THE FUTURE OF THE CITY OF LONDON: SHAPING THE NEXT DECADE

ADDLESHAW GODDARD

INTERNATIONAL LAW FIRM

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FOREWORD

The City of London is one of the world's leading international financial centres. As well as being a key pillar of the global financial system, the City has long been a driving force of the UK economy. Its strength comes from the talent, capital, legal system, regulatory framework and technology available, and in particular the quality, scale and interconnectedness of the City's financial and professional services, spread across the Square Mile, Canary Wharf, Mayfair and beyond, all underpinned by close ties to the rest of the world.

Today, that blend is as robust as ever. The City's annual economic output is equivalent to the UK government's combined 2024/2025 yearly public budgets for Defence, Transport, Energy, and Science, Innovation and Technology.[1] Some 170 international banks operate here, and it is the third largest insurance market in the world. Our foundations are strong, but they cannot be taken for granted and there are warning signs we cannot ignore.

Aster Crawshaw
Senior Partner

Sarah Egbu
Partner, Head of
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FOREWORD CONTINUED

This *“What if?”* report is published at a moment when confidence in London’s future remains high, yet the outlook is unclear. Global competition between financial centres is intensifying; technological change and innovation may be accelerating faster in locations with a greater appetite for risk; other cities now offer more attractive relocation tax incentives; and geopolitics is shaping perceptions of London.

Opportunities lie ahead, but not without a growing sense that today’s choices and actions – or lack of action - will have lasting consequences. Business leaders are faced with key questions: *how* will London evolve, and *what* role must business and policymakers play in shaping its next phase?

To help answer those questions we conducted interviews with senior leaders across financial and professional services, government and industry, using their expertise and insight to build scenarios exploring four plausible futures for the City. Those futures revolve around four key themes that arose repeatedly across our conversations:

1. How capital is mobilised for growth
2. How London protects and strengthens its global role, including its relationship with its nearest neighbours in Europe, including the European Union (EU)
3. How effectively innovation and regulation are balanced
4. How reputation is built and protected

While the scenarios differ, they have several implications in common. For example, the fortunes of the City and wider UK economy are indelibly linked, and the City must remain a source of competitive advantage for the country. Additionally, the City's position as an international market is its defining strength, but retaining this global position means re-guiding political narratives to ensure we continue to attract international talent and entrepreneurs. That includes setting the right immigration policies and fiscal incentives.

Innovation and technology adoption are also central to future success. Adaptation has historically been a strength of the City, and it must remain so in future if we are to keep pace with global change. The significant overhaul of the UK's listing and prospectus regimes is one proof of this willingness to adapt.

The recipe for further adaptation and growth includes more domestic capital permeating innovative businesses, plus an emphasis on regulatory competitiveness whilst adhering to international standards. That necessitates more alignment between government, regulators, and the City than ever before.

Finally, an essential umbrella issue: the City must communicate a clear and compelling story across domestic and international markets, that it is a thriving and dynamic financial centre, open to innovation and risk taking, where both businesses and the talented individuals behind them can flourish.

For Addleshaw Goddard, these points are not abstract. We are deeply committed to the City of London and to our international client base who rely on it as a centre for finance, investment and innovation. We support organisations navigating complexity, responding to change, and positioning themselves for sustainable growth. In essence, our goal is to play our part in ensuring the City and its constituents remain competitive, credible and open for business.

As an international law firm, we see both the broad benefits of City prosperity for the overall UK economy, and the City's enabling role in serving the needs of clients and trading partners in Europe and beyond.

This report examines key forces shaping the City and the strategic decisions that matter most. Its intent is to prompt discussion and deliver a further call to action at a critical moment for the City.

RESEARCH METHODOLOGY

This report is informed by scenario planning, a strategic tool used to explore uncertainty and test future-focused decision-making. Rather than predicting a single outcome, scenario planning examines a range of plausible *"What if?"* futures, shaped by different combinations of political, economic, technological and regulatory forces.

Using this approach, following detailed research across a broad range of sources, we conducted in-depth interviews with 26 senior experts, drawn from within Addleshaw Goddard and from organisations across the City, UK, Europe and the United States, including UK and non-UK nationals.

Interview insights were analysed to identify recurring themes and points of divergence. These informed the development of four *"What if?"* scenarios, each exploring how the City might evolve in response to key pressures and opportunities. The output is a synthesis of our conversations and does not represent the specific view of any single external contributor or their organisation.

THANK YOU TO OUR CONTRIBUTORS

Participants in this research included a cross-section of senior leaders and subject-matter experts from financial services, policy, and industry. They included Chief Executive Officers, board members, senior department heads, leading economists and research heads from major market infrastructure providers, financial institutions, industry bodies and academia, such as The City of London Corporation, UK Finance, J.P. Morgan, and three of the UK's top five retail banks.

EXTERNAL CONTRIBUTORS

- **Bim Afolami**
  Former HM Treasury City Minister 2023-24, current Head of Strategy for Acrisure, and Non-Executive Director HSBC UK
- **Charles Hall**
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- **Tom Ashworth ACMA**
  Head of Financial Analytics, Liberty Specialty Markets
- And three further City leaders

Together, they bring perspectives spanning market strategy, economic outlook, capital markets, regulation, and financial innovation, offering a broad and balanced perspective on the forces shaping the City of London's future.

ADDLESHAW GODDARD

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  Partner, Financial Regulation

"Global instability has reinforced London's appeal as a safe, stable place to do business."

"I don't want to sound arrogant or entitled – but I think as long as we don't get lazy, as long as we don't get complacent, as long as we keep investing, I have no doubt that business is going to stay here."

CAPTURING THE SENTIMENT OF THE CITY

Before exploring the challenges arising from our expert interviews, it is important to emphasise the overwhelming sense of optimism and positive sentiment towards the City aired in our interviews.

Its capital markets are broad and dynamic. It occupies leading positions in insurance, reinsurance, foreign exchange, sustainable and transition finance, professional services and law, while the convergence of language, time zone, talent density, culture and stability – to name a few factors – have seen London retain its magnetism for international business.

But that praise was coupled with stark warnings over complacency. Competitive advantages can erode and business flows are fickle. The world isn't standing still, so the City and policymakers must continue to adapt – and in some cases do so with a sense of urgency.

Between them, our experts capture the zeitgeist of the City: it is a leading global financial centre and remains the leading centre in Europe despite the turbulence of the global financial crisis, Brexit and the Covid pandemic. It has all the advantages required to remain in that leading role for decades to come, but neither the UK nor the City can take this for granted. We must continue to innovate, create a policy, fiscal and regulatory platform on which all can flourish, and show a positive and open face to the world.

The representative quotes from external experts shown here illustrate this.

"I do sense complacency in the City … it makes relatively fragile assumptions that are very much based upon past experiences."

"Even though the City has been an international financial centre for a century, it doesn't mean it's always going to be that way … we do need to think more about how do we position the City over the next 10 years."

"We are sort of on a knife edge. We can take some policy decisions that promote London and take advantage of all the natural benefits we have, or we can be complacent and see it dwindle."

"London's consistently been in the top two global financial centres. But it's been losing its competitive lead over other markets over time. So, let's not wake up in 10 years and wonder why it's fallen down the league table."

"London has unmatched power to retain financial flows long after industrial activity or underlying asset classes have moved elsewhere … London's genius has been creating and maintaining global benchmarks, ecosystems and regulatory stability despite all the massive geopolitical and supply chain shocks. That stems from concentrating international merchants, market infrastructure, professional services and regulatory trust in one place."

SWOT ANALYSIS: LONDON'S LANDSCAPE

STRENGTHS

- **Reputation** as a leading global financial centre, (historically) rivalled only by New York.
- **Strong talent ecosystem in close proximity:** international financial services, international professional services, universities, and research hubs (especially in sciences and tech).
- **Culture:** international, diverse, and a popular place to live, work, learn and play. There is a buzz about London.
- **Time zone advantage** between North America and Asia, enhancing global connectivity.
- **Depth of capital markets** (debt and equity).
- **Growing private market.**
- **Leadership in sustainable finance** and ESG, banking, fintech, insurance, foreign exchange, trading, professional services and maritime services.
- **Rule of law.** Trusted judiciary. English law and dispute resolution as international standard.
- **Internationally respected regulation** has created a trusted environment in which to do business, which is a major draw for international investment.

WEAKNESSES

- **The UK's market scale,** relative to the US and the EU, is small.
- **Brexit:** Repeated feedback is that Brexit and political instability undermine competitiveness and trade.[2]
- **Perceptions of a declining IPO market** prevail, although London saw a larger number of IPOs in 2025 than in any year since 2021, with proceeds nearly tripling compared with 2024. We wait to see the full impact of recent capital market reforms, for which we have high expectations.
- **High relative taxation,** cost of living, and affordability issues keeping talent away. Non-dom taxation and inheritance tax rules potentially weaken the financial services industry's ability to attract skilled people and high-net-worth investors.
- **Perception of decline:** negative media narrative, for example compared to US optimism.
- **Relocation of high-net-worth individuals** reducing capital and influence in the City.
- **Domestic capital** not being used to scale domestic, innovative businesses, relative to other markets.
- **Being too risk averse:** we need to rebalance our attitude to risk, across investors, government and regulators.
- **Lack of financial education/awareness** among the general population compared to other jurisdictions (notably the US).

As global competition intensifies, London's success hinges on how well it converts its strengths into future advantage, while addressing weaknesses that rivals could exploit. From our research, forces influencing the City's future standing include:

OPPORTUNITIES

- **Harnessing AI,** quantum, blockchain, and digital asset use cases to drive growth. For early movers, it presents a realistic shot at genuine competitive advantage over global rivals.
- **Further expansion into defence, clean energy, life sciences,** R&D, and technology beyond core FS/professional services.
- **Recasting the City as a 24/7,** tech-enabled hub of global finance and innovation.
- **Leading in sustainable,** green and transition finance, capitalising on UK's positioning.
- **Strengthening global partnerships** with Europe, North America, Middle East, and Asia.
- **Shaping a more aspirational, positive narrative** about London's role and resilience.
- **Becoming the world's preferred** international centre for dispute resolution.
- **Government ambitions** for the City:
  - Global centre for financial services
  - Evolve regulation, strengthen competitiveness
  - Boost inward investment and capital flows
  - Long term growth and productivity
  - Global hub for fintech growth and IPOs

THREATS

- **Rising competition** from New York, Dubai, Singapore, Shanghai, Frankfurt, Amsterdam, Milan and others.
- **Geopolitical volatility** (e.g. Middle East, Russia/Ukraine, China/Taiwan, China/US, sanctions, nationalism, global polarisation).
- **Visa restrictions** limiting foreign workers and students, risking loss of global talent pipeline.
- **EU action** (e.g. on a single capital market) may impact City financial flows, roles and more.
- **Regulation** is a source of strength but has the potential to act as a brake on innovation, particularly regarding digital assets. Risk calibration may be a factor, relative to other markets.
- **Potential loss of entrepreneurial spirit** due to taxation, regulation, and government inertia.
- **Risk of stagnation** if regulation, government and business misalign.
- **Cybersecurity risks** and erosion of privacy in a hyper-connected world.

LONDON 2036: FOUR FUTURES

FUTURE OF THE CITY 2036

In constructing our *"What if?"* future scenarios we focused on the four themes that came up most often in our expert interviews: **access to capital for growth; the UK's working relationship with other world economies; innovation 'versus' regulation; and London's reputation.** There is of course a host of forces impacting the future of the City, but we opted for a careful analysis of this selection, all of which have ripple effects across the UK economy.

The future scenarios are not mutually exclusive. The true picture of London in 10 years will be an amalgamation of the progress, negotiations and decisions made across each of them – we invite you to judge for yourself which version of the future is most likely to take shape and, more importantly, how London harnesses the opportunities identified in each scenario.

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FUTURE 1

WHAT IF LONDON UNLOCKS THE NEXT WAVE OF GROWTH?

Newspaper headline from **2036**

Global talent descends on the capital thanks to growth commitment

Growth is a vital ingredient of all successful cities. Our experts agree that UK economic expansion relies on a prosperous City of London and vice versa. They offer a host of views on how this symbiotic relationship can work and where future growth could come from, as well as the role of business leaders and policymakers in laying the foundations for more, and higher-value, activity.

It was agreed that low UK productivity, relative to competing countries over a sustained period, makes finding paths to growth trickier. Summed up by one of our experts in the following way, *"We are living in a country with no productivity growth"*, others expressed an urgent need to reimagine approaches to drive change and create more value and work.

Our interviewees agree on the strategic industries that could stimulate UK-wide growth, each of which aligns closely to UK government strategy: defence, clean energy, life sciences, sustainable and transition finance, AI, distributed ledger technology, tokenisation and other forms of digitalisation across financial services.

Specifically focusing on the City, our expert group say that technology will be the driving force behind London and its financial services growth story. They advise that AI will become fully embedded across financial and professional services, reshaping everything from risk modelling and capital allocation, to M&A and joint ventures. London can also lead in the digital transformation of financial services, advancing tokenised settlement systems, new cross-border payments infrastructure and data-driven financial platforms.

But, while everyone agrees on the contribution of innovation to domestic growth, views are mixed as to the pace of change in the City. At one end of the spectrum, a contributor notes, *"The biggest jobs growth in the City has been in tech and IT. And they're not just here randomly. They're locating next to the big financial services firms. The drive to innovate is all in one place."*

But others say, *"I've heard sceptics recently say, 'we've lost AI',"* and, on digital assets, comments include *"It feels as though the UK is falling behind on tokenisation, particularly when it comes to stablecoins. There is no shortage of discussion, but there has yet to be enough decisive action."*

"If we fail to innovate? I think London probably then stagnates and loses relevance."

The downstream reality was made clear: *"If we fail to innovate? I think London probably then stagnates and loses relevance. Because the world isn't standing still ... and the most talented, the most mobile capital, will go to places that are doing things that are innovative and business friendly."*

Recent capital market reform has removed much of the friction from the IPO process and simplified the prospectus regime for secondary fundraisings, but for further positive change interviewees identified other systemic barriers that must be overcome. For example, they reference the need to direct more UK capital at UK growth, which would also make London more attractive to global investors and talent. This model has been successfully deployed by governments in other countries, for example Sweden. They underline the imperative to unlock domestic savings and channel them into UK infrastructure, innovation and scale-ups.

"I think the effect of AI on financial services is going to be enormous. I don't think right now anybody really has the full picture of how it's going to affect the industry. But it's going to be huge. It's going to be transformative."

Contributors emphasise the benefits: *"If we take control of our capital markets in an active way, and back our own unicorns, start-ups and scale-ups, it could be a really prosperous ten years for the City"*. But they also think the shift is overdue: *"UK pension funds and wealth managers invest largely abroad,"* warned one expert. *"We are not investing in our own businesses and infrastructure. Changing that is one of the most important decisions of the next decade."*

Interviewees stress that some of the best fintech innovation in the world is happening in the UK, but those businesses seek capital elsewhere – a loss for the UK economy. As one contributor put it: *"In order to prevent UK IP heading stateside, our pension funds must back domestic future unicorns in the fintech space,"* while another said: *"We are a world leader in fintech. We can have the next trillion-pound company. But if we don't nurture it, it will float in the US."*

"We've got to have super smart people that can utilise AI to come up with all sorts of innovations we don't even know about yet ... If we have policies that promote the use of AI, we will be a natural winner."

Elsewhere, on the topic of enabling more AI innovation, the UK occupies a middle ground between the approaches of the US and the EU. The strategic question is: can the UK and City shape that position so that it becomes a source of advantage, providing both regulatory certainty and freedom to innovate?

Energy also arose repeatedly in interviews as an era-defining challenge for every aspect of the UK economy. As AI-driven growth increases demand, affordability and availability are the parameters of competition. *"If we think we can be successful with some of the highest energy prices in the world, we will find out that we cannot,"* one industry leader warned. Addressing this challenge quickly will create momentum, meaning both public policy and private investment must work together to carve out a solution.

Collective action would be transformative. In a future scenario in which these stars align, the City's capital markets, professional and legal services become critical enablers and an engine room for a revitalised UK economy, providing the capital pools, financing structures, regulatory insight and specialist transactional expertise required to scale complex industries. Productivity, long a weak point in the UK economy, finally begins to shift. Fuelled by deliberate mobilisation of capital, growth becomes less episodic and dependent on external events.

In this future, financial markets reconnect with industry, helping to rebuild a modern industrial base aligned with defence, electrification, clean energy, advanced manufacturing and resilient supply chains.

Pivotally, from a national perspective, in this future scenario London reshapes how it is perceived. Rather than being viewed as extractive or detached, it becomes a visible driver of national competitiveness. This is a vision of London in which capital, talent and ideas circulate across the UK economy rather than pooling in isolation, helping to overturn the idea that the City thrives at the expense of the regions.

As contributors reflect, *"London can be a positive force for change in the rest of the country,"* and *"The thing that really excites me is the ability to recapture linkage between London and the rest of the country around our industrial base. It's very easy to say Britain has deindustrialised, but we have incredible companies across the country. We do all kinds of incredible things."* Put simply, *"if the British economy does better, UK financial services does better"* – and vice versa.

WHAT WE MUST DO NOW TO ENABLE THE FUTURE

- **Prioritise innovation and adoption of transformative technology** at a company level, investment level and policy level.
- **Apply serious consideration to redirecting capital home.** Use board influence and policy advocacy to unlock domestic savings and direct more UK capital toward UK scale-ups, infrastructure and growth sectors.
- **Back UK scale-ups to stay and list.** Commit capital, partnerships and advisory support to help high-growth firms scale, raise and IPO in London - not default to the US or elsewhere.
- **Reconnect finance with the local economy.** Prioritise investment and deal-making that links the City to defence, clean energy, advanced manufacturing and life sciences across the UK.
- **Remove growth blockers early.** Treat energy cost, productivity and tech adoption (AI, digital finance) as board-level constraints - and act now to prevent them capping growth later.

THREATS IF LONDON FAILS TO ACT

- London continues to find its own path, but falling behind on innovation misses a key chance to catalyse UK-wide economic renewal.
- IPO market continues to lag; UK scale-ups move to the US or seek capital elsewhere.
- Risk of losing the next generation of British unicorns.
- Political volatility weighs on growth and potentially stalls big-ticket projects.

FUTURE 2

WHAT IF LONDON SOLIDIFIES ITS INTERNATIONAL POSITION?

Newspaper headline from **2036**

London strengthens global reach through pragmatic EU and wider-international alignment

While domestic UK growth is paramount, the City is unequivocally an international market. As contributors point out, *"There is a very substantial international component to overall performance of the City,"* and *"If London was sized just to serve the UK market, it would probably be the size of Frankfurt."*

The City's position as a *global* financial centre is a source of competitive advantage relative to other markets, and its success relies on its ability to service international needs. But as other international markets develop, London's future cannot be taken for granted. During our interviews, two key themes emerge: talent and UK-EU relations.

On talent, experts are explicit: *"You cannot claim to be an international financial centre without a genuinely international workforce. That diversity is essential. Without it, the model simply does not work."* Faced with fiscal constraints and political pressure on immigration, interviewees from different continents say policies that discourage mobility could be harmful to the City's – and the UK's – future prosperity:

- *"If you're a major international investor or company, where would you locate your new function? Somewhere where you find it very difficult to hire people?"*
- *"They're trying to attract international investment. But on the other hand, they're also struggling politically with immigration … there are concerns with secure borders. (But) no sensible immigration policy would say don't bring your best and brightest and allow them to work here."*
- *"There's a lot of clarity that could still be had on immigration policy. There's a risk that people start to think the UK and London is not welcoming."*
- *"It's a very competitive international environment. The UK has several fiscal and macroeconomic challenges, which have fed through to the reduced attractiveness of London. We've seen that in terms of the non-dom tax policy and whether particularly very wealthy individuals want to come to London and set up businesses here."*
- On London's position in the world: *"Nothing lasts forever, particularly when you … discourage it on a policy basis and make it difficult for people and companies."*

"We need policies that encourage entrepreneurs. Now we have policies that say please go and grow your business in Monaco or Dubai or somewhere else. We shoot ourselves in the foot."

FUTURE 2 CONTINUED

According to the experts, the UK must attract the world's brightest talent, innovators, and wealth generators if it is to prosper. Fiscal incentives matter as we have seen from the response to the changes to the non-dom regime, and immigration frameworks need to be reconsidered. The City must take the lead to ensure positive change happens. As one contributor prompts, *"This is where the City's engagement with national policy needs to be: nudging national policy for clarity between legal and illegal, allowing high mobility for talent, allowing companies to bring people in."*

Another repeated theme was the City's relationship with the EU. Europe remains London's most important market, not because of sentiment, but because of economic reality. A significant share of activity in the City continues to be driven by European capital and clients. As one contributor notes, *"A very significant share of the business that's carried out in the City is predicated on managing money for European investors."*

Experts repeatedly point out that the relationship is beneficial. Europe provides access to scale; London provides deeper liquidity. One summarised, *"It's not in Europe's interest to stop being able to access London's market liquidity, just as it's not in our interest to stop businesses accessing European markets when they do things well."*

Another says, *"The City wants close ties with the EU. It's the biggest, nearest trading bloc. It has huge potential if we can get our act together, earning a close economic relationship with the free flow of capital and liquidity, that's important."*

This leads to a dominant theme in many of our interviews: mutual UK-EU recognition is desirable – particularly in areas such as financial services, technology and defence. In financial services, from the UK's perspective experts point out that maintaining leverage in equivalence discussions, avoiding asymmetrical concessions, and recognising finance as a strategic sector are all critical to sustaining London's Europe-facing role. But experts also highlight an important European perspective: *"The perception of finance in Europe is a very sensitive topic,"* explains one industry leader. *"It's not viewed as an economic sector; it's a tool of sovereignty."* The EU can take unilateral policy decisions that the City cannot formally influence, and Europe seeks confidence that the City's interests are constructively aligned with those of the EU. Several interviewees consequently suggested that resetting the UK-EU relationship relating to the City's role as a financial market is likely to be beneficial to both sides, but that progress may be impeded by political calculations on either side or both.

"The perception of finance in Europe is a very sensitive topic."

In a vision of the future where co-operation increases and closer ties are established; the UK rejects excessive decoupling of regulation. Contributors repeatedly warn that sharp separation would damage both sides. *"We've got to be really careful,"* cautions one expert. *"Overt decoupling is not sensible. We need to be pragmatic about what we do in terms of Europe."* As the recent amendments to our IPO rules have demonstrated, we can be competitive without reducing regulatory alignment.

Experts emphasise the need to balance competitiveness with cooperation. This is a world of open markets and near equivalence. *"We would prefer both sides to give each other mutual access based on outcomes-based policy alignment,"* says a leading expert.

Open exploration of a future single European capital market adds further complexity. While contributors are sceptical about the likelihood or timeframe of such a project, they are clear that the UK must be proactive when it comes to planning for this potential scenario. *"It's a long way from saying 'that's really interesting' to getting it in place,"* says one. *"But UK politicians need to take a ten-year view. You must assume it could happen, because you don't want to wait for it to happen and then scramble to respond."*

By 2036, if London is bolstered by policy changes that both attract international talent and wealth generators, and deepen partnerships across the continent and beyond, we can envisage a future scenario where the City stays unequivocally global, remains both competitive but aligned, and stays connected without being constrained. This scenario is defined by functional cooperation. London and the EU work more closely in areas of mutual interest and the City cements its position as a global financial interface. It is a place where complex, international transactions take place, serving global investors as the most effective place to structure complex deals. Its resilience comes from the breadth and depth of its partnerships and from a clear-eyed recognition that pragmatism, not ideology, is the foundation of long-term success.

WHAT WE NEED TO DO TO ENABLE THE FUTURE

- **Reset the immigration debate** and create fiscal incentives to attract and retain innovators, entrepreneurs, wealth generators, wealth allocators and other important international talent.
- **Champion outcomes over prescriptive-based regulatory alignment.** Use influence with policymakers and regulators to push for mutual access based on regulatory outcomes, preserving market connectivity without political convergence.
- **Design for dual access from day one.** Structure transactions, products and platforms to operate seamlessly across UK and EU regimes, reducing friction and mitigating the risk of further divergence.
- **Keep relations with Europe commercially focussed, not politically charged.** Maintain deep operational, legal and capital markets links with EU clients and institutions, treating Europe as a core market reality - not a legacy issue.
- **Balance Europe with global reach.** Invest in partnerships and growth corridors with North America, Middle East and Asia to maintain London's diversity and global standing.

THREATS IF LONDON FAILS TO ACT

- London will continue to prosper in areas such as insurance and potentially sustainable and transition finance, but some growth opportunities will wane. London's position weakens.
- Fragmentation makes doing business more costly for both UK and European organisations.
- In the extreme scenario, capital pools shallow, funding migrates to the EU or US.
- UK companies must choose between markets, harming competitiveness.

FUTURE 3

WHAT IF LONDON SETS THE PACE FOR INNOVATION AND PROPORTIONATE REGULATION?

Newspaper headline from **2036**

Why the world's innovators chose London's rulebook

According to many of our expert interviewees, innovation will in future demand a pragmatic approach to regulatory risk. This creates a balancing act for the City: *how* does London maintain its regulatory credibility – a long-time source of assurance to international investors – while developing the sort of pace and agility that gives the City an edge?

Financial centres thrive when rules are transparent, enforcement is proportionate and decisions keep pace with technological change, but our research underlines strong differences of opinion about whether the UK has achieved the right balance so far.

Observations range from the cautiously optimistic: *"It feels as though the regulators are smelling the coffee … they're moving in the right direction,"* to the sceptical: *"For someone who's looking to be a GBP stablecoin issuer, the hurdles to become regulated are incredibly difficult … it's not conducive to fast growth and innovation,"* to the stark: *"If you make financial services mundane and risk averse, then that's you in trouble."*

The solution is not straightforward. While over-regulation may stifle investment and innovation, under-regulation risks profound damage. As one industry leader reflected, *"Balanced regulation is essential to strengthening London's position as a global fintech hub. People don't want a financial Wild West, they want safe, reliable services that deliver cutting-edge innovation."* Another added, *"There are those with a philosophical dislike of regulation, but if London is to sustain its position, it needs the right level of regulation across the board. High standards do not kill innovation, they enable it."*

Achieving balance is a tough ask. Contributors are clear that regulators are not to blame for perceived challenges. As one expert states, *"Regulators are not anti-innovation. They just want to foster innovation safely"*. Instead, a common perspective is the need for alignment between government, regulators, and representatives from every sector of the City.

FUTURE 3 CONTINUED

One contributor observed, *"There is a tug of war between policymakers, fiscal controllers, those responsible for monetary stability, innovation and competition, and politicians ... some are pulling very hard for things to be more controlled ... some are unhappy with regulatory direction. Some are trying to encourage and foster innovation and investment into the City, but some aren't supporting that level of innovation."* Another warns, *"If we don't learn to speak to everyone better – including the folk along the river at Westminster – then who knows where we end up."*

"What international investors want reassurance on is the consistency of the UK's commitment to world-class standards."

"(Post Brexit) a very wise decision has been made not to deregulate and say we're going to burn all this legislation."

Regulatory sandboxes provide safe but liberal environments for innovation, enabling advances in AI-driven risk modelling, tokenised settlement, programmable payments and digital identity systems. Organisations understand their parameters, and regulators leave space for new infrastructure to scale.

With coordination and alignment between the different stakeholders, we can imagine a future scenario where London achieves the best regulatory balance of any market. In this future, proportionality in regulation has become a key organising principle. By 2036, London has upgraded already-world-class legal frameworks, invested in institutional capability, and promoted a culture of responsible innovation, helping the City become the world's most sophisticated laboratory for digital finance. Fintech thrives, AI powers systems under proportionate and responsible guidelines, and controlled experimentation flourishes.

"If we don't learn to speak to everyone better – including the folk along the river at Westminster – then who knows where we end up."

Work to achieve this fine balance proves decisive. Global investors – from established institutions to emerging fintechs – increasingly treat London as a natural home. Its legal system becomes the reference point for organisations seeking to grow in a predictable environment, while its leadership in interoperability and digital safety sets a standard that others follow.

The result is a system that promotes trust, enables innovation and sustains global leadership. In this vision, London shows that order can equate to strength.

WHAT WE MUST DO NOW TO ENABLE THE FUTURE

- Do what is necessary to **maintain connectivity and alignment** between all key constituents supporting the City ecosystem, including more engagement between the City and Westminster.
- **Shape the rules, don't wait for them.** Proactively engage government and regulators on AI, digital assets and digital identity to accelerate clear, workable guidance that supports scale in London.
- **Hard-wire responsible innovation at board level.** Set a clear risk appetite and governance framework for AI and digital finance so teams can move fast within trusted boundaries.
- **Turn sandboxes into scaling opportunities.** Sponsor live pilots in priority areas (AI risk, tokenisation, programmable payments) with a defined path from experimentation to market adoption.
- **Smarter compliance through technology:** more efficient and principles-based regulatory compliance.

THREATS IF LONDON FAILS TO ACT

- Slow policymaking deters investment; others (e.g. Singapore, New York, Dubai) define the rules first.
- Digital markets migrate to jurisdictions with "clearer, faster" regulatory regimes.
- Talent goes where the buzz is. Talent migrates if the UK cannot remain welcoming to technologists and founders.
- Growth from innovation perhaps lags possibilities, although London might capitalise on second mover advantage.
- Potential threats to the UK's influence on digital infrastructure, payment rails and more.

FUTURE 4

WHAT IF LONDON RESETS ITS NATIONAL AND GLOBAL REPUTATION?

Newspaper headline from **2036**

London wins back its glowing reputation on the world stage

In every future vision shared for London, one underlying point consistently arose in our interviews: London's positive, ambitious narrative is often found wanting or missing in both the media and in public discourse.

London's reputation is on the line, influenced by the UK's immigration and tax policies, its relationship with national, EU and global powers, and its approach to regulation. These are tangible factors, but the City's reputation is also shaped by its ability to communicate – it is here our experts highlight serious challenges.

London must make proactive moves to shape perceptions, domestically and overseas. Contributors are cognisant that reputation does not look after itself, with one arguing, *"We have to be vigorously proactive about perception and sensitive to our audiences."*

Domestically, London needs to reframe its role in wealth creation, innovation and services - areas that are too often poorly explained or undersold. Contributors underlined poor levels of financial education and a weak understanding of how the City – and capitalism generally – support household wealth across the UK: *"The government has a huge challenge to change the cultural narrative around wealth generation and corporate profitability,"* said one, highlighting a study showing half of people believe that corporate profits are immoral. They added: *"It's a narrative problem. People should feel much more bought in to the idea of the importance of having a productive economy".* For the purposes of comparison, the current narrative is far removed from that in the US, where entrepreneurs, job-creators and wealth generators are lauded.

"I think the media is addicted to negativity. As a country we don't talk ourselves up enough. We have a national trait of talking ourselves down – and I think it has real world economic impact. I'm not asking the media to be rah, rah positive, but I just don't think we're balanced in our coverage of our own success. A little more positivity could have a very significant positive economic impact quite quickly."

FUTURE 4 CONTINUED

On the international stage, there exists a negative media narrative about London as a whole, for example leading to exaggerated concerns about safety: *"We are hearing concerns overseas about safety in London, which is surprising given how safe it is relative to global comparators,"* one expert notes. In an increasingly global world, the capital – with the City included – needs to define its future-facing 'pitch' and not rely on the memory of our historical strength.

As one contributor pointed out, *"We need to be consistent and loud in showing the competitiveness of the UK vis-à-vis others ... we've got to be really clear on the City's common sales pitch."* Contributors do not believe such a uniform and cross-sector pitch exists. *"London – but also the UK – doesn't have a coherent 'UK pitch deck' – a unified explanation of the City and the UK's advantages. That document does not exist. It's more evidence of complacency."*

Others echo this sentiment: *"I routinely ask ministers and advisers, 'where can I find the pitch deck for the UK?',"* said one. *"Basically, four of five slides that say 'these are the things we agree on – the bits of government policy that we should be promoting and showing how it all lines up that makes us competitive'. Nobody has it."*

London's relevance and future prosperity depend on thinking, acting and communicating more effectively across the board. That is achieved with more connectivity and mutual-understanding between Westminster and the City and – in the absence of media positivity – by the City taking collective responsibility for its own PR.

If the City gets that right, by 2036 we can imagine a future vision where London has spent a decade measuring how it is perceived, identifying where myths have taken hold at home and abroad, and correcting them with clarity and confidence. Policymakers, the City and institutions act in concert, recognising that responsibility for the narrative cannot be outsourced. It is a City that pro-actively and confidently presents itself to the country and the world. Bold and competitive, yet welcoming and outward-looking. A City whose contribution is clearly articulated, helping to rebuild public understanding and political confidence in pro-growth policy.

"If you're a politician or policymaker who's not got experience of the City, or has no day-to-day contact with it, frankly, you just think the City looks after itself. We can all presume it will always be there ... we need to normalise conversations so that the interdependencies of the UK on the City are much more clearly understood – and also the opportunities that come off the back of it ... For example, there are 13,000 businesses backed by private capital; two and a half million jobs."

This is a City that in future actively counters distorted narratives and asserts, with evidence, the reality of its strengths: safety, opportunity and global relevance. Here, the international workforce is framed as essential infrastructure, an asset and a source of strength, not a challenge to be managed.

"We can't just blame the media - the City and policymakers have to be far clearer about London's value proposition."

By taking ownership of its story, London will restore confidence among investors, talent and partners worldwide, re-establishing its standing as one of its most valuable assets.

WHAT WE NEED TO DO TO ENABLE THE FUTURE

- Forge stronger links, mutual understanding and joined-up communications between **Westminster and the City,** to create both a unified pitch deck for the UK, and help to recast the positives of growth, entrepreneurship and profitability.
- **Own London's story.** Invest in a co-ordinated, evidence-led global narrative that actively corrects myths and consistently sells London's strengths in priority markets.
- **Treat reputation as infrastructure.** Put perception, media and trust on the board agenda, with clear ownership, metrics and rapid response when narratives turn.
- **Make global talent a strategic asset.** Champion policies and practices that visibly support international mobility, diversity and entrepreneurship - signalling London is open, competitive and welcoming.
- **Act globally, not defensively.** Back high-profile international engagement and thought leadership that positions London as a world-leading hub for financial, professional and emerging tech services.
- **Develop financial literacy programmes** for young adults and children to understand how investment works.

THREATS IF LONDON FAILS TO ACT

- Negative international media narratives (especially US media) harden into myth.
- News covering the cost of living, safety and taxation deters the right global talent.
- UK political rhetoric frames London as separate rather than a national asset.

LESSONS FROM OUR FUTURE SELVES

As a final question, we asked interviewees to look back from 2036 and reflect on what they would tell their younger selves. Their answers point to a shared conclusion: London's success will depend on acting faster and with greater confidence, particularly in how it treats regulation, capital, technology and its global role. Here are just a few common themes from our expert 'future self-advice':

- Recognise finance as a strategic sector and defend its interests proactively. Secure Europe-facing status on that, through pragmatic alignment and dual regulation where necessary.
- Think strategically and adopt mission-driven planning, like China has done for EVs: rewire financial services urgently for the AI era, ahead of competitors.
- Reverse years of risk aversion to maintain competitive financial services; act faster on regulatory modernisation to lead on distributed ledger technology and AI; and help leaders to understand digital assets earlier than we have done, ensuring they act quickly on emerging technologies while the door is still ajar.
- Support UK industrial revival.
- Stimulate UK consumer investment and invest in the UK to support UK business growth.
- Do what we can to support entrepreneurs and innovation systems to grow and IPO in the UK.
- Continue to attract and retain international participants and talent.
- Don't assume the City's strengths are self-evident – London should more assertively advocate itself at home and internationally. London must invest in telling its story, treating reputation as a golden asset.
- Fully integrate private capital into the City ecosystem.
- Do what we can to lead on transition financing and set the world's sustainable investment standards.
- Ensure competitive energy pricing, particularly as AI-driven growth increases demand.

SUMMARY AND CONCLUSIONS: SHAPING THE NEXT ERA OF LONDON

FUTURE OF THE CITY 2036

We operate in a highly complex system, with myriad forces constantly ebbing and flowing. The representative sample of observations captured by this research are easy to discuss, but harder to deliver. No one said that change would be easy. But several things are clear from our interviews with the expert panellists, who gave their time and insight so generously.

London is *unequivocally* open for business. The City remains one of the world's most powerful financial engines, second only to New York in terms of deal flows. It continues to set the pace and the gold standard in professional services. It has a unique mix of advantages, including deep capital markets, highly credible regulation, an internationally trusted legal system, a strategic time zone, a world class education system and talent pipeline, language pool, and a cultural magnetism that consistently attracts global asset managers, capital and enterprise.

Crucially, London's broad, mature and co-located professional services ecosystem can execute high-value, complex transactions for global clients with speed and confidence. It is a key reason why global institutions choose not just to enter London, but to remain anchored here.

None of this is preordained. London stands at a moment of jeopardy or opportunity. Without clear policy direction and renewed competitiveness, it risks falling behind rival hubs that are aggressively courting capital, innovation and talent. Conversely, with the right stewardship, action and pace, London can accelerate into its next chapter and become the leading destination for frontier industries, including fintech, AI, clean energy, healthtech and biotech.

Any of the scenarios outlined in this report could materialise, as could any combination of them. What will determine the outcome is not chance, but choice; the willingness of policymakers, regulators and business leaders to make bold long-term decisions – to act early, collaborate and move fast. For leaders navigating this landscape, this is a moment to lead. The choices made now will determine whether London proactively defines the future or struggles to adapt.

WHAT COMES NEXT?

Addleshaw Goddard is fully committed to the City of London, our clients that work within it, and the City's connectivity with the rest of the UK and world. We intend to work alongside our clients and other City constituents to affect positive change. That includes:

- Supporting government and regulators, who we believe are making positive steps in the right direction, and work alongside City partners to offer proactive new perspectives and recommendations.
- Presenting this report to the City Minister.
- Posing the question to our clients and key City stakeholders *"what do we do next, together?"*
- Proactively suggesting ideas on how to improve London's reputation.

ABOUT ADDLESHAW GODDARD

Addleshaw Goddard is a London headquartered, international, full-service law firm that consistently delivers high-quality outcomes for our clients globally.

We have been advising clients for 250 years, and today we support over 5,000 of the world's most respected organisations. We help them in over 50 areas of business law, across more than 100 countries. And while the opportunities and challenges they bring us vary, we solve each in a uniquely AG way.

Our clients enjoy working with us, we deliver a high-quality experience across everything we do, and we are known for award-winning innovation – all of which we harness to bring impact to clients.

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LEGAL FIRM OF THE YEAR
British Business Awards 2025

LAW FIRM OF THE YEAR
The Lawyer Awards 2024

LEGAL SPECIALISMS

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Professional Services
Real Estate
Restructuring
Tax & Structuring

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