



AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

Labour's plans for capital markets. Can digitisation provide a quick win?

Later this year, the UK electorate will be headed to the polling booths for the next General Election, and right now the opinion polls are strongly suggesting that this will see a change of leadership for the country. But with so many social and broad-based economic challenges for lawmakers to grapple with, where does this leave the UK's languishing capital markets? These may be seen as a bastion of capitalism, but with financial services accounting for an estimated 12% of GDP in 2023, it's an economic juggernaut that politicians of any party ignore at their peril.

Labour published a state of the nation report titled Financing Growth and laying out its plans for the financial services industry. Arguably this was a sanguine piece designed to offer a degree of reassurance that wholesale reform wouldn't be on the table and that international institutions shouldn't be looking for the exit – the more extreme socialist mantras that dominated ahead of the 2019 election cost Labour dearly and an approach revolving around marginal change is being seen. That seems eminently sensible – if it isn't broken don't try to fix it – although the comments about reinvigorating capital markets whilst well intentioned seem unlikely to offer any real cut through. Structural reform and a futuristic outlook is warranted here – it will be the private sector, not government, who will deliver the necessary innovation.

The Labour report understandably focuses very much on the top line. Hundreds of items of financial legislation are progressing through the requisite legal processes at any point in time, so this isn't the forum to be addressing detail at a granular level, but are there any quick wins where a change in administration could be the catalyst to improve the standing of London as a capital markets venue?

The one theme that we see as having the ability to materially – and potentially rapidly - enhance London's appeal to issuers remains digitisation. The direction of travel of the current government's appointed task force here appears to be one that is predicated by not causing too much controversy or delivering any short term resource burdens. And whilst there's a clear business-friendly benefit when it comes to taking an approach like this, we need to remember that the primary objective of a public market is to best serve the needs of the public.



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Mandating a more rigorous overhaul of digitisation when it comes to securities registry management would give an incoming government the ability to be making an astute and strategic play that in turn significantly improves the value proposition sitting between issuers and investors. Whilst there would be a degree of heavy lifting necessary to facilitate such a move, as we have shown at Avenir Registrars we are already running issuers primarily on fully electronic systems, backed off by paper-based register in the event that the securities holder wants to continue using an analogue format. What we know is that this approach is far more efficient and secure, whilst our issuers who have adopted this approach also tell us that it helps reduce the cost of maintaining the listing.

Digitisation presents a fantastic opportunity for any lobby of lawmakers to ensure that the capital market of tomorrow fully harnesses the power of the technology that exists today, not just when it comes to equities but also in reinvigorating London as a debt securities powerhouse. Experience tells us that making bold moves now won't always be frictionless, but with a market that is demanding significant change, pandering to the whims of large infrastructure providers who claim that wholesale reform is either impossible or carries unnecessary risks won't deliver a robust capital market fit for the future.

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