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SNEAK PEEK

— Rachel Reeves under pressure to scrap stamp duty on shares — again.

— SCOOP: Treasury Committee MPs eye "finfluencer" probe.

— British Virgin Islands hits back amid dirty money attacks.

Good morning! Happy Monday. Welcome to a new and rather chilly week.

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DRIVING THE DAY

REEVES UNDER PRESSURE TO SCRAP SHARE STAMP DUTY (AGAIN): After several earlier unsuccessful efforts, the City of London is issuing renewed calls for the government to scrap stamp duty on U.K. shares, and with a message that Britain needs to get investing for growth, this time might just turn out different.

Here we go again: Regular readers of this newsletter will know that much of the industry has been calling for stamp duty on U.K. equities to be scrapped, as they see the tax as a huge burden on boosting U.K. plc. On Thursday night, TheCityUK chair Anne Richards told a room full of influential stakeholders that the longstanding policy is like "running a 100m sprint with 10 kilo weights in your pockets" — to murmurs of "hear, hear" from attendees at the dinner.

What is it: Investors are charged stamp duty and/or stamp duty reserve tax at a rate of 0.5 percent when they buy and transfer U.K. shares worth over £1,000 (except for securities on the AIM market). Yet this tax does not apply to the purchase of shares in foreign companies.

But but but: Labour told MFS U.K. it had "no plans" to scrap stamp duty in June, echoing the Tories' longstanding policy to ignore industry calls to get rid of the tax — which isn't levied on domestic share trading in many other countries.

Yeah, maybe: But City Minister Emma Reynolds told attendees at the same event last week that she wants the financial service sector to say to her what burdens need to be removed to boost investment — and stamp duty looks like the top item on the list. Rachel Reeves is keen to rip up red tape to get the City humming, too. And, the government isn't slapping the tax on shares held in its new PISCES platform, so there's a bit of a precedent.

Do it: "Yes, we could see a short-term dip in direct tax revenue, but consider the potential upsides: more trading, more listings, more activity across the board, leading to more tax revenue in other areas such as capital gains," Richards said on Thursday night. "In fact, some independent research suggests that the increased activity might, over time, generate tax revenues that more than offset the immediate losses from reducing the duty."

All for it: Richards and TheCityUK are pretty influential to government thinking, so Thursday night's remarks about a temporary suspension to test the waters won't be unnoticed. And the comments are making waves in the Square Mile too. A handful of City policy bosses got in touch on Friday to say they'll likely reach out to the Treasury again in the coming weeks to renew their push to get stamp duty scrapped. "It's such an easy win," one said.

Yeah, nah: A government spokesperson avoided our question over whether it will consider scrapping stamp duty, but did note how much revenue it brings in each year. "We are continuing our work to attract exciting businesses to the U.K. — creating pension megafunds to unlock billions of pounds of potential investment, as well as backing the largest overhaul of UK listings rules in decades," they said.

Money, money, money: Clearly, the Treasury is worried about the cost of scrapping stamp duty, as it brings in about £4 billion a year. Critics of the tax — which is most of the City — argue this is a small cost compared to the boost the markets will get when investors aren't penalized for investing in domestic equities.

WHAT'S ON

Monday, Bank of England to hear the views of people in Sheffield about the cost of living, 9:30 a.m. Bank of England's Sasha Mills remarks delivered at the Chair/CEO/INEDs roundtable for U.K. Financial Market Infrastructure firms, online, 9:30 a.m. Best for Britain "The U.K.-EU Reset: Quantifying the opportunities for economic growth" event, online, 2 p.m. to 3:30 p.m.

Tuesday, House of Commons Treasury Committee: Work of Financial Ombudsman Service — oral evidence, online, 10 a.m. Leeds Beckett University "Bank of England — Economic prospects" lecture with Catherine Mann, online, 8:45 a.m. Bank of England: Asset Purchase Facility Quarterly Report (2024 Q4), online, 12 p.m. Bank of England: Keynote speech by Andrew Bailey at The University of Chicago Booth School of Business, "Are we underestimating changes in financial markets?" 12:15 p.m.

Wednesday, BIS "Quantum-readiness for central banks and supervisors" conference begins, Basel. House of Lords Financial Services Regulation Committee: FCA and PRA's secondary competitiveness and growth objective with PSR managing director, online, 10 a.m. RUSI "U.K. Sanctions Strategy: One Year On" research event, Whitehall, 10:30 a.m. Treasury Committee session on work of HM Treasury, online, 2:30 p.m. Joint EU-U.K. Financial Regulatory Forum, London.

Thursday, GDP figures for final quarter of 2024 published.

PARLIAMENT

SCOOP — TREASURY COMMITTEE HONES IN ON 'FINFLUENCERS': MPs on the Treasury Committee are a tad worried about the role of "finfluencers" and are planning to hold a one-off session in the coming months to understand the landscape. MFS U.K. understands the probe is very much in the early stages, and at this point, there is no plan to launch a full inquiry — but that could change.

Advice please: MFS U.K. was told by one insider with knowledge of the committee's work that MPs are keen to find out about how the financial advice sector is working, and how it can operate better for savers in a world where many younger people are getting iffy tips from social media. A reminder that the government and FCA are working on reforming the advice guidance boundary to boost financial assistance to savers, which both Emma Reynolds and FCA boss Nikhil Rathi have told the committee about.

Good timing: Amid MP concerns about people getting "advice" from the interwebs, the FCA said on Friday that nearly 20,000 financial promotions were withdrawn or amended in 2024 following its intervention — which is nearly double the number of 2023. The regulator is urging social media platforms to do more to proactively identify and prevent illegal financial promotions, and last year launched targeted action against finfluencers which resulted in 20 people being interviewed under caution.

CAPITAL MARKETS

PISCES IS GREAT, BUT WHAT ABOUT US, ASKS TISE: Guernsey-based stock exchange TISE wants the government to take a look at its offering, rather than Rachel Reeves' plans for the PISCES platform which, if developed, would allow investors to invest in private companies.

TISE to meet you: TISE, or The International Stock Exchange, set up in Guernsey in 1998 and has since 2023 offered its TISE Private Markets online platform, which provides companies not publicly listed to buy and sell their own shares. That's already up and running, unlike PISCES, although Reeves has committed to legislate to establish it by May. The Financial Conduct Authority kicked off its plans to get PISCES off the ground with a consultation in mid-December.

In the mail: Cees Vermaas, chief executive of TISE, sent City Minister Emma Reynolds a letter sent late last month requesting a meeting to showcase its wares. The Treasury declined to comment.

Going underground: But Vermaas told MFS U.K. there hasn't been any "concrete kind of delivery" of PISCES yet. "We wonder if PISCES … when it's going to deliver," he said. And TISE is on a public awareness spree, with MFS U.K. spotting adverts for the exchange on screens alongside the escalators at Liverpool Street Station underground over the weekend.

In the meantime: TISE wants to get the message across that its model is better placed to respond to private investment demands than PISCES. "In the U.K., there are over 19,000 private companies with more than 100 employees. They have a share structure. They have a requirement to transfer ownership or to get new investors on board, and they don't really have the capability to do so, and the only two potential opportunities they have is either to put themselves in the hands of a private equity party or to go to an exchange. And that is just very expensive, and you're out of control in both situations. We think we are filling the [gap] with the platform," Vermaas told MFS U.K.

Plenty of fish: The government looks set to plow ahead with PISCES anyway. The FCA, which is consulting on developing PISCES via its sandbox approach, described the platform as a "world-leading innovation." Responses to its consultation close Feb. 17, but the industry so far seems supportive. UK Finance and AFME told the government in response to its legislative proposals that they are supportive and welcome the collaborative approach on the "ambitious initiative."

ECONOMIC CRIME

PRESSURE BUILDS ON BVI OVER TRANSPARENCY REGISTER: The British Virgin Islands has hit back at recent allegations that it's not doing enough to prevent economic crime, following an investigation which found the BVI had helped Roman Abramovich evade tens of millions in taxes for running his yacht (its financial services industry has long been accused of being a paradise for corruption, see Eleanor's piece here). But recent accusations have turned the temperature up.

The issue in Westminster: The BVI and many other Overseas Territories refuse to implement registers of beneficial ownership: databases showing who actually owns a company or an asset. All OTs were supposed implement them by 2023 but many have not done so.

Piling on: MPs at a Westminster Hall debate last week joined the condemnation, including former Deputy Foreign Secretary Andrew Mitchell, and Labour MPs and anti-corruption campaigners Joe Powell and Phil Brickell.

Implement the RBOs: Brickell told MFS U.K. that "given publicly accessible registers of beneficial ownership are required in the U.K., they should be required in the British Virgin Islands. The BVI is using any tactic available to delay, obfuscate and prevent this long-overdue reform, which would be a powerful tool to crack down on global tax evasion and money laundering."

Bad plans: Powell was deeply critical of the BVI's suggestions for a "legitimate interest filter," instead of an RBO. Powell said the BVI's suggestion would mean access for civil society was "severely restricted," and companies could be notified when someone was trying to access their information, and also who was making the request.

But but but: The BVI isn't taking the criticism lying down. In a briefing published sent last week, first reported by Playbook PM, the BVI said the filter would "provide another important step in the fight against illicit finance."

Getting nervous: And the BVI government seems nervous that the public pressure may force the British government to take action, as Britain could opt for the seldom-used option of an Order in Council to force legislation upon the overseas territories. Its statement alleged "a coordinated attack" designed to "pressure the UK Government to take colonial measures against the territory."

ECONOMICS

THECITYUK SENDS IN SPENDING REVIEW RECOMMENDATIONS: On Friday, influential trade body TheCityUK sent in some recommendations for the chancellor's upcoming spending review and, among other things, it has once again called for the DWP to increase auto-enrolment contributions: A tricky ask following the hike in employers national insurance.

To-do list: The trade body wants the Treasury to create a "competitive tax regime to secure international investment" and examine the VAT regime on financial services, the banking surcharge, banking levy, and stamp duty on shares. "This is a direct tax on liquidity which places the U.K. at a competitive disadvantage," it said. A reminder that TheCityUK is part of the group accusing HMRC of trying to impose VAT on financial services outsourcing.

EU-UK

SHOULD CLEARING EQUIVALENCE PROCESS BE CHANGED? Fresh from last week's furor among EU lawmakers over the European Commission's rug-pulling move to extend its recognition of London's clearinghouses in an expedited process, a European Parliament paper is suggesting that the legal process for agreeing equivalence could be changed to make it more transparent.

The idea: A doc prepared by the European Parliament's research services for last week's ECON debate says: "In order to allow for an effective scrutiny by the co-legislators, it could be debated if such equivalence decisions in the future should have the legal character of a delegated act" — a move which "would of course require changes to the basic legal act."

WHAT WE'RE READING

Resist City pressure to hit cash ISAs, building societies tell Reeves. The Financial Times has more.

Trump plans to unveil 25 percent steel, aluminum tariffs on Monday, reports Bloomberg.

Tulip Siddiq money-laundering investigation widened to 12 countries, finds The Times.

Thanks to: Fiona Maxwell.