

The Role of the City of London Corporation and Lord Mayor in the Global Financial Crisis

by

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1. Introduction

Founded 1141, The City of London, also known as “The City” and “The Square Mile”, is a financial district located in the heart of London. Despite its location, The City is not considered to be part of Greater London and sits outside of the remit of the Mayor of London. Along with Tokyo and New York, The City is considered to be one of the world’s most important financial centres.¹

The City’s municipal governing body, The City of London Corporation, fulfils three main roles, exploiting its considerable lobbying power² to *“promote the City as the world’s leading international financial and business centre; to provide local government services; and to provide a range of additional services for the benefit of London, Londoners and the nation.”*³

The Prime Minister and Chancellor of the Exchequer deliver annual speeches in which they routinely justify how they have been serving The City’s interests and how they intend to do so going forward.⁴

The City’s citizens gained the right to appoint a Mayor in 1189.⁵The ‘Lord Mayor’ is the head of the City of London Corporation. His objectives are to promote the City as a leading international financial centre and act as an ambassador for financial and professional services based across the UK.⁶

The Lord Mayor advises the British Government on how best to serve the interests of those he represents, and travels abroad for about 90 days per year, making around 700 speeches.⁷ In taking up the role, the Lord Mayor is duty bound to:

*“Encourage growing economies to raise capital in London; to open up new markets for city businesses, and to open doors at the highest levels for the accompanying business delegation.”*⁸

All of the reports referred to in this essay represent the City of London’s official commentary of the Lord Mayor’s activity, covering visits to more than forty countries from the period 2005 up to 2010.

¹ <http://www.londononline.co.uk/cityoflondon/>

² <http://taxjustice.blogspot.com/2009/02/corporation-of-london-state-within.html>

³ <http://www.cityoflondon.gov.uk/Corporation>

⁴ Shaxson, N. *Treasure Islands: Tax Havens and the Men who Stole the World* (London 1st edn. 2011)

⁵ <http://eventpicture.co.uk/TourismUKLondonHistoryLondonTouristLondonAttractionVisitLondon.aspx>

⁶ <http://www.cityoflondon.gov.uk/Corporation>

⁷ http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Council_and_democracy/Councillors_democracy_and_elections/The_Lord_Mayor/

⁸ http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Council_and_democracy/Councillors_democracy_and_elections/The_Lord_Mayor/

The reports were sourced in three ways: directly from the City of London website, by making specific requests to the City of London Corporation and – in a majority of cases – via a former City of London elected councillor.

This paper asks whether the Lord Mayor, simply by doing his job, is *duty bound* to promote activities that damage both developed and developing countries across the world.

It follows the Mayor's official visits pre, during and post the financial meltdown, examining whether the global crisis:

*"...could have been avoided, if those supporting the current economics models weren't so vocal, influential and inconsiderate of others' viewpoints and concerns."*⁹

Lord Mayors are elected and serve for one year. As such, this paper refers to the role in general, rather than the specific persons who held it at any particular time.

2. Promoting the Interests of the City of London and the City Brand

This section examines the policies promoted by the Lord Mayor and their impact on both wealthy and developing countries across the world.

2.1. Privatisation

The Lord Mayor aggressively lobbies for the transfer of assets and services from the public sector to the private sector.

He argues that free market competition through privatisation provides higher efficiency, lower prices, better quality and more choice.

As such, privatisation is a priority for the Lord Mayor as he travels to countries with any level of state control. It offers myriad commercial opportunities for those he represents; indeed the more biased the deals are in the City of London's favour, the more profits stand to be made - both through consultancy during the transition and ongoing operation of the businesses in question.

Excessive privatisation can however also present significant dangers; for example when critical services are no longer run for the benefit of the general public, but instead to deliver profits to a relatively small number of private business owners.

An infamous example of privatisation's potential dangers occurred in Argentina. In 1990, the Government declared that:

*"Nothing belonging to the state will remain in its hands."*¹⁰

This comprehensive approach to privatisation was initially lauded by the world's media, G7 Governments and international financial institutions. The Argentinean

⁹ <http://www.globalissues.org/article/768/global-financial-crisis>

¹⁰ <http://www.rigorousintuition.ca/board2/viewtopic.php?f=8&t=29211&start=0>

administration was championed as an example of an effective government, to be emulated by developing countries worldwide.¹¹

Between 1990 and 1994, the state-owned telecommunications enterprise, air transportation company, oil enterprise, electric generation and distribution enterprises, petrochemical firms, steel mills, radio and TV channels, natural gas company, ship yards and other industries were privatised.¹²

This all-encompassing privatisation, coupled with a weak regulatory framework and lack of effective regulatory enforcement, led to the monopolisation of private power on public services. By 1995, Argentina's GDP had declined by 3 percent and unemployment reached 16 percent.

As a result, the Argentinean Government was not able to stabilise its economy in the face of challenging market conditions. This in turn led the country into a severe crisis and prolonged recession between 1999 and 2002.¹³ Many citizens lost access to key public services such as water and sanitation, whilst transport services became so dilapidated that many were forced to relocate.¹⁴

Despite the catastrophic turn of events, the Lord Mayor cited Argentina's *pre-privatisation* era as an example of wasted opportunity. During a visit to Mongolia in 2006, he aired concerns about the Government's wish to maintain control over its most valuable natural resources. The reports note that:

*"Analogies were drawn with the differential performance of Chile and Argentina in exploiting their mineral wealth, highlighting the fact that Argentina's policy of retaining Government control over operational and financial policies had acted as a strong disincentive to investment."*¹⁵

There is no indication, however, that The City's delegation acknowledged the potential dangers of privatisation, nor the need to need to protect the long term interests of the country in question by building a strong regulatory system.

The Lord Mayor continued to push for privatisation as he travelled the world throughout 2006.

¹¹ <http://www.doiserbia.nb.rs/img/doi/0032-8979/2005/0032-89790504097R.pdf>
Public Service Privatisation and Crisis in Argentina, Leopoldo Rodríguez-Boetsch .
Development in Practice Vol. 15, No. 3/4 (Jun., 2005), pp. 302-315

¹² <http://www.doiserbia.nb.rs/img/doi/0032-8979/2005/0032-89790504097R.pdf>
Public Service Privatisation and Crisis in Argentina, Leopoldo Rodríguez-Boetsch .
Development in Practice Vol. 15, No. 3/4 (Jun., 2005), pp. 302-315

¹³ <http://www.doiserbia.nb.rs/img/doi/0032-8979/2005/0032-89790504097R.pdf>
Public Service Privatisation and Crisis in Argentina, Leopoldo Rodríguez-Boetsch .
Development in Practice Vol. 15, No. 3/4 (Jun., 2005), pp. 302-315

¹⁴ <http://www.rigorousintuition.ca/board2/viewtopic.php?f=8&t=29211&start=0>

¹⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

In March, the Lord Mayor visited Saudi Arabia, where his commercial objective was to:

“Support the development of the Private Sector by encouraging: an investment environment attractive to foreign and domestic investors.”¹⁶

At the time, 80% of Algeria’s industry was in Government hands and the country possessed a wealth of natural resources. It was therefore a prime target for privatisation. The Lord Mayor visited Algeria, fully supporting their plans to privatise a wide range of services. A report relating to this visit states that:

“The [Algerian] Government’s privatisation and modernisation plans offer investment opportunities in a wide range of sectors including telecommunications, education, construction, Banking & Finance, healthcare, infrastructure and security.”¹⁷

Over a number of meetings, the Lord Mayor reiterated:

“...his delight that so many British companies were investing in Algeria - not just in the oil and gas sector.”¹⁸

Continuing to push for aggressive privatisation, he espoused:

“The importance of moving banks and insurance companies into the private sector”¹⁹

The report concludes that:

“This was a highly successful visit and its objectives were fully achieved.”²⁰

However, the Algerian Government proved to be less willing than the Lord Mayor had initially hoped. In 2008, the Algerian Government - which planned to privatise Algérie Telecom - stressed that the state would maintain a majority stake in the firm.²¹ A year later, the privatisation was called off by the company’s CEO.²²

As an ‘ambassador for all UK-based financial and professional services’, the Lord Mayor is duty-bound to seek out new opportunities for privatisation and ensure

¹⁶ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Saudi Arabia and Bahrain, Friday 10th-Thursday 16th February 2006

¹⁷ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

¹⁸ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

¹⁹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

²⁰ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

²¹ <http://www.bi-e.com/main.php?id=18059&t=1&c=127&cg=2>

²² <http://www.meed.com/sectors/telecoms-and-it/algerie-telecom-privatisation-called-off/1991970.article>

that the terms of any deal are as favourable as possible *for those he represents only*. Therefore success for the Lord Mayor may come at a price for the country undergoing privatisation. The new service providers may not be obliged to act in the best interests of the public, and if those privately owned companies underperform or overcharge, the Government will more or less be powerless to act.

And as we shall discover in later chapters, the Lord Mayor was unlikely to recommend the rigorous regulatory framework necessary to protect the interests of the country undergoing privatisation.

2.2 Public Private Partnerships

Public Private Partnerships (PPP) entail a commercial relationship between a public sector body and a private sector organisation, to deliver public services. The private sector party risks its own funds against non-delivery, but the opportunities for profit can be significant – through consultancy during the setup phase, or provision of the service in question once up and running.²³ As such, the Lord Mayor has been a major proponent of PPP.

The report from a visit to Bahrain in February 2006 states that the Lord Mayor's aim was to:

“Capitalise on PPP opportunities arising from Bahrain’s prospective privatisation programme.”²⁴

According to reports relating to a trip to Hungary in July the same year:

“The Lord Mayor...met both the Finance Minister, Janos Veres, and the Economy Minister, Janos Koka, both of whom he had met the previous week in London when the Hungarian Prime Minister had visited the City.”²⁵

The Lord Mayors possible influence behind closed doors could be ascertained from the fact that:

“Minister Koka promised that investment expenditure through the PPP mechanisms would increase, particularly for healthcare and infrastructure, (road and rail).”²⁶

In India, April 2006, the reports show that Lord Mayor's delegation continued to promote PPP, noting that:

“Emphasis is rightly being placed on infrastructure investment, particularly

²³ Report by The Rt. Hon. The Lord Mayor Mr Alderman Michael Savory, on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

²⁴ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Saudi Arabia and Bahrain, Friday 10th-Thursday 16th February 2006

²⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Hungary and Turkey, Monday 3rd to Friday 7th July 2006

²⁶ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Hungary and Turkey, Monday 3rd to Friday 7th July 2006

through PPP, and Mr Stephen Harris of IFSL²⁷ gave a useful indication of the areas where PPP might with advantage be used as a development technique. He cited hospitals, schools, social housing, airports and roads as ideal vehicles for PPP.²⁸

In South Africa, some politicians expressed fears about key public services being controlled by private sector companies:²⁹

“There have only been 21 PPP projects since 2001; Provincial politicians can be uncooperative due to a perception that consultancy and transaction costs are excessively high, and fears about public services being controlled by private sector.”³⁰

The reports go on to demonstrate the Lord Mayor’s persistence and use of tactics designed to bypass the ‘provincial politicians’ who opposed PPP:

“The Lord Mayor heard conflicting messages about the prospects for co-operation in PPP/PFI projects; but the will to succeed exists and follow up includes a return trip to UK in September.”³¹

The encouragement of PPP also received mixed reactions in Hong Kong, where:

“Government and other sectors [were] supportive of the principle of PPP in Hong Kong - especially in respect of a hospital project on Lantau Island. But the PPP has a negative public connotation as a result of the ‘Cyberport’ project. There is also a fear that PPP may be seen as a way for the Government to circumvent the financial authority of LegCo.”³²

Often, an unwillingness to take on board all of the Lord Mayor’s recommendations is put down to ignorance and misunderstanding rather than a well-considered difference of opinion.

From a visit to Brasilia in Brazil in 2005:

“Whilst there was acknowledgement of the help the UK has provided via Partnership UK, the Lord Mayor was concerned the full understanding of the role of PPP was being misunderstood, particularly in the matter of the transfer of risk

²⁷ IFSL= International Financial Services, London, usually shortened to just IFSL, was a

²⁸ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to India, Saturday 18th March to Tuesday 28th March 2006

²⁹ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to South Africa, Sunday 21st to Sunday 28th March 2010

³⁰ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to South Africa, Sunday 21st to Sunday 28th March 2010

³¹ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to South Africa, Sunday 21st to Sunday 28th March 2010

³² Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

to the private sector and in the selection of projects which would attract the right levels of long term investment and commitment from the financial market.”³³

The report makes it clear that the terms proposed in Brasilia had fallen short of the Lord Mayor’s expectations, specifically relating to the balance of risk and rewards on offer:

“Whilst the projects might be well worth while, without risk transfer and the long term prospect of profitability, they did not fully represent the PPP model as UK would understand it.”³⁴

Back in Algeria in January 2006, despite the trip’s success overall, the Lord Mayor stated that PPP:

“...was a potential development for the future.”³⁵

And rather than accepting the country’s reticence at face value, believed that the concept:

“...had not been widely understood.”

During a visit to India in June 2007:

“The delegation’s detailed explanations of how PPPs have been used to enhance the development of infrastructure across a range of public services in the UK attracted a lot of interest from business and Government players, although there was much scepticism about the appropriateness of these techniques for funding the provision of social infrastructure in India’s current circumstance.”³⁶

The report goes on to acknowledge that:

“There is a huge appetite to learn from the UK experience, but India is still cautious about greater use of PPP in the social sector.”³⁷

However, despite India’s concerns, such resistance was simply met with renewed determination from the City’s delegation:

“UK players are interested, and there is considerable business potential in advising on risk sharing and scoping of infrastructure projects - we need to press

³³ Report by The Rt. Hon. The Lord Mayor (Mr Alderman Michael Savory) on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

³⁴ Report by The Rt. Hon. The Lord Mayor (Mr Alderman Michael Savory) on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

³⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

³⁶ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

³⁷ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

*harder.*³⁸

The Lord Mayor's ruthless drive to exploit PPP - with only the benefits for those he represents in mind - again demonstrates the nature of the role.

It is made clear that Governments are expected to open up access to all sectors, whilst in reality taking on a majority of the risk and guaranteeing long term profits for its private partners.

Resistance of any kind is put down to a lack of understanding by the state in question, and - as evidenced by India's determination to protect its fragile social sector - is often met with a renewed determination to push forward.

2.3 Foreign Direct Investment

Foreign Direct Investment (FDI) is a long term investment either by individuals, private companies or public organisations into a foreign territory. It is a measure of foreign ownership of assets, such as factories, mines and land³⁹.

FDI can be a significant driver of development in poor nations, providing an inflow of foreign capital and funds, in addition to an increase in the transfer of skills, technology and job opportunities.

However, FDI can also lead to exploitation by the more powerful partner; for example the rapid stripping of valuable and finite natural resources from a country, or political influence in relation to issues that could affect a country's wider citizenship.⁴⁰

The Lord Mayor, representing UK-based financial and professional services, encourages foreign countries to provide an attractive environment for FDI.

This is evident from the reports relating to a visit to Mongolia in March 2006, when the country lacked the funds and expertise to exploit its natural resources. The Mongolian Government acknowledged that some investment would be very welcome; however, the state was keen to keep a majority of the potential wealth within its own economy.⁴¹

Mongolia's then Minister of Trade and Investment, Mr. Bazarsadyn Jargalsaikhan, discussed the possibility of:

"...including a clause in the proposed Mining Law requiring concerns with foreign

³⁸ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

³⁹ <http://www.economywatch.com/foreign-direct-investment/>

⁴⁰ <http://www.economywatch.com/foreign-direct-investment/>

⁴¹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

investment to reserve a 51% interest for the Government.”⁴²

In response, the reports state that:

“The business delegation strongly recommended that this was not a good way to attract FDI.”⁴³

The lobbying power of the Lord Mayor and his delegation could have been instrumental in the fact that, soon after, Minister Jargalsaikhan backed down from his initial position. During a press briefing, the official said that the 51% initially put forward:

“Was just a possible suggestion and that journalists should not interpret this suggestion as being the policy of the Government.”⁴⁴

The Lord Mayor went on to visit India in April 2006, where the insurance sector was:

“...still hugely untapped and that there was huge potential for new products and for new players in the market. This offered considerable opportunities for UK insurance companies, even with the current FDI limit.”⁴⁵

The Lord Mayor hosted a ‘well attended’ breakfast meeting in the Taj Palace Hotel for members of the insurance industry, where:

“...a number of issues were discussed. These included percentage limitations on foreign ownership and the aspiration to increase this from 26% to 49%.”

According to the reports, the Lord Mayor:

“...described the strengths of the City, its wish to work with and contribute to India’s development, and the City’s desire to see further liberalisation in the sector, not least increased FDI ceilings for banking and insurance.”⁴⁶

The reports show that this received a positive response from some officials, noting that:

⁴² Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁴³ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁴⁴ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁴⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to India, Saturday 18th March to Tuesday 28th March 2006

⁴⁶ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to India, Saturday 18th March to Tuesday 28th March 2006

“The Finance secretary (Mr Ashok Jah) was optimistic that the insurance ceiling would rise to 49% either in this or the next session of parliament, but cautioned that the Reserve Bank of India was less comfortable over any similar acceleration in banking liberalisation.”⁴⁷

However, the recommendation sparked immense opposition from the left. Chief Minister Shri Manik Sarkar believed that:

“The way the UPA have raised the FDI ceiling in insurance sector up to 49% is only a tip of the iceberg; they would have done this and other suicidal things much earlier, but for left opposition.”⁴⁸

Despite these protests, P. Chidambaram, India’s Finance Minister from 2004 to 2008, confirmed that the country would indeed raise its FDI cap in the insurance sector by the exact amount supported by the Lord Mayor.

However, when the Lord Mayor revisited India in May 2008, it was noted that:

“There was little evidence of progress towards liberalisation in the insurance and pensions sectors. Necessary legislation to raise the FDI cap (currently 26%) ...remains subject to intense opposition from trades unions and lefties parties, and has made no progress in parliament.”⁴⁹

The Lord Mayor also visited the Philippines in June 2006. He was pleased to note that the country’s Finance Secretary, The Hon Margarito Teves:

“...advocated foreign ownership across all sectors - up to 100% where appropriate.”⁵⁰

In July 2007, the Polish Government proposed to introduce legislation that would cap legal fees, with the aim of making legal services more widely accessible to poorer people.⁵¹

The Lord Mayor stated:

“... the objective of making legal services more accessible to poorer people was noble.”

However, his duty to represent the interests of the UK above all else is likely to have led him to oppose the proposition, stating that:

⁴⁷ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to India, Saturday 18th March to Tuesday 28th March 2006

⁴⁸ <http://www.tripurainfo.in/Info/Archives/188.htm>

⁴⁹ Report by The Rt. Hon. The Lord Mayor (Alderman David Lewis) on his visit to India, Friday 11 April-Wednesday 23 April 2008

⁵⁰ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

⁵¹ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Poland, Tuesday 11 July-Thursday 13 July 2007

“Such a measure could be in contravention of EU international market rules, and could have the unintended consequence of encouraging international law firms to leave the market - thus limiting access to good (especially commercial) legal advice.”

As an alternative to capping legal fees, the Lord Mayor suggested that the Government explore another route – one which would switch the financial burden onto the Polish tax payer:

“Might alternative routes such as expanded legal aid be explored?”⁵²

In response, Poland’s Deputy Justice Minister Manowska stressed that:

“The proposal was still subject to consultation: the arguments used by the Lord Mayor and his colleagues had been well understood.”

Going on to say that:

“...the Government had by no means reached a decision”

Finally, Mrs Manowska capitulated to the lobbying prowess of the Lord Mayor. The reports state that the Minister:

“...implied strongly that the draft legislation on fee capping was very likely to be rejected in favour of other devices to enhance access.”⁵³

The example above in particular demonstrates that the actions of the Lord Mayor can have a direct impact on the citizens of the countries with which he negotiates. A policy that would have helped the Polish public was abandoned in favour of ‘other devices’ designed to protect the interests of foreign, private companies.

2.4 Innovative Financial Instruments

As is his duty, the Lord Mayor espouses London’s position as the world’s leading International Financial Centre. He credits this to its inventiveness; for example the development of hedge funds and use of sophisticated financial instruments, such as derivatives.⁵⁴

This position was widely accepted by the international finance community. For example, during the Lord Mayor’s visit to Austria in 2005, the Governor of the Austrian National Bank, Mr Klaus Liebscher, stated that:

⁵² Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Poland, Tuesday 11 July-Thursday 13 July 2007

⁵³ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Poland, Tuesday 11 July-Thursday 13 July 2007

⁵⁴ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

“It also accepts the importance of the City of London.. .as a strong financial centre that can drive innovation.”⁵⁵

‘Innovative’ instruments such as derivatives can indeed offer huge financial gains. However, they are often highly complex, presenting extreme risks through a lack of regulation, and an absence of a safety net to protect against possible losses.⁵⁶

Regardless, in the lead up to the global financial crisis, the Lord Mayor aggressively championed the use of high risk, high reward innovative financial instruments throughout the world.

In May 2006, Brunei and Thailand took a positive view on derivatives, and the report states that a follow-up to the visit would include:⁵⁷

“A seminar on the use of derivatives.”⁵⁸

The Lord Mayor also visited Malaysia in April 2007, where:

“There was an increased interest in developing more sophisticated instruments such as derivatives and hedge funds.”⁵⁹

On a trip to China in May 2007, the Lord Mayor suggested that regulatory reforms would allow its markets to flourish. He offered help and advice, especially in relation to the introduction of new financial instruments like derivatives, which were not available on Chinese market.⁶⁰

However, on a later visit in July 2008, the Chairman of the China Securities Regulatory Commission, Shang Fulin, politely rebuffed the offer. The report notes that Fulin believed Chinese investors were:⁶¹

“...less sophisticated than those in the West, and needed to be protected from a price crash. He wanted to ensure that risk would be taken only by those who could afford it.”⁶²

⁵⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his EU Pre-Presidency visit to Austria, Tuesday 22nd November- Wednesday 23rd November 2005

⁵⁶ [http://www.globalissues.org/article/768/global-financial-crisis-Former US Presidential speech writer, Mark Lange, notes,](http://www.globalissues.org/article/768/global-financial-crisis-Former-US-Presidential-speech-writer,-Mark-Lange,-notes)

⁵⁷ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

⁵⁸ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

⁵⁹ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

⁶⁰ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

⁶¹ Report by The Rt. Hon. The Lord Mayor (Alderman David Lewis) on his visit to China and Hong Kong, Tuesday 24th June-Wednesday 8th July 2008

⁶² Report by The Rt. Hon. The Lord Mayor (Alderman David Lewis) on his visit to China and Hong Kong, Tuesday 24th June-Wednesday 8th July 2008

On a visit to India in June 2007, the Lord Mayor experienced firm resistance to freight derivatives, which could not be traded in due to concerns about the non-deliverable nature of the underlying product.⁶³

Anthony Cook, Chairman of the Baltic Exchange and part of the Lord Mayor's delegation, viewed this stance as self-defeatist. He argued that such activity was already taking place in external markets like London and Singapore, so:

*"...why should the benefits not accrue to India?"*⁶⁴

The City of London's development of innovative financial instruments furthered its reputation as "the world's leading international financial and business centre". However, such instruments - by definition - fall outside of traditional regulatory frameworks and therefore present significant risks.

The reports show that the Lord Mayor promoted the profit-making potential of derivatives without paying equal attention to the inherent risks. His success led to the proliferation of such techniques around the world, potentially contributing to the financial collapse of the weakened financial markets.

2.5 Competitive Tax Environments

During a visit to Russia in April 2007, one of the main aims of the Lord Mayor was to push:

*"The importance of a reasonable (competitive) tax environment."*⁶⁵

This was indicative of wider efforts to ensure that countries used tax-based incentives to attract UK businesses.⁶⁶

In the Philippines, local and foreign banks had been taxed on their Foreign Currency Deposit Units (FCDUs). During his visit in June 2006, the reports note.⁶⁷

*"The Lord Mayor raised the subject of Foreign Currency Deposit Units (FCDUs) ...For two years local and foreign banks had been taxed on their FCDUs."*⁶⁸

⁶³ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁶⁴ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁶⁵ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Kazakhstan and Russia, Tuesday 27 March to Thursday 5 April 2007

⁶⁶ Report by The Rt. Hon. The Lord Mayor Mr Alderman Michael Savory, on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

⁶⁷ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

⁶⁸ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

In response to the Lord Mayor's concerns, the Governor of the Central Bank, Amando M. Tetangco, conceded that the banking industry resented these taxes. Rather than exploring the potential benefits of such a tax to the public, the Governor was quick to lay the blame at:

"... errors in drafting of the original legislation."

Furthermore, the Chairman of the Ways and Means committee and the House of Representatives, who drafted the legislation:

"...confirmed there and been no legislative intent to impose these taxes and was currently reviewing the evidence."⁶⁹

The example above demonstrates that, merely by "raising the subject" of a specific practice, the Lord Mayor may have played a role in altering the tax system of a foreign state in favour of the investors he represents.

During a trip to Kuwait in January 2007, the country's Undersecretary of Finance, HE Khalid J Al Rubaian, defended the principle of imposing a reasonable tax on foreign competition.⁷⁰ The Lord Mayor's delegation disagreed, sending a clear warning that that:

"Any incentive for foreigners to invest is likely to be offset by the 55% tax."⁷¹

The Mongolian Government had direct experience of the losses that can occur as a result of tax incentives.⁷²

"Tax holidays have been granted to some early entrants in the minerals sector. Exemptions have not always been consistent and in some cases cover most of the expected life of the project concerned...Until now the mining company has enjoyed substantial tax concessions. It is now felt this is neither fair nor wise."⁷³

The Mongolian Government was forced to take action to rectify the issue:

"A new law is being drafted to bring this situation under control...Options for capitalising on the large deposits and relatively easy availability of coal are being

⁶⁹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

⁷⁰ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Kuwait, Sunday 16th-Tuesday 19th December 2006

⁷¹ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Kuwait, Sunday 16th-Tuesday 19th December 2006

⁷² Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁷³ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

*considered.*⁷⁴

The Lord Mayor also ensures that UK businesses are able to take advantage of 'competitive tax environments' across the world by playing a fundamental part in the very creation of offshore banking centres.

In February 2007, Ghana was poised to become just such an offshore banking centre. This was to be achieved by setting up a joint venture between Government of Ghana and Barclay's Bank in the UK⁷⁵.

The Lord Mayor stated clearly that one of the principle objectives was to assist Ghana:

"...in its aspirations to become the West African regional hub"

The reports state that this objective was:

*"...fully achieved."*⁷⁶

2.6 Deregulation

Being involved at the birth of an offshore hub such as Ghana has its rewards. The Lord Mayor offered the benefits of the City of London's experience in return for the:

*"Establishment of our light touch principle-based regulatory regime."*⁷⁷

Whilst visiting Chile in 2005:

*"...the Lord Mayor emphasised once again the vital need for business friendly regulation."*⁷⁸

It is such 'business friendly' regulation that the Lord Mayor aggressively championed in the years and months preceding the global financial crisis.

Reports relating to a trip to Hong Kong in March 2006 show that the message was getting through. The delegation's hosts:

⁷⁴ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁷⁵ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Ghana, Saturday 20 January-Wednesday 24 January 2007

⁷⁶ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Ghana, Saturday 20 January-Wednesday 24 January 2007

⁷⁷ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Ghana, Saturday 20 January-Wednesday 24 January 2007

⁷⁸ Report by The Rt. Hon. The Lord Mayor Mr Alderman Michael Savory, on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

“...recognised London as source of best practice - particularly in regulation, the legislative environment and corporate governance.”⁷⁹

The reports continue that there was much discussion:

“...and some relaxation in the trading regulations was announced during the visit.”⁸⁰

In relation to a visit to Japan in September 2006, the reports offer further evidence of the innate bias of the Lord Mayor’s objectives, noting that he was to:

“Encourage UK-friendly regulatory reforms to the benefit of potential UK financial services investors and service providers.”⁸¹

However, a trip to Russia in April 2007 presented some rare criticism. The reports note that the Lord Mayor’s visit:

“...coincided with some unfortunate publicity suggesting that London was under regulated and that there were therefore reasons to doubt the integrity of Russian companies listed in London.”⁸²

This forewarning was brushed aside, as the Lord Mayor visited China that same month and:

“Concluded by suggesting that further reforms would permit markets to flourish. They would attract more customers to the business if regulations were loosened.”⁸³

In the final months leading up to the global crisis, the Lord Mayor continued to aggressively champion light-touch regulation. The report of his visit to Malaysia in May 2007 notes that:⁸⁴

“Regulation is still tight, but the Governor of the Central Bank and Chairman of Securities Commission both acknowledged the value of principle based rather than rule based legislation.”

⁷⁹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁸⁰ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

⁸¹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

⁸² Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Kazakhstan and Russia, Tuesday 27 March to Thursday 5 April 2007

⁸³ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

⁸⁴ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

In June 2007, the Lord Mayor visited India and in particular:

“...sought to emphasise the benefits of the UK’s liberal market approach and proportionate, principles-based regulation-elements that the Indian Government will need to consider very carefully if they are to realise their ambition to promote Mumbai as an international financial centre.”⁸⁵

This was reiterated when he:

“...asked about the planned liberalisation of the insurance and banking sector, flagging how Big Bang and the UK’s system of principle based regulation had been instrumental in making London a global financial centre.”⁸⁶

However, India’s Minister of Corporate Affairs, P. C. Gupta, resisted the ‘Big Bang’ approach to deregulation, erring on the side of caution. In response, the Lord Mayor’s reports, in familiar fashion, simply state that Gupta:

“...seemed not to grasp the real benefits of principle based regulation and the essential role of good corporate governance.”⁸⁷

The Lord Mayor’s stance on regulation was also met with scepticism during a 2007 meeting with Abu Dhabi Investments Authority (ADIA), which invests on behalf of and is wholly owned by the Government. The reports state that:

“There were extensive discussions on regulation and on comparative systems of corporate governance. ADIA, while generally favouring the UK’s approach to governance and to principle based regulation, were dubious about the effectiveness of measures against insider trading, citing the small number of prosecutions successfully brought.”⁸⁸

Overall, however, the Lord Mayor’s attempts to spread deregulation across the world were largely successful.

The UK’s regulatory body, the Financial Services Authority (FSA), and the Lord Mayor, worked together closely in relation to the development of light touch regulation.

Indeed, the Lord Mayor fully exploited the UK’s comparatively weak regulatory structure, repeatedly using it to beat down standards abroad. In every single report prior to the financial crisis, the Lord Mayor celebrated the FSA’s position as

⁸⁵ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁸⁶ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁸⁷ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁸⁸ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to Qatar, Pakistan and the United Arab Emirates, Sunday 4th-Wednesday 14th February 2007

the single regulator with a principle based regulation of the UK's financial industry, and indeed lobbied other countries to imitate this model.

For example, during to a visit to Mumbai in May 2007, the Lord Mayor was keen to:

“Explain the UK’s liberal approach to regulation and corporate governance through seminars and workshops, and encourage India to move in the same direction as it develops Mumbai as a financial centre.”⁸⁹

The following was reported in relation to a visit to Algeria in February 2006:

“Amongst needs which were recognised by Ministers were: ...Development of regulation and supervision. The Embassy would forward proposals for training in regulation reform. They would write to FSA to explore the possibility of an exchange with Algerian regulators.”⁹⁰

Indeed the Lord Mayor's exploitation of the UK's regulatory system was evident throughout 2006; the reports relating to Indonesia, the Philippines, Brunei and Thailand conclude that:

“The need for market reforms and regulatory implementation were common threads running through all four programmes. This is an area where London still holds the lead and the opportunities to advise security exchange commissions, stock exchanges, central banks and other organisations were considerable.”⁹¹

In reaction to high profile scandals involving Enron, Tyco International and WorldCom, the US enacted the Sarbanes Oxley legislation 2002 (SOX) - a new law which sought to address conflicts of interest and boardroom failures.

Despite the fact that SOX demanded higher standards of compliance, it was argued that the additional cost would be offset by its positive impact on investor confidence, reliability of financial statements and fraud prevention.

Rather than view this as a chance to learn from the mistakes of others, the Lord Mayor described SOX as:

“...the ideal opportunity for the UK”⁹²

Indeed, The City's delegation went on to exploit the US's more onerous regulatory standards, convincing companies to list in on the comparatively lightly

⁸⁹ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to India, Saturday 19 May-Saturday 26 May 2007

⁹⁰ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Algiers and Cairo, Wednesday 25th-Tuesday 31st January 2006

⁹¹ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) Indonesia, The Philippines, Brunei and Thailand, /Sunday 7th-Friday 19th May 2006

⁹² Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006

regulated London Stock Exchange (LSE), rather than its main competitor, the New York Stock Exchange (NYSE).

This is evident from a report relating to a visit to Chile in September 2005, where:

“The Stock exchange President Yrarrazabal briefed the Lord Mayor that Chilean companies listed in New York could be targeted to list in London, because of their difficulties with SEC regulations/Sarbanes-Oxley.”⁹³

This was followed by a trip to Brazil, where:

“As he had done in Chile, he (the Lord Mayor) emphasised the general benefits of Brazilian companies listing in London rather than in New York and undertook to advise the London Stock Exchange of the opportunities open to them to attract Brazilian listings, now predominantly based in New York. There was a strong appetite for a visit by the London Stock Exchange to Sao Paulo.”⁹⁴

The report from a visit to China in March 2006 noted that:

“Chinese companies still view Hong Kong and the US as their principal destinations for raising capital but since the US changed its financial policy it has become more onerous to list there and this means more Chinese companies are starting to look elsewhere, thereby offering an ideal opportunity for the UK.”⁹⁵

2.7 Short Term and Long Term Opportunism

Despite the annual changes in Lord Mayor, the City of London ensures that its activity remains seamless both in the short term and long term.

In Japan, many banks see their responsibility as being split between shareholders, customers, the workforce and country as a whole; even leading to loans at uneconomically low rates. The reports note that:

“Japanese banks prefer to adhere to traditional values of preserving relationships rather than insisting on shareholder value. They see their responsibilities split evenly between shareholders, customers, their workforce and their country ‘Consequently some lending is at uneconomically low margins.’⁹⁶

⁹³ Report by The Rt. Hon. The Lord Mayor Mr Alderman Michael Savory, on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

⁹⁴ Report by The Rt. Hon. The Lord Mayor Mr Alderman Michael Savory, on his visit to Argentina, Chile and Brazil, Saturday 3d September to Thursday 15th September 2005

⁹⁵ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

⁹⁶ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

However, a rare opportunity to influence this traditional Japanese system presented itself in 2006, when the country's incumbent Prime Minister was replaced by Shinzo Abe, who was considered to be less economically savvy.⁹⁷ In the report from the visit by the Lord Mayor in September 2006:

"It was suggested Abe's financial and economical inexperience would lead him to accept the advice of experts - this could be encouraging."⁹⁸

The development of long term strategic partnerships is also key. During a visit to Malaysia in May 2007, the Lord Mayor celebrated the fact that the link between UK and Malaysia was so strong in relation to education. With so many Malaysian students in the UK and one UK University campus in Malaysia, he said that:

"...the ability for UK to influence future leaders in business and Government has never been stronger"⁹⁹

3. The Lord Mayor: Post Financial Crisis

As the financial crisis with the Northern Rock and the wider British economy escalated, the Lord Mayor was forced to change his rhetoric – albeit subtly.

Publically at least, his primary focus was switched from the aggressive pursuit of ever more 'business-friendly' investment environments, to a position of reassurance; reassurance that the City of London was as strong as ever.

On a trip to China in June 2008, the Lord Mayor incorrectly stated that:

"London's strong institutions and high levels of capital mean that despite the credit crunch, the UK is not likely to go into recession."¹⁰⁰

As late as January 2009, at a time when the UK's financial industry and wider economy was in turmoil, the Lord Mayor visited Morocco and maintained that:

"The City of London is one of world's leading financial centres. Whilst recognising the challenges, we see the global international financial crisis as an opportunity to create a stronger, sounder future for the City, building on the city's many strengths."¹⁰¹

However, the Lord Mayor was forced to directly contradict earlier support for deregulation and innovative financial instruments. For example, in February 2010 on

⁹⁷ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

⁹⁸ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Japan and Northern China, 31 August-16 September 2006

⁹⁹ Report by The Rt. Hon. The Lord Mayor (Mr Alderman John Stuttard) on his visit to China, Malaysia and Vietnam, Friday 20th April-Monday 7th May 2007

¹⁰⁰ Report by The Rt. Hon. The Lord Mayor (Alderman David Lewis) on his visit to China and Hong Kong, Tuesday 24th June-Wednesday 8th July 2008

¹⁰¹ Report by of the visit The Rt. Hon. The Lord Mayor (Alderman Ian Luder) to Morocco, Sunday 4th January -Wednesday 7th January 2009

is visit to Bahrain, the Lord Mayor stated that:

“On the surface Bahrain has weathered the financial crises well. With a more stringent regulatory regime than other Gulf countries...it entered the crises from a position of a relative strength...banks had not dealt in risky derivatives they were shielded, to a degree, from the worst effects of the crises.”¹⁰²

During another visit to India in May 2008, the Lord Mayor was faced with a Government which had disagreed with his push for ‘Big Bang’ deregulation. Finance Minister Chidambaram:

“...suggested that India’s cautious approach to the opening of the financial sector had helped them avoid contagion from a crises ‘made in the developed world’.”¹⁰³

This was also acknowledged in Saudi Arabia in February 2010, where the reports state that:

“The banking sector had been tightly regulated and as a result there were few exposures to toxic debt.”¹⁰⁴

In March 2010, the Lord Mayor also noted that the South African banking sector was similar to UK, with one distinct advantage:

“...[it] is more highly regulated than UK banking sector and consequently South African Banks did not suffer from “sub-prime” losses.”¹⁰⁵

As was to be expected, the Lord Mayor was also repeatedly asked about the UK’s own reaction to the credit crunch and related recession. The reports record his response as follows:

“While it was preferable not to rush into ill-considered legislation, there would certainly be careful reviews of regulation and risk control. He emphasised that some risk was essential if market opportunity was to be taken and innovation encouraged; the important thing was that risk should be carefully calculated and responsibly taken”¹⁰⁶

Indeed in Bahrain in 2010, the Lord Mayor claimed that:

¹⁰² Report by of the visit The Rt. Hon. The Lord Mayor of the City of London (Alderman Nicholas Anstee) to Bahrain and Saudi Arabia, Tuesday 16th February to Wednesday 24th February 2010

¹⁰³ Report by The Rt. Hon. The Lord Mayor (Alderman David Lewis) on his visit to India, Friday 11 April-Wednesday 23 April 2008

¹⁰⁴ Report by of the visit The Rt. Hon. The Lord Mayor of the City of London (Alderman Nicholas Anstee) to Bahrain and Saudi Arabia, Tuesday 16th February to Wednesday 24th February 2010

¹⁰⁵ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to South Africa, Sunday 21st to Sunday 28th March 2010

¹⁰⁶ Report by of the visit The Rt. Hon. The Lord Mayor (Alderman Ian Luder) to Morocco, Sunday 4th January -Wednesday 7th January 2009

*“Regulation would need to be reformed and within the UK, the process had started.”*¹⁰⁷

Despite this rhetoric, in 2009 the Lord Mayor continued to oppose any *genuine* attempt to impose tougher regulations.

*“The business delegation stressed the importance of effective consultation, and that sharing best practice was preferable to national legislation.”*¹⁰⁸

This view is again evident from his reaction to the AIFM Directive, a potential comprehensive regulatory and supervisory framework for alternative investment fund managers within the EU.¹⁰⁹ When asked about the proposals in May 2010 during a visit to Singapore, Japan and Indonesia, the Lord Mayor:

*“...outlined UK’s objections to this directive because the UK believe it is protectionist and broadly unnecessary. These comments did not obviate the need to accept through regulation and greater demands for transparency and accountability.”*¹¹⁰

And during the same visit:

“...the Lord Mayor emphasised that London’s global position as an international financial centre remained at, or very near, the top. And the new Government understood the need to keep London competitive and business friendly.”

The Lord Mayor, determined to shirk imposed regulations, concluded that:

*“The trust between the public and the financial services industry had to be restored through tougher measures of self-regulation, through changes in the structure of executive pay, and through demonstrating that the industry adds value to society at large, through the tax take and by the role in the real economy.”*¹¹¹

4. Dissolution of the FSA

Even in the wake of the 2007 Northern Rock crisis, FSA chief executive Hector Sants claimed that:

¹⁰⁷ ,Report by of the visit The Rt. Hon. The Lord Mayor of the City of London (Alderman Nicholas Anstee) to Bahrain and Saudi Arabia, Tuesday 16th Febraury to Wednesday 24th February 2010

¹⁰⁸ Report by of the visit The Rt. Hon. The Lord Mayor (Alderman Ian Luder) to Morocco, Sunday 4th January -Wednesday 7th January 2009

¹⁰⁹ <http://www.linklaters.com/Publications/20100218/Pages/Index.aspx>.

¹¹⁰ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to Singapore, Japan and Indonesia, Sunday 23rd to Monday 31st May 2010

¹¹¹ Report by The Rt. Hon. The Lord Mayor (Alderman Nicholas Anstee) on his visit to Singapore, Japan and Indonesia, Sunday 23rd to Monday 31st May 2010

"The FSA remains committed to implementing more principles-based regulation...What's more I would emphasise that we will not be diverted from our efforts in implementing such a regime by recent market turbulence,"

It was not until March 2010 that Sants was left with no choice but to call time on the era of light

touch regulation, conceding that the FSA should have:

"...stepped in earlier in the past."¹¹²

Finally, in June 2010, it was announced that the FSA - a key proponent of the Lord Mayor's 'light touch, principle-based' regulatory approach - was to be dissolved.¹¹³ As a final blow to the system that the Lord Mayor had been aggressively promoting across the world, Sants was forced to admit that:

*"A principles-based approach does not work with individuals who have no principles,"*¹¹⁴

5. Conclusion

The City of London Corporation is extremely powerful and the Lord Mayor is duty bound to exploit that power in the interests of the wealthy organisations he represents.

The reports demonstrate that the Lord Mayor was successful in carrying out his duties – i.e. promoting the City as a leading international financial centre and acting as an ambassador for financial and professional services based across the UK.

However, by doing so, he exploited the power imbalance between "*one of the world's leading international finance centres*"¹¹⁵ and 'lesser' nations. At no point were the interests of third parties, in some cases the entire citizenships of countries, taken into account. Indeed, resistance was met with condescension, veiled threats and a ruthless will to "press harder".

The Lord Mayor's persistent drive for all-encompassing privatisation, risk-free public private partnerships, ever-higher levels of foreign direct investment, inherently risky 'innovative' financial instruments, low tax environments and comprehensive deregulation was based on the premise that the City of London was:

¹¹²

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2009/0312_hs.shtml

¹¹³ <http://www.businessweek.com/news/2010-06-17/u-k-scraps-fsa-reversing-system-set-up-by-brown-update2-.html>,

¹¹⁴

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2009/0312_hs.shtml

¹¹⁵ http://www.cityoflondon.gov.uk/Corporation/LG_NL_Services/Council_and_democracy/Councillors_democracy_and_elections/The_Lord_Mayor/

*“...a provider and model of best practice.”*¹¹⁶

The subsequent global financial crisis and dissolution of the FSA demonstrate that this was false.

Despite this overwhelming evidence, the Lord Mayor continued to resist genuine attempts to regulate the industry he represents. This signifies that lessons have not been learnt.

If a key objective of The City of London is to truly be perceived as:

“...one of the world’s leading international finance centres.”

Then it must learn from past failings, and balance the need to deliver opportunity to the wealthy few with a responsibility to avoid another global economic catastrophe.

¹¹⁶ Report by The Rt. Hon. The Lord Mayor (Alderman David Brewer CMG) on his visit to Mongolia, Hong Kong and South and West China, Friday 24th February to Tuesday 7th March 2006