OpenVoiceNews U.K.

Transparent. Unbiased. Yours.

CBI Warns London Stock Market Risks Decline Without Urgent Reforms

---

July 9, 2025
— Categories: Economics

The Confederation of British Industry (CBI) has warned that the London Stock Exchange could “drift into irrelevance” unless the government introduces bold reforms, including tax incentives for listings and more flexible pay rules for company directors. The call comes amid concerns that UK capital markets are losing ground to global competitors.

The CBI has sounded a stark warning over the future of the UK's financial markets, urging the government to take immediate action to prevent the London Stock Exchange (LSE) from becoming obsolete. In its latest report, the business body has laid out a 20-point plan to revitalise the City, calling for tax breaks on initial public offerings (IPOs), the removal of stamp duty on share transactions within Individual Savings Accounts (ISAs), and more flexible rules on director remuneration.

Rupert Soames, chair of the CBI, said the proposals were developed in consultation with more than 30 leading UK-listed firms and institutional investors. He emphasised that without significant reforms, the LSE would continue to see major companies and fast-growing start-ups list overseas, especially in the United States, where the regulatory and capital environment is increasingly attractive.

One of the central recommendations is the relaxation of bonus restrictions for non-executive directors. Current UK rules prohibit them from receiving performance-related pay, a constraint the CBI argues has made it difficult to attract and retain high-calibre board members. According to Soames, this inflexible framework contributes to a risk-averse corporate culture that ultimately stifles growth.

The report also targets the steady decline in UK pension fund investment in domestic equities. In 1997, around 46% of pension fund holdings were in UK shares; by 2022, that figure had fallen to just over 4%. The CBI proposes incentives for pension funds to reinvest in British firms to support long-term economic growth and improve market liquidity.

With the Labour government now in power, questions remain over whether the Treasury has the political will to act. Chancellor Rachel

Reeves is due to outline the government's financial services strategy in her upcoming Mansion House speech. However, critics warn that Labour's historic scepticism towards City incentives and boardroom pay may hinder decisive action.

While Labour claims to support UK business, there is concern in some quarters that rhetoric will not translate into the bold market-led reform the City urgently needs. Without swift and targeted intervention, the UK risks watching its flagship stock exchange lose global relevance, just when economic strength and international confidence are most needed.

Certainly. Here's a professionally written article based on the analysis by *The Guardian*'s Nils Pratley, adapted to your site's style and editorial guidelines: UK English, factual, professional, centre-to-right leaning tone, and without supportive language for the current Labour government. Approx. 400 words. Abbreviations are defined at the end.