



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

3 July 2008

Hector Sants
Chief Executive
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Hector

HIGH-LEVEL GROUP ON FINANCIAL SERVICES: FUTURE ARRANGEMENTS

I am writing to follow up from the useful discussion we held at our last meeting on how we might organise the work of the High-level Group in the future.

At that meeting there was support for the High-level Group continuing to meet broadly at the same frequency as now, supplemented with smaller groups taking forward specific issues related to the City competitiveness agenda.

As I made clear in my speech to the Mansion House, I am committed to working in partnership with you and others in the financial sector to keep London the leading international financial centre, and I announced the establishment of the two groups that we discussed at our meeting.

At our meeting, we agreed to set up a forum to consider the medium-term challenges to London's continued competitiveness in financial services against the changing global economic landscape and the emergence of new financial centres. I am grateful that Sir Win Bischoff has agreed to take this work forward and we will be jointly chairing the first meeting of this group.

Of course, the High-level Group's role goes beyond financial services, and I am pleased that Sir Michael Snyder has agreed to jointly chair, with Kitty Ussher, a group that will look at the medium-term challenges to London's continued competitiveness in professional services, including legal and accountancy services.



I propose that these two groups looking at medium-term global challenges would report back to the High-level Group by Spring 2009. I am grateful to the City of London Corporation for agreeing to provide assistance in running those groups. I propose to write to you again shortly with a more detailed mandate for the groups.

We also agreed last week to bring together senior industry players to look at the efficiency of our capital-raising process, in particular rights issues and associated short-selling. This will be taken forward jointly by the FSA and the Treasury, and the group will be led by Hector Sants and Kitty Ussher. My officials are already in touch with those of you who have expressed an interest in this group.

Attached to this letter is a full list of Groups working on financial services issues, many of which report to the High-level Group.

In addition to the work on City competitiveness, I propose, as part of my commitment to raise the level of engagement with the sector, to create two further groups that I will chair, to complement existing engagement on a range of issues with the banking sector, including my six-monthly meetings with retail bank CEOs:

- A wholesale markets group, representing both buy- and sell-sides, and infrastructure providers; and
- An insurance group, representing both life and non-life providers.

Finally, as I mentioned in my letter of 3 June, I would like to bring to your attention an event we are planning in the near future that will focus on the role that the UK banking sector might play, in collaboration with the European Investment Bank, in helping small businesses raise capital, particularly in the current credit climate. I am grateful for Stuart Fraser, Chairman of the Policy and Resources Committee and the City of London Corporation for offering to host this event and I will be in touch about this separately in the near future.

A handwritten signature in black ink, appearing to read 'Alistair Darling'.

ALISTAIR DARLING

HIGH-LEVEL GROUP ON FINANCIAL SERVICES

LIST OF GROUPS CURRENTLY REPORTING TO THE HLG

High-level Group

Chair: Chancellor of the Exchequer, Rt Hon Alistair Darling MP
Remit: Steers Government-industry work on issues relating to the competitiveness and overseas promotion of the UK-based financial sector.
Meets: Every 6-8 months

Financial services global competitiveness group (new)

Joint chairs: Sir Win Bischoff and the Chancellor of the Exchequer
Remit: Medium-term challenges to London's continued competitiveness in financial services against the changing global economic landscape and the emergence of new financial centres (remit to be further refined).
Meets: To be confirmed – to report to the HLG by Spring 2009

Professional services global competitiveness group (new)

Joint chairs: Sir Michael Snyder and Economic Secretary to the Treasury
Remit: Medium-term challenges to London's continued competitiveness in professional services against the changing global economic landscape and the emergence of new financial centres (remit to be further refined).
Meets: To be confirmed – to report to the HLG by Spring 2009

Efficiency of capital raising process (rights issues) (new)

To be steered by: Hector Sants and Economic Secretary to the Treasury
Remit: To examine current market practices concerning equity capital raising by public companies and recommend whether it appears necessary for changes to be made to UK company law, market practices or regulatory requirements in order taken to make equity capital raising more efficient and orderly, promoting financial stability.
Meets: To be confirmed - to report to HMT/FSA in October 2008

Islamic Finance Experts Group

Chair: Economic Secretary to the Treasury
Remit: To advise the Government in achieving its policy objectives in support of Islamic Finance.
Meets: Every 6 months

Carbon Markets Experts Group

Chair: Co-Chaired by the Economic Secretary to the Treasury, Kitty Ussher MP and Exchequer Secretary to the Treasury, Angela Eagle MP
Remit: To establish areas where Government and industry in partnership can further facilitate growth in London as the centre for the global carbon market, and where there are risks to its current leading role; and to help inform the development of Government policy on carbon markets.
Meets: 3 times a year.

IMA Asset Management Group

Chair: Senior HM Treasury official (Mike Williams)
Remit: Established by then Economic Secretary to the Treasury to follow up on recommendations in the Investment Management Association/KPMG report on *Taxation and the Competitiveness of UK Funds*, in particular to explore with the industry reform of aspects of the tax system for funds which currently impedes UK competitiveness as a fund location, and to enhance relations between the Financial Services Authority, HMRC, HM Treasury and the financial services industry. Reports to the Economic Secretary.
Meets: The group was launched in 2007 and three meetings took place. It is intended that two meetings will take place in 2008.