UK capital markets: the growth engine

Unlocking the potential of UK capital markets for businesses and savers

July 2024

RESEARCH PARTNER

Global Counsel

Foreword

The UK, financed

Our society is continually evolving and with it the needs of its economy and the citizens within it.

Whether it be facilitating mortgages, providing loans to businesses, driving the transition to net-zero, enabling innovation or the growth of our pensions to ensure financial security in later life, our capital markets play a vital role.

Given the importance of this role we have worked with our members and partnered with Global Counsel to highlight how and where capital markets are evolving and the role they play in financing the growth of our economy and our future.

The UK's capital markets have evolved in important ways over the past decade. Although the UK remains one of the world's leading capital markets centres, the number of domestic and international companies using public markets in the UK is falling – a trend not unique to the UK. Companies are utilising private funds and staying private for longer. UK pension funds have decreased exposures to equity markets in general and from UK company equity in particular. Direct ownership of large UK-listed company shares by retail investors has fallen.

These trends have important implications and raise challenges not only for companies but also society. Policy makers will need to understand and address these trends if the full potential of the UK's capital markets is to be realised. Where progress is already being made – and there is much to be positive about – momentum on that progress needs to remain to enable the benefits to reach our economy.

This document is designed to provide a high-level overview of a selection of key themes underpinning the evolution of our markets and what they might mean for society. These range from regulatory reform to our cultural tolerance to risk and reward.

We also want to demonstrate why the challenge for our markets is a broader and more expansive question than where a company chooses to list. The capital markets are where the UK's economic future is financed.

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At the heart of capital markets is the simple but powerful idea that an investor is able to take a stake in a company's future growth and success. Every society needs investors willing to invest capital in exchange for an appropriate reward. These investors need strong companies to invest in. The UK will need both in the years ahead as it transforms its energy system, renews its industrial base and deploys innovative new technologies.

UK capital markets: risk and reward

When an economy and society suppress prudent risk-taking, they also suppress growth. The implications can range from a society with limited financial resilience to well-intentioned regulation that inadvertently hinders economic growth.

To understand and address the UK's evolving attitudes to risk, reward and the role of our capital markets, UK Finance supports:

- Building a stronger link between capital markets and society. Demonstrating why people need to prepare for their financial futures and how engaging our markets and companies can assist in achieving that objective.
- Doing more to build a system of financial education and advice that equips individuals to understand how to harness the power of risk and reward productively over their financial lifetime.
- A political and regulatory culture that both protects consumers and businesses and supports productive investment.
- Promoting a cultural shift in how we talk about the role of capital markets in the UK, how we celebrate entrepreneurship and how we empower individuals to have a greater stake in the country's growth.
- Reviewing and removing frictions that discourage UK pension funds and other institutional investors from owning UK shares and supporting UK companies.

The UK capital markets are where risk and reward come together for UK savers. One of the most notable features of the last twenty years has been the withdrawal of UK savers from those markets, both directly and indirectly.

Economies with developed markets are underpinned by a willingness to embrace risk in the pursuit of future reward. Every society needs a mix of investors willing to invest capital in exchange for an appropriate reward to support economic progress. These investors need strong companies to invest in. The UK will need both in the years ahead as it transforms its energy system, renews its industrial base and deploys innovative new technologies. In pursuing those aims, weaker companies will likely fail and stronger and more adaptable ones will succeed, and from that risk-taking will emerge the reward of a dynamic and innovative economy. Who shares the benefits of that growth is central to the question of how UK savers connect to capital markets to better provide for their financial futures. It is also the question of how we support and celebrate entrepreneurship and empower individuals to have a greater stake in the country's growth.

Where risk and reward come together

Capital markets are where economic risk and reward come together. At the heart of capital markets is the simple but powerful idea that an investor is able to take a stake in a company's future growth and success. Such a stake generally represents a riskier type of investment, but it is also the fundamental way in which investors channel risk capital to companies in the UK and seek better returns. Without investors willing to take this risk, the wider economy loses the future reward of growing companies.

There are two ways in which UK savers can participate in the risks and rewards of capital markets. They can do this indirectly through a long-term savings vehicle such as a pension or directly as an individual owner of shares or bonds. Both approaches have potential advantages. Investing in shares or bonds through a fund or pension provides diversification of risk and access to expert management. Investing in shares or bonds directly provides greater flexibility and allows an individual to allocate their savings to specific companies, sectors or other values they wish to support.

In both cases, in the UK there has been a long-term transition away from investment in UK shares (see Figs 1-3). In the 1960s, more than half of the UK stock market was owned directly by UK individuals – today that number is closer to 12%.[1] The number of UK

1 By contrast, US savers directly hold around 35% of US shares. See SIFMA 2019.

UK investors and UK companies: a retreat from risk?

Fig 1: Over time, both UK pension funds and UK retail investors have played a smaller role in the UK market for shares, with foreign investors playing a much larger one.
% UK stock market held by investor type.

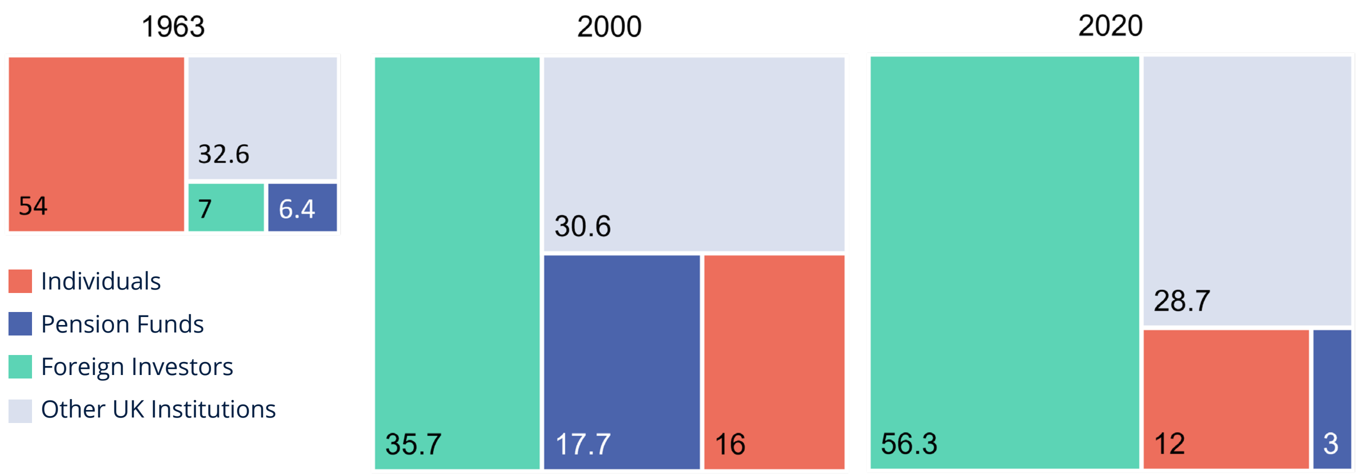
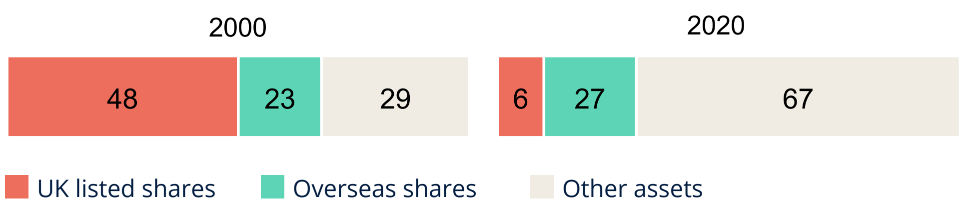


Fig 2: UK pension funds reduced their holdings of shares in general and UK shares in particular over the last twenty years.
% holdings.



New Financial March 2023, CMIT, UK ONS

households directly owning shares has fallen by more than a quarter from 15% to 11% over the last two decades - possibly reflecting the growth of Defined Contribution (DC) occupational pension schemes. Comparisons with other markets can be difficult as savings patterns can reflect a wide range of factors, including the role of property investment, but it is notable that twice as many American households as British ones held some of their savings directly in shares in 2022.[2] We see a similar pattern in investments made by UK pension funds on behalf of UK savers. These funds now hold less than a third of their assets in any form of company equity and only a small fraction of those shareholdings are in UK companies.

Outside of their pensions, UK savers hold a high proportion of their long-term savings in cash. This is reflected in the use of the

2 US Federal Reserve Triennial Consumer Finance Survey 2023.

UK individuals have an expectation of long-term financial security. However, these expectations will only be met in a political culture that supports them in taking informed risk. Protecting consumers must also mean ensuring they have the resources for long-term financial security.

UK Individual Savings Account (ISA) product, which gives every holder a choice between investing in cash or stocks and shares. Of the 11.8mn ISAs actively subscribed to in 2022, only a third (36%) were Stocks and Shares ISAs. Most savers choose cash ISAs or conventional savings accounts (see Fig 3). These significant cash holdings are vulnerable to inflation – a risk that UK savers remain more exposed to than they may appreciate.

Cash is typically recognised to be an important element of a balanced portfolio of savings. However, to maximise an individual's lifetime savings, it is generally accepted as preferable for cash holdings to be complemented by investments such as shares that can produce returns that outpace inflation over the long-term. This is especially true early in a financial life when a saver has more time to compensate for any short-term losses in their retirement portfolio.

The withdrawal from UK capital markets by UK savers both individually and through their pension funds is masked in part by inflows of capital from overseas investors (see Fig 1). Overseas investors are an important feature of UK capital markets and the UK's funding mix. However, this should be complementary to a healthy domestic investor base.
On balance, UK-based investors – both institutions and individuals – are not only more likely to know the UK better but are more likely to invest long-term in the companies that will contribute to the UK's economic success.

The drivers of this change - and how to address them

This retreat from UK capital markets has many drivers. One is an ageing UK population which enjoys the benefits of Defined Benefit (DB) pension schemes. Around 30% of UK households are estimated to be participating in such a pension scheme (see Fig 4) and almost half their members have already retired. The fund managers for these pension schemes are required to focus on generating reliable income, rather than capital growth. In many cases this has pushed them away from investments in equities over recent decades.

Most of these schemes are now being replaced by Defined Contribution (DC) pension schemes. Individuals who have DC schemes have an imperative to grow their capital. This creates a strong incentive to focus on the kinds of risk assets that generate the reward of capital growth, including UK equities. But for that to happen the UK will need several generations of savers newly engaged in how their pensions are being invested. It will also need a large stock of investable companies for those savers to invest in. Without the latter, fund managers will have little option but to continue to seek higher returns outside the UK.

A second driver is the way in which insurance and pension regulation has required larger holdings of liquid and 'safe' assets. These approaches may make sense for individual institutions, but for capital markets they can reduce demand for 'riskier' assets such as shares. While this trend in DB pensions will be hard to reverse, over the years ahead it will be important to ensure that UK liquidity and solvency regulation does not create unnecessary disincentives for financial institutions to hold UK equities.

Thirdly, levels of adult financial literacy in the UK suggest that there is a need for a new mix of education and basic advice and guidance for potential investors, especially when they are at the stage in their financial life when beginning to plan for their financial future is key. In comparison to peers in similar OECD countries, many UK individuals reach adulthood with material gaps in their financial literacy, especially around key investment concepts.[3] Combined with obstacles to accessing investment advice, this can leave many savers poorly equipped to understand how to invest for their futures, both in their direct investments and in the management of any DC pension they may hold.

3 See our third briefing in this series for a discussion of the potential implications of gaps in financial literacy in the UK.

The changing face of UK savings and investment

Fig 3: Cash is by far the most common form of non-pension saving.
% households, 2-year periods, 2006-2020.

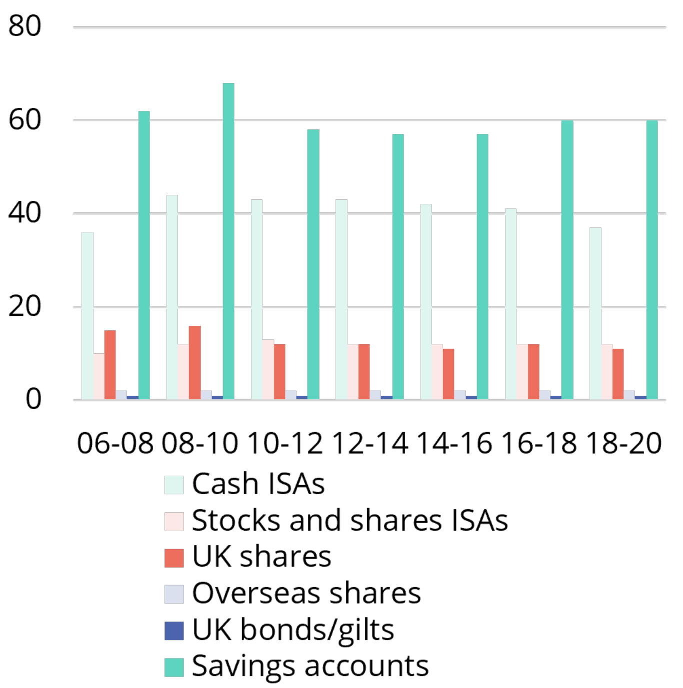
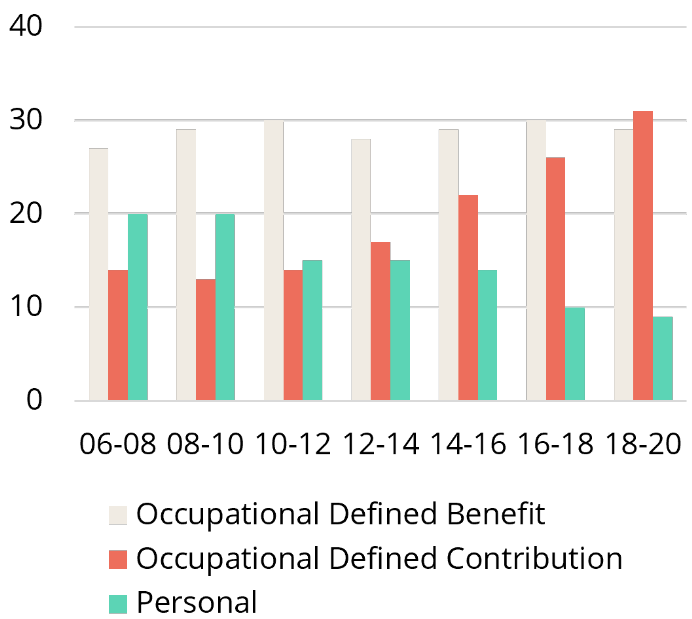


Fig 4: DC pensions are rapidly growing as a savings vehicle.
% households, 2-year periods, 2006-2020.



UK ONS

Finally, alongside our evolving tolerance for risk there is a perceived vacuum of support and 'championing' for entrepreneurs and those willing to take risk in the pursuit of commercial and personal success. UK authorities and industry alike should consider how to better promote and celebrate success and how this promotion could be made visible to overseas investors and businesses in efforts to attract them to the UK.

Addressing these drivers will require a mixture of solutions including regulatory change, some of which is underway, alongside improved financial education to help drive a sense of ownership over our financial futures. For this to work, the UK will also need to produce a steady supply of strong companies to invest in. But at the heart of all of this is a recognition of the role of risk and reward.

The consumer interest

The other important dimension of the UK's overall balance of risk and reward relates to how risk is perceived by society and governments and therefore how it is regulated. As noted above, well-intentioned regulation focused on risk-reduction has, in places, unintentionally disincentivised or removed support for UK equities. In some cases, such as reform of the UK listing regime, regulatory authorities have actively supported capital markets to better support the economy and companies. In other cases however, such as consumer and investor protection, the focus has often been rightly on the rights and recourse of retail financial services users but without an equivalent focus on producing informed and active savers who are better equipped to reach an appropriate level of personal financial security and standard of living in later life.

Regulators themselves recognise this imbalance. However, a risk-averse regulatory culture is often a reflection of the societal context. Regulators that face undue criticism when an informed individual or company loses money on an investment are likely to focus largely on consumer protection at the cost of longer term personal financial stability, financial wellbeing and economic growth. This backdrop will collectively push regulators, government, society and the economy into a position where risk is seen as entirely negative, hindering future reward and dampening productivity and growth.

This theme also goes to the heart of what we mean by putting consumer interests at the centre of the UK's regulatory ethos. Individuals have an expectation of long-term financial security. Yet UK data continue to indicate inadequate preparation for financial self-sufficiency later in life.
As such, regulators, governments and society should see the delivery of personal financial security as integral to consumer protection. Protecting consumers must mean ensuring they have the resources for long-term financial security if we are to avoid a future generation depending on savings and investments that fall short in later life and retirement. Political leadership will be required to ensure regulators are empowered to account for long term consumer financial resilience within the mission of consumer protection. These are the two sides of the consumer interest coin.

Conclusion

The UK is failing to maximise the potential of its capital markets to deliver long-term financial prosperity for its citizens; now is the time to address this. One of the most notable trends over the last twenty years has been the withdrawal of UK savers from UK capital markets, both directly and indirectly. This suggests a market and political culture in the UK that risks under-investing in its own national strength. Reversing this will not be simple. However, with the right political leadership, regulatory approach and cultural change, there are huge opportunities to improve the way UK savers invest in, and benefit from, the UK's long-term future growth.

UK capital markets: the regulatory agenda

Four years of reflection have produced a broad package of targeted reforms designed to strengthen the UK as a place where companies and investors come together. Large and small, these reforms add up to a material evolution of the UK's regulatory framework. They now need effective implementation.

UK Finance supports the timely implementation of the regulatory reform package developed over the last four years in the UK, including:

- Delivering proposed listing reforms and ongoing review of disclosure, corporate governance and stewardship requirements for public markets.
- Embracing measures that harness technology and financial innovation, such as digitising share ownership, accelerating settlement times, delivering greater price transparency for investors and incorporating distributed ledger technology into the operation of UK capital markets.
- Enhancing the provision of investment research: a revised regulatory model for research payment that provides investors with flexibility on how they pay for research.
- Ensuring that UK regulators' new secondary objective to facilitate the competitiveness and growth of the UK economy helps deliver long-term strength for UK capital markets.

What all of the measures in this package have in common is that each seeks in its own way to achieve a market that is more transparent, more efficient and better served by cutting-edge technology.

Regulatory change is not a silver bullet for strengthening the competitiveness of UK capital markets. That competitiveness reflects a wide range of factors that include tax and incentives, skills, and the strengths of the professional services sector that support capital market activity. However, transparency, efficiency and technological innovation in both primary and secondary markets are critical to their competitiveness. It is these dimensions that have been the target of a comprehensive and valuable package of regulatory reforms drawn up over the last four years.

That package has been prompted by UK capital markets starting to show some important weaknesses. The UK is a world leader in financial services. It consistently ranks in the top three financial centres globally and is a major financial centre in areas such as bond issuance. In terms of the total number of companies on its public markets and their total market capitalisation, the UK is one of the largest capital markets in the world. However, the number of domestic and international companies choosing to join public markets in the UK has fallen sharply over the last decade (see Figs 1-3).

The number of domestic companies using public markets in the UK has fallen by a third since 2010. The fall in the number of international companies has been even sharper. In contrast, several of the UK's major global competitors have enhanced their attractiveness as trading venues for international companies, especially the US Nasdaq exchange. For both domestic and international companies, UK capital markets have performed a vital role in helping companies already using the public markets raise additional finance both after the 2008 banking crisis and during the COVID-19 pandemic. However, they have been weaker in attracting new companies (see Fig 4).

The shrinking pool of companies joining UK public markets is a concern in both the domestic and international contexts. The number of domestic companies going public is one of the basic measure of the effectiveness of the capital market in supporting the UK real economy. The number of international companies going public in the UK is a measure of the success of the UK in attracting the best companies in the world to the UK.

Addressing this is the motivation for the set of wide-ranging regulatory changes for UK capital markets drawn up over the last four years. These are set out in the Annex. While many of these proposed reforms in the UK are individually small and can often seem unrelated, they add up to a material

UK capital markets in a global context

Fig 1: Capital markets by companies traded.
Number of companies traded, 2023 and change since 2015; excludes exchanges that do not host foreign companies.

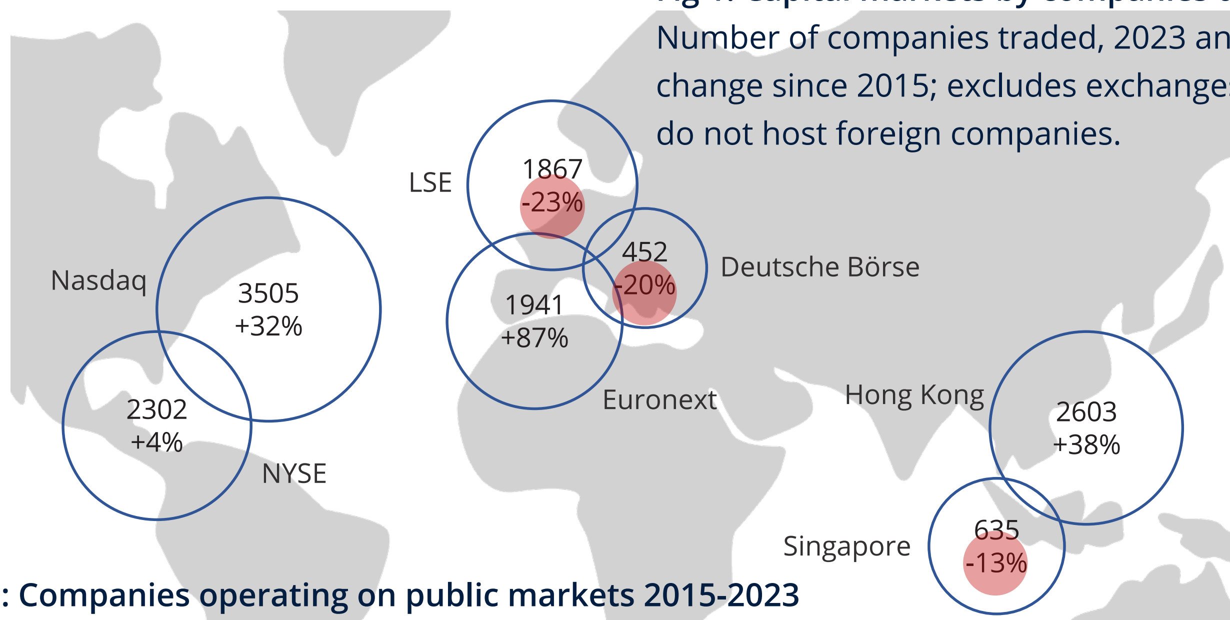


Fig 2: Companies operating on public markets 2015-2023
Net change in number of companies

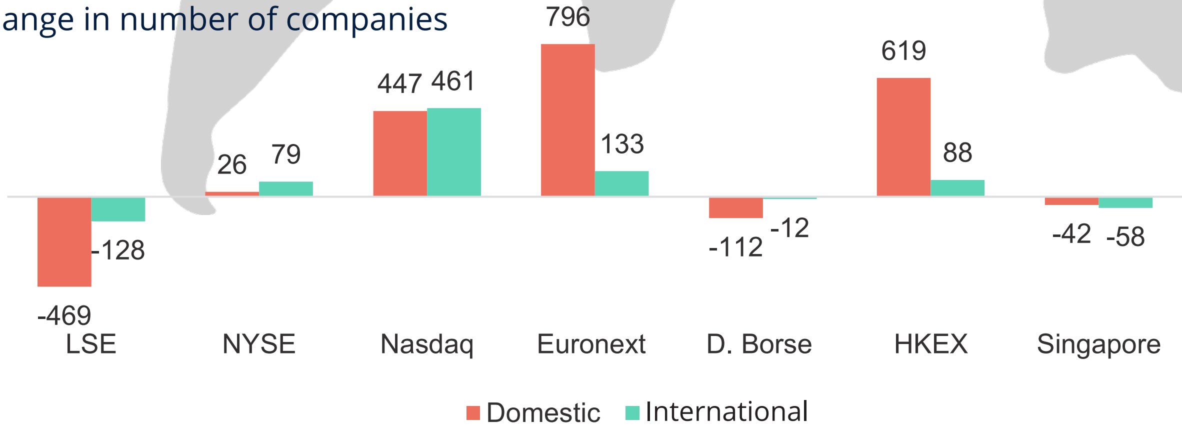
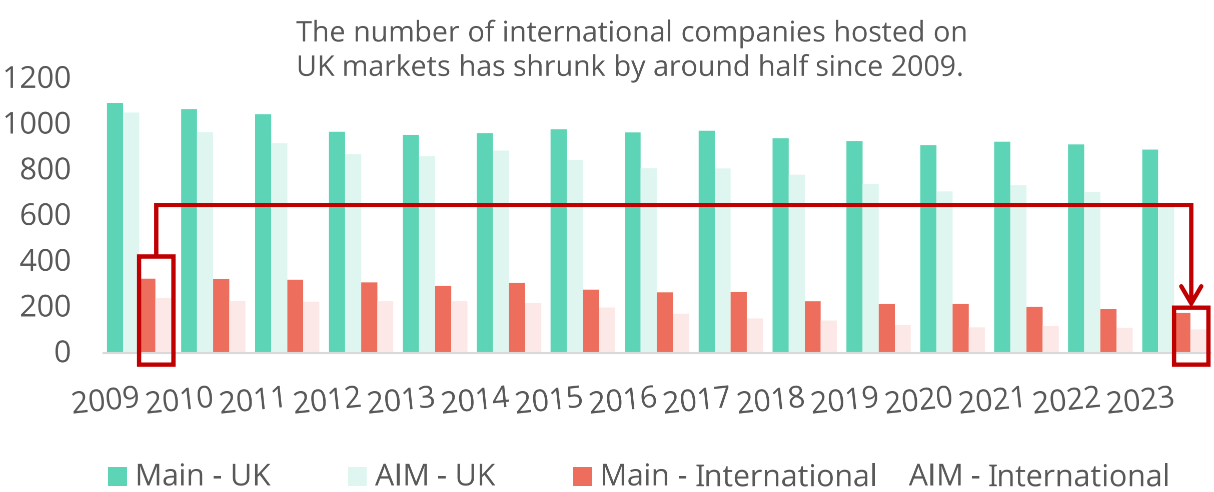


Fig 3: The cohort of companies participating in LSEG public markets in the UK has shrunk by a third over the last fifteen years.
Total companies listed on all LSEG markets, December of each year.



World Federation of Exchanges; London Stock Exchange Group

The most important contributions technology can make are those that make it simpler to participate in UK capital markets, including measures that increase price transparency and efficiency for market users.

evolution in the operation of UK capital markets. Although they can seem complex, what they all have in common is that they seek, in their own way, to achieve a market that is more transparent, more efficient and better served by cutting-edge technology. The UK must now focus on delivery and implementation of these reforms.

Listing and corporate governance reform

In any public market there are a range of rules which set the criteria for companies wishing to participate in the market. These include listing rules, market disclosure rules and corporate governance rules. To ensure that the UK capital markets remain attractive, it is important for these rules to keep pace with the needs of both companies and investors.

At the core of the most recent reform proposals is the concept of merging the current 'standard' and 'premium' listing segments on the London Stock Exchange Main Market into a single category with a proportionate set of obligations and a clear emphasis on disclosure. These reforms will help significantly in attracting more innovative and fast-growing companies to join public markets and grow in the UK.

However, listing rules cannot be viewed in isolation. They need to be considered as part of the wider framework that adds up to the experience of being a traded company in the UK. Alongside listing reform, there is now an opportunity to create an improved disclosure regime for securities offerings via the new Public Offers and Admissions to Trading Regime (POATR).

In parallel, the UK must also reflect on how its corporate governance framework supports companies and their investors. Robust rules can provide assurance and confidence for investors, but proportionate governance requirements are also a key consideration when companies are choosing where to join a public market. The key is to see admission, disclosure and governance rules as a single package and not in isolation. For example, the benefits of improvements to the UK listing regime could be outweighed by overly restrictive corporate governance requirements once the company is traded. It is important that the UK strikes the right balance across these areas. As a priority:

- Proposed reforms to the UK listing framework from December 2023 should be implemented at pace to give companies the confidence to join public markets in the UK now.
- The ongoing changes to the POATR should focus on ways in which prospectus requirements can be simplified and streamlined, including by helping remove

unnecessary duplication between the public offer regime and ongoing disclosure requirements. The UK should also look for ways to ensure that relevant documentation produced in selected peer markets can also be used in the UK to simplify the process of joining public markets or fundraising in the UK. As with listing reform, it is important for the UK to move as quickly as possible in this area.

- The current review of the UK corporate governance framework should take a holistic view of the obligations of public companies to ensure that duties are proportionate, transparent and provide robust controls, which investors value. The UK should ensure that in developing disclosure frameworks, especially in key areas such as ESG, it does so without creating unnecessary burdens on companies seeking to take advantage of equity and debt markets. In setting such frameworks, the UK should play a leading role in aligning global standards across key markets.

Technology leadership in capital markets

Changes in technology inevitably shape the way capital markets operate and evolve. The most important contributions technology can make are those that make it simpler to participate in UK capital markets, including measures that increase price transparency and efficiency for market users. Against this benchmark, there are several changes that the UK should focus on.

- The UK should implement proposals to improve market transparency by making available real-time pricing information, as far as technically possible, for both bonds and equities. This would be delivered via a UK 'consolidated tape' which will bring together prices and volumes of all the trades in a specific asset class that take

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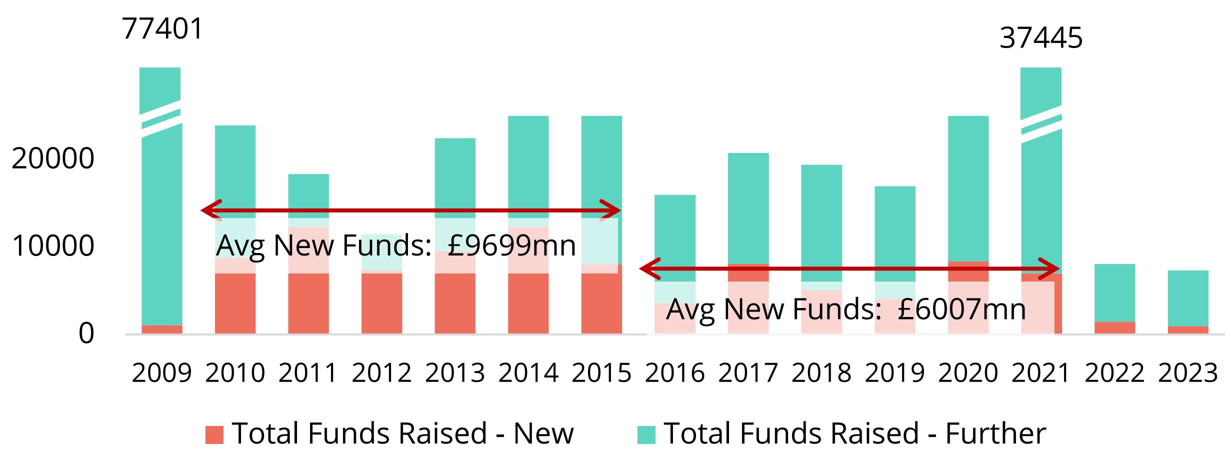
New and follow-on fund-raising

Fig 4: UK capital markets have been a valuable source of further finance for publicly-traded companies after the 2008 and COVID crises, but have had a declining role in new equity issuance.

New and further funds raised on main market (£mn).



LSEG

place in the UK. This will inform investors of prices and volumes in a timely manner, leading to greater market participation. The UK government should follow through on commitments to implement a UK consolidated tape for bonds, and not delay plans for an equities tape.

- The interim conclusions of the Digitisation Taskforce in 2023 have identified a set of changes that aim to enhance the efficiency of UK capital markets and improve the experience of investors in engaging the companies they invest in. Digitisation of the shareholding system, ending the issuance of paper share certificates and requiring the carefully managed conversion of extant paper shares to digital ones is key. Digital Annual General Meetings (AGMs) could also encourage wider participation, which is important in attracting individual investors back to shareholding. The Taskforce's work should now be the basis for reflection on how these aims can be best achieved.
- The UK needs to carefully consider the merits of an accelerated UK settlement regime. The US is moving to a regime that settles transactions the day after trade date (Accelerated Settlement or T+1). European policymakers are therefore considering a similar future move in order to harmonise global settlement cycles. This would be a significant market transformation with cross border implications. There is no competitive advantage for the UK to move ahead of the EU and Switzerland or vice versa. Therefore, the UK's move to T+1 should be contingent on a robust cost/benefit analysis, drawing on lessons learnt from US implementation. The UK should coordinate with the EU and Switzerland to ensure a consistent European regional approach with sufficient preparatory time for market users.
- The UK should signal its ambition to lead the world in securities tokenisation and harness the momentum created by the launch of the Digital Securities Sandbox. Widespread industry participation in the Sandbox, experimentation with securities tokenisation and the corresponding use of distributed ledger technology would accelerate innovation, improve operational efficiencies and help retail investors access capital markets in new ways. To realise this ambition, the UK must now form a joint industry and regulatory group to provide recommendations to drive the UK's leadership in the digital assets transformation.

Supporting informed investors: the role of investment research

High-quality research provides objective, informed analysis of companies joining public markets or trading on a market and is often invaluable for investors. Current UK rules require the separation of research and execution costs when these are provided to market users. These 'unbundling' rules, introduced in 2018, may have impacted the provision of investment research in the UK.

There is little case for sustaining an outright ban on bundling research costs as part of an investor service package. Instead, greater optionality should be introduced to empower clients to choose whether they wish to pay for research on a bundled or unbundled basis. Current rules[1] that require, in certain circumstances, investment research on a company joining a public market to be published seven days after the company publishes its registration document are also unnecessarily restrictive and should be changed.

The convening power of government

In addition to the ongoing regulatory reforms, the UK government should better exercise its convening power and hold an annual capital markets summit in the UK. This should convene UK policymakers, UK companies and investors, both domestic and international. It would help to promote UK capital markets and demonstrate the opportunities available for international companies in the UK. It would also be a vital forum for debate on future regulatory evolution in capital markets.

Conclusion

The international competitiveness of UK capital markets and their success in attracting and supporting a deep pool of growing companies is not simply a question of regulation. The UK needs the right frameworks for tax, skills and digital infrastructure as well as a supportive culture of risk and reward. However, the regulatory regime for primary and secondary markets in the UK is key. A strong primary market needs an efficient and transparent secondary market where prices are clear and trades can be completed quickly and efficiently. A healthy secondary market needs a strong pool of companies seeking to join public markets. Both need informed, empowered investors. The right regulatory reform package can and will strengthen all of these.

The UK has a unique opportunity to refresh its regulatory framework, make up some of the ground it has lost internationally over the last decade and reinforce its global strength. It has never been more important for industry and political leaders to work together to enhance the international competitiveness of UK capital markets and strengthen them as the engine of domestic company growth.

Companies will continue to evolve in terms of their needs and preferences, as will the investors that support them. Technology will continue to define what is possible in many areas of capital markets, including efficiency, transparency and widening participation. Enhancing the UK's capital market strength means having a regulatory framework that is ready to evolve with them.

How can I support this agenda?

- Support rapid and comprehensive implementation of the package of reforms set out in the Annex, alongside timely consideration of the aims of the Flint, Austin and Kent reviews.
- Support ongoing reform to UK listing and public offer rules in 2024, conducted in close coordination with changes to corporate governance and stewardship requirements as part of a single framework for taking a company public in the UK.

1 FCA COBS 11A.

Annex: Measures currently under review or scheduled for implementation

What unites technical changes like accelerated settlement times on UK secondary markets with changes to listing rules for UK primary markets? They are part of a single package of proposed changes that have emerged over the last four years in the UK to improve the transparency, efficiency and technological sophistication of UK capital markets. That package now needs to be completed and implemented.

Policy	Origin and policy vehicle	UK Finance policy recommendation	Why does it matter?
Market Data (a UK consolidated tape)	Wholesale Markets Review and subsequent FCA consultations	Implementation of consolidated tapes for both bonds and equities	The consolidated tape will enhance market transparency for investors of all sizes
Accelerated Settlement (T+1)	Edinburgh Reforms – HMT Accelerated Settlement Taskforce	A move to T+1 once a thorough cost/benefit analysis and detailed assessment has been carried out, following the US's implementation, leveraging lessons learnt there	Enhanced speed and efficiency for market users and maintaining harmonised practice across major jurisdictions
Short Selling Regulation	Edinburgh Reforms – HMT consultations and upcoming FCA consultations	Improvements to the regulation such as: • The market-maker application process can be made more efficient • A positive securities list held by the Financial Conduct Authority (FCA) • Reforming the scope (removing UK Credit Default Swaps (CDS) and UK sovereign debt) • Public disclosures to move to aggregated net positions	Reform will ensure the UK's regulatory regime alleviates disproportionate burdens and improve its effectiveness and efficiency

Policy	Origin and policy vehicle	UK Finance policy recommendation	Why does it matter?
Digital Securities Sandbox	Edinburgh Reforms – 2023 Summer consultation	Ensure a smooth transition for entities choosing to enter and subsequently exit the Sandbox	The Sandbox will encourage experimentation and digital innovation
Digitisation/ Dematerialisation of shares	Mansion House 2022 – Digitisation Taskforce launched	Adopt model three as the most viable approach for publicly-traded companies	Technological advancement and simplification will benefit issuers and investors
Investment Research	HMT Investment Research Review	Ensure regulatory change to introduce more optionality on how to pay for investment research	A healthy research market is an enabler of an attractive UK capital market where investors can obtain the information they need to make informed decisions
UK Listing reform	HMT Listings Review	Implement the enhanced single listing regime	Reform will alleviate disproportionate burdens, increase efficiencies and boost UK competitiveness
Reform of the UK public offer (prospectus) regime	HMT Listings review FCA Public Offer Engagement Papers and expected consultations	Design and implement an integrated, coherent continuing obligations and disclosure regime	Reform will alleviate disproportionate burdens, increase efficiencies and boost UK competitiveness
Implementation of the UK Corporate Governance Code	Restoring trust in audit and corporate governance DBT White Paper (2021)	Proportionate implementation and reassessment of the operation of the "comply or explain" model	Reform will foster growth and competitiveness
Reform of the Stewardship Code	Stakeholder and market feedback on 2020 revisions to the Code	Ensure effective and proportionate stewardship both for companies and investors	Reform will foster growth and competitiveness

UK capital markets: the growth escalator

A diverse landscape of UK companies on UK public markets depends on a healthy pipeline of growth companies working towards that goal. The UK needs to strengthen that pipeline.

In strengthening the pipeline of UK growth companies, UK Finance supports:

- A review of government support for early-stage business finance to expand its scope and remove the potential funding "cliff edge" for firms on a growth trajectory.
- Measures such as the Mansion House Compact designed to help ensure that the shift to Defined Contribution pensions in the UK sees a boost to both listed and unlisted companies.
- Expanding Enterprise Management Incentives to help widen their scope to give all staff a stake in a company through a period of expansion.
- Ongoing review of the UK's admission, disclosure and corporate governance requirements to ensure they are proportionate for UK companies accessing public markets.
- Measures to ease the transition to public ownership for smaller companies, including ideas for an intermittent trading venue.

The backbone of UK capital markets must be a steady flow of companies up the growth escalator. Today's challenges on that growth escalator are a warning of wider weaknesses tomorrow.

The fundamental purpose of a capital market is to connect investors with companies and governments seeking funding. Capital markets are effectively a group of linked markets:

- Primary public markets - where companies raise new finance by issuing shares or debt to the public;
- Secondary public markets - where the shares and debt of companies can be bought and sold;
- Private markets - where professional investors, such as private equity investors, provide financing to private companies either in the form of an equity investment or debt.

Companies will access these markets at different stages, depending on their growth and development. One way to think about this is as an escalator on which companies ascend as they grow (see Fig 1). A company that develops in its early stages with, for example, angel funding, venture capital or private equity support may eventually become a 'publicly traded company' and seek further funding by issuing shares to the public.

Not every company needs, or will use, this escalator in the same way. Effective capital markets should be able to support a company's funding requirements as and when such support is required. As such, the effectiveness of a capital market can be measured by how well a growing company can access and ascend the steps on the escalator.

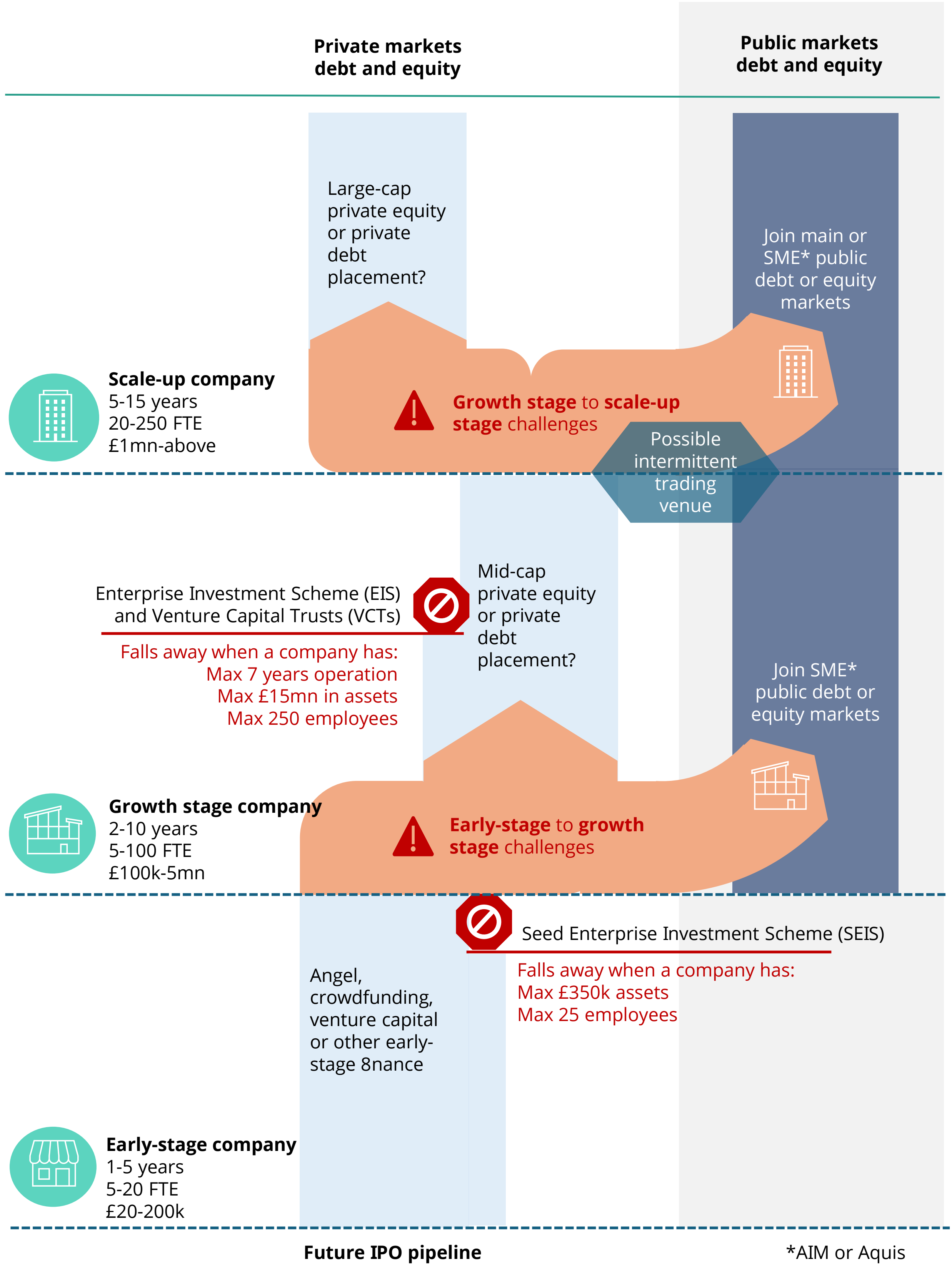
The final step of the escalator is participation in public markets via an initial public offering (IPO). 'Going public' is an important step for companies and enables them to access a wide variety of investors who can buy and sell their shares. This ability to buy and sell when required – also known as liquidity - is an important part of what attracts companies to join public markets.

The success of public markets is ultimately dependent on the steps of the growth escalator that lead to them. A strong pipeline of private companies is needed today to create the large and successful public UK companies contributing to the employment, innovation and growth of tomorrow. Different steps on the growth escalator come with their own governance requirements, expectations on business' and their management and regulation. Moving one step to the next is often one of the biggest challenges in a business' life. For that reason, an holistic view of UK capital markets must consider not just each part of our markets but the important transition between them.

In that respect, the UK's growth escalator is not working as effectively as it could. In recent years, some of the most important steps on the growth escalator have become

The UK capital markets growth escalator

Fig 1: The UK capital markets are a growth escalator that take a company from establishment to scale. Each step of that escalator depends on the preceding steps.
Making the journey up that escalator for UK companies as simple as possible is key.
Note: company stage indicators are indicative only.



The challenge with this early stage of company growth in the UK is often the way that these early supports at start-up can fall away suddenly as a company grows or simply with time. This cut-off in support may be one factor in the UK's five-year company failure rate.

more dependent on overseas capital.[1] This can influence the trajectory of UK companies as they grow, including their future choice of public market or the location of their operations. The UK needs to develop and deploy its own capital to complement this international finance. Improving UK 'competitiveness' means ensuring UK-based companies can access growth finance from UK-based investors when they need it. It has also been increasingly recognised that the jumps between key steps on the growth escalator need close attention.

First steps on the growth escalator: start-ups and early-stage investment

The first steps on the growth escalator will generally be forms of finance targeted at start-ups and young companies. A mix of venture capital, angel finance and crowdfunding have helped produce a relatively healthy start-up ecosystem in the UK. The UK has company-creation rates higher than any other jurisdiction in Europe, although it lags the US and Canada.[2] This is true across many sectors, including tech, where the UK accounted for a quarter of all European start-ups in 2022. The UK is also a major European host of unicorns, with 104 in 2022, almost twice that of Germany and three times that of France.[3]

This is also an area where government plays an important role in making investing in early stage companies more attractive. For example, the Enterprise Investment Scheme (EIS), Seed Investment Scheme (SEIS) and Social Investment Tax Relief Scheme (SITR) all provide tax incentives for investors in UK-based early-stage companies. Venture Capital Trusts (VCTs) are investment companies that invest in, or lend to, unlisted companies. Helpfully, in 2023 the UK government extended sunset clauses for the EIS and VCT schemes from 6 April 2025 to 6 April 2035.

However, despite their extension, some challenges remain. One is the way in which these supports are cut off at defined thresholds of size and time, often long before options such as private equity investment or joining public markets are feasible. This can create a cliff edge for both investors and companies (see Fig 1). UK five-year business survival rates have hovered around 40% for the last decade, a full ten percentage points lower than in the US, where considerably deeper capital cushions for early-stage companies are available (see Fig 2).[4] The aim should not be to keep

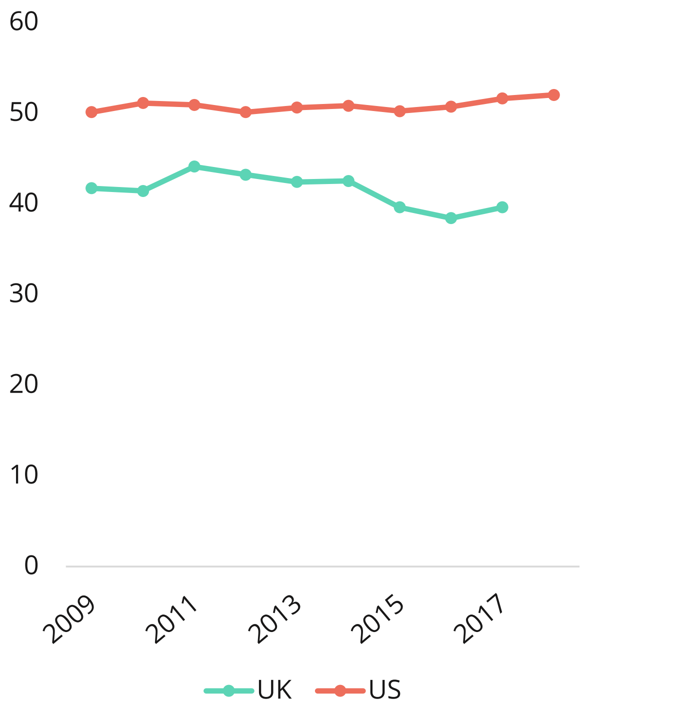
1 See our first briefing in this series for more on the changing composition of UK secondary markets and our second briefing for more on changes to the number of companies listing in the UK over the last decade.
2 See Global Entrepreneurship Monitor 2023 p53.
3 A unicorn is a privately-held company with a valuation over $1bn. See the Atomico State of European Tech 2023 Report p121.
4 One credible estimate of the relative levels of funding provided to US and UK start-ups at Rounds A-C between 2017 and 2022 placed it

unviable companies artificially alive, but to ensure that viable companies do not fail due to a lack of capital in this vital growth stage.

In that context, government and industry will need to consider how well current schemes support the challenges faced by growth companies. For example:

- Business supports (such as EIS/SEIS) could be expanded to include regulated fintech businesses - a sector in which the UK has a strong advantage and where new technology solutions often have strong potential for scaling and growth.
- Government-backed support through this phase could be redesigned to present less of a cliff edge for companies, providing a more tailored approach and phasing out company support rather than having it cease completely at fixed thresholds. This would help companies transition from this early-stage support to other forms of growth finance. The British Private Equity & Venture Capital Association (BVCA) notes that restrictions on support for companies over seven years old can be an issue for companies outside of London and the South East where the funding landscape can be more disjointed.[5]
- Enterprise Management Incentives (EMIs) should also be expanded. EMIs allow growing companies to extend the benefits of equity ownership to employees in a way that can inject both capital and commitment at a key time in a company's life.

Fig 2: The failure rate for UK start-ups at 5 years is 20% higher than for their US counterparts.
% 5-year survivals for business launched in year.



UK ONS, US Department of Labor

While most UK firms that choose to participate in public markets choose to do so in the UK, there is no question that competition from overseas venues is increasing. For this reason, the government should also consider ways in which an expanded set of taxpayer-funded supports for early-stage growth companies involve a two-way commitment and would become repayable in part or full if a recipient ultimately chooses to list, or move valuable operations, outside the UK. Where a UK company chooses to join public markets or locate is a choice for the company. However, there is a strong case for linking taxpayer supports to future commitments to using UK public markets and operating in the UK.

at a ratio of 2.4:1. See UK Finance, Building on Strong Foundations, 2023 p16.
5 BVCA written evidence to UK Parliament, September 2023 p5.

The UK's capital markets perform a variety of roles across the life cycle of a company. When these markets work well, they act as an escalator that take UK companies from establishment to scale to global success.

Later steps on the growth escalator: scale-ups and public markets

Once a company is well established, the next step on the escalator will often be to seek funding to scale it up. At this step on the growth escalator the UK's ecosystem for early-stage investment is complemented by an active landscape of private investors.

A key part of this picture is private equity. While private equity may not work for all companies, for many it is an important source of growth capital.[6] A challenge in the UK is the relatively limited number of domestic private equity funds able to lead on investments over £50mn, which will often be the required level for high growth companies in science and technology.

The BVCA notes that while UK funds dominate financing for smaller companies in the UK, over half of the Series B growth rounds in UK science and technology companies that raised more than £35mn in 2020-2021 were led by US funds.[7] This weighting of funding from non-UK investors matters as the investor makeup can heavily influence the company's choice of future listing destination or other strategic choices. While some UK companies have been tempted by US listings for apparent higher initial valuations, this does not necessarily serve a company well in the long term.[8]

The UK will need a range of strategies for ensuring that domestic UK investment is available for UK-based companies. For example, the UK's ambition to unlock greater Defined Contribution (DC) pension fund investment in unlisted companies via private equity funds could deliver benefits in this respect. This is especially the case if it can help strengthen UK funds in making larger investments in the kinds of fast-growing companies that the UK needs to keep rooted domestically.

In that regard, delivery of the 'Mansion House Compact' agreed in July 2023 would see UK DC pension funds allocate 5% of their default funds to unlisted equities by 2030. Creating a supportive framework for the pension industry and private equity providers will help match pension funds to investable companies, at a cost and level of risk acceptable to pension trustees.

Alongside a dynamic private equity sector, the UK's public markets provide routes for general investors to own and share in the success of larger companies. Joining the Alternative Investment Market (AIM) or Aquis markets for smaller companies or

6 The BVCA estimates that its members invested almost £30bn in UK companies in 2022, with almost £150bn available for investment in the next few years.
7 A Series B Round is the second round of financing for a start-up and will often be intended to help begin scaling-up a tested commercial proposition. See BVCA written evidence to UK Parliament, September 2023 p5.
8 See UK Finance, Building on Strong Foundations, 2023 p30.

making the transition to the main London Stock Exchange (LSE) market are pivotal moments in a company's life. Operating thereafter as a public company places new demands and requirements on companies in terms of financial management, regulatory disclosures, non-financial risk and other governance requirements.

Here the UK must address several challenges. One is simply ensuring a coherent and effective regulatory regime for listed companies that is proportionate and reflective of company and investor needs. The first steps into public markets are often the most challenging for growing companies. The unique role of the AIM and Aquis markets in the UK is providing this opportunity for smaller companies, including many high-potential technology companies. Both venues need to be supported in doing this by encouraging UK firms to consider using them and by promoting these markets to high-growth firms outside the UK.

Even with these specialist markets targeting smaller companies, one challenge for companies accessing public capital markets is meeting the necessary disclosure requirements and then sustaining liquidity requirements. Robust disclosure and governance standards are one of the hallmarks of UK capital markets and important for investors. It is nevertheless equally important to ensure that eligibility and continuing obligation requirements[9] remain proportionate to the capabilities of growing companies – the balance has not always been right in the UK. This proportionality test should be one of the prisms through which the UK reforms its listing and public offer rules in 2024 and conducts its ongoing review of UK corporate governance rules.[10]

One of the most important trends in UK capital markets in recent years has been companies spending longer in private ownership and delaying or choosing not to seek public listing. This shows up in the falling number of companies listing on UK markets.[11] For this reason policymakers and regulators have rightly asked if there is more that could be done to extend some of the benefits of public share ownership to companies that would otherwise not be ready or willing to take the full step to an IPO.

One example of such supports is the new Public Offer Platform regime proposed by the UK Financial Conduct Authority (FCA) to provide an alternative to traditional crowdfunding. Another is the Private Intermittent Securities and Capital Exchange System (PISCES) concept proposed by the UK government which would create a unique hybrid market in which private company shares would be available for trading at fixed intervals throughout the year (e.g. monthly), rather than permanently.

This would create an intermediate framework for fundraising that would give investors the confidence of regulated disclosure requirements but at a level more accessible to a smaller company. They would enable private companies to experience what it is like to operate like a publicly-traded company without having to comply with the

9 Continuing obligations are the ongoing rules and requirements that apply to firms joining a public market.
10 See our second briefing in this series for more on listing, disclosure and governance reform in UK capital markets.
11See our second briefing in this series for data on the fall in UK companies choosing to list in the UK.

full range of requirements from day one. An alternative source of liquidity would also enable them to allow existing investors to sell their stakes in a relatively simple way - and bring in new ones. While investors in growing companies need to take a medium to long-term perspective on returns, this liquidity is attractive to investors and will increase the 'investability' of participating companies.

There is also a potential role for securities tokenisation to play across these steps on the growth escalator as the technology and regulatory framework develops.[12] Tokenisation can help make otherwise low-liquidity assets available to a wider pool of investors, including in low-value tranches. This technology could, in time, provide an opportunity to make shares in start-ups, scale-ups and other unlisted equity available to a wider pool of investors, including retail investors. As the UK develops its regime for tokenised securities in the months and years ahead, it should actively explore potential applications to the growth escalator.

Conclusion

Cultivating a healthy pipeline of growth companies in turn ensures a healthy pool of companies joining public markets. UK policy makers, regulatory authorities and industry need to work together to continually assess the way the growth escalator is working at each of its steps. They also need to focus on the critical question of how easy it is to move between those steps. If the UK gets this right, a company pursuing growth outside of the UK should be a choice and not a necessity.

12 See UK Finance Unlocking the power of securities tokenisation 2023.

How can I support this agenda?

- Endorse the review of early-stage investment supports in the UK to widen their scope and smooth out cliff edges for companies seeking growth finance in every part of the UK.
- Support measures to raise the level of UK pension fund investment in unlisted equity, especially where this could boost UK private equity funds in making larger investments in highly innovative growth companies.
- Support the ongoing review of the UK's admission, disclosure and corporate governance requirements to ensure they are proportionate for UK companies accessing public markets for the first time.
- Support the exploration of new approaches to fundraising, admission to public markets and tokenisation in the UK that enable smaller companies to access some of the benefits of wider ownership without the costs and continuing obligations of a full IPO.

UK capital markets: a missed opportunity for retail investors?

On current trends, many UK savers will be unable to meet their desired standard of living in retirement. UK capital markets are part of the solution to this growing societal challenge.

In providing new opportunities for UK savers to take a greater stake in the future growth of the UK, UK Finance supports:

- A greater focus on financial education and lifetime financial planning for workforce entrants, alongside targeted measures in the FCA Advice Guidance Boundary Review to improve access to basic investment advice for retail savers.
- Innovative technological approaches to ensure that retail investors can have access to the same key forms of market information and data as professional investors.
- Active consideration of ways to make a UK digital gilt part of a strategy to encourage greater retail participation through targeted issuance for retail investors.

By owning shares in UK companies, or lending money to the UK government, a saver is earning a return and helping fund the future of their economy.

Many UK citizens are likely to fall short of the required finances in retirement, leaving a gap between expectations and actual living standards. While many hold equity in their homes, contribute to pensions or save in other ways, too many UK citizens are not building sufficient future provision for later life and retirement. There are a number of factors driving these trends, ranging from wealth inequality, large pools of cash being stored for housing deposits and a declining public interest in equity and debt markets as a form of wealth generation. Policy makers will need to address two areas – (a) increasing the total savings of UK adults over their lifetimes and (b) allocating those savings to assets that are generally aligned to long term returns.

UK capital markets are central to these policy solutions because they enable savers to make the financing of UK companies and the UK government part of their lifetime saving strategy. By owning shares in UK companies, or lending money to the UK government, a saver is earning a return and helping fund the future of their economy. They are also channelling the benefits of that future back into their long-term income. Both offer different return potential compared to holding cash in a bank account over the same period.

Saving via capital markets

Incorporating capital market participation into the long-term savings profile of the UK can happen in two basic ways. The first is indirectly, through pensions or other institutional investments made by UK savers. The second is through direct ownership of equity and debt by individuals. In the 1960s, around half of the UK stock market was owned directly by individual UK investors in this way. Today they make up around 12% of its ownership.

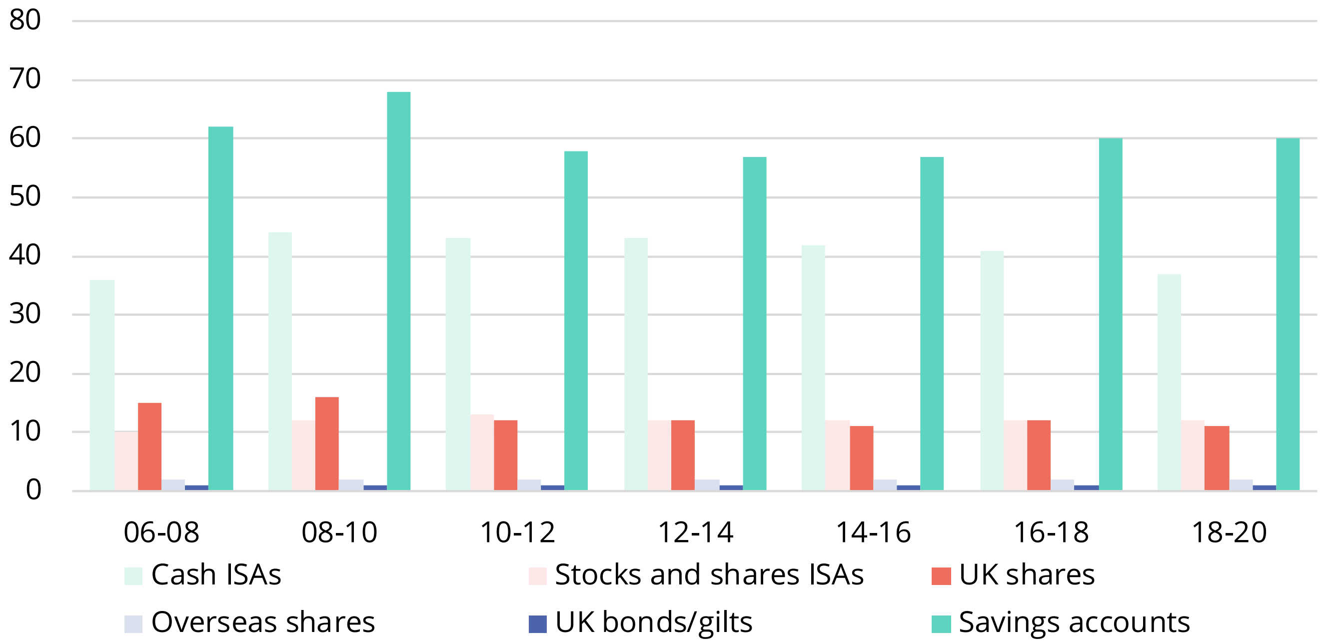
Many savers will be familiar with participating in capital markets via their pension, as part of their long-term savings plan. Alongside this, an increase in widespread retail investor participation would be positive for UK citizens and the UK economy for three reasons:

- First, it would provide an important diversification for cash savings outside a pension. Cash holdings are an important part of the UK savings mix and make up the vital deposit base of UK banks, which is used for lending to businesses and individuals. But cash holdings are impacted by inflation and returns from cash savings are generally lower than returns from equities or debt. UK savers will benefit from a strategy over the long term that embraces diversification.

Cash and other assets

Cash is the primary savings vehicle for UK households. The number of UK households directly holding UK shares as part of their savings has fallen over the last two decades.

Fig 1: UK households holding asset types.
Two-year periods, 2006-2020 (%).



UK ONS National Household Wealth Survey

- Second, some UK savers are potentially missing an opportunity to express individual preferences through a direct investment approach in terms of the sectors, geographies, and sustainability criteria. Direct investment also provides day to day control over, and access to, invested savings in a way that a pension does not.
- Third, when a UK investor owns UK debt or equity, they are investing in the UK and the returns from that investment are channelled back into the UK. This enables UK savers to share in the success of UK companies. It also cultivates a level of 'ownership' and 'skin in the game' for society.

Technology is enabling the development of new platforms and other market innovations that simplify and improve the experience of owning stocks and shares. This will be important for increasing retail participation in equity markets. If the UK is to establish and embed an investment and savings culture, it will require not only financial education and better advice but also efficient and user-friendly platforms that offer positive experiences and lead to the formation of investing and saving habits across the UK.

Recent regulatory reform in UK markets should also positively impact some of the push and pull factors influencing market behaviours. Current proposals from the Digitisation Taskforce, around the

Many surveys over the last decade, including those conducted as part of the UK's Financial Capability Strategy have identified serious gaps in consumer knowlege, including on key investment themes such as the time value of money, diversification and the compounding effect of interest.

digitisation of the shareholding system, should make it simpler for investors with smaller shareholdings to play a direct role in the governance of the companies they own, provided that this is accompanied by appropriate protection of shareholder rights.

Risk, education and advice

To reverse the move away from retail participation in UK capital markets, we need to understand why it is happening. Despite an increasing number of platforms offering the opportunity for UK savers to allocate savings to stocks and shares, only around 11% of UK households hold shares directly as part of their savings - a fall of around a quarter since 2006 (see Fig 1). This is around half the level of the US.[1] While UK savers have recently begun increasing their personal ownership of UK government debt, this remains small. This deprives UK savers of the benefits many other European savers enjoy from purchasing government debt.

Lower levels of direct share or debt ownership may, in part, be linked to perceived risks. While holding shares in companies, or their debt, carries a degree of risk, this depends on the type of debt or shares, and on the time frame over which an investment is made. Accounting for risk over a long investment period is also a fundamental component of modern investment theory. Conversely, the UK has witnessed a trend in cryptoasset investing, a market that carries material risk and has been historically volatile. Participants in this investment market may be overlooking the under-tapped potential of two traditional and diverse categories of assets in shares and bonds. This suggests the issue may be one of understanding and accessibility rather than risk-aversion.

Many surveys over the last decade, including those conducted as part of the UK's Financial Capability Strategy, have identified gaps in financial literacy. This includes fundamental concepts such as the time value of money, diversification and the compounding effect of interest. This places the UK below the OECD and G20 averages in many cases (see Fig 2). This is especially important for individuals between 20 and 35 years of age who may be earning discretionary savings for the first time, and have not experienced periods of high inflation until recent years. More focus is needed on this group and its preparation for its future.

1 US Federal Reserve Triennial Consumer Finance Survey 2023.

In part, this is an education challenge. The UK has made several important commitments over the last two decades to improving financial literacy, especially among UK students. An early education in the basics of budgeting, savings and investment is a vital part of an individual's development. There is more to be done to help young people in the early phases of their working life understand the basics of allocating savings appropriately over their lifetime.

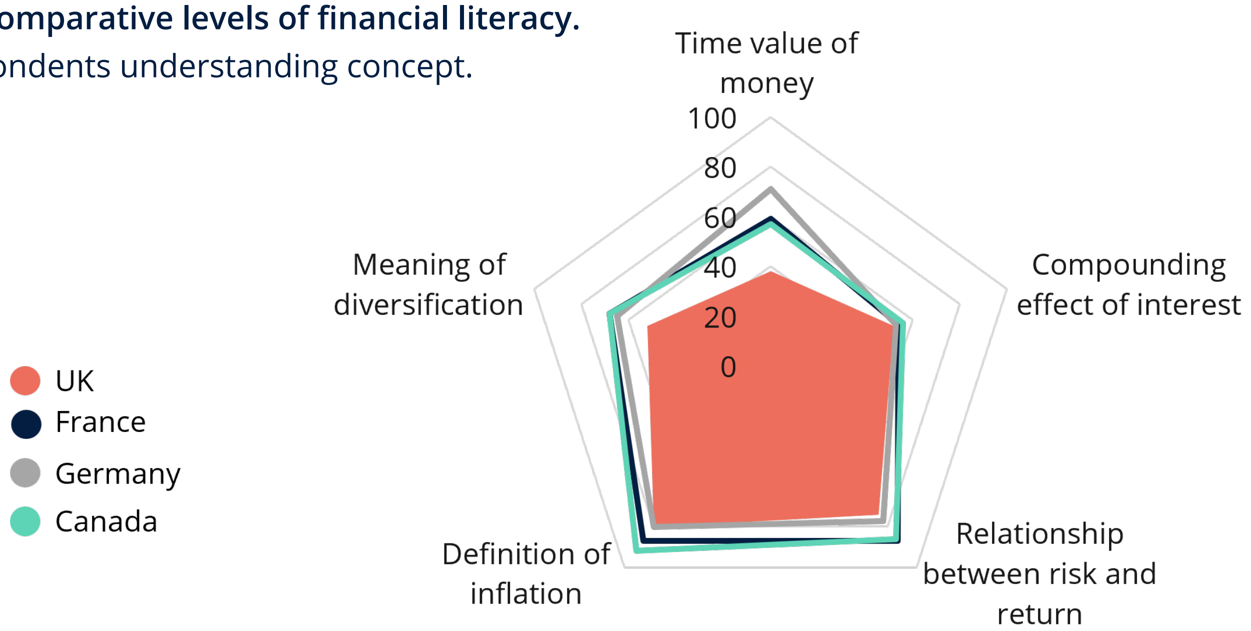
However, it is also a question of the personal and customised advice and guidance available to UK savers. The FCA's Advice Guidance Boundary Review is an opportunity to improve access to, and uptake of, financial guidance and advice. This could stimulate a larger and commercially viable new market for financial guidance of this important type. It will be important to focus on the mid-20s to mid-30s demographic as savers and potential first-time investors.

It is also important to consider the way in which retail investors access market information to make informed decisions. There are policy proposals underway to aggregate market data by way of a single feed called a consolidated tape. If a future equities tape delivers easy access to this data for free or at a nominal cost then it would help ensure that retail investors have access to accurate and timely market data to be able to make informed trading decisions.

A financial literacy challenge?

The G20-OECD-INFE Financial Literacy survey is a major global snapshot of financial literacy across markets. When the UK last particpated in 2017, it pointed to some important gaps in UK financial education and advice, especially around key investment concepts such as the time value of money, diversification and compounding. In many cases, and overall, the UK ranked below both the OECD and the G20 average.

Fig 2: Comparative levels of financial literacy.
% respondents understanding concept.



G20-OECD-INFE Global Financial Literacy Survey 2017

ISA usage patterns and what they tell us

Almost two thirds of UK ISAs are used to save cash, although more money in total is allocated to Stocks and Shares ISAs. Where it has been taken up by savers, the Stocks and Shares ISA model is used across UK income categories. With Stocks and Shares ISAs the bulk of allocations are not made directly to UK company shares.

Fig 3: Cash/Stocks and Shares ISA mix 2022.
Total mn and %.

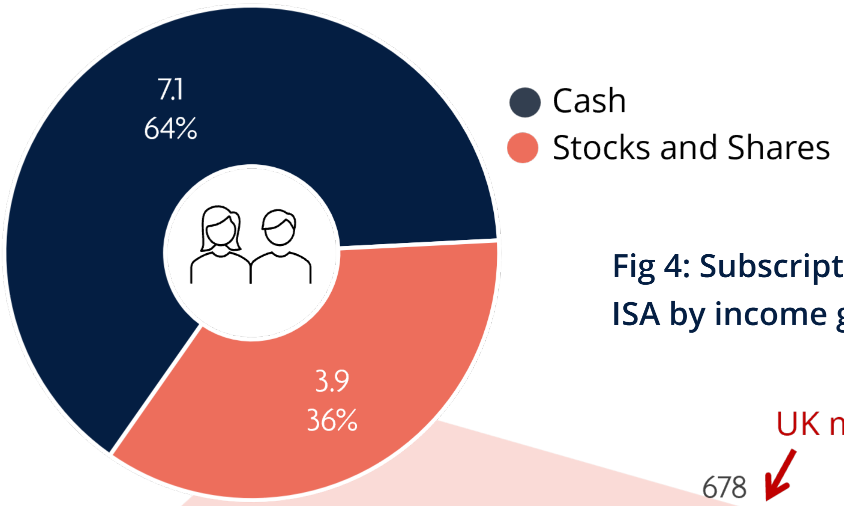


Fig 4: Subscriptions to stocks and shares ISA by income group 2022.

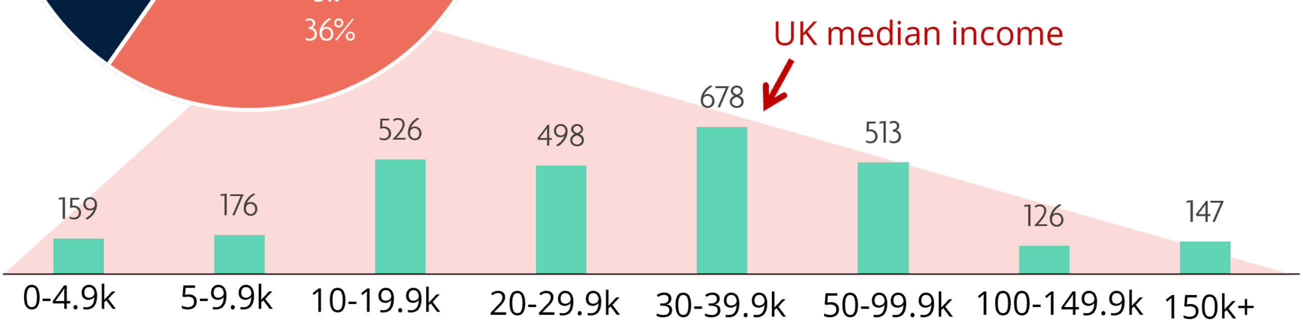
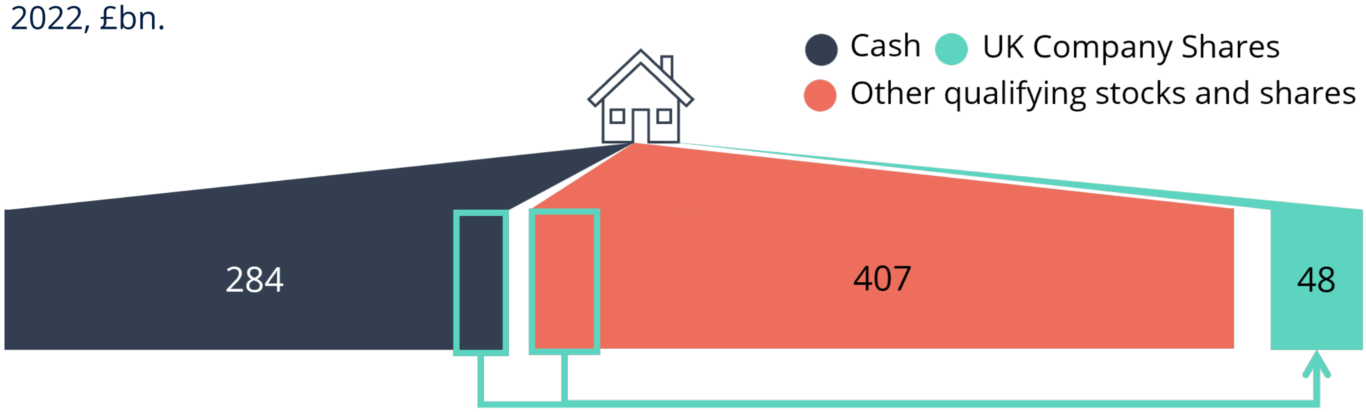


Fig 5: Composition of all ISA holdings.
2022, £bn.



If UK savers opted to move 10% of current cash ISA holdings and 10% of non UK-company stocks and share holdings to UK company shareholdings this would represent a c£70bn boost for UK public company markets and potentially higher returns for those cash savers.

UK ONS

Most UK ISA holders continue to use them to hold cash rather than taking advantage of the stocks and shares ISA option... However, where Stocks and Shares ISAs have been adopted by savers, they are popular across all income categories, reflecting the fact that shareholding potentially has broad-based appeal.

The ISA model and investment in the UK

For several decades the Individual Savings Account (ISA) has been one of the most important ways in which savers have made regular tax-efficient long-term savings. Most UK ISA holders continue to use them to hold cash rather than taking advantage of the Stocks and Shares ISA option. Of all UK ISA allocations in 2021-22, only around a third by volume were in stocks and shares, although this third accounted for the greater value (see Fig 3). However, where Stocks and Shares ISAs have been adopted by savers, they are popular across all income categories, reflecting the fact that shareholding potentially has broad-based appeal (see Fig 4).

Some UK citizens may not be aware of the benefits that a Stocks and Shares ISA can bring to a diversified portfolio over the medium- long term. In addition, there are also potential structural issues with the current ISA model that could act as a constraint on maximising its benefits for individual UK investors.

One relates to the ISA treatment of fractional shares. These are conventional shares that can be made available to individual investors at a price point lower than a single share. These fractional shares function in the same way as 'full' shares. Crucially, they enable individual investors to build ownership in high value shares that might otherwise be beyond their reach.

For example, an individual share in UK-head-quartered life sciences firm AstraZeneca averaged around £11,000 over 2023. An individual saving and investing even as much as £10,000 a year would need to allocate more than an entire year's saving just for one share. Retail investors are effectively excluded.

HM Treasury should follow through on commitments to legislate on the inclusion of fractional shares in the ISA wrapper. This will need to be supported by an approach from regulators and HM Revenue and Customs that allows savers to invest in fractional shares on the same basis as full shares.

Developing a retail gilt market

UK savers directly hold very little UK government debt. Direct ownership of this debt carries exemptions from capital gains tax - intended as an incentive for UK savers to lend to their government. This benefit is overwhelmingly used by wealthier investors, who have the knowledge to directly purchase UK government debt. The UK Debt Management Office estimates that UK households directly held just over £3bn in gilts in 2023 - about 0.2% of UK government debt.[2]

UK gilts can at times be a better retail investment than other government-backed savings products, such as bonds issued through National Savings and Investment. Other European countries have developed targeted sovereign debt products for retail investors, and have seen retail participation in government debt rise.[3] Recently the UK has opened access to retail investors to buy newly issued gilts through digital brokerage platforms, but more should be done to encourage demand for, and access to, these products through awareness raising. For example, as the UK continues to test and develop the concept of a digital gilt, consideration should be given to the ways in which this technology could be used to boost access for individual savers and tap fresh sources of demand for government debt.

Conclusion

Alongside effective and adequate pension provision, enabling UK savers to directly participate in UK capital markets boosts choice and over time can help UK savers maximise the potential returns from their savings. For a UK saver, the ability to participate in UK capital markets offers individuals a greater stake in the future success of the UK and its companies and a better potential return on long-term savings. It will also help to develop savings strategies that work across a financial lifetime.

These savings would also deepen the pool of funds available for the UK government and UK companies and channel the returns from those funds back into the UK economy. The capital markets are the engine of the UK's economic future. The benefits of participation in the building and running of that engine should be as accessible and wide-spread as possible. Taking action now to renew the link between UK savers and UK capital markets is key to that.

How can I support this agenda?

- Support a greater focus on education and support for young earners on how to manage savings and investment over a lifetime, and the advantages of equity ownership in this mix.
- Support changes to the advice and guidance framework in the UK that enables savers to seek basic investment advice at a proportionate cost and level of regulatory oversight.
- Support the launch of a digital gilt in the UK, with a particular focus on how this might help support wider direct public participation in UK debt issuance.

2 UK DMO statistics.
3 See, for example, the Italian BTP Italia programme.

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