoggett, CEO of the London Stock Exchange plc, and Chair of CMIT

Good morning, thank you for coming and welcome to the Exchange - acting today as host for the Capital Markets Industry Taskforce's first ever conference.

I appreciate that you all have very big jobs and taking this long out on a Friday is never easy, but we hope you will feel it is well worth your while.

[For those of you who don't know me, I am Julia Hoggett, CEO of the London Stock Exchange and perhaps more importantly in this context, the inaugural Chair of the Capital Markets Industry Taskforce – or CMIT.]

To frame the day, I wanted to give you all the context of why CMIT was created and the work it is and has been doing.

It has always been our intention to be as public and open as possible in our work, which is why we established a website and published minutes and working groups as soon as we could. We want this conversation to be inclusive, to be a big tent if you like – and not just on conversations about remuneration!

On that note, I wanted to call out the work that so many of you in this room do to advance the UK capital markets and the role of the City as a financial centre. We are delighted to have the ABI, the AIC, the City of London, TheCityUK, the Investment Association, Investor Forum, Innovate UK, and UK Finance as partners with us here today. We also have other representatives from the financial and innovation community including AFME, the BioIndustry Association, the Quoted Companies Alliance, Sharesoc and techUK.

And equally importantly, we have regulators and government here, including the FCA, FRC and The Pensions Regulator, and

representatives from the Prime Minister's office, HMT and DBT – who all play a critical role in making this ecosystem tick. You have all been leading on this agenda for a long time and we are seeking only to amplify and possibly accelerate that work given its urgency.

The work of energising the UK capital markets as a vital tool to serve the UK economy as well as the UK's place as a global financial centre, cannot be done by any one constituency in this room, it requires all of our talents, experience and networks – and the urgency of this work means we need to move faster than at any point in the past.

To start with the background to CMIT. I have told this story before, but it is true. There was a moment in the late summer of 2020 – in the middle of Covid – when Apple was worth more than the FTSE100 for the first time. At the time, I was Director of Market Oversight, and that evening I wrote a list of some of the things I thought needed to change in our capital markets to minimise the chance that happened again. In hindsight, it was much too short a list!

But let me highlight two facets of the thinking from that evening, 1). Why it matters and 2). The frustration I felt about what I could actually do about it even sitting in the seat I had at the FCA.

I have worked in the capital markets for over 25 years, not because they generate deal fees and league tables, but because our capital markets are the source of the vital fuel that companies and institutions need to grow or fulfil their roles. It is not said enough, but every person in this room, in some way, directly or indirectly, serves the real economy and therefore peoples' lives.

Whether that is advising a company on how to raise the capital that enables investment in production facilities and jobs or advising individuals on how to invest for their retirement.

Fundamentally, our job is to facilitate the investment that creates the invention, production, jobs and productivity that drives the economy, improves real incomes and peoples' lives.

We are often asked, why does it matter to the UK that its own capital markets are able to support companies to become global champions? Why does it matter if a company lists overseas?

The answer is simple, if every time the UK produces the next great Company, whether it be in life sciences, quantum computing or green tech, that Company needs to list overseas, it is only a matter of time before it becomes an overseas company.

The investor base, management team and incorporation will eventually move with it and with that goes the ecosystem, research and development, tax revenue and ultimately jobs. If the UK wants to become a science and technology superpower, we need to be able to support companies to go global from the UK. Otherwise, we will be in a perpetual cycle of creating great companies and then exporting the gains.

It also matters because we are in a global foot race. The competition for capital markets centres has never been more fierce. We cannot presume our status as a domestic or global financial centre, and we must evolve to meet the needs of our market and be clear eyed about the competition.

I have to admit, the seeming indifference in some quarters to capital markets activity leaving these shores infuriates me and not simply because I am CEO of the LSE. But because it reflects an indifference to the loss of economic activity here and shows a level of naivete that fails to recognise that we would be the only major financial centre in the world who was indifferent.

The second observation from that evening when Apple hit such heights was how, ironically, powerless I felt to suggest the changes that I thought were necessary at the FCA. Without a trigger from the wider ecosystem, it is actually quite hard for the FCA to stimulate

unilateral wholesale market change. That is why the Lord Hill and Ron Kalifa Reviews were so inspired, they provided the platforms to generate the consensus that the FCA (where appropriate) could respond to.

If one looks at the FCA's response to those elements of the Hill Review they could act on immediately, they moved very quickly. And the current Primary Markets Effectiveness proposals advance Lord Hill's work even further following feedback from the market. Proof of what can happen when the entire ecosystem plays a role in the creation of the momentum behind reform.

Once I came to the Exchange, in the first 6 months, with colleagues and others, I spent a huge amount of time listening to all stakeholders about what worked for them and just as importantly what didn't. And it was clear that much more than the listing rules needed to be addressed in the UK.

It was clear that it was not just the rules companies have to follow when they list, but the amount of risk capital actually being deployed in this country, the research environment and the ability of listed companies to attract global talent and focus their Board's time and attention on their strategy and growth to meet the needs of all stakeholders. How disenfranchised retail has become from our markets comparatively over the last 30 years. And just as importantly, the fact that we did not have an effective domestic ecosystem for scaling companies compared to the US – which in turn was having a direct effect on the health of our public markets.

And that for too long, we have treated the public markets as from Mars and the private markets as from Venus, lacking common language, people and processes and where often the only thing they have in common is the companies trying to navigate them. Even though the problems and challenges they face are not dissimilar and the cliff edge between the two should not be as pronounced as it currently is.

This list is not complete and does not fit neatly into any one policy file, or under the ambit of one Ministry in Government, and it's a long one. And it triggered conversations in 2021 with Number 10 and Number 11 to try to figure out a route forward.

Out of those various discussions with government came the idea of CMIT – and the encouragement to think not narrowly about one policy file, but broadly about the ultimate purpose of capital markets and to think about doing things differently.

I have to call out three people amongst many others here for thanks for CMIT's creation: Alex Hickman who at the time was the PM's Business Advisor and who remains a tireless advocate for the UK economy now that he is at Teneo and we are delighted to have on the Capital Markets of Tomorrow report team. I also need to thank the two gentlemen I think of as my wingmen on those first discussions with Government! Lord Jonathan Hill and Sir Ron Kalifa. I would never have presumed, but I am so immensely grateful for their support, good counsel and indeed ambition, throughout.

CMIT has a Terms of Reference, but we operate fundamentally to our Vision Statement – the one that William has already highlighted in his call to arms this morning: *How do we ensure that the UK is the best possible place for great companies to start here, grow here, scale here and stay here and that our capital markets have the best possible assets for our policy holders, our pensioners and our savers to have enough money for life events and old age?*

But CMIT is not a lobby body, despite appearances. Firstly, we have a 3-year term in our endorsement from the Chancellor and I think I speak for everyone on CMIT to say that we hope to keep it that way. We aspire to our own built-in obsolescence!

Secondly, the idea is to bring the full ecosystem together around the table, not to think through any one stripe. That does mean balancing individual interests in service of the objective as a whole. It also means that we can seek to have conversations about some

of the gordian knots that seem so hard to break – but more of that when it comes to proxy voting guidelines from Sir Jon later!

Thirdly, we have a lot of agency as CEOs and leaders ourselves. Yes, we all operate in a policy environment, but we can also choose to pivot our businesses in ways that serve these objectives too. Let me give you one example.

We feel very strongly at the London Stock Exchange that you cannot have a vibrant public market without an effective private market and therefore we have a role in promoting its efficacy too and considering how our role could evolve. Not pulling up the drawbridge, sticking our fingers in our ears and pretending that the private markets are not now an incredibly attractive alternative to the public markets for a lot of Founders: instead, we need to ask ourselves why.

Another example is that we in this ecosystem, between us, have created an environment where comply or explain feels like comply or else, despite the FRC rightly telling us it is not. So how do we, collectively break that chain?

Finally, some of the change required is about culture and narrative. The one thing every CMIT member agreed to do, was link arms and walk over the parapet together into that reframed discussion.

Primarily, to talk differently about the role of the capital markets, less through the self-referential language of the City of London and much more through the lens of why it matters to everyone in this country. That means as well, being prepared to say that losing great companies from the UK because they cannot be funded here is a problem, not something we should be indifferent too.

That losing the mind of management from the UK gradually saps investment, R&D, focus and ultimately tax revenues and jobs from the country and crucially will eventually drain the strength of the ecosystem that forms around those companies.

It equally means starting to tackle conversations that have long been avoided – remuneration being one of them. And it means raising public debates that need to be had - pensions being another. And everyone on CMIT is hugely grateful to William Wright for his immensely valuable report laying out the parameters of the de-equitisation of pension and insurance investment in the UK over the last 20 plus years.

Another element of the narrative however is not just about individual components, but more broadly, how we talk about risk taking, entrepreneurship and indeed what the UK is capable of. I have said publicly that we have over the last many years, created a position where in the public debate we so seek to protect people from the downside that we don't expose them to the upside. Equally, we talk too often about the economy as a zero-sum game – a finite pie to be divided up rather than talking about growing the economy to improve peoples' living standards and taking risks to do so.

There are numerous, joyous things about this job, and I am incredibly privileged to sit in this seat, but one of the most profound is to meet with Founders – particularly at that moment when they come to the market. Very often they have put their money, their mortgage and occasionally their marriage on the line to create their business and worked tirelessly often with very little sense of a safety net. And very often, they have failed, they have learnt, they have picked themselves up, dusted themselves off and gone again.

It is that dynamism, guts and determination that is needed to drive both our economy and our markets and we need to redefine the value creation journey, so the next generation of innovators can realise their vision – and we need to celebrate it. And yet, too often, we don't celebrate that entrepreneurship in our public narrative, we don't have that steady drum beat which is the backing to the rightful scrutiny that any entity with public stakeholders should legitimately be held to.

We also don't talk about the ecosystem as a whole, we don't talk about company profits becoming either the reinvestment in growth, new jobs and new ideas that they are or the dividends that support the lives of pensioners up and down the country. We 'other' the City and the markets – how many of you in this room have been described as City Grandees or fat cats?!

One of the reasons this happens is because the average person on the street does not connect what happens in the City of London with their lives. We have a savings culture and narrative for the largest single investment portfolio anyone ever has – their pension - and yet most people in this country don't know where theirs is invested. Indeed, NEST – the workplace pension scheme set up by the government - stands for National Employment Savings Trust, Savings, not Investment – maybe it should be called NEIT! And we have gradually disenfranchised retail from regulated markets over the last 30 years – at a time when we have placed more responsibility on individuals to invest for their future than ever before.

So let me talk a little about what CMIT has done and leave you with a final message that I hope the Capital Markets of Tomorrow team will also pick up.

CMIT was created to look holistically at all the reform that was being triggered, foster debate on areas that perhaps needed more discussion than they had previously received and to stimulate the change in the discussion or narrative to enable good regulatory reform to work and stick.

As I have said, we are different because all sides of the table are there, and issuers and asset owners deliberately outnumber the intermediaries - because we serve them. And we will only get involved in workstreams where we think we add value, so CMIT has commented on the Primary Market Reforms, but does not have a workstream on it, similarly with research - where Rachel Kent's review is in train and due to report very soon.

Hence, we have work streams on:

- Enhancing the amount of risk capital in the UK
- Corporate Governance, Stewardship and Proxies
- Enhancing the ecosystem for scaling companies
- The creation of the Intermittent Trading Venue - the world's first cross over venue between the private and public markets

Each of these workstreams will be covered in the workshops throughout today. Presenting either the thinking or the exam questions being considered and genuinely seeking feedback.

But equally and finally, we think we can play a role in being the tip of the spear in bringing the City together to have a unified vision for how our markets can function to serve the economy - hence the Capital Markets of Tomorrow Report. And as CMIT, we are all hugely grateful to Sir Nigel Wilson, Penny James, Alex Hickman, Miles Celic and our own Mark Austin for forming the report team and for all the work they are doing.

And some of this work is to break the doldrums that appear to have beset our public narrative. Sometimes in this country we can be very good at admiring the problem and less good at recognising firstly, our strengths and secondly, when genuine progress and change is happening. This is very much about looking forward, not backward; focussing on solutions not problems; and capturing the economic and productivity benefits for future generations as we go.

I was quoted as saying in the FT that we needed to be 'young and scrappy', what I in fact said, was that we needed to be 'young, scrappy and hungry' – it was a direct quote from the lines of Lin Manuel Miranda in the musical Hamilton. The next line that Alexander Hamilton goes on to sing is '*I am not throwing away my shot*'. It is a fierce call to seize the moment and the opportunity, but it is also a call not to waste it.

I firmly believe that we need to shift our mindset, to one that my fellow CMIT member Mark Austin often describes as insurgent. The landscape of needs in our economy and of competition across global financial centres has changed. We cannot presume we will win, and we must evolve to meet the needs of those the markets serve – not just directly, but indirectly. The most powerful global financial centres are increasingly built on strong and dynamic domestic economies.

But equally, we have to change the narrative. Unlike any country I have worked in, we talk ourselves down. Perception matters in our markets, and we can sometimes create a commentariat doom loop, not because we mean to, and almost without realising it – but with seemingly no sense of the implications of fostering that perspective for confidence, activity and in the end, outcomes.

A market is made up of all its component parts: companies, investors, advisors, infrastructure, regulators, politicians, laws and commentary. How we all talk about the future of the capital markets matters and will play a role in what ultimately happens. If we, the people who can actually influence its future, are seen to have given up before we even start, what should the rest of the country expect? I know that this is also something that the Capital Markets of Tomorrow team will cover.

Before I finish, on a personal note, I want to say thank you to all my fellow Taskforce members – who have devoted a great number of hours and an enormous amount of energy and passion to this work. Perhaps one of the reasons we aspire to built-in obsolescence! Matthew, Jon, Klaus (and indeed Sam), our founder member Nick Lyons, Andy, Peter, Mark, Katharine and Kay – thank you.

I need to call out Kay Swinburne in particular who has had to stand down from CMIT now that she is a Minister in the Lords. Kay, huge congratulations on your appointment and we already miss you! We have continued the tradition started by Nick that when a Taskforce member has to step down or aside, they nominate their successor

and Kay has nominated Joe Cassidy to join our brethren and he has hit the ground running – so welcome Joe!

Before I hand back to William and hopefully end on a high note, I also want to thank the team at LSEG who have been providing the secretariat for all this work – your boundless energy, focus and determination has kept us all going and on track, so thank you!

Let me finish on this point. The UK starts a great number of companies – indeed far far more than are closing, even in this environment. We create more unicorns than any country outside the US, China and India. We have a disproportionate number of globally top universities to GDP. And we have a world leading, multi-asset capital market and are the world's leading Financial Centre.

Just imagine what we can do if we bring all of this properly together! This can't be done by any one constituency in this room; it requires all of our talents, experience and experiences and networks - and we need to move faster than we have done at any point in the past.

Thank you once again for coming and joining us on this journey.

William, back to you.