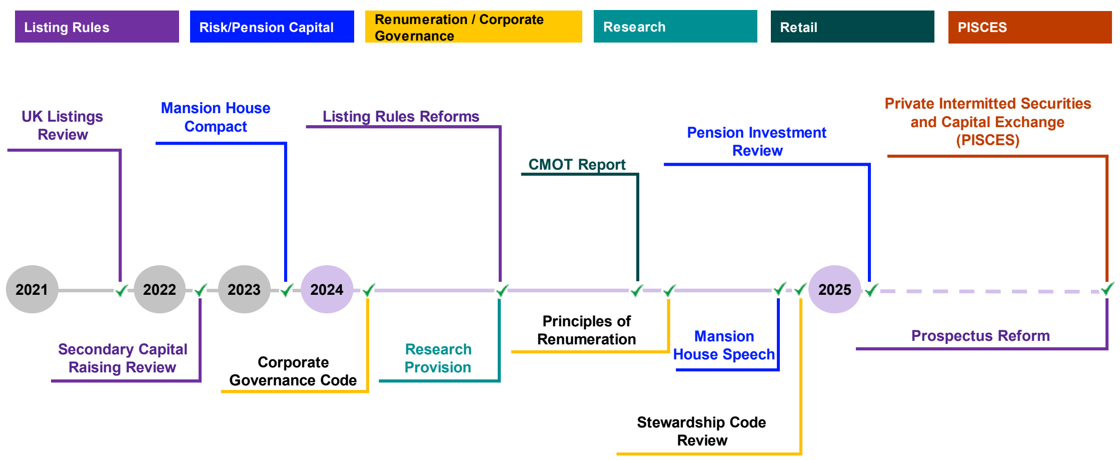
Good afternoon everyone and firstly, let me thank you for both coming into the Stock Exchange and for taking the time to attend online. The amazing team that have pulled this conference together inform me that we have over 300 people in the building and over 1,000 people joining us on-line. Welcome!

Let me start by explaining why we decided to hold this conference and why we wanted to have a CMIT conference deliberately framed for the advisory community.

The very fact we have well over a thousand people attending this event is an illustration of the scale, strength and vibrancy of the capital markets ecosystem not just here in London but around the UK.

Sweeping UK capital markets reforms began with the announcement of Lord Hill's review in November 2020 and have not stopped since



Source: FCA, FRC, The London Stock Exchange, HM Treasury/gov.co.uk, CMIT, IA – future dates are expected. January 2025

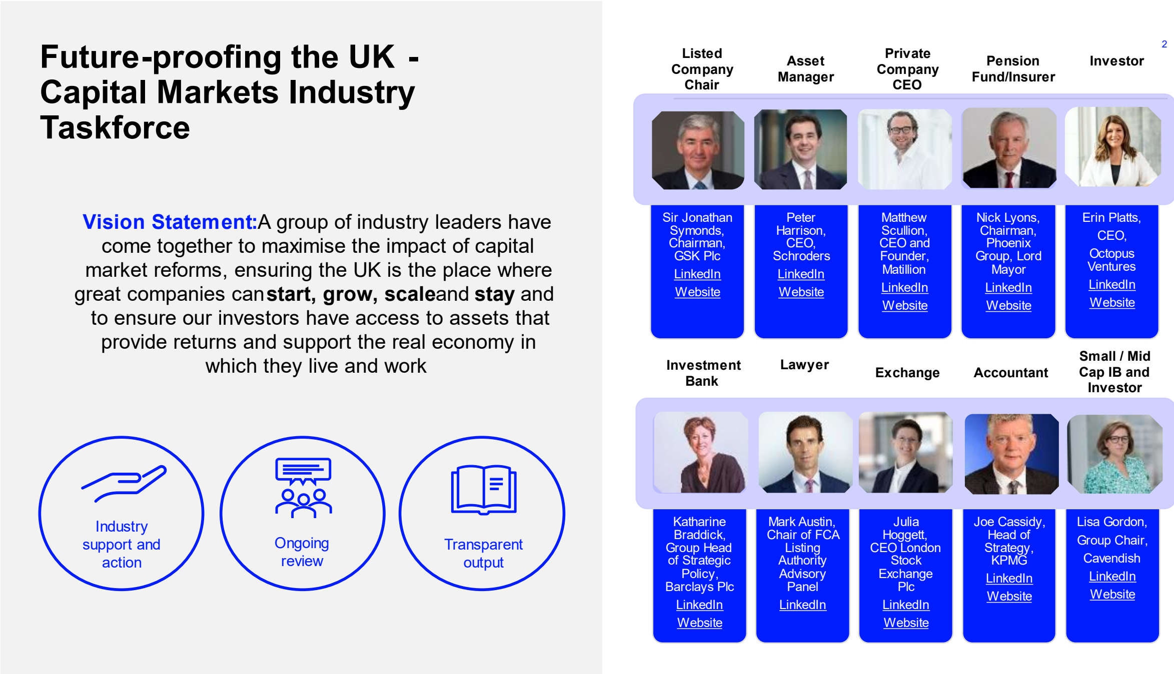
But that capital markets ecosystem has been going through a radical set of changes (with more to come) that started when Lord Hill was commissioned to do his review into the Listing Rules in November 2020. That review seemed to fire a metaphorical starting gun on a remarkable amount of work since then and work that is multifaceted and has a coherent and pragmatic vision to it.

However, it has become clear to those of us on CMIT who have been so close to all of this, that it is not always easy to either keep track of all the changes or see how they fit together. That is where today comes in!

We want to outline to you the reforms that have been implemented, the reforms already in train, the consensus on the work yet to be done and just as importantly, the overarching vision behind all of these reforms – which are far more connected than it might seem from just reading the headlines.

The work of CMIT has always had at its heart, the further invigoration of the UK capital markets and therefore also the industry that supports it. Fundamentally, the companies and institutions that need capital and the asset owners and managers who manage those assets for their end clients need the best possible advice and the best possible access to liquidity. In a value-added industry such as financial services, the most value is added when that financial services industry is also thriving.

However, it is true that CMIT has sought to reframe the thinking around that need to thrive in one simple way. To get back to the principle of why our capital markets exist in the first place. As our vision statement goes, we want to do everything we can *to 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.*



A thriving financial services industry comes as a rightful by-product of doing just that. And, importantly, serving the many millions of companies, countries, institutions and individuals around the world who rely on London for their financial services too.

But in order to have the focus and attention that we, as an industry, have received in the last 4 years and still need in the coming years, we have to set the objective as being a thriving economy serving issuers and investors, and indeed people, up and down this country. Not seeking to make a thriving financial services industry the end in itself without regard for the growth of the economy. This statement was correct under the previous government but is all the more true today.

The reason for this is also because of the broad range of things that were and are at the UK's fingertips to address. It is fair to say that the fact our listing rules had not gone through a material change in a generation was a reflection of a broader challenge exacerbated by the GFC, Brexit and indeed Covid. The post-GFC regulatory reforms, combined with the immense amount of lift-and-shift required to enable the UK to safely exit from the EU, meant that until 2020 and the Hill Review, there had simply not been the regulatory bandwidth to focus on some of these issues.

I will not relitigate Brexit, but it also provided the opportunity for the UK to develop far more 'straight-through policy processing' than had been available before when it had to navigate ESMA. And therefore, now, we are able to move at pace when a vision and consensus has been generated.

Along with a huge number of partners, including many of you in this room and online, that is what CMIT has been seeking to do from the outset. To identify the areas that needed the most attention, to generate as much consensus as possible – in what I would describe as a Benthamite way (the greatest good for the greatest number) – and then to work with all parts of the ecosystem to support the tangible delivery of that change.

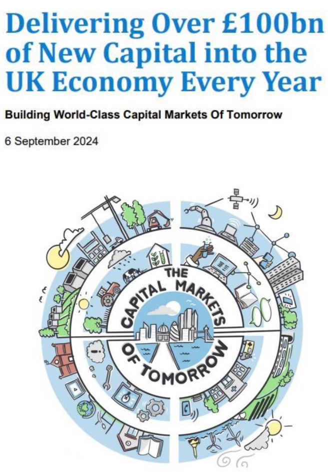
That change requires a huge amount of work: from government, from civil servants, from regulators and indeed from all of us. And to get that time, it is essential that the effort is justified in the context of all the *other* policy priorities that any government or regulator, and legislative priorities that any Parliament, may have.

That is why it is so essential that the objective of the work is driving the UK domestic economy.

Now I myself have worked for 2 large US investment banks in my time and I did not make a domestic call to a client until 13 years into my career. I know full well London's remarkable role as a global financial centre.

But being a strong driver of the UK domestic economy and a leading global financial centre are not contradictions in terms. Indeed, London's role as a global financial centre was built precisely because it *was* a driver of a vibrant domestic economy. And no one would say that wasn't the case of the US, the Chinese or the Indian markets.

But it is also fair to say that over the last 30 years, the City has done a great job of driving our place as a global financial centre, but a less good job of driving the UK domestic economy. Hence the focus now on both.



To quote Sir Nigel Wilson's Capital Markets Of Tomorrow report – 'we know that since the GFC the UK has underinvested both in absolute terms and compared to our G7 peers with our Investment/GDP ratio around 17 to 18% compared to our peers of 20 to 25%'.

Our seeming indifference to where our capital goes and where our companies list has contributed to a lack of underlying growth and productivity growth which ultimately harms not only the economy, but the financial services ecosystem.

But there is consensus now that the tide needs to turn and there is a vision for how to do so. We need to get the risk capital fly wheel turning more effectively again.

As I have said, the sheer breadth of the reform agenda is in fact staggering – but we do recognise that it can be a little difficult to follow.

So today we have sought to provide you with panels that lay out the vision for, and the progress made in, several of the key agenda items.

We have long described the CMIT agenda as being one of 'five fingers and a glove'. The rationale for describing it this way is a reflection of the fact that it is a multifaceted agenda that to function properly, must all be completed.

The first of the five fingers is the quality of our primary and secondary capital raising rules – ensuring firstly that they provide access to our markets for the broadest range of companies that will drive value creation in the next century and, secondly that the companies on our market have the same or better freedom to execute against strategy and therefore create value for their shareholders and other stakeholders than they would in any other market.

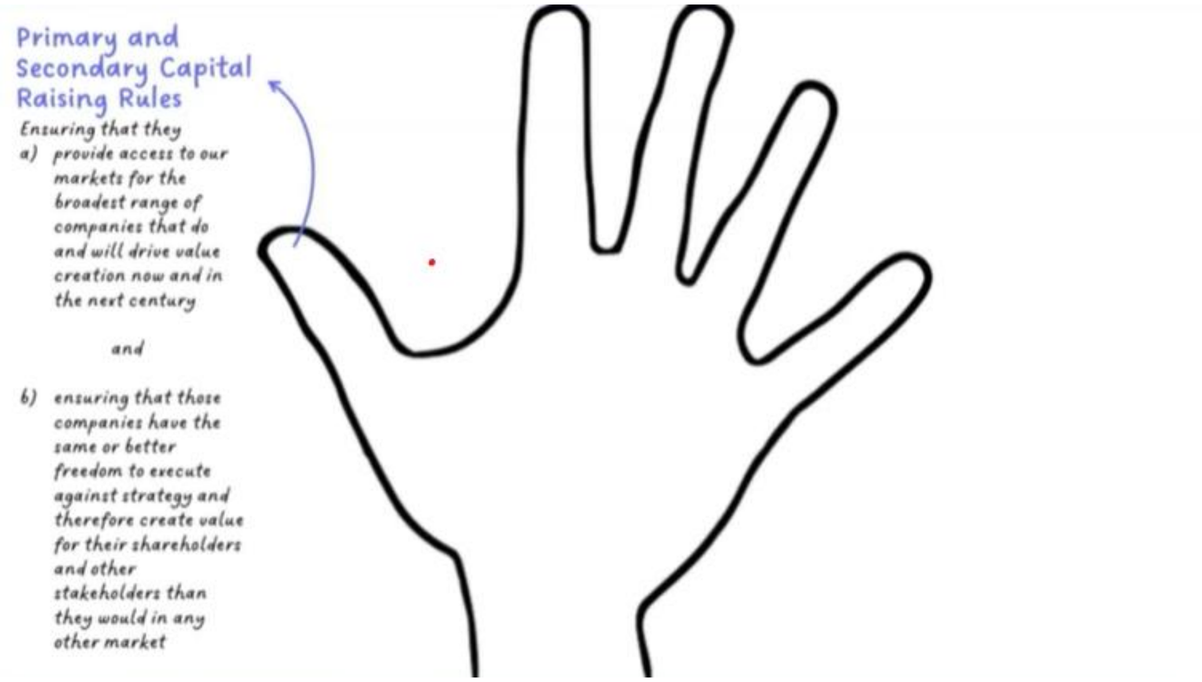
The second finger is to ensure that our sell-side community are appropriately incentivised to produce high quality research on the current and next generation of remarkable companies this country produces and that want to list in London.

The third finger, and the most critical, is the availability of risk capital in the UK – be that through our pension funds and institutional money more broadly or through retail.

The fourth finger is corporate governance, stewardship and remuneration. Our panel later will cover the first two elements of that triumvirate – I will come to my own views on the third element a little later!

The fifth finger is the ecosystem for scaling consequential private companies.

And the glove is the culture, it's how we talk about it round here, how we frame the work of the City and its role in serving society as a whole, how we celebrate and support entrepreneurship and success and dare I say it, people being rewarded for creating value. This is something I will come to at the end of my remarks.

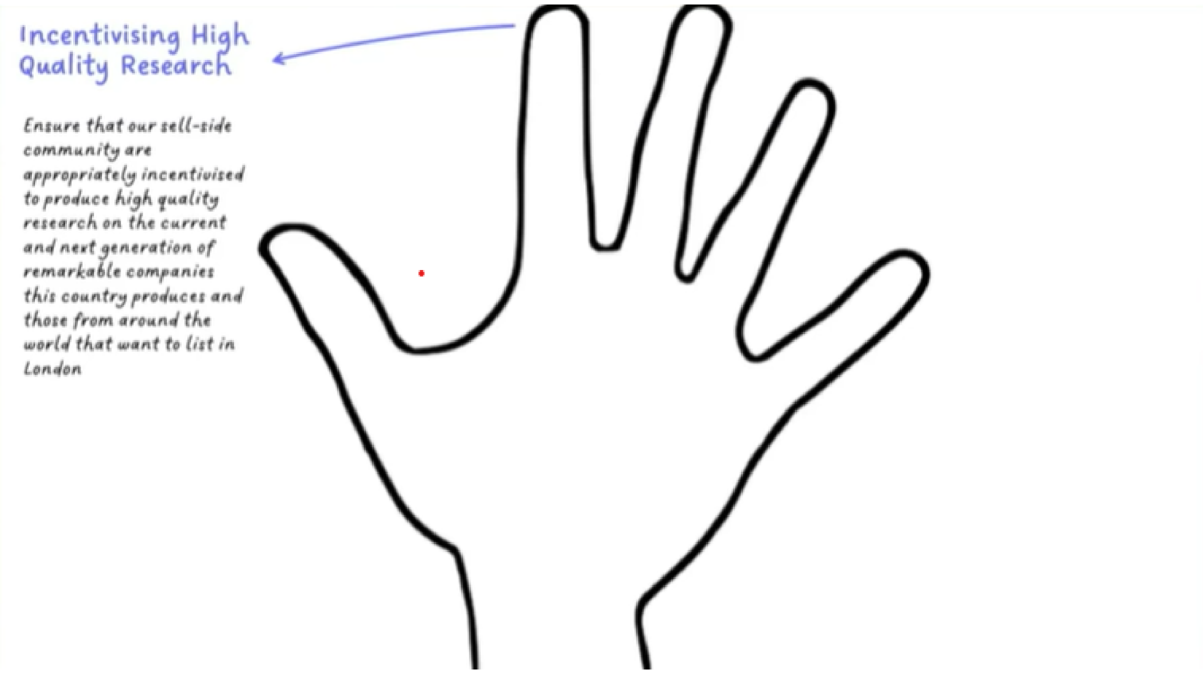


But let me outline our first session on the first of the five fingers.

By introducing the latest set of its revised rules in July of 2024, the FCA has already made remarkable progress in this reform agenda. But they are not stopping there, with the prospectus reforms also in train – and following last week's announcement of radical changes to the prospectus rules for debt to make retail access to our fixed income markets much more straightforward.

Forgive me for a little rant, but it was never producing a public good to ghettoise the retail market and make them unable to buy plain vanilla benchmark transactions easily, and I am personally thrilled that the FCA has taken the steps they have.

Jim Moran the Head of the Listings Department at the FCA and Charlie Walker, Deputy CEO of the LSE and a member of the FCA's Listing Authority Advisory Panel, will host a session not only to ensure that you are all familiar with the rules that have changed, but also to explain the FCA's motivation for making those changes and what they want to see come from that change.

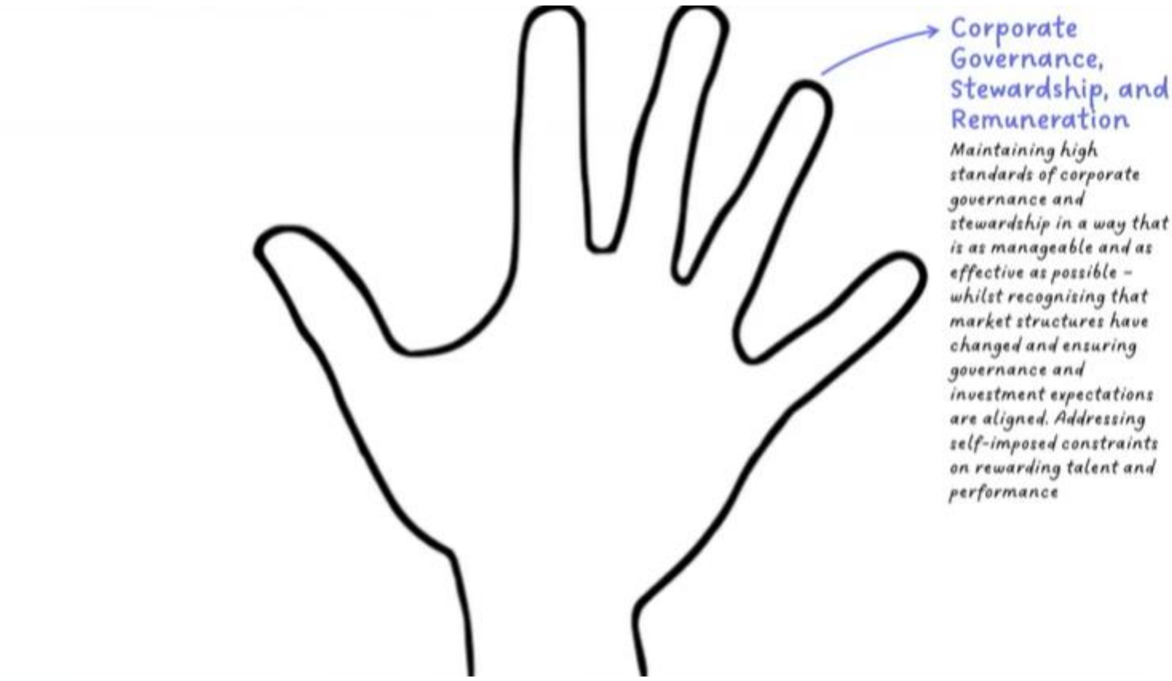


As I have mentioned, the second finger of the glove was to reincentivise the provision of high-quality sell-side research. Now many in this room will have views on unbundling – please do not all groan at once – but the last Government instituted a review by Rachel Kent to assess the value and impact of unbundling and she proposed that it be scrapped. In the two weeks following the implementation of the new listing rules, the FCA also removed the requirement for unbundling and allowed re-bundling.

I think we are all well-aware that the industry (on the sell- and buy-side) invested a huge amount of money to introduce unbundling and that it has been embedded in many processes and it is, metaphorically, not easy to put that particular genie back in the bottle. But what we should recognise by this change is that it reflects a regulator and policymakers that are prepared to remove rules that simply do not work for the UK.

We know that more work is required to incentivise the provision of sell-side research. We will continue working with all stakeholders on strategies to do just that – but we also hope that other changes afoot will incentivise that activity.

After Jim and Charlie have spoken, the next panel is addressing the fourth finger – corporate governance, stewardship and remuneration.



We fully agree that it is important that UK listed companies have high standards of corporate governance and indeed that asset owners and managers provide high standards of stewardship. However, I think we are also all agreed that we need to ensure that what is expected of both issuers and asset owners and managers is, if you forgive my repetition, manageable and therefore as effective in its outcome as possible.

This is why it was so reassuring to see the new leadership of the FRC, under a new mandate from government – both happening late in 2023 and early 2024 – shift the focus of the FRC. Shifting it to make its rules more streamlined, easier to implement, focused on growth and strategic execution for the companies being audited and recognising the way our markets have evolved whilst ensuring the needs of investors are met.

Through its review of the Corporate Governance Code, the FRC removed a number of the additions that had previously been planned for the Code and streamlined the guidance (also making it clear it was just that!) to make it more straightforward to use and they also made it very clear that not only was it a *comply or explain (not comply or else) code*, but that the FRC actively wanted to see companies have the freedom and confidence to explain.

It is also why the FRC is currently undergoing the biggest review of stewardship (arguably anywhere in the world right now) that is genuinely engaging with the way our markets have changed. Recognising that we may have added too many bells and whistles to our definition of stewardship over the years; that the 15,644 pages of stewardship disclosure on the FRC's website last year might be a reflection of a process that needed slimming down and de-duplicating. As well as genuinely engaging with the role of passive investing, the proxy agencies and indeed the importance of Boards undertaking delegated-decision-making.

Equally embedded within this is the clear understanding that where governance demands are made of listed companies, it is important that those requirements are valued equally within investors by governance teams and investment teams – if demands are being made of listed companies, they want to know that if and when they make changes, they will be rewarded by flows of capital.

This session will come from Katya Gorbatiouk who runs our Funds business at the LSE but is also on the FRC's Stakeholder Insight Group and Michael McLintock, the Chair of the Investor Forum and the new Issuer and Investor Forum, the Chairman of Associated British Foods plc and formerly the CEO of M&G.

Michael took the decisive step of setting up the UK's Issuer and Investor Forum to provide a forum where CEOs of Listed Companies and Asset Managers and Asset Owners could come together to discuss points of friction in the UK system and identify routes through areas that are often perceived as conflicts but in fact are not: both company and investor want the company to drive growth and value creation to the benefit of shareholders. I am delighted Michael has agreed to join us today.

I feel I should also address the remuneration question however, in part so others don't need to quite so much – and I have some form on the matter. We published a blog on the topic some years ago now, which was only 366 words in fact (including the title!) – but which now appears to turn up in the press whenever they report on what a business leader in the UK gets paid . It may be the most efficient 366 words we have ever written.

The blog made the point that we needed to have a big tent conversation about the fact that the proxy voting policies on remuneration for companies in the UK *were* more restrictive than those used for companies in Europe or the US. Not because of any UK law or regulation but because of UK 'market practice'.

Resulting in the UK risking sending a message that it did not wish to pay for talent for its most impactful businesses and employers and ignoring the fact that our best companies are in a global war for talent, with peer companies in other jurisdictions that were not being restricted in the way UK companies were.

That, I am hugely glad to say has now changed significantly – with the Investment Association, which sets the industry respected principles for remuneration in the UK, changing its guidance in October and with major UK asset managers becoming more flexible in their approach. I believe this is now providing a significant number of company Remuneration Committee Chairs – particularly those of globally consequential companies and those in globally competitive industries – with the confidence to act in the way that they consider is in the best interests of the long term success of their companies through, where merited, being able to significantly increase pay packages for top talent.

The UK has been producing globally consequential companies for centuries and we should do everything we can to put in place the framework to ensure that we can continue to do so – that ultimately is what supports the growth of the UK economy and gives UK investors access to the assets that will power their returns.

After the Corporate Governance panel - we will have a panel addressing, in part, the 5th finger of the five fingers and a glove, the ecosystem for scaling consequential private companies. When CMIT was first created and we discussed our work publicly, I know a number of people were questioning why we had as many workstreams focused on private companies as we did on public companies.

The answer is in fact very simple: you cannot have consequential public companies without first building consequential private companies. We all know that private markets are here to stay – and they continue to grow – but they need public capital markets and vice versa. It is a continuum.

The UK has the second largest pool of institutional capital in the world, but for too long now, much of that has been regulated on cost – creating this perverse proposition for asset owners and consumers that good equals cheap – and with a focus on derisking <u>even</u> when the opportunity cost of not deploying risk capital has been material to individuals and to the country, and particularly in recent years, with a huge focus on liquidity risk – even in portfolios that should be taking it.

One of the consequences of this, is that the UK massively underinvests in its own significant scaling companies. Matthew Scullion, the CEO of Matillion, a software unicorn based in Manchester and a member of CMIT, told a story that drew gasps at the first CMIT conference.

This is a person who founded and leads a hugely successful tech unicorn in the UK, but of the $305mio he has raised for his company since inception, only $5mio (the first 5mio) had been raised from UK investors. He has been to see firemen in Pennsylvania who have made a strong return from investing in his company through their pension funds, but he has never gone to see firemen in Liverpool just down the motorway from his home.

That is an enormous opportunity cost to investors in this country if we do not re-find our capacity for active investment in both private and public companies, and dare I say it, old-fashioned stock picking.

That is where our focus on both AIM and on the creation of PISCES comes in. For those of you unfamiliar with PISCES, it stands for the Private Intermittent Securities and Capital Exchange System regulation (where the r is silent). It is the world's first major regulated cross-over private/public market.

Creating a regulatory environment where companies can choose to have an auction of their secondary shares, at a periodicity of their choosing – say once a quarter or once every six months – using the pipes and plumbing of the public markets; using the same intermediaries that they would in the public market but affording those intermediaries security of the legal structure under which they will be operating; and, most importantly, providing a different liquidity profile for these assets precisely so that our institutional investors can get involved.

PISCES is designed to provide a transparent price formation process so that angel and seed investors can get out and get back to early stage investing; so that the pension funds and other institutional investors who might previously only have bought a company when it IPO'd would be able to follow and benefit from its value creation earlier and be more familiar with the company by the time the IPO happens. So that companies are not forced into trade sales or indeed any other action ahead of their time or actions driven by the liquidity constraints of their owners rather than the strategy of their company; and so that companies if they choose, can provide liquidity for staff, making that company a more attractive employer than those with whom they compete that might not use the platform.

The absence of a truly scaled UK-based VC and indeed PE community using domestic capital does not help us as a financial services ecosystem when we want to support Founders to stay here or indeed to come here. When the Founder is the only vote on the board based in the UK and seeking to keep their company in the UK – that can be challenging for them.

And I believe we do also need to address the elephant in the room that has been this historical attitude in the City that it does not matter where a company lists.

Let me give you one example – and it's a doozy: Arm, the British semiconductor company. Arm traded at a higher multiple than its global peers when it was listed in London and reached 18bn in valuation. It then decided as a company that it needed to invest in emerging ideas such as the internet of things, and cloud computing and AI and that it needed to preserve funds for investment, reduce its dividends and spend several years turning itself into a company that aimed to be worth a least 4 times that.

Unfortunately, our yield-focused investor base did not have the patience for that, and our VC and PE community did not have the scale to take a company like that private so that it could quietly get on with retooling its strategy.

This is despite the fact that Arm came out of Silicon Fen, the Cambridge Cluster, and was and remains a great British success story.

It took a large Japanese investment firm to take Arm private at $32bn. And when Arm relisted in New York, it did so at a valuation of $52bn and rose to $150bn in its first year – driven in part by the global momentum behind AI. Something I truly believe the London markets would have valued as much.

In the first year of its listing, from what we can gather, less than 1% of the total stock of Arm was owned by UK investors. UK retail investors could not subscribe to the IPO, the ADRs couldn't be included in UK Stocks and Shares ISAs given the structure of the transaction, and it was not in a major index for many months after the IPO, keeping it out of many UK pensions funds' portfolios.

Even a month after the IPO not one UK fund figured amongst the top 10 European funds with the largest ARM holdings. That is $100bn of value generation that did not redound to UK investors, a huge sum of capital gains tax that will not redound to the Exchequer and it's now a company with a market cap of $160bn that is not trading through the trading desks in London.

We cannot and should not be indifferent either to the impact of our historical attitudes nor to the importance of mobilising our own domestic capital.

That is why the government is so focused on the introduction of PISCES and why the Chancellor has committed to laying the necessary legislation for PISCES no later than May and the FCA have committed to having the regulation live in their policy sandbox in July.

Mark Austin, from Latham and Watkins and former chair of the Listing Authority Advisory Panel and a founder member of CMIT, will discuss PISCES with Marcus Stuttard who is head of UK Primary Markets for the Exchange and also Head of AIM.

And this is also why we are addressing AIM in this session. The LSE's focus on the Main Market reforms and indeed PISCES should in no way, be taken as a diminution of our focus on AIM. I have said repeatedly that AIM is one of our crown jewels in this country. 54% of all the growth capital raised in Europe in the last 5 years has been raised on AIM, and indeed two of the most successful IPOs in London last year came from north American companies who did not feel that the US markets could serve them – they were up 32% by the end of the year.

However, AIM has been suffering from the reduction in Business Relief, the decline in active management and UK dedicated funds and a less and less engaged retail population. So, we are doing everything we can to address that. Including, now that the Listing Review is complete and we know where the Main Market rules have landed, a review of our AIM rules to ensure they are still appropriately designed to fit in the continuum between the private markets, PISCES, AIM and the Main Market.

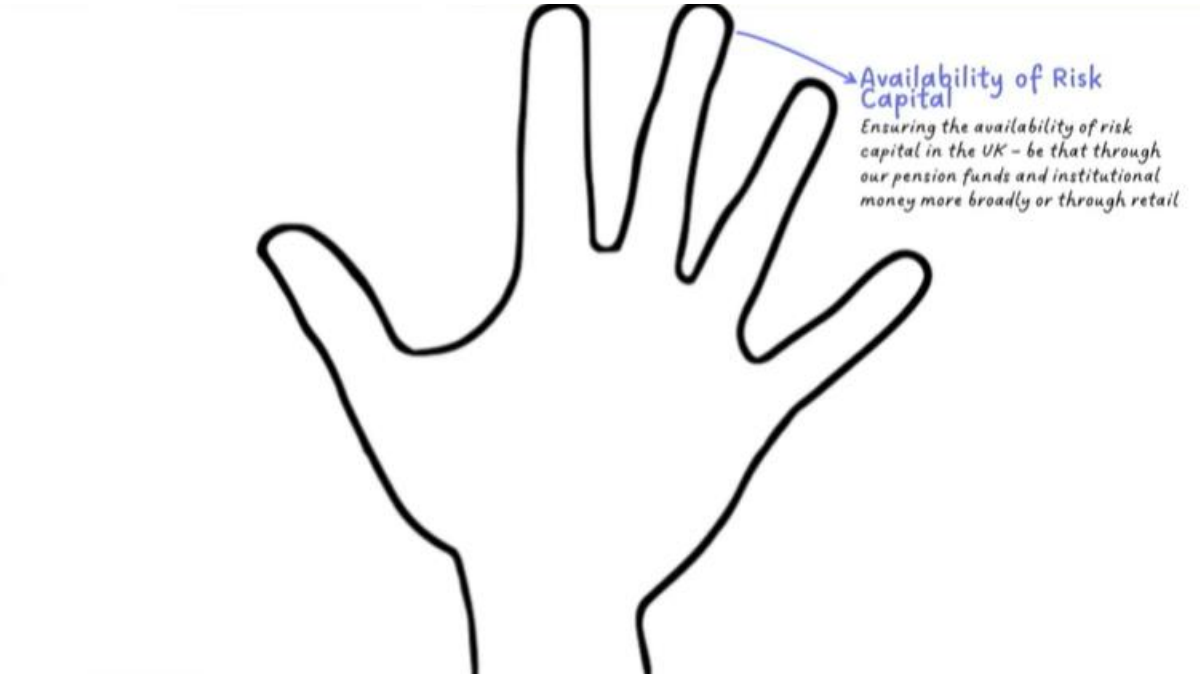
You may also have seen reporting over the weekend regarding the government looking at Cash ISAs – as CMIT we would very much welcome that and I am sure Peter Harrison, and the Lord Mayor will have something to say about that during our final session of the day.

We are the only country we can find in the world that gives people a tax break for keeping their money in cash like that, often incentivising behaviours that over the long term, lead to poor outcomes when cash underperforms more productive investments and starving the country of risk capital to grow.

Whilst not relevant to AIM, but something that is key to engaging retail investors in the UK, the other elephant in the room in terms of perverse incentives, is Stamp Duty Reserve Tax (SDRT). As we on CMIT have repeatedly said, it is crazy that we tax retail investors and pension funds in this country to buy Aston Martin, but we don't tax them to buy Porsche or TESLA, and last time I looked, Aston Martin employs hundreds of people in the UK and actually build cars in this country.

However, we also have to recognise that SDRT brought in £4bn of revenue to the Exchequer last year in the cheapest to deliver tax revenue it collects. So, we cannot simply call for its abolition without also solving that fiscal challenge for the government. We need pragmatism.

That is why we at CMIT are calling for the government to gradually taper SDRT for retail investors with certain ticket sizes in the first instance, potentially alongside other Pension and ISA reforms that help increase overall activity in UK markets, to enable SDRT to start to be removed but in a manner that is manageable for the State.



But Stamp Duty is not the only reason why active management has been declining in the UK, however much Stamp has had a massively distorting effect. So, we are now looking to undertake work, including in discussions with the FCA, to look at all of the regulatory constraints that have built up on asset managers in recent years that have made active investing in small and mid-cap stocks more and more challenging. I know that the FCA is keen to have that conversation, and it is a reflection of the joined-up nature of this reform agenda that they are.

The final session will address the part of the reform agenda where at CMIT, we feel there is still the most work to do, but equally where we must recognise the progress that has already been made.

It is fair to say that in our first CMIT meeting we agreed that we needed to make a national scandal out of the level of pension disinvestment in the UK over the last 20-25 years. In fact, Charlie Walker phoned up William Wright at New Financial and asked him to produce a report summarising what had happened – and literally said, 'only one page of text and lots of pictures'!

But the objective was to ensure that as a nation we recognised that the well-intentioned pension reforms that took place after the Mirror Pension scandal had:

- Firstly, closed our DB pension schemes despite them providing the best solution to pension investing by mutualising the deployment of long-term risk capital and remaining a critical part of pension schemes all over the world.
- Secondly, made those schemes a liability on their companies' balance sheet – incentivising companies to derisk and not continue to drive value from those pools of risk capital – to the detriment of the country and arguably forgone upside for the pensioner or company.
- Thirdly, that derisking created a language of avoiding losses that we then transferred to our DC schemes despite the fact they are investment pots.
- And finally, we then created a structure that fixated on cost not net return.

All of these things have resulted in us taking hundreds of billions out of our own market since those reforms began in the early 1990s.

The fact that we did this to ourselves however, means we can equally undo it and it is hugely encouraging to see that both the previous government and this government have been focused on exactly that.

The pension reforms, which were started by the previous Chancellor and picked up with gusto by this Government, have several limbs to them:

- Firstly, seeking to drive consolidation of our Local Government and DC pension schemes to give them the heft and scale they need to compete in both private and public assets;
- Secondly, to change the definition of fiduciary duty to ensure, like all other sophisticated pension schemes around the world, we focus on net return not cost. Recognising that fees need to be paid to originate high quality assets – particularly alternatives and indeed actively managed portfolios;
- And thirdly, to focus on the incentives to invest funds in the UK – both by increasing the disclosure on where the money is invested and by exploring what other levers we have to pull as a nation.

Reform of our pension structure is not a swift exercise, but we should not discount the level of focus it has received in recent years and the momentum behind the work. Nor should we dismiss the importance of the work because it will not in all cases bear fruit immediately.

And that reform work is continuing to evolve. In the final session of the day, we will have Peter Harrison the former CEO of Schroders and a founder and continuing member of CMIT, outline his thoughts on this evolution and the current Lord Mayor, Alastair King, outline his focus on a continuity of work from that of Sir Nick Lyons, a founder member of CMIT, and the former Lord Mayor who introduced the first Mansion House Compact.

Fundamentally, we call this agenda *turning the taps back on* – as you can't have a capital market without capital - and I think we have reason to believe that the pipes are starting to be mended so that the water can truly flow.

I want to use the Pension example to point out one thing. This overarching capital markets reform agenda has now been in train for several years and has made remarkable progress as you will hear this afternoon.

But it has also been a shared endeavour and has enjoyed a phenomenal level of political consensus. I think it is entirely to both Jeremy Hunt and Rachel Reeves' credit – as well as their wider teams - that the capital markets reform agenda, started under the last government, has been picked up by this one without missing a beat.

I want to finish on the culture. As I have alluded to, as Brits, we need to get better in this country at celebrating success, recognising and rewarding the remarkable entrepreneurship that takes place here, not assuming the grass is always greener elsewhere and that the glass is always half empty, often without the facts to back those statements up. And as a nation, and I would argue as a City, we need to stop talking ourselves down. We should all think of ourselves as Ambassadors for the City now – not just place that burden on the Lord Mayor.

I want to finish on a funny but possibly illustrative story. I am also aware that saying something is funny ahead of time is the kiss of death, but I will plough on!

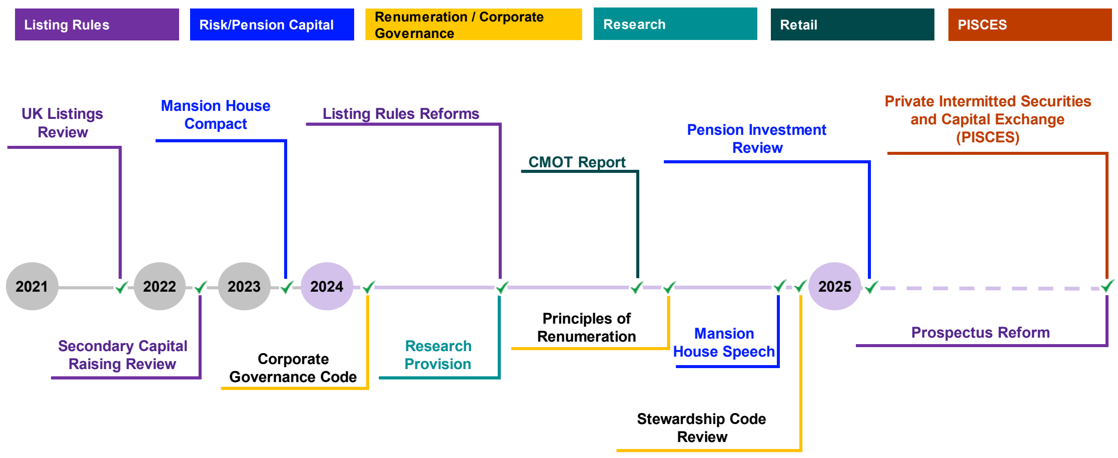
We were hosting an investment event on life sciences a couple of years ago at the Exchange and a very prominent US investor who had relocated to the UK *because* the life sciences ecosystem is so vibrant here, made a comment.

The investor said, “you know, I have come to realise that in the US we are seen as very naïve on the surface, but in fact we are incredibly cynical underneath, whereas you Brits are incredibly cynical on the surface, but dare I say it, naïve underneath”.

It was a comment that has stuck with me. In recent months as I have seen so much negative reporting about our markets – much of it often either unfounded or indeed unattributed – I have come to think that even our cynicism itself may be naïve.

By talking ourselves down and having seemingly little regard for the consequences, in an industry that we all know is so driven by sentiment, we have made addressing these challenges and indeed being able to maintain our position as the leading European venue far harder for ourselves as an ecosystem than we needed to – and seemingly for very little benefit.

Sweeping UK capital markets reforms began with the announcement of Lord Hill's review in November 2020 and have not stopped since



Source: FCA, FRC, The London Stock Exchange, HM Treasury/gov.co.uk, CMIT, IA – future dates are expected. January 2025

There is a remarkable, joined up, cogent and clear-eyed reform agenda going on in the UK right now, designed not for the next 6-12 months of deal fees and league tables (although I believe it will impact that too) but to enable our markets to compete for decades to come. To hand something better than we inherited over to the next generation.

Yes, some elements will take time, but we should not lose sight of the fact that other elements of the reform agenda are already in place and having an impact. We are at an inflection point where, in the context of the coming cycle of many companies moving out of private ownership into public markets, our narrative and telling people what we have done matters more than ever.

I think now is the moment when we need to reflect on the old adage that the worst time to plant a tree is tomorrow, the best time to plant a tree was many years ago and the second-best time is today.

I hope that by attending this conference you will realise how many of those seeds have been planted, those that are already bearing fruit, those that are starting to bear fruit and the vision behind those that are to be sown. And that all of us will leave this conference understanding and ready to deliver that positive narrative.

Thank you.