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Strength and Opportunity in a Time of Change

The BritishAmerican Business Policy Agenda 2018

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Foreword

The history and economic value of trade and investment between the United States (US) and the United Kingdom (UK) is one of the world's great economic success stories. The UK and the US are each other's most important source of investment. Goods and services worth billions are traded across the Atlantic every month. Transatlantic companies generate growth, foster innovation, and most importantly, create jobs for many British and American workers and their families.

BritishAmerican Business stands for and reflects this crucial relationship. Our roots and mission are based on the heritage of the American Chamber of Commerce (UK) and the British-American Chamber of Commerce (US). We are proudly part of the British-American Business Council which has more than 20 chapters and 2000 members in major business centres throughout the UK and North America. Our member companies represent a significant part of the value of the trade and investment between our economies. Whether they established a presence across the Atlantic many years ago or arrived yesterday, these companies are an integral part of the economic fabric that runs through our economies.

This is BritishAmerican Business' Policy Agenda 2018. The publication, produced in consultation with our member companies, defines our policy priorities for the year to come. It serves as an indispensable reference point for transatlantic businesses and legislators across the UK and the US. It is a marker of where the transatlantic economic relationship stands.

We are in a time of change. The UK's decision to leave the European Union (EU) continues to present transatlantic businesses with a great challenge. It is a rupture to existing political certainties and business models. 2018 will be crucial in providing the certainty transatlantic businesses need to make the UK's departure from the EU work, and explore the opportunities it presents to business in the future.

Equally challenging for businesses is a change in direction of US leadership on global trade. With the UK's departure from the EU and negotiations for a Transatlantic Trade and Investment Partnership (TTIP) agreement having stalled, the framework around the UK-US economic relationship has changed. Transatlantic businesses will need to adjust to this new environment.

Yet, it is in this new climate of change that we see the UK-US trade and investment relationship as a unique source of strength and opportunity. More than ever, this crucial relationship can be the backbone for our nations. More than ever, it is only right for Governments and legislators to turn their focus to

In this time of change we see the UK-US trade and investment relationship as a unique source of strength and opportunity

how to strengthen our economic ties and ensure the US and UK remain an attractive destination for business. This is why we strongly support UK and US Government efforts to actively pursue talks for a future comprehensive UK-US trade and investment agreement framework once this is possible.

We are coming from a strong place: A positive economic outlook in the US makes the country even more attractive for British businesses to trade and invest. The UK economy has done much better than predicted since the 2016 referendum result, with American firms remaining committed to doing business there. Our members welcomed the US tax bill, passed at the end of 2017, which will encourage further growth in the US in 2018. We applaud the UK Government for introducing the Industrial Strategy, a long-term plan to boost productivity in the UK. Both the UK and US continue to exercise leadership on future technologies, such as Cyber Security, FinTech and Internet of Things. In other areas, however, we see the need for action: For example, both countries are at major crossroads on infrastructure and immigration and need to do more to avoid the risk of falling behind in key technologies when it comes to smart regulation and incentives.

It is in that context that we encourage both the UK and US to further combine their strengths and to seek further alignment and mutual support for their growth agendas. The UK-US Trade and Investment Working Group and the positive outcome since its establishment only confirm the value that can be derived from bringing our nations closer.

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Brexit

The UK's decision to leave the EU has presented transatlantic businesses with a great challenge.

For over forty years, the UK has been an integral part of the EU; businesses have benefited from regulatory alignment and integration as well as from trade agreements negotiated on behalf of all member states to bring UK-produced products into markets around the world. This is particularly true for the many American companies who have chosen the UK as a key destination for investment, and who view the UK as a launch pad into the European market.

As the UK and the EU enter the most crucial phase in negotiations, the key objectives for transatlantic businesses are threefold: to ensure that the UK's decision to leave the EU does not negatively impact the UK; to minimize disruption to transatlantic businesses serving EU markets from the UK; and to prevent a weakening of the critically important overall transatlantic trade relationship framework.

We welcome the UK Government's ambition to work towards an outcome that reflects these objectives. 2018 will be crucial in providing the certainty that transatlantic businesses need to make the UK's departure from the EU work, while exploring the opportunities it presents to business in the future. The most imminent priority for the transatlantic business community is for both sides to agree a transition period that minimizes disruption and allows for a fully negotiated framework to be completed. Both sides should be realistic about the time needed for business and Government to prepare and adjust to a new trading relationship between the UK and the EU, a process that we believe will take longer than the currently proposed two years.

Leaving the EU, in whatever form that may be, may come with an economic and operational cost for businesses and Governments. We therefore support the UK Government's Industrial Strategy as a critical part of the UK Government's plan for post-Brexit in support of an innovative, competitive and growing UK economy. This will help to ensure the UK's continued economic prosperity and safeguard the UK as a top destination to live and work, thus remaining attractive to transatlantic business investment.

While the Brexit negotiations take place between the UK and the EU, its impact needs to be viewed in the wider transatlantic context. Both have a strong economic relationship with the US, reflected in a high level of integration through relevant agreements and collaborative frameworks, many of which the UK is subject to through EU membership.

Brexit must be seen in the wider transatlantic context

We call on the US Government to assess how the departure of the UK from the EU will change the nature of existing US-EU agreements and if they need to redefined on a bilateral or trilateral basis.

We stand ready to support both the UK and US Governments in this process by providing constructive input and promoting a positive outcome that ensures a prosperous future relationship that best meets the needs of transatlantic businesses in the UK and beyond.

UK-US Trade and Investment

The trade and investment relationship between the UK and the US is one of the most comprehensive and successful in the world. Bilateral trade in goods and services accounted for more than $223 billion in 2016[i] and bilateral Foreign Direct Investment (FDI) reached over $1 trillion[ii]. Thousands of companies thrive because of this special economic relationship; tens of thousands of families have an income thanks to the UK and US companies who successfully trade and invest across the Atlantic.

For many years, the UK-US economic relationship has been embedded in a transatlantic economy that took its strength in part from the UK's integration in the EU and from US leadership on global trade. This was reflected by the important role of the UK for US businesses in the EU and the US' ambition to build a multilateral network of trade agreements, including with the EU through the Transatlantic Trade and Investment Partnership (TTIP) agreement.

With the UK's decision to leave the EU and a change from a multilateral trade approach towards a bilateral trade approach by the US, the framework around the UK-US economic relationship has significantly changed. Transatlantic businesses will need to adjust to this new environment. Yet, it is in this new time of change that the UK-US trade and investment relationship can provide a unique source of strength and opportunity for both countries and beyond.

While the transatlantic business community wishes for the UK, EU and US to be as closely integrated as possible, there is momentum to further tighten the economic relationship between the UK and the US. We welcomed the establishment of the UK-US Trade and Investment Working Group led by relevant UK and US Government agencies and the sustained momentum it has received. We will continue to work closely with the Group to provide the ongoing talks with substance and expertise during these on-going talks.

We see a comprehensive UK-US trade and investment agreement in the long-term interest of both countries. We fully support the ambition of both the UK and US to negotiate such an agreement as soon as this is formally possible.

The ongoing bilateral consultation through the UK-US Trade and Investment Working Group will help to define the scope of a future trade arrangement between both countries. It can also reveal areas where the UK and the US can make progress while the UK is preparing to leave the EU.

In our 'Moving Forward' paper, published in May 2017, transatlantic companies defined ten areas where progress can be made bilaterally including research and

We call on Governments to further emphasize their commitment to the special economic relationship

innovation and talent mobility. We welcomed the UK-US Science and Technology Agreement announced in September 2017 as a clear and tangible example that an approach focused on short and mid-term outcomes can be successful.

We call on both the UK and US Governments to build on this progress and momentum, and encourage them to further emphasize their commitment to the special economic relationship; a relationship that is so crucial for the prosperity for our economies, companies and citizens.

[i] Office of National Statistics, *'UK Balance of Payments 2017: The Pink Book'*, November 2017

[ii] AmCham EU & The Centre for Transatlantic Relations, *'The Transatlantic Economy 2017'*, January 2017

Mobility of Talent

Throughout history, the mobility of talent has been closely tied to the economic success of both the UK and US. Within both the public and private sectors, the ability to draw on a pool of talented workers, regardless of nationality of origin, is essential for economic growth and competitive advantage within a globalised economy.

Today, both the UK and the US find themselves at a crossroad on this important topic. Governments have the challenging task to craft a policy solution that balances public concern over immigration with the economic reality that immigrants play a significant part in the success of numerous sectors of our economies.

The ability of the UK to attract talent from abroad reflects its success as a global economy. Millions of workers have found their way into the UK, helping to make it one of the most successful economies and destination for investment in Europe.

The UK's decision to leave the EU reflected, amongst other things, a concern over the impact of uncontrolled immigration on society. Clearly this concern must be taken seriously, yet it is clear that Brexit should not reverse the international appeal of the UK by creating an environment that is restrictive to foreign talent in the labour market.

We welcome the UK Migration Advisory Committee's consultation on the economic and social impact of the UK's exit from the EU with regard to the contribution of European Economic Area (EEA) workers on the UK labour market. We see the consultation, and ongoing analysis of evidence, as a good opportunity to evaluate the need for new routes of entry to the UK for economic migration post-Brexit. This will help to inform the development of an immigration system that allows businesses in the UK to recruit the talent they need while helping stakeholders to navigate a post-Brexit regulatory framework.

The UK Government's commitments in Phase 1 of the Brexit negotiations regarding the status of EEA workers was a crucial first step in providing certainty for those EEA workers already residing and working in the UK. In light of the importance of foreign talent to the UK economy, the UK Government should equally start developing an immigration system that allows for UK-based companies to meet their demands for high and low-skilled labor from the EU and elsewhere, long- and short-term.

In the US, foreign workers provide essential labor which, in turn, enhances the American economy, infrastructure and society. Immigrants are proven entrepreneurs and are far more likely to work in innovative, job-creating fields such

Governments have to balance public concern over immigration with the economic reality of the value immigrants provide the UK and US economies

as science, technology, engineering and maths that create life-improving products and drive economic growth[i].

There is a widely recognized need for immigration reform in the US, looking at both high and low skilled workers, and providing certainty and clear processes. Reform should address America's skills shortages, ageing population, and large numbers of immigrants who live, work and pay taxes in the US without legal status.

The recently agreed US-UK Science Agreement, that makes it easier for UK and US scientists to work in both countries, already proves how international collaboration around immigration in the context of innovation and growth can work. The US and UK should build on those positive lessons to ensure they continue being among the most attractive destinations to live and work.

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[i] New American Economy, *'An Open Letter from 1,470 Economists on Immigration'*, April 2017

Infrastructure

Infrastructure plays a fundamental role in every country's social well-being and economic development. With growing populations, urbanisation, pressure on public services, and diminished resources, infrastructure must be at the heart of any strategy for economic growth.

Infrastructure is also a driver of urban and social change, spurring investment into deprived areas, and rejuvenating old buildings and neighbourhoods. For example, a railway station does more than just transport people and goods from one place to another; it can rejuvenate communities, spur local economies and improve the quality of life for citizens.

Both the UK and US are at a crossroads when it comes to infrastructure. The UK Government's Industrial Strategy, presented in 2017, rightly identified upgrading infrastructure as one of the pillars needed to create a sustainable, regionally balanced, UK economy. Major infrastructure investment projects such as High Speed 2 and the proposed airport expansion at Heathrow can help the UK improve its infrastructure, which ranks 9th worldwide[i].

However, the continued delay of major infrastructure projects, such as a third runway at Heathrow Airport, is setting back confidence in the UK's ability to deliver. Since the beginning, we have been a strong supporter of the Heathrow expansion as an important part of the UK's growth strategy. The UK Government needs to act now if it does not want to further lose business confidence.

Where the UK has made positive steps is in building a digital infrastructure which recognised early, the rapid digitisation of the economy and human activity. We look forward to seeing the National Infrastructure Assessment later this year and hope the UK Government uses it to create a roadmap of investment for the future.

In the US, a comprehensive infrastructure program is long overdue. The American Society of Civil Engineers estimates that $4.6 trillion is needed to improve highways, bridges, transit systems and waterworks, and to build out the nation's power grid and broadband networks[ii]. As rightly pointed out by the US Administration, the permitting process for new projects is complicated and segmented, slowing down the critical infrastructure investment the country needs.

We welcome the Administration's objective to make infrastructure a key priority. It is now critical that the Administration works with Congress and follows through with visible actions.

Infrastructure is an opportunity for the US and UK to meet the long-term needs of their economies and people

The private sector can and will play a crucial role in making US infrastructure reform a success, as most of US infrastructure spending is already led by the private sector.

However, this will not fully answer how a comprehensive infrastructure reform plan can be funded. It is therefore important the US Government offers a plan that works alongside other major reform projects, and ensures sufficient and sustainable funding is available.

Infrastructure is an opportunity for the UK and US to meet the long-term needs of the economies and people in it. With widespread consensus on the need for investment in infrastructure and its holistic benefits, we hope Governments on both sides of the Atlantic put this into action.

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[i] House of Commons Library Briefing, *'Infrastructure Policies and Investments'*, March 2017

[ii] American Society of Civil Engineers, *'2017 Infrastructure Report Card'*, March 2017

Tax

The UK and US offer some of the most attractive investment destinations in the world. For both countries, an efficient and stable tax environment is a key ingredient for this attraction. Decisions taken now on tax policy can stimulate innovation and facilitate growth in the future.

The UK Government has made visible progress over the past few years to improve the country's tax environment. We welcome the Business Tax Roadmap, in place since 2010, and with that the decrease of the Corporate Tax Rate from 21 percent to an eventual 17 percent in 2020.

This approach has helped create the right environment to attract foreign investment to the UK, much of which comes from the US. Presently, the UK has maintained its place as a top destination for Foreign Direct Investment (FDI); however, EY's 2017 UK Attractiveness Survey shows FDI into Europe far outpaced the UK. There is also a clear split in perceptions of the UK as an investment destination. Brexit and domestic UK political uncertainties have diluted investment decisions with concerns over Brexit detracting from an otherwise favourable investment environment[i].

The big question therefore is whether an even more efficient tax environment, among other tools, could mitigate any negative impact, perceived or real, of the UK's departure from the EU. With the Corporate Tax Rate already being relatively low, the focus should be on ensuring that the tax rate's benefits are not taken away through the back door. The apprenticeship levy and levies on foreign workers, for example, add costs and administration to business, which risks making the UK less attractive. In addition, the sheer volume and pace of change in the UK's tax law has been extremely challenging for businesses to manage.

Going forward, we call on the UK Government to develop a comprehensive approach to the UK's tax environment that provides certainty and ensures the value of business investments are not eroded. We advocate for telegraphing changes to be made – maintaining and modernizing the tax system to trigger positive change.

In the US, the passing and implementation of the US Tax Cuts and Jobs Act has set in motion the most comprehensive re-write of the US tax landscape in over thirty years. There was widespread agreement among stakeholders that the US system was overly complicated and burdensome for businesses and individuals.

The new rules bring the US in line with other industrialised nations, providing a tax incentive to bring investment into the US and a simplified territorial system of

An efficient and stable tax environment can stimulate innovation and growth in the future

tax, which provides clear tax rules for US companies with overseas operations. For both big and small companies, a tax code that is stable and predictable is crucial to making strategic business and investment decisions that allow for the innovations needed to keep the US economy competitive.

While it is too soon to assess the overall scope of benefit for businesses we are confident the Act will strengthen the US economy, creating more jobs and increasing investment.

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[i] EY ITEM Club, *'Special Report on Business Investment'*, October 2017

Data

Data is the essential currency of the modern economy, with digital trade being a priority for the whole economy not just the technology sector. Businesses that operate globally across all industries rely on the free flow of data. Data mobility creates new business opportunities, lowers costs and makes employee mobility easier.

The EU and the US have the highest cross border data flows in the world[i]. These data flows reflect the strength of the trading relationship and innovation in these markets. Furthermore, the growth in e-commerce and the ability to move data freely around the world has created new opportunities, particularly for small and medium-sized businesses on both sides of the Atlantic.

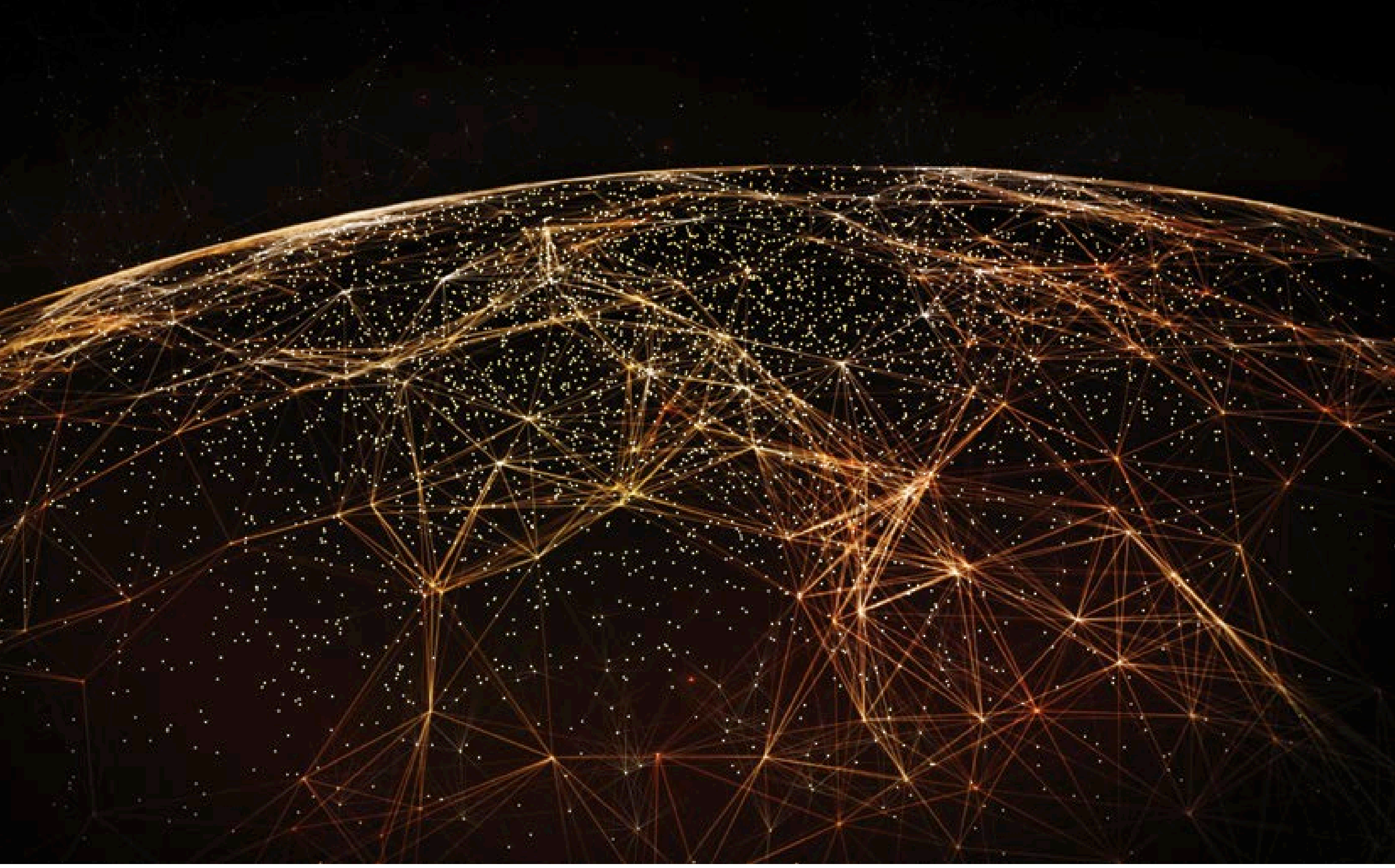
Moving forward, a more vibrant and digital transatlantic economy will depend on even greater flows of digital information. For policy makers, the challenge remains putting in place frameworks and legislation that balance concerns about privacy and keeping the internet 'free', while not impeding the digital economy that has come to define 21st century commerce.

Supportive legal frameworks are critical to the continuing flow of data. The current EU regulatory framework will be replaced by a single European regulation in May 2018 with data flows between the EU-US covered by the separate EU-US Privacy Shield.

The UK has played a key role in helping to create these frameworks. As the UK prepares to leave the EU, it is essential that businesses have confidence that they will be permitted to continue to move data freely across borders. Ensuring the cross-border flow of data is one of the top priorities of the transatlantic business community in the ongoing Brexit negotiations. Without it, there could be significant and costly disruptions to transatlantic businesses operating in the UK.

We call on the UK Government to secure a finding of 'adequacy' from the European Commission so that digital trade can continue uninterrupted between the UK and the EU. We welcome the UK Government's commitment to incorporate the EU General Data Protection Regulation (GDPR) into UK regulation post-Brexit, which is an important first step.

A second important step will be estabilising an arrangement that either integrates or replicates the EU-US Privacy Shield to ensure data flows across the Atlantic. The US Government can help provide guidance and flexibility as to how a new transatlantic framework for data flows can be ensured that works in the interest of businesses on both sides of the Atlantic.



A more vibrant and digital transatlantic economy will depend on even greater flows of digital information

Due to the scale and global dominance of its tech sector, how the US regulates data has significant ramifications for the transatlantic relationship. To ensure there is not regulatory divergence, the UK and US should initiate a transatlantic forum for policy makers to discuss a future transatlantic regulatory framework for data. The ongoing UK-US Trade and Investment Working Group offers a good starting place for this bilateral discussion. Such a forum would also allow the private sector and other interested bodies a direct route to help shape the future of transatlantic data policy.

[i] Cameron Kerry, *'Expanding the Digital Economy Through Data',* September 2015

Cyber Security

As businesses continue to innovate and consumers embrace new technologies, cyber security has become a fundamental part of their daily operations and strategies. For the transatlantic business community, it represents a top priority.

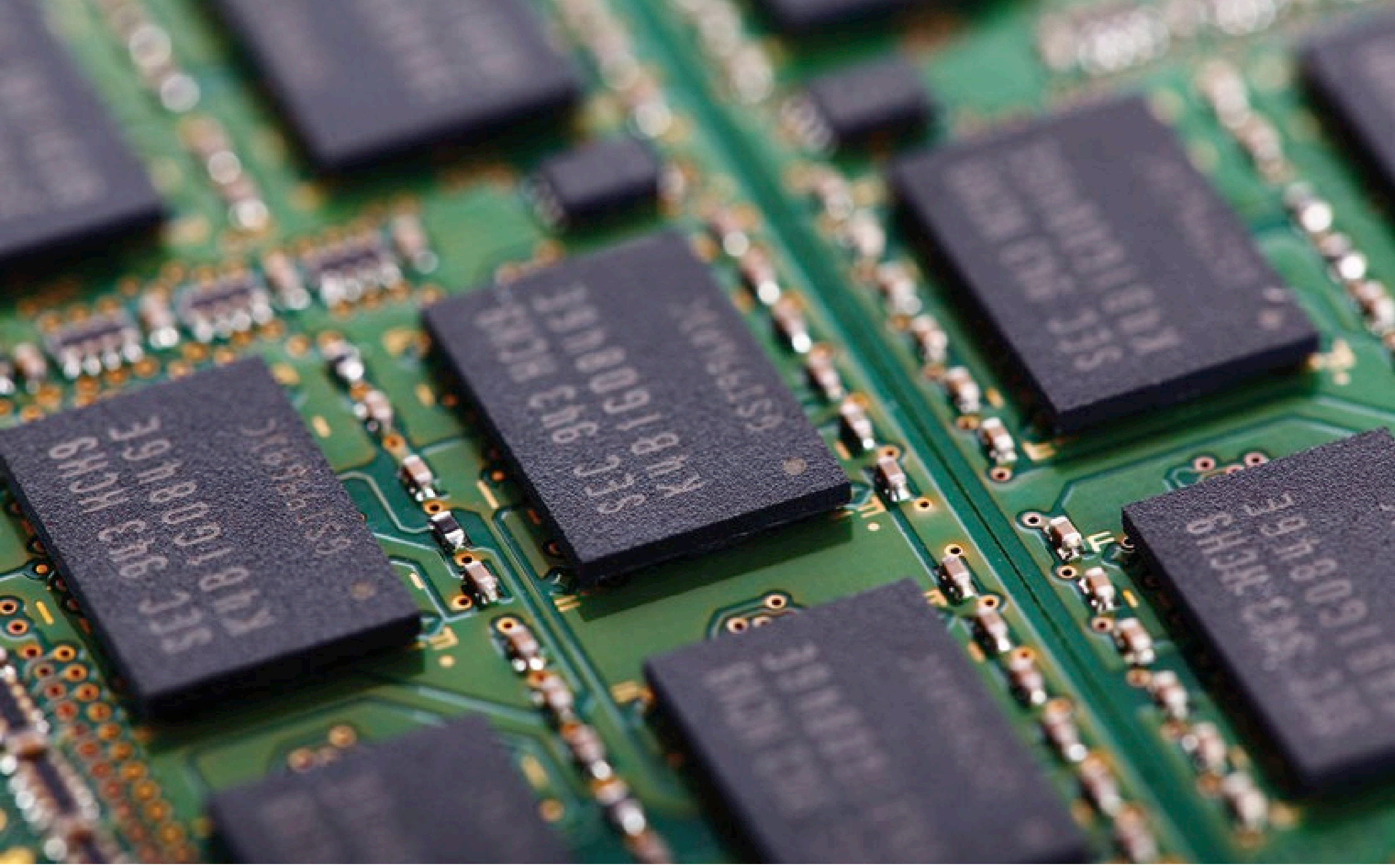
To create an effective cyber security system, Governments have the responsibility to enhance their digital security infrastructure. With Government spending only about 10% of their annual information and communications technology (ICT) budget on cyber security, much of the responsibility falls on business to protect their data[i]. However, bilateral cooperation between business and Government is essential for success. The UK Cyber Security Strategy rightfully acknowledges this and places Government in a lead position via the National Cyber Security Centre (NCSC) by working with industry and providing cyber security guidelines to businesses and cyber security education in schools.

Both the UK and US possess the technological capacity to create a modern and complex cyber security system. But a talent shortage has left the field outdated and underprepared to deal with a serious cyber threat.

In the US, the lack of trained cyber security workers has left over 200,000 unfilled cyber security roles[ii], including a shortage of 40,000 information security analysts who prevent breaches and keep information private. Businesses and Government are often understaffed and under protected when it comes to protecting their technological property.

To create the most effective cyber security system that can keep both Government and businesses well-protected, it is imperative for federal agencies to harmonize existing cyber regulations. Current regulations cause unnecessary contradictions, distractions, and costs which overstretch the already-tight budgets of business both in the UK and US. Additionally, there is a need to build on the efforts already in place for even greater information sharing between industry and government as well as across borders. This can help to prevent identical cyber-attacks. As cyber-threat information sharing becomes more effective, once an attack is detected, every business should have the necessary knowledge to protect themselves from a similar attack.

The risk of cyber-attacks only grows as economies and daily life becomes increasingly digital, and new industries like the Internet of Things (IoT) rapidly increase the number of technological devices. Therefore, educating employees in the private and public sector on cyber threats should be a key goal of businesses and Government. Failure to adequately invest in cyber security



> *The UK and US can drive forward their cyber capabilities and leadership on the global cyber security agenda*

training, infrastructure and information sharing can cause devastating global impacts. This was devastatingly evident during the WannaCry Ransomware attack that impacted more than 300,000 computers across 150 countries.

The UK and US are critical allies for each other in cyber security. Partnering with each other to address cyber security challenges by sharing expertise and regulatory approaches, as well as encouraging investment into cyber security, will allow the UK and US to drive forward their cyber capabilities and leadership on the global cyber security agenda.

[i] Congressional Research Service, *'Cybersecurity: Issues and Challenges in Brief'*, August 2016

[ii] Forbes Magazine, *'The Fast-Growing Job with a Huge Skills Gap: Cyber Security'* March 2017

Financial Services

Financial services are of major importance to both the UK and US economies. In 2016, the financial services industry in the UK contributed £124.2 billion to the economy, seven percent of the total Gross Value Added (GVA) that year[i]. Similarly, in the US, the financial services industry makes up 7.2 percent ($1.29 trillion) of national Gross Domestic Product (GDP)[ii]. As a sector it is responsible for millions of jobs and the financing of industry in the UK, US, and the world.

Capital, like talent, goes where it feels most welcome and where it can produce the best results. Governments therefore need to ensure that the appropriate environment and legal framework is provided that allows for the financial services sector to grow and prosper. This includes adapting to the rapid evolution the industry is currently experiencing. While post financial crisis regulation has caused significant change, it is new technology and distribution platforms that are driving changes to traditional financial services operations.

For the UK, the key challenge and objective in the months ahead is to ensure that the financial services sector is not harmed by the country's departure from the EU. Leaving the EU means leaving the European Single Market, which facilitates UK-based firms to provide services in all other EU states. The uncertainty over the possibility that UK-based firms will not be able to 'passport' services directly into the EU is causing uncertainty and forcing our businesses in the industry to set in motion contingency plans.

We call on the UK Government to continue efforts with the European Commission towards a new arrangement between the UK and EU that ensures that UK-based firms have continued access to EU-based clients through new mechanisms for regulatory and supervisory cooperation.

In the US, we welcome efforts by the Administration to review the financial services regulatory framework, with the view to remove unnecessary barriers to growth. We caution, however, against any measure that creates additional complexity, unnecessary risk, and increased international regulatory inconsistency.

It is particularly in the field of transatlantic financial services regulatory cooperation where we see opportunity for progress, something that the transatlantic business community has long advocated for. We call on both Governments to embrace new approaches for transatlantic financial services regulatory cooperation that will help open new markets and provide regulatory coherence.

Capital, like talent, goes where it feels most welcome and where it can produce the best results

The EU-US Financial Markets Regulatory Dialogue and subsequent EU-US Joint Financial Regulatory Forum have been important early steps toward achieving this. However, in the context of the ongoing Brexit negotiations and in light of the UK and US being home to the leading financial centres in the world, we support the work of the UK-US Trade and Investment Working Group in exploring how the UK and the US financial services sectors can be further integrated on a bilateral basis.

This work can in turn also create a potential template for a transatlantic framework with the EU in the future.

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[i] House of Commons Library Research Briefing, *'The financial sector's contribution to the UK economy'*, April 2017

[i] Select USA, *'The Financial Services Industry in the United States'*, January 2017

Internet of Things

The Internet of Things (IoT) is one of the most important areas likely to shape the global economy in the years ahead. This is particularly true for the transatlantic economy which contains strong IoT sectors that are driving global innovation.

IoT is already showing the potential to create significant benefits to businesses, consumers, Government and the public alike. This includes data-driven efficiency savings, more personalised experiences, and better value for taxpayers in delivering public services. This is especially true when combined with the power of cloud computing, mobility and the ability to automatically 'sense information' from assets in business and government settings.

Unlocking this potential requires the right environment in which business can innovate and grow, and where consumers feel comfortable adapting to the new technology. Issues that still need to be addressed include security, privacy, standards and capability.

In 2014, the UK undertook considerable efforts to take advantage of the opportunities IoT presents. We welcome the report published by the UK Government Chief Scientific Advisor, "The Internet of Things: Making the Most of the Second Digital Revolution" and the UK Government's continued commitment to the topic in its UK Digital Strategy 2017, the "Made Smarter Review" and the UK IoT Programme.

Building on its ambition to become a leader in the field of IoT, we encourage the UK Government to stay on course so that it can remain at the forefront of Research & Development in this area.

In the US, similar efforts are being made to increase IoT adoption. At a federal level, the US Government has spent almost $35 billion on IoT solutions from the fiscal year 2011 through to the fiscal year 2015[i]. The Administration now has the unique opportunity to build on that investment through an innovation-driven environment that will fully exploit the benefits that IoT provides.

We have welcomed the US Department of Commerce's Green Paper: "Fostering the Advancement of the Internet of Things" and the creation of the Congressional Internet of Things Caucus. Further efforts to bring input from industry into these processes in both the UK and the US will help to avoid a top-down approach to regulation. It will also enable both countries to advance policies which speed the deployment of IoT solutions in the business-to-business (B2B), business-to-government (B2G), and business-to-consumer (B2C) markets.

The crucial question for Governments on IoT is how to create flexible regulation, while ensuring a stable, secure and trustworthy environment

Effective policy development in both the UK and the US should recognize the unique operating requirements of the B2B, B2G and B2C markets. Similarly, policy should acknowledge that IoT applications are deployed in a variety of ways within each market.

The crucial question for Governments on IoT remains how to create flexible regulations that allow for innovation and adapt to changes in technology while ensuring a stable, secure and trustworthy environment.

This an area where we encourage the UK and the US Governments to increase their collaboration. Regulatory alignment for IoT devices on both sides of the Atlantic would push both countries forward as the global leaders on IoT.

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[i] Business Insider, *'US Government is pouring money into Internet of Things'*, May 2016

FinTech

In recent years, Financial Technology (FinTech) has become a key sector for both the UK and US. In the UK, FinTech is one of the fastest growing sectors, adding almost £7bn to the UK's economy, attracting hundreds of millions of pounds of investment and creating jobs for over 60,000 people[i]. In the US, $12.8bn was invested in FinTech in 2016 alone. Today, both countries host the most successful FinTech centres in the world.

The UK Government has been a pioneer in driving the growth of the FinTech industry. The transatlantic business community has welcomed the multiple publicly-led initiatives meant to stimulate the FinTech innovation, including the Regulatory Sandbox, established by the Financial Conduct Authority to allow businesses to test products, services, business models and delivery mechanisms in the real market, with real consumers, as well as the Innovation Hub which helps incipient businesses receive prompt feedback on the regulatory implications of their plans and projects.

The UK Government has been unique in being accommodating and adaptable in its approach, recognising the dynamic and evolving nature of the industry. This allows for business to innovate while working with public authorities to build an efficient and innovation-driving regulatory framework.

In that context, we encourage the UK Government to continue its efforts to support the FinTech industry as a future key industry for its economy. To sustain the UK's leading position in turbulent times, the Government should continue its efforts to lower existing entry barriers for innovative firms and people.

In the US, while FinTech remains a key sector of growth and innovation, the remarkable progress made to create an environment that allows for the sector to further develop and compete is at risk. It still takes too long to initiate a start-up, given the different federal and state authorities involved and the number of licenses, audits and waiting times required to comply with FinTech regulations[ii]. Issues surrounding data, privacy, consumer protection and identity authentication technology can cause a major halt in the process of launching a new company. US FinTech firms are currently attempting to model themselves around current regulations, but it is evident that changes need to be made and that US regulators need to make more of an effort to encourage FinTech innovation. The latter could also help overcome the comparatively slow uptake in FinTech technology and allow it to grow its consumer base[iii].

The US can learn from the UK approach to build a FinTech environment that encourages innovation and growth

In that context, the US can learn from the UK approach in working closely with the private sector to build a FinTech environment that encourages innovation and growth.

Ultimately, by the nature of the innovative sector, regulation will have to frequently evolve to keep up to date. Therefore the US and UK should work closely together on regulation and best practise to allow the transatlantic FinTech sector to continue its rapid growth in 2018 and beyond.

[i] Chancellor Phillip Hammond speech on FinTech at the inaugural International FinTech Conference, 12 April 2017

[ii] Business Insider, *'The US FinTech Regulation Report',* February 2017

[iii] EY, *The Rapid Rise of FinTech,* July 2017

About Us

BritishAmerican Business (BAB) is an exclusive corporate network and the voice of transatlantic business, dedicated to advancing economic growth for companies with operations in the US and UK.

We offer strategic insights, introductions and marketing opportunities that help members to generate trade and new business, and to power new ideas. In addition, we advocate for policies that help create a stable and thriving business climate in the transatlantic economy.

BAB incorporates the American Chamber of Commerce (UK) and the British-American Chamber of Commerce (USA), which merged in 2000 to create a single, pre-eminent transatlantic business organization.

In addition, BAB participates in (and provides the Secretariat for) the British-American Business Council (BABC) which has more than 20 chapters and 2000 members in major business centres throughout the UK and North America.

Together, BAB and BABC represent leading British and American companies, all who contribute significantly to jobs, growth and innovation in the UK and the US.

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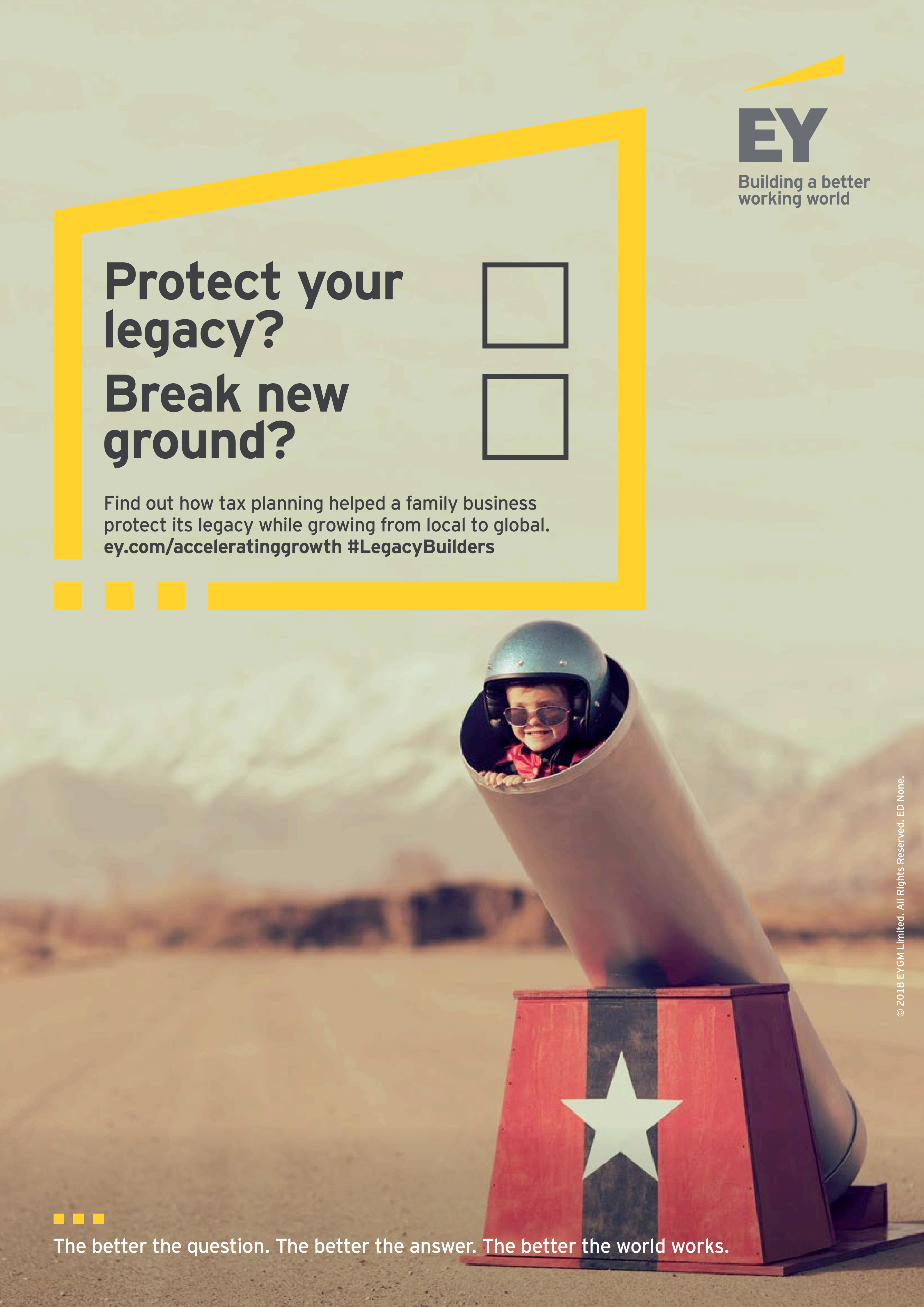
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