

Should I stay or
should I go?

A Pragmatic Path to Keeping UK Innovation at Home

Pascal Levensohn

*"Capital knows no patriotism. Like water it
spreads itself over the earth's surface, only instead
of seeking the lowest level it finds the highest"*

Henry Lowenfeld, *Financial Review of Reviews* (1906)



UNIVERSITY OF
CAMBRIDGE
Judge Business School

October 2026

About the Author and Contributors

| AUTHOR



Pascal Levensohn

Founder, Levensohn Venture Partners LLC; Executive Chairman, Dolby Family Ventures; Chair, Cambridge Innovation Hub Global Advisory Board, University of Cambridge and Fellow, Cambridge Judge Business School.

A US venture capitalist since 1996, Pascal has invested more than \$600 million across 150+ companies and served on public and private technology boards for three decades.

This paper presents the independent research of Pascal Levensohn, written in his capacities at Levensohn Venture Partners, Dolby Family Ventures, Chair of the Cambridge Innovation Hub Global Advisory Board, and as a Fellow of Cambridge Judge Business School. Its findings and recommendations do not necessarily represent official positions of Cambridge Judge Business School or the University of Cambridge.

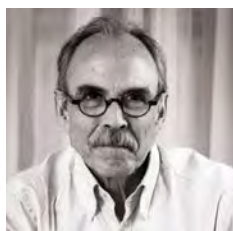
| CONTRIBUTORS



Professor Gishan Dissanaiké

Dean of Cambridge Judge Business School; Adam Smith Professor of Corporate Governance and Finance

Gishan's research focuses on stock market efficiency, corporate finance and governance. He has held a visiting faculty appointment at Cornell University and has been consulted by international corporations, investment banks and regulatory bodies. He serves on the International Advisory Council of the China Securities Regulatory Commission. He completed his MPhil and PhD in Financial Economics at the University of Cambridge, where he was a member of Trinity College.



Dr William H. Janeway

Distinguished Affiliate Professor, University of Cambridge; Special Limited Partner, Warburg Pincus

William H. Janeway is a Distinguished Affiliate Professor in the Economics Faculty at Cambridge University and the author of *Doing Capitalism in the Innovation Economy* (2nd ed, Cambridge University Press: 2018). He is a Special Limited Partner of Warburg Pincus, having served as head of its information technology investment practice 1988-2006. He is Chair of the board of directors of the Social Science Research Council. He is founder of the Cambridge Endowment for Research in Finance and the Janeway Institute for Economics at Cambridge University. He was cofounder of the Institute for New Economic Thinking.



Jason Pontin

General Partner, DCVC

Jason is a General Partner at DCVC and a member of the firm's investment team. As an investor, Jason originates, finds, funds, and grows early-stage computational biology and chemistry startups that are treating previously intractable diseases, automating and accelerating scientific discovery, and transforming dirty and inefficient industries into sustainable, high-growth sectors. He serves on the Cambridge Innovation Hub's Global Advisory Board.

| RESEARCH ASSISTANT

**Trang (Julia) Nguyen MBA**

Research Assistant, Cambridge Judge Business School.

Trang (Julia) Nguyen, Research Assistant, is a recent Cambridge MBA graduate with experience in consulting research at Oliver Wyman, risk operations at TikTok, and venture development. She holds an NUS MPP degree and has contributed to study reports for the World Bank APAC and Sony Innovation Fund UK.

| CONTRIBUTORS

**Riyad Daud**

Member, Cambridge Innovation Hub Global Advisory Board

Riyad Daud is Managing Director of Albin Investments Ltd, a London-based single family office, and Director (SMF3) of Russell Wood Limited, an FCA-regulated LSE member firm. A seasoned investment leader with over three decades of experience, he serves on the Cambridge Innovation Hub's Global Advisory Board and the British Omani Society's Board of Trustees.

**Dr Aga Iwasiewicz-Wabnig**

Director, Maxwell Centre, University of Cambridge

Dr Iwasiewicz-Wabnig leads initiatives that connect academia and industry to accelerate research translation, innovation, and economic impact. Her work focuses on fostering partnerships, supporting entrepreneurship, and advancing the commercialisation and adoption of emerging technologies that stem from public investments in discovery research.

**Dr Kathryn Chapman**

CEO, Innovate Cambridge

Dr Kathryn Chapman is CEO of Innovate Cambridge, where she is shaping the future of one of the world's leading innovation ecosystems. Her career spans life science research, innovation strategy and cross-sector collaboration at Harvard Medical School, the Wellcome Sanger Institute, GlaxoSmithKline, NC3Rs, UKRI and the University of Cambridge.

"Foreign acquisition is not the problem – and neither is foreign ownership."

Executive Summary

The United Kingdom (UK) is not short of invention. It is short of retention. For more than two decades, the country has created world-class companies, technologies, and scientific talent – only to watch much of the resulting value migrate to deeper United States (US) markets, foreign acquirers, and private structures that leave too little of the upside at home.

Walter Wriston (1919–2005), chairman and CEO of Citicorp/Citibank from 1967 to 1984, wisely observed that capital, talent, and ideas go where they are welcome and stay where they are well treated. Wriston was an American; the arithmetic is not. The City of London itself said it first: writing in 1906, the Financial Review of Reviews asserted that 'Capital knows no patriotism. Like water it spreads itself over the earth's surface, only instead of seeking the lowest level it finds the highest.'¹

We apply this principle descriptively – as a statement of how mobile capital and talent behave – not as an endorsement of any one market's conventions. In researching this paper, we found a remarkable consensus as to why UK innovation is such an undercompensated export, accompanied by an unsettling absence of urgency about what must be done to change this trend outside of legislative reforms. We fully support the Mansion House reforms of November 2024, the FCA Listing Rules reforms of July 2024 and other regulatory changes that are in motion. But we do not believe they will change the migration because they do not speak to the reality of the capital markets.

The chorus of investment managers calling for greater allocations of risk capital to be invested in UK growth companies sidesteps an obvious conclusion from Wriston's statement; that the capital, talent, and ideas that give birth to the UK's breakthrough innovation startups are leaving the UK because, as these companies mature, they face materially less favourable financing and scaling conditions than comparable, accessible alternatives.

Foreign acquisition is not the problem – and neither is foreign ownership. A central problem is the failure to distinguish between three different forms of migration – of ownership and financial returns, of domicile and listing venue, and of productive capability. Treated as a single, inevitable sequence, they obscure the opportunities for targeted intervention and invite the assumption that the first or second must lead to the third. It is the third that constitutes the avoidable national loss: a listing or an acquisition followed by the migration or erosion of substantive UK productive capability.

The response proposed here is commercial, not legislative. It is a partial solution to a larger problem – deliberately so: it retains what can be retained now, while the larger capital-markets debate proceeds, and it neither substitutes for that reform nor excuses its delay. We recommend a negotiated, measurable, and enforceable footprint commitment, entered voluntarily and binding thereafter. A footprint commitment is a contractual undertaking, given by an acquirer or investor as part of a transaction, to maintain defined UK substance – technical headcount, laboratories, R&D activity, payroll – for a fixed period, with independent monitoring and agreed remedies if the commitment is not honoured. We focus on practical approaches to the UK's retention problem that recognise the way things are today, that can make a meaningful difference by keeping high-quality jobs in the UK, and that do not require the implementation of further reforms to be noticeable.

Revisiting the Diagnosis, Very Briefly

London's listed-company base has materially declined since the mid-2000s; trading depth has lagged the US; UK growth companies increasingly choose US listings or private exits; and the domestic institutions that once anchored UK equity markets have largely withdrawn from UK equities. Recent reforms are important, but they have not yet altered the structural trajectory.

¹ Henry Lowenfeld, writing in the Financial Review of Reviews (1906), quoted in Kynaston, Golden Years, p.469.

“A footprint commitment is a contractual undertaking, given by an acquirer or investor as part of a transaction, to maintain defined UK substance – technical headcount, laboratories, R&D activity, payroll – for a fixed period, with independent monitoring and agreed remedies if the commitment is not honoured.”

This paper starts from a simple proposition: the UK’s capital-markets problem has been misread because too many distinct issues have been compressed into a single story about listings. That story produces solutions too broad to enact quickly and too dependent on causal links that do not hold.

Our purpose is to separate the real frictions, identify what would be required to remove them, and advance a recommendation that can be acted on now, without redesigning the UK regulatory system and without waiting for a multi-year legislative settlement.

A word on Brexit is warranted at the outset. The United Kingdom’s departure from the European Union altered the operating environment for British startups – most consequentially by narrowing frictionless access to what had been their largest adjacent market, with consequences felt in access to European talent as well as to export markets.

This paper acknowledges that fact without relitigating the decision that produced it, for two reasons. First, the capital-markets and governance pathologies examined here long predate 2016. David Kynaston’s history of the City of London documents an institutional reluctance to finance new technology reaching back to the end of the nineteenth century, when the returns of Empire outweighed the promise of electrification and the internal combustion engine.² Brexit aggravated a chronic condition; it did not

create one. Second, the remedies proposed here operate entirely within the post-Brexit settlement. They require no revision of the United Kingdom’s relationship with the European Union, and they are worth pursuing under any view of that relationship, present or future. The question this paper addresses is not what Britain has lost, but what it can still choose to keep.

First, the loss of UK capital-markets share is not caused by one defect but by a stack of mutually reinforcing frictions:

(i) stamp duty on UK equity transactions; (ii) residual complexity in the listing and prospectus regime; (iii) the withdrawal of long-duration domestic institutional capital from UK equities; and (iv) a governance framework that can deter active international investors in both listed and private UK companies.

But the listing debate captures only one exit route. A second, larger and less visible channel is the acquisition route, through which UK-originated value moves offshore, predominantly to US buyers and often before any IPO decision is even on the table.

Most recently, the ascendance and predominance of SAFEs in the US in seed and pre-seed financings exacerbates this offshore migration trend. SAFEs are an instrument drafted under US law whose investors expect a Delaware corporate counterparty. As further developed below, SAFEs place considerably more pressure on UK startups to migrate their corporate domicile to the US at the beginning of their evolution. Given the asymmetric disadvantage the UK faces in raising larger capital rounds without US investors, the pressure to attract them has only increased.

A further structural pull reinforces that pattern. Many UK companies that raise US venture capital place a US parent corporate structure (typically Delaware) above the UK operating business. Once they do, US tax rules can reach both UK revenues and eventual exit gains, tilting the economics toward a US sale rather than continued UK ownership. The mechanics are technical and set out

² David Kynaston, *The City of London, Volume II: Golden Years, 1890–1914* (London: Chatto & Windus, 1995), ch. 22, ‘Hardly Our Business’, pp. 449–72. The chapter takes its title from evidence before the 1916 Board of Trade committee on post-war commercial policy, where Gaspard Farrer of Barings, asked whether the financing of domestic industry fell to the City, replied that ‘it is hardly our business perhaps’, and Frank Tiarks of Schröders concurred: ‘We might consider that it is very likely good business, but it is not our business’ (p. 457). Lord Revelstoke, senior partner of Barings, had written in 1911: ‘I confess that personally I have a horror of all industrial companies’ (p. 456). The contemporary trade press drew precisely the comparison this paper draws: ‘whereas American, French, and German firms can secure all the money they want, even the most firmly-established concern on this side is received with indifference ... That there is a scarcity of money we cannot believe, for any foreign loan or well-known industrial issue is always over-subscribed’ (Motor, May 1907, quoted at p. 465). Kynaston’s four-volume history (1994–2001) documents the pre-1914 City’s orientation toward overseas and Empire finance relative to the new domestic technology industries of the second industrial revolution. Whether that allocation constituted a market failure remains debated; compare William P. Kennedy, *Industrial Structure, Capital Markets and the Origins of British Economic Decline* (Cambridge University Press, 1987) with Michael Edelstein, *Overseas Investment in the Age of High Imperialism: The United Kingdom, 1850–1914* (Columbia University Press, 1982). This paper relies only on the documented pattern, not on any causal verdict.

“...the UK does not need to wait for legislation to retain more of the value it creates.”

ownership; the essential point is that this friction sits largely in US law and in the interaction of the US and UK tax systems, so the UK cannot solve it alone. It is, however, a legitimate candidate for the US-UK bilateral agenda, whether through treaty adjustment or domestic reform on either side.

Second, closing the UK's capital-markets gap would require serious reform – but reform on that scale will take time. Removing the full friction stack would require legislation, regulatory coordination, and political durability beyond the scope of this paper. This analysis therefore distinguishes between what would ultimately be needed to change the system and what can be done now to improve outcomes for individual companies, investors, employees, and the UK economy.

This paper does not advocate a specific government reform agenda. Whether, and how far, to pursue one is for the UK government, voters, and regulators. The two positions are not mutually exclusive: progress would be significantly enhanced if legislative change were implemented alongside the non-legislative recommendations made here. Nothing in this paper should be read as licence for government to slow its own reform agenda. These commitments are a partial solution to a larger problem – deliberately so: they retain what can be retained now, while the larger capital-markets debate proceeds. They neither substitute for that reform nor excuse its delay.

Events in the final days of August 2026 illustrated the gap this paper addresses. Officials were reported to be evaluating a punitive exit fee for university spinouts – a percentage of valuation, committed before receiving public support and payable if a company later sold or floated overseas.³ Within days, and after a strongly negative reaction across the technology and life-sciences sectors, the Business Department ruled the idea out ‘unequivocally’, stating that *“keeping companies in the UK is key and it must be done by providing them with the environment and incentives they need.”*⁴ The episode is instructive in two important ways:

(1) The proposed instrument attached its condition at the point of entry – early-stage public support – exactly where a burden falls on companies at their most fragile and is most easily avoided by taking foreign capital instead. And (2) the debate that followed oscillated, as it long has, between the penalty ‘stick’ and the subsidy ‘carrot’, with the middle ground – voluntary, binding commitments negotiated at moments of consideration – largely ignored. This paper is about that middle ground. The Department’s stated objective describes precisely the instrument the following pages recommend.

Third – and most importantly – the UK does not need to wait for legislation to retain more of the value it creates. Boards and management teams of UK startups should make voluntary, binding footprint commitments a standard ask of international investors and acquirers. This represents a reasoned approach to obtain commitments to maintain meaningful UK jobs, facilities, research capability, and manufacturing capacity in companies born in the UK, supported by UK public investment, and scaled from UK scientific and entrepreneurial soil.

These commitments should not be symbolic or imposed for their own sake; they should be commercially sensible, company-specific, and negotiated by boards and management teams exercising their ordinary judgment. They should become a standard practice embraced by management and boards of directors in the strategic growth plan for UK startups.

³ Olivia Surguy, ‘Ministers plot exit tax for university spinouts moving abroad’, The Sunday Times, 30 August 2026.

⁴ Jim Pickard, ‘Exit tax’ on UK entrepreneurs ruled out by business department’, Financial Times, 3 September 2026.

“Nothing in this paper should be read as licence for government to slow its own reform agenda. These commitments are a partial solution to a larger problem – deliberately so: they retain what can be retained now, while the larger capital-markets debate proceeds. They neither substitute for reform nor excuse its delay.”

Making the Case for Job Retention

The following conclusions are based on original research developed for this white paper. Between 2015 and 2025, on average forty UK deep-tech companies were acquired in a typical year, a flow that recurs annually rather than as a one-off event. Deep-tech here means companies built on substantial scientific or engineering advances – spanning artificial intelligence, quantum, semiconductors, advanced materials, and life-sciences platforms – as defined by the data sources set out in the Appendix.

Suppose that just twenty of those companies each year – half of the annual flow – successfully negotiated a binding commitment resulting in twenty-five net new UK-based jobs, each generating £125,000 of annual gross value added, sustained for the five-year life of the commitment. That alone would create roughly 500 new high-value UK jobs every year; by the fifth year, with five annual cohorts running concurrently, some 2,500 committed jobs would be sustained at any one time, generating £312.5 million of additional GVA per year. Over a ten-year period, the programme would cumulate to £2,500 million of additional UK GVA (£2,086 million in present-value terms at the Treasury’s 3.5% social discount rate). These jobs are stated net: the figure already reflects the Green Book’s additional disciplines – deadweight, displacement, leakage, and optimism bias.

No growth in the committed footprint is assumed at any point. The counterfactual throughout is jurisdictional: each job is counted only if, absent the commitment, the same role would have been created outside the United Kingdom, not merely relocated within it. Any expansion of these teams, or any persistence of the footprint beyond the commitment’s expiry, would be upside beyond these figures. The arithmetic is deliberately simple enough to check by hand and deliberately hard to break.

If we halve the number of participating companies, or halve the jobs per company, the ten-year value still exceeds £1,000 million in present value. The figures count direct employment only; the further jobs each high-skilled

role supports in the surrounding economy would come on top. The ask is also narrow. Twenty companies a year is half of the roughly forty deep-tech companies acquired each year, but only about 0.07% of the United Kingdom’s 27,359 equity-backed companies (Beauhurst, July 2023), and under 0.05% of its wider high-growth population of more than 45,000. Whether and how far the mechanism generalises beyond that narrow slice is precisely the question the call to action below is designed to answer. Within the annual acquisition flow itself, even partial extension beyond half of the forty companies would scale these figures proportionately.

This illustrative example represents a meaningful macroeconomic return from persuading a very modest share of departing companies to keep some operations rooted in the UK. If embraced by the entrepreneurs, investors, and boards of directors representing the many UK stakeholders who stand to benefit from such a policy, shifting retention behaviour across the wider population of departing high-growth companies could be worth considerably more. How far the mechanism generalises is a question this paper leaves to the task force to test.

The idea is not novel in principle. The UK already has two precedents pointing in the same direction. The National Security and Investment Act 2021 has been used, in the IonQ / Oxford Ionics order, to permit a foreign acquisition while requiring retention of UK capability. The ARM / SoftBank transaction shows the voluntary counterpart: binding post-offer undertakings to retain and expand a UK footprint, given without new legislation and supervised under the Takeover Code. And the example of DeepMind should be an inspirational role model for UK startups, not an isolated outlier case. These precedents show that such commitments can be negotiated and enforced. They do not yet show that the commitments caused the footprint to stay; the pilot proposed is designed to test that.

Our recommendation is to turn that logic into a routine market expectation beyond the mandatory-notification sectors (recently expanded from seventeen to twenty) covered by the NSI Act: voluntary, incentive-based commitments achieved through persuasion, negotiation, and investor agreement rather than compulsion.

The UK should make it a standard business objective for high-growth companies, universities, founders, investors, and acquirers to ask not only where a company is incorporated or listed, but what economic footprint it will preserve in the country that helped create it.

The UK has already done the hardest part: it has built one of the world's strongest innovation ecosystems. The challenge now is to keep more of the compounding value at home while remaining open to global capital. Properly framed, that is not a partisan demand or a protectionist reflex. It is a growth strategy: create wealth for UK institutional and retail investors, preserve high-value entrepreneurial jobs, attract international capital on better terms, and scale the country's innovation base rather than exporting its upside.

This paper closes with a call for leaders committed to promoting innovation as an essential element of the UK's future economic growth to establish a deliberately small task force that will convert these examples into a practical framework and lead its implementation. This group should include founders, investors, acquirers, counsel, and universities from across the UK's innovation ecosystems.

The Diagnosis: How Value Leaves the UK

The Decline in UK Capital-Markets Share, in Numbers

The decline in UK public-markets share is no longer a matter of sentiment. Across the major capital-markets datasets, the direction is clear: London has been losing issuers, liquidity, and institutional support for two decades. The number of companies listed or traded in London fell from roughly 2,365 in 2015 to just over 1,560 in 2025, a net loss of more than 800 issuers, close to a third of the market.

The direction of travel is also visible in issuer choice. UK-incorporated companies increasingly look to US markets for scale, depth, and investor demand. AstraZeneca's direct NYSE listing of ordinary shares, effective 2 February 2026 after a November 2025 shareholder vote, is the most consequential recent example. It replaced the company's prior Nasdaq ADR programme and, as AstraZeneca's own materials acknowledged, placed the new ordinary shares in the US DTC settlement system rather than CREST, outside the scope of the UK 0.5% Stamp Duty Reserve Tax while retaining its London listing. ARM Holdings' Nasdaq listing in 2023 and Flutter Entertainment's move to the NYSE in 2024 sit in the same pattern.

London is not merely struggling to attract new issuers; it is losing existing ones. In 2024, the London Stock Exchange's main market recorded 88 companies delisting or transferring their primary listing abroad, against only 18 new arrivals – the largest outflow since the global financial crisis. That outflow must be read against a global backdrop: listed company counts have been declining across developed markets for a generation. The US itself has roughly half the domestic listings it had at its 1996 peak, even as its aggregate market capitalisation has multiplied. A falling count alone is not evidence of decline.⁵ What distinguishes London is the composition and direction of the marginal

flows: departures outrunning arrivals by 88 to 18, new high-growth issuers electing other venues, and existing issuers moving their primary listings abroad.

The institutional anchor has weakened at the same time. UK pension funds' allocation to UK equities has fallen from approximately 53% in 1997 to around 4% today. This represents one of the sharpest withdrawals by domestic long-duration capital from any major developed equity market.

⁵ Doidge, Karolyi and Stulz, "The U.S. Listing Gap", *Journal of Financial Economics* 123(3), 2017. US domestic listings peaked at just over 8,000 in 1996 and had roughly halved by 2012 – a gap the authors show is anomalous relative to US economic development, driven by high delist rates (chiefly merger-related) and persistently low new-list rates.

Table I. Recent departures from the London Stock Exchange, June 2026

Selected delistings announced or confirmed within the period to end of June 2026, with the listing action and the rationale stated by each issuer.

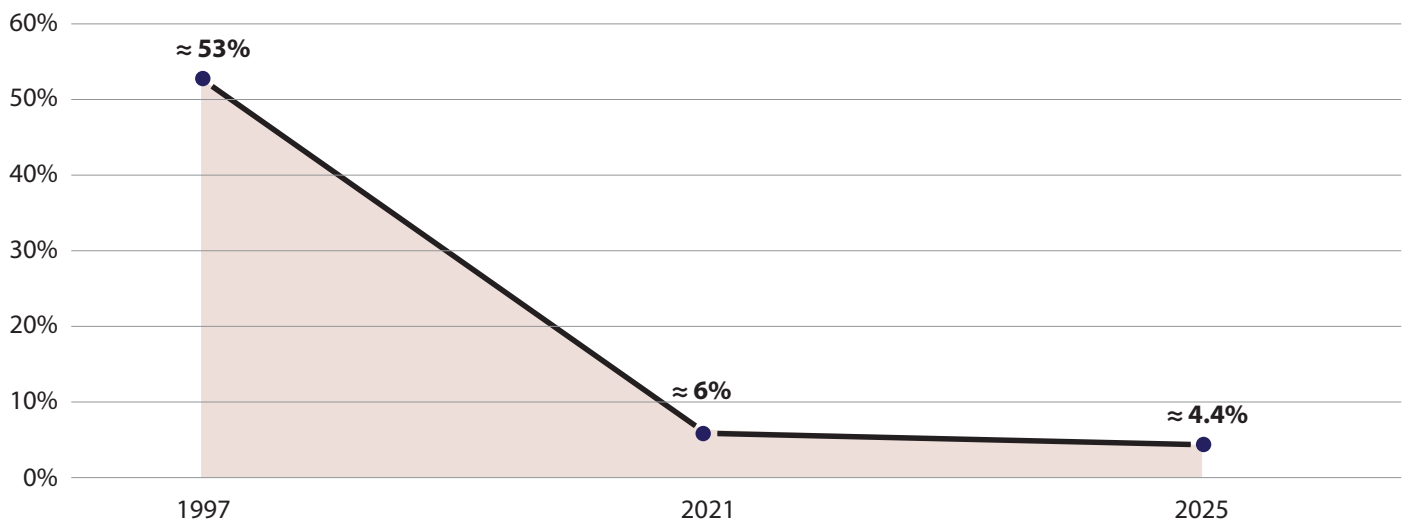
Company	Announcement	Listing action	Stated rationale	Source
Ferguson Enterprises (FERG)	16 June 2026	Terminate secondary LSE listing and main-market admission, effective 20 July 2026; retains primary NYSE listing.	NYSE trading liquidity significantly surpasses the LSE; majority of shareholder base located in North America.	GuruFocus, Company announcement, 16 June 2026
Flutter Entertainment (FLUT)	12 June 2026	Delist remaining secondary LSE listing in August 2026; retains primary NYSE listing (primary moved to New York in 2024).	Low London trading volumes and the regulatory cost of maintaining a UK presence.	Reuters; City AM, Company announcement, 12 June 2026
Smurfit Westrock	Review 30 April 2026; effective June 2026	Cancel ordinary shares from the LSE main market and the FCA Official List (international commercial companies secondary listing category).	Level of LSE trading activity, plus the added cost and regulatory and administrative burden of retaining the listing.	Company announcement, 22 June 2026

Note: All three issuers cited low London trading liquidity. Flutter and Smurfit Westrock also cited the cost and regulatory burden of keeping a UK listing, and Ferguson noted that most of its shareholders are in North America.

“The post-2021 record therefore confirms, rather than weakens, the thesis. Hill showed that the UK can deliver serious listing reform. What it could not show, which AstraZeneca’s move illustrates, is that listing rules were the disease rather than the symptom.”

UK pension funds’ allocation to UK equities, 1997-2025

A withdrawal of roughly 90% of the domestic equity allocation in a generation.



Sources: New Financial/Capital Markets Industry Taskforce (2023); HM Government (HC Deb, 25 Nov 2025).

The Hill Review and Its Implementation: A Five-Year Test Case

Lord Hill’s UK Listings Review, published on 3 March 2021 and substantially accepted by HM Treasury on 19 April 2021, remains the canonical statement of the listing-regime problem. Its headline diagnosis still frames the debate: London accounted for only 5% of global IPOs between 2015 and 2020; the number of UK listed companies had fallen roughly 40% from the 2008 peak; and, at one point in summer 2020, Apple’s market capitalisation exceeded that of the entire FTSE 100.

Hill treated the issue as one of competitive position and offered fifteen recommendations across seven themes: an annual State of the City report, a secondary competitiveness-and-growth objective for the FCA, dual-class share structures, a lower free-float threshold, prospectus-regime reform, and a wider ecosystem flag covering pension allocation, tax, and SME research. Those wider questions were outside a listing-rules review, but Hill correctly identified them as necessary if listing reform was to

produce durable advantage.

Five years later, implementation has been unusually comprehensive. The State of the City report has been delivered annually since 2022; the FCA’s secondary competitiveness-and-growth objective was enacted through the Financial Services and Markets Act 2023; the July 2024 Listing Rules overhaul created a single commercial companies category, removed the three-year track-record requirement, reduced free-float to 10%, (effective since December 2021) permitted dual-class structures, and removed the related-party-transaction shareholder-approval vote; the prospectus regime was reformed through the Public Offers and Admissions to Trading Regulations 2024; the Mansion House Compact and Accord addressed pension allocation; and the Secondary Capital Raising Review reported in July 2022. By normal standards of UK regulatory reform, Hill was a success.

Yet the trajectory did not change. After substantially complete Hill implementation, AstraZeneca added a direct

NYSE listing of its ordinary shares in February 2026, keeping its London listing, and cited avoidance of the UK 0.5% Stamp Duty Reserve Tax among the structural benefits. UK IPO volumes remain weak; the FTSE 100 remains weighted toward old-economy and financial-sector companies; and UK pension allocation to domestic equities sits near 4%. The post-2021 record therefore confirms, rather than weakens, the thesis. Hill showed that the UK can deliver serious listing reform. What it could not show, which AstraZeneca's move illustrates, is that listing rules were the disease rather than the symptom. The deeper layers Hill flagged as out of scope are the layers this paper now examines.

Naming the Friction Stack

The UK's capital-markets problem can be deconstructed as four reinforcing frictions, each limiting liquidity, valuation, or international capital formation.

Friction 1: Stamp Duty on UK Equity Transactions. The UK levies a 0.5% Stamp Duty Reserve Tax on most secondary-market purchases of UK-registered shares. It is the single most directly quantifiable friction in the stack; the US, the deepest competing market, levies no equivalent tax on share purchases and it accumulates over the lifetime of a position to a substantial share of total returns. It raises more than £3 billion per year,⁶ and the literature (HMRC, UK Stamp Tax Statistics; Oxera 2007 and Oxera/CPS 2024) is consistent that removal would increase UK equity-market activity, retail participation, and listed-company valuations. The standing political objection is the revenue loss; the offsetting-revenue argument has been made but not integrated into the fiscal forecasting framework.

Friction 2: UK Listing-Rule Complexity. Despite the July 2024 reforms, the UK Listing Rules and Prospectus Regulation remain materially more complex than the Delaware/SEC framework and more complex than the EU regime. The complexity is a stack: residual category-specific obligations, the sponsorship requirement, the related-party-transaction disclosure framework, working-capital statements verified to standards more demanding than US comparables, and ongoing obligations under the UK Market Abuse Regulation. The 2024 reforms narrowed the gap but did not close it – a conclusion the AstraZeneca move makes empirically inescapable.

Friction 3: Institutional Capital-Allocation Structure. The withdrawal of UK long-duration institutional capital from UK equities over three decades is the deepest friction, and the one that no single policy instrument can reverse. The Mansion House Compact and Accord committed major UK pension funds and insurers to increase allocations to UK growth-stage equities. The operational reality is that allocators spent three decades building portfolios oriented away from UK equities. Reversing this is a multi-year process driven by allocator incentives set at the regulatory level (LGPS consolidation; DB surplus rules; Solvency UK calibration).

Friction 4: Boardroom-Competence Friction. The corporate-governance frictions, which we will address fully in a separate white paper, can be summarised as the systematic disqualification of domain expertise from UK boards under Provision 10 of the UK Corporate Governance Code. Provision 10 directs boards to identify each non-executive director they consider independent and lists circumstances likely to impair independence. A prominent feature among them is a material business relationship with the company. The disqualification arises not from the provision's text but from its application: UK nomination committees over-apply the material-business-relationship limb, treating deep sector knowledge as if proximity to an industry were itself an impairment of independence. This translates to exclusion by correlation, not by category.

⁶ Receipts from stamp taxes on shares (Stamp Duty Reserve Tax and stamp duty) were approximately £3.8 billion in 2022–23, falling to approximately £3.2 billion in 2023–24 (HMRC, UK Stamp Tax Statistics). Economic-impact analysis: Oxera, Stamp Duty: Its Impact and the Benefits of its Abolition (prepared for the ABI, City of London Corporation, IMA and London Stock Exchange, May 2007), updated in Oxera for the Centre for Policy Studies, Stamp Duty on Shares: Analysis of its Economic Impact and the Benefits of its Abolition (February 2024).

“UK nomination committees over-apply the material-business-relationship limb, treating deep sector knowledge as if proximity to an industry were itself an impairment of independence. This translates to exclusion by correlation, not by category.”

The critique, to be clear, is not of the provision itself: independence tests exist for good reason, and the Code operates on a comply-or-explain basis that already permits boards to appoint expert directors and explain the choice. The pathology is a compliance culture that treats explanation as a risk rather than an option. The result is that the expertise scale-up and technology boards most need is screened out at nomination. The impact operates at the company level rather than the market-infrastructure level. Boards composed of directors with limited domain expertise relative to comparable jurisdictions produce strategic, capital-allocation, and exit-pathway decisions that register in investor demand for UK-listed equities and in the quality of the boards that provide corporate oversight.

The Scaling Gap: Where the Export of Innovation Begins

The retention gap does not open at IPO or trade sale. It opens earlier, at the first scaling threshold, where the UK and Europe carry a long-standing structural disadvantage. McKinsey's cohort analysis of companies that raised seed or angel funding between 2009 and 2014 found that only about 14% of European start-ups reached Series C, listed, or were acquired, compared with roughly 20% in the US. The difference was not rates of outright business failure; European companies were more likely to stall after a funding round and never reach the next one.

The seed-to-Series-A transition is where the gap becomes visible. McKinsey later put Europe's progression rate at 27%, compared with 46% in the US. Companies that stall at this point rarely disappear. Increasingly, they are acquired early, often by overseas buyers. That is the leakage this paper addresses: value leaving the UK years before any listing decision is even in view.

The gap is structural rather than cyclical, although the current funding contraction now sits on top of it. Even in the US, seed-to-Series-A graduation within two years has fallen sharply, from 30.6% for the 2018 cohort to 15.4% for the

2022 cohort., The UK enters that comparison from a weaker starting point: industry estimates put seed-to-Series-A conversion at roughly one in eight. The distinguishing factor is not simply the size of the round, but its structure – whether there is an institutional lead, a board seat, and the governance and downstream signalling that follow.⁸

That is why the composition of UK early-stage capital matters. A substantial share of the country's pre-seed and seed capital is mobilised through SEIS and EIS reliefs. Those schemes were designed to increase the volume of early-stage investment, and on that measure they have plainly succeeded. But they work by reducing the investor's downside. SEIS offers income-tax relief of up to 50% of the amount invested, with further loss relief on the balance, so that for a top-rate taxpayer the net exposure on a failed investment can fall below one-third of the capital committed.⁹

None of this is a comment on the investors themselves: the SEIS and EIS community includes many experienced angels whose judgment, networks, and mentorship add real value, and the schemes have seeded genuine successes. The observation is about incentive design at the margin. Capital whose downside is substantially insulated is, as a matter of arithmetic, less strongly rewarded for selectivity, active governance, and conviction-led support than capital underwritten solely by the prospect of a power-law return. At the system level, this can produce a quiet selection dynamic at the base of the funnel: relief-supported capital is easiest to raise precisely where a conviction-led institutional lead is absent, so rounds built principally on relief-driven demand tend to carry less of the governance and

⁷ Carta, “VC Fund Performance: Q1 2024”; graduation is measured within a 24-month window. The decline reflects the post-2021 contraction in Series A financing.

⁸ Adam French, “The New Path to Series A in the UK,” Antler, 2025. The estimate draws on Crunchbase data supplemented with modelled (“synthetic”) rounds; Antler is an early-stage investor and the report's conclusions favour institutional co-investment, so it is cited here as directional industry evidence rather than independent research.

⁹ HM Revenue & Customs guidance on the Seed Enterprise Investment Scheme and the Enterprise Investment Scheme (SEIS: 50% income-tax relief; EIS: 30%; both with loss relief and capital-gains reliefs).

downstream signalling that predict graduation. This paper takes no position on the tax-policy design of SEIS and EIS reliefs; we raise the topic to explain how this form of capital behaves once deployed.

The same pattern appears at both ends of the financing ladder. At the public-market end, UK institutional capital has withdrawn from growth equity. At the early-stage end, much of the available capital is shaped by tax incentives rather than conviction-led return seeking. In both cases, British risk capital is too often directed by tax and regulatory architecture rather than by long-term ownership conviction. The result is the same: nationally generated value leaves early, before the UK has had the chance to compound it.

The Acquisition Route: When Foreign Ownership Leads to Footprint Loss

The transaction-level record behind this section is chronicled in Table B of the Appendix; its final column – its final column – the subsequent UK footprint outcome of each transaction – repays close attention

The listing debate focuses on London versus foreign exchanges. But a larger share of UK growth-company value leaves earlier, through foreign acquisitions, mainly by US public-company buyers, before any IPO decision arises. The pattern is unmistakable. UK growth-company exits are dominated by acquisitions, and the public capital-markets debate still gives that route too little weight. The evidence points in the same direction: technology-sector exits were 97.9% acquisition-led in 2023 and 99.1% in 2024; the UK has recorded three consecutive years with no biotech IPOs; US buyers dominate the foreign-acquisition & and the UK remains the most-targeted European country for US acquirers. Listings are one route by which UK value leaves. Acquisitions are the parallel – and larger – route that the Hill Review did not address.

The table opposite consolidates the most credible publicly available data; the systematic empirical study underlying this research programme will produce the publication-grade

dataset, with full treatment of the cross-source scope differences noted beneath.

The IonQ acquisition of Oxford Ionics, conditionally approved on 11 September 2025 under the National Security and Investment Act 2021, is the most visible recent case in which the acquisition route has been engaged at the senior government level. The Chancellor of the Duchy of Lancaster's final order permitted IonQ Inc. (NYSE-listed) to acquire 100% of Oxford Ionics Limited subject to two binding conditions: that its current and future trapped-ion quantum hardware be hosted in the UK for independent government assessment, and that its science, engineering, and infrastructure functions – qualified personnel, tangible and intangible assets, and manufacturing capacity – be maintained in the UK. The identified concern was Oxford Ionics' leading role in cutting-edge quantum computing.

The NSI Act is therefore more than a security tool; it is a constructive precedent. Its conditions permit foreign ownership while requiring the substantive UK capability – people, assets, infrastructure, manufacturing, and research capacity – to remain in the UK.

In the quantum case, the UK has already enacted the principle this paper advances: the relevant measure is not where equity is owned, but what lasting economic footprint remains in the country that helped create the company.

The NSI Act is properly limited to the twenty mandatory notification sectors where national-security considerations directly engage foreign ownership. This paper does not advocate extending mandatory legal restrictions across the wider economy.

The practical question is whether the same underlying principle can be extended to ordinary growth-company acquisitions through voluntary, contractual, and incentive-based commitments calibrated to economic rather than security considerations.

Table II. UK growth-company exits: ten-year aggregate composition and acquirer-country breakdown (2015-2025), with notable cases drawn from 2016-2026 (illustrative data)

Indicator	Value	Period	Source
Panel A. UK high-growth company exit composition (all sectors)			
Total UK high-growth-company exits	~8,000	2015 – Q1 2025	Beauhurst / Charles Stanley (July 2025)
Share of the ~8,000 exits above occurring in the final 2.5 years of the period	~40%	Jan 2023 – Jun 2025	Beauhurst / Charles Stanley (2025)
UK high-growth acquisitions (peak year)	1,110 (956 corporate; 154 financial)	2021	Beauhurst / Charles Stanley (2025)
UK high-growth acquisitions (second-highest number of acquisitions across the period)	1,069 (85.7% corporate; 14.3% financial)	2024	Beauhurst / Charles Stanley (2025)
UK high-growth IPOs (all sectors)	3 – combined value exceeding each of the 3 prior years	Q1 2025	Beauhurst / Charles Stanley (2025)
Panel B. UK technology-sector exit composition			
Tech exits: acquisitions vs. IPOs	420 acquisitions / 9 IPOs (97.9%)	2023	Tracxn UK Tech 2024 (Jan 2025)
Tech exits: acquisitions vs. IPOs	432 acquisitions / 4 IPOs (99.1%)	2024	Tracxn UK Tech 2024 (Jan 2025)
Panel C. US-acquirer concentration in UK acquisitions			
UK companies acquired by US buyers	265 acquisitions; 280 acquisitions	2024 2025	ONS
UK rank among European targets for US buyers / overseas investments	1st – most-targeted European country	2021, 2025	Bayes Business School M&A Research (2021), US Bureau of Economic Analysis
Value of UK acquisitions by US buyers	~£11bn; ~£38bn	2024 2025	ONS

Indicator	Value	Period	Source
Panel D. UK life sciences and biotechnology			
UK biotech IPOs	0 – third consecutive year	2023–25	BioIndustry Association (2025)
UK biotech equity-financing change (yoy)	– 49%	2025 vs. 2024	BioIndustry Association (2025)
Recent UK biotech listings (last IPO cohort)	Bicycle, Immunocore, Autolus, Centessa, Barinthus – all Nasdaq, none LSE	Pre-2022	BioIndustry Association (2025)
Panel E. Notable recent UK technology and deep-tech exits			
Acquisition	Darktrace → Thoma Bravo (US PE)	\$5.3bn – 2024	Tracxn UK Tech 2024
Acquisition	Preqin → BlackRock (US, NYSE)	\$3.2bn – 2024	Tracxn UK Tech 2024
Acquisition (NSI conditions)	Oxford Ionics → IonQ (US, NYSE); UK-hosting & footprint-retention conditions	11 Sep 2025	UK Cabinet Office, NSI final order
Acquisition (voluntary Takeover Code undertakings)	ARM Holdings → SoftBank (Japan); then Rule 19.7, now Rule 19.5 post-offer undertakings: double UK jobs in 5 yrs, retain Cambridge HQ, technical-staff ratio; independent supervisor	2016	ARM Rule 2.7 announcement; UK Takeover Panel (then Rule 19.7, now Rule 19.5)
Listing (US, direct)	AstraZeneca – direct NYSE; DTC settlement bypassing UK SDRT	2 Feb 2026	AstraZeneca materials (Nov 2025)
Listing (US)	ARM Holdings → Nasdaq	2023	Public market data
Listing (US)	Flutter Entertainment → NYSE	2024	Public market data

Table notes. Scope differs across sources. **Beauhurst** / **Charles Stanley** cover all UK high-growth companies across sectors; **Tracxn** is scoped to UK technology and yields a more concentrated acquisition share. **ONS** measures inward M&A deals by value and count across all sectors; the **BioIndustry Association** data are scoped to UK biotech and pharma. A dedicated workstream will reconcile these and produce a unified UK technology and life sciences dataset, 2015–2025, with consistent classification.

The ARM Precedent: A Voluntary Footprint with a Binding Commitment under the Takeover Code

The NSI order shows footprint retention imposed by government in security-sensitive sectors. ARM supplies the commercial counterpart: a voluntary but binding commitment made by an acquirer in an ordinary transaction. In 2016, SoftBank acquired ARM Holdings plc for £24.3bn and chose to give enforceable undertakings to preserve and expand ARM's UK footprint.

The Takeover Code distinguishes between soft statements and binding undertakings. A Rule 19.6 post-offer intention statement is non-binding and may later be changed after consultation with the Panel. A Rule 19.5 post-offer undertaking is different: it must be specific, precise, objectively assessable, reported to the Takeover Panel, and enforceable, including through an independent supervisor. SoftBank was not required to choose that route. It did so voluntarily to build confidence in the transaction.

The undertakings went to substance. SoftBank committed to at least double ARM's UK headcount within five years; keep ARM's global headquarters in Cambridge for at least five years; maintain ARM's technical/non-technical staff mix; increase non-UK headcount; and preserve base salary and pension benefits for at least twelve months. Grant Thornton UK LLP was appointed as independent supervisor under a work plan agreed with the Panel.

The distinction is the architecture this paper seeks to normalise: voluntary entry, binding effect. SoftBank could have offered only a soft intention statement, as it did on other matters. Instead, it chose time-bound, supervised, enforceable obligations.

Together, IonQ / Oxford Ionics and ARM bracket the recommendation. One shows the principle accepted in UK law where the state compels it; the other shows the same logic available voluntarily under existing takeover law. Appendix Table A records that binding post-offer undertakings were also given and honoured in GKN /

Melrose and Comcast / Sky. The record also shows the limit: a binding undertaking secures a defined commitment for a defined period, not a permanent guarantee, as the post-2021 reductions at ARM illustrate.

The private-transaction precedent is DeepMind. When Google acquired DeepMind in 2014 for approximately £400 million, no Takeover Code machinery applied: DeepMind was private, and no post-offer undertaking was required. The commitment instead came from founders and management, publicly stated at the time, that DeepMind would remain based in London.¹⁰ It was kept, and its effects compounded: DeepMind anchored Google's global AI research effort from London and helped demonstrate that world-class artificial intelligence could be built in the UK.

Events in August 2026 sharpen the lesson. Google announced that Sir Demis Hassabis would step back from day-to-day leadership to become DeepMind's chair and Alphabet's chief scientist, with operational leadership passing to an executive based at Google's California headquarters. Some reporting read the change as a shift of control from London to Silicon Valley; Google rejected that interpretation and reaffirmed its commitment to London. This paper takes no view on which reading proves correct. The point is narrower: once founder leadership changes, the durability of a footprint sustained by founder conviction becomes an open question.

DeepMind therefore matters because it extends the logic from public takeovers into the private transactions where much UK value now leaves. It shows the voluntary principle working outside the Takeover Code, while exposing the weakness of relying on personality rather than enforceable structure. The next DeepMind should not depend on the next Hassabis.

¹⁰ Google's acquisition of DeepMind (announced 27 January 2014, reported at approximately £400m) was its largest outside the United States at the time. Demis Hassabis's stated intention to remain based in London is contemporaneous: see Royal Society, Mullard Award announcement (November 2014). His retrospective account – that the choice was made to show world-class AI could be built outside the United States, and that DeepMind's success drew global firms to establish London bases – is from his remarks at an Intelligence Squared event, London (2026), as reported by Storyboard18 and Fortune (April 2026).

“Raising US capital often means placing a Delaware parent above the UK business. Once that structure is in place, UK-earned revenue and UK-generated exit value can be pulled into the US tax net, subtly tilting the economics toward a US sale or relocation of value.”

Any credible framework will have to answer six questions for every commitment – who promises, who benefits, what consideration, what duration, who monitors, what remedy. And for private transactions, the framework will have to name an enforcing beneficiary with standing and incentives that survive the sellers’ departure, with defined treatment of onward changes of control, insolvency, and material commercial shocks. Those are design questions for the group this paper calls into being, not for its author.

Why UK Companies Do the Delaware Flip: A Tax Friction on Revenue and on Exit

Raising US capital often means placing a Delaware parent above the UK business. Once that structure is in place, UK-earned revenue and UK-generated exit value can be pulled into the US tax net, subtly tilting the economics toward a US sale or relocation of value.

That structure makes the UK operating company a controlled foreign corporation for US tax purposes, and it operates before any sale as well as shaping the economics when a sale arrives. The flip also carries a hidden domestic cost that is rarely priced at signing: EIS and SEIS relief requires the issuing company to be independent – not controlled by another company. A Delaware TopCo disqualifies the UK entity from the very schemes designed to channel domestic angel capital into early-stage companies. Founders who flip to access US capital forfeit access to EIS investors at home, thinning the pool of committed domestic capital at precisely the stage the schemes exist to serve.¹¹ The relevant friction is not a headline rate; it is the interaction of the US and UK tax systems at the point where UK capability begins to generate revenue, value, or both.

On the revenue side, income earned by the UK subsidiary, for example through research collaborations, may be tested under the US net CFC tested-income regime, the successor to GILTI renamed by the 2025 One Big Beautiful Bill Act and taxed at a US effective rate of 12.6%. Because UK corporation tax (25%) exceeds the US high-tax threshold, fully taxed UK profits can often be excluded by election. The exposure bites mainly where R&D reliefs or losses push the UK effective rate lower, and on gains that are exempt in the UK. For research-intensive companies, the charge can be difficult to shelter: research performed outside the US is treated as foreign for US purposes and must be capitalised and amortised over fifteen years under section 174, leaving few current deductions against tested income.

The exit mismatch is sharper. A disposal that would be exempt in the UK under the Substantial Shareholding Exemption can still be taxable in the US, potentially under Subpart F at 21%, or under the tested-income regime at 12.6%, with state tax possible on top. If the asset is held directly in a US subsidiary, any gain is squarely within the US federal net at 21%. The applicable regime depends on structure, reliefs, and losses, but the direction is consistent: once the US topco is in place, US tax rules can attach to UK-generated value in ways that weaken the case for realising that value in the UK.

This makes Delaware incorporation a hidden accelerator of the acquisition route. It is embedded in the ownership structure created to access US capital, and it differs from the UK market-infrastructure frictions above in a critical respect: the UK cannot solve it unilaterally, because the operative rules sit largely in US domestic law and in the interaction between the two tax regimes.

The SAFE Flip: An Evolution in US Financing Structures Pulls UK Companies across the Atlantic Even Earlier

A related factor promoting Delaware incorporation comes from the dominance of SAFEs in VC financings. A SAFE (Simple Agreement for Future Equity) is a contract under which an investor pays the company now in exchange

¹¹ Income Tax Act 2007, Part 5: the EIS ‘independence requirement’ provides that the issuing company must not be under the control of another company. See HMRC, Venture Capital Schemes Manual, VCM13060. The same requirement applies to SEIS under Part 5A.

“A substantial and quantitatively significant population of venture-backed companies now operate for extended periods – often with cumulative outside-capital raises into the tens of millions of dollars – without the additional governance, monitoring, and signalling associated with an institutional investor director.”

for the right to receive shares when a future priced round occurs. Until that conversion, the investor holds no shares and none of the governance rights – information rights, consent rights, board representation – that a priced equity round typically confers.

Founders value the SAFE for its speed and the deferral of a valuation negotiation; US investors now treat it as the standard form of early-stage deployment. These conventions are described here for their gravitational pull, not as a model to admire.

Since Y Combinator introduced the SAFE in 2013 – a structure that did not exist before then – the broader market has followed. At the pre-seed stage, SAFEs now account for roughly 90% of US deals; US startups on Carta raised \$10.4 billion across 50,316 SAFEs and convertible notes in 2025.¹² At the seed stage, when a priced equity round is a genuine alternative, roughly 64% of rounds are raised on SAFEs and a further 10% on convertible notes, against about 27% raised as priced equity – the one structure at this stage that conventionally seats an investor director and a fiduciary board.

The post-money SAFE, now the standard form of the instrument, rose from just over 60% to nearly 90% of all SAFEs between 2021 and 2025.

By the SAFEs designed-in legal status, pre-conversion holders are contract counterparties rather than stockholders; no fiduciary duties run to them, and no investor-director seat is issued. Consequently, a substantial and quantitatively significant population of venture-backed companies now operate for extended periods – often with cumulative outside-capital raises into the tens of millions of dollars – without the additional governance, monitoring, and signalling associated with an institutional investor director.

The prevalence of SAFEs in early-stage US VC financings also contributes to startups leaving the UK even earlier. In the UK, functionally, the Advanced Subscription Agreement (ASA) replicates the SAFE's absence of investor governance rights pending conversion: money in, no shares issued yet, no board seat, no fiduciary attached to the cheque. ASAs carry a six-month life,¹³ which means the UK version of the vacuum is shorter-lived per instrument than the American one – a UK company can't float for three years on stacked unpriced paper the way a US company can – but companies do stack sequential ASAs.

Hence, the same pattern is arriving in the UK: meaningful sums raised before any properly constituted board exists. When US investors lead: a Y Combinator-accepted UK company, or any startup raising from US funds, will often be asked to flip into a Delaware topco – at which point it raises on US SAFEs and the UK instrument question disappears. And the UK company disappears with it.

How often the flip occurs cannot yet be stated as a measured rate: no official dataset tracks US incorporations by founder origin. The direction, however, is well documented as an observed industry trend. It is also directly attested from inside the market: DCVC, the San Francisco-based deep-tech venture firm, requires a US (Delaware) corporate structure as a condition of its investment – a policy confirmed on the record for this paper (August 2026) by Jason Pontin, General Partner, DCVC, and a member of the Cambridge Innovation Hub Global Advisory Board. Chief executives of several UK start-ups have told the Financial Times that the need to attract American investors had already pushed them to incorporate in the US while remaining operationally based in London – the co-founder of ElevenLabs, valued at \$3.3bn in January 2025, described the Delaware corporation as ‘the preferred and familiar structure for US investors’ – and of the seventy UK-founded,

¹² Carta, State of Pre-Seed: 2025 in Review (February 2026) and State of Seed (Winter 2025). Pre-seed share of ~90% and the \$10.4bn across 50,316 pre-priced instruments are Carta pre-seed figures; the seed-stage split (approximately 64% SAFEs, 27% priced equity, 10% convertible notes; figures are rounded and so sum to 101%) and the post-money SAFE trajectory (just over 60% to nearly 90% of all SAFEs, 2021–2025) are drawn from the same Carta datasets. Carta data reflect companies using Carta's cap-table platform and are directional for the wider US market.

¹³ The six-month longstop reflects the Advanced Subscription Agreement's design around SEIS/EIS eligibility. HMRC guidance provides that the longstop date should be no more than six months from the date the ASA is entered into; where it is longer, HMRC is unlikely to give advance assurance that the shares qualify for relief. See HM Revenue & Customs, Venture Capital Schemes Manual, VCM12025 (EIS) and VCM33025 (SEIS), 'advance subscription agreements'. The prevalence of sequential ('stacked') ASAs in the UK is not captured by any known dataset and is noted here as a directional market observation only.

venture-backed technology start-ups now headquartered in the US, almost a fifth were incorporated after 2020, a marked post-Covid acceleration.¹⁴

The Operating-Side Channel: Talent Mobility, Supply, and Scale-Up Experience

The two exits examined so far are both capital-side: the migration of listings to deeper markets, and the larger acquisition route. There is a third channel that a capital-markets frame alone does not capture, and it is the operating-side counterpart to those frictions – companies that remain UK-incorporated but build their next engineering and commercial teams abroad. This is precisely the footprint – jobs, facilities, and research capability – that the recommendation below seeks to retain; when it migrates, capital-markets reform proves necessary but insufficient. The Wriston principle that anchors this white paper names talent explicitly alongside capital and ideas; the analysis to this point has developed the capital strand of that sentence; this section turns to talent.

The most immediate domestic lever sitting inside this channel is the law on post-termination restraints – non-compete clauses, notice periods, and garden leave. The Department for Business and Trade's 2025 working paper estimates that roughly five million workers in Great Britain are bound by such clauses, typically for around six months.¹⁵ The analytically important point is to get the comparison right, because the intuitive contrast with the US is largely wrong: the US is not a non-compete-free zone but a state-by-state patchwork, in which only California, North Dakota, Oklahoma, and Minnesota ban these clauses outright, and

in which the Federal Trade Commission's attempted national ban was struck down in court, abandoned on appeal in September 2025, and removed from the Code of Federal Regulations in February 2026.¹⁶

Non-competes are only one part of the talent problem – and, outside software and artificial intelligence, often not the most important part. In quantum, semiconductors, and the life sciences, the larger constraints are supply and scale-up experience. The UK lacks enough of the specialist talent these companies need, and experienced operators who have scaled a business from fifty employees to five hundred are far more abundant in the United States.

Two practical implications follow. First, the end of free movement has made European talent harder to recruit, increasing the risk that UK scale-ups move activity abroad to secure the people they need. The ScaleUp Institute found that 85 per cent of fintech start-ups and scaling firms would consider relocating outside the UK for that reason. Second, the policy lever must be deliberate: build scale-up management experience at home and use tools such as the recently expanded Global Talent visa to attract scarce expertise from abroad.

The mobility advantage associated with Silicon Valley is therefore a California feature – Business and Professions Code §16600 – not an American one. Rules that make one jurisdiction comparatively restrictive push capital and talent toward more permissive ones. The peer-reviewed labour-mobility literature treats the effect as one of degree rather than a binary. Even unenforceable clauses deter movement through litigation risk, and firms substitute notice periods,

¹⁴ Financial Times, reporting on UK start-ups incorporating in the United States (2025): chief executives of several UK start-ups told the FT that the desire to attract American investors had led them to incorporate in the US while remaining operationally based in London; of the seventy UK-founded, venture-backed technology start-ups then headquartered in the US, almost a fifth were incorporated after 2020. The post-Covid acceleration is consistent with practitioner commentary from early-stage advisers including SeedLegals. No official dataset tracks Delaware incorporations by founder origin; the figures above are the most specific published evidence identified for this paper.

¹⁵ Department for Business and Trade, Reform of non-compete clauses in employment contracts (working paper, 26 November 2025), GOV.UK. The paper frames its objectives in scale-up and innovation terms and is the citable source for UK prevalence (approximately five million workers) and typical duration (around six months); its consultation closed in February 2026.

¹⁶ The Federal Trade Commission's Non-Compete Rule was vacated in *Ryan LLC v. Federal Trade Commission* (N.D. Tex. 2024); the Commission abandoned its appeal in September 2025, and the rule was formally removed from the Code of Federal Regulations effective February 2026. State law continues to govern, and most states enforce reasonable restraints.

“Non-competes are only one part of the talent problem – and, outside software and artificial intelligence, often not the most important part. In quantum, semiconductors, and the life sciences, the larger constraints are supply and scale-up experience. The UK lacks enough of the specialist talent these companies need, and experienced operators who have scaled a business from fifty employees to five hundred are far more abundant in the United States.”

garden leave, and trade-secret and non-solicitation law. The authoritative literature consistently associates enforceable post-termination restraints with reduced job mobility and slower diffusion of skills.¹⁷

What a Government Reform Agenda Would Entail – If the Government Chose to Pursue It

This section is presented as a neutral map, not as advocacy. Whether to pursue any of it – and how far – is a matter for the UK government of the day and ultimately for UK voters and regulators. Our purpose in setting it out is to ensure that, if the choice is made, it is well-informed. Five areas would form the substance of such an agenda.

1. Stamp Duty. Elimination, in stages or at once, of the 0.5% Stamp Duty Reserve Tax on secondary-market purchases of UK-registered shares. A staged approach would phase elimination over four years (2027–2030) with an offsetting-revenue analysis; a bolder approach would abolish it in a single action, sending a powerful signal of intent backed by results. The latter is more aspirational than presently realistic. The case would rest on the offsetting-revenue calculations, the 2014 AIM stamp-duty precedent, and the comparative point that the US levies no equivalent tax. If the government had the will to act, this is the most directly tractable of the five.

2. Listing Rules and Prospectus Framework. Further simplification building on the July 2024 reforms could logically include alignment of the UK related-party-transaction disclosure framework with the Delaware/SEC approach, simplification of the Reporting Accountant working-capital framework, further consolidation of listing categories, and alignment of the UK Market Abuse Regulation disclosure framework with US materiality and timing thresholds. The opportunity is for the UK to appear more balanced and market-pragmatic than the SEC while still protecting retail and pension-plan shareholders: less

regulatory red tape need not imply less investor protection.

3. Institutional Capital-Allocation Framework. Translating the Mansion House framework into changed allocator behaviour could include acceleration of LGPS consolidation with UK growth-equity allocation requirements, amendment of the DB pension surplus rules to permit surplus allocation to UK growth equity on tax-advantaged terms, Solvency UK calibration adjustments for UK insurers’ UK-equity holdings, and further development of the UK Productive Finance framework. Addressing each of these points requires engagement with the Pensions Regulator, the PRA, and the DWP.

4. Boardroom Competence. The boardroom-competence friction will be addressed in a separate white paper. In brief, that paper will argue that the exclusion of domain expertise from UK boards arises from the over-application of Provision 10’s independence tests rather than from their text, and that the remedy is recognition of an Independent Expert Director – a director whose sector knowledge is treated as a qualification for board service rather than a presumptive impairment of independence, consistent with the treatment of industry expertise under NYSE and Nasdaq listing standards in the United States.

5. Post-Termination Restraints. Reform of the law governing non-compete clauses, notice periods, and garden leave – the operating-side counterpart to the four capital-side measures above. The Department for Business and Trade consulted on reform in a working paper whose consultation closed in February 2026, so this is a workstream already in motion rather than a new proposal. The case, if the government chose to pursue it, would rest on the Department’s own scale-up and innovation objectives, on the peer-reviewed labour-mobility literature, and on the accurate comparative framing set out above (that the relevant advantage is a California feature, not an American one).

¹⁷ See Ronald J. Gilson, “The Legal Infrastructure of High Technology Industrial Districts: Silicon Valley, Route 128, and Covenant Not to Compete” (1999); AnnaLee Saxenian, *Regional Advantage* (1994); Matt Marx, Deborah Strumsky and Lee Fleming on the Michigan non-compete enforcement experiment; and Evan Starr, J. J. Prescott and Norman Bishara on the prevalence and wage effects of non-competes.

Why This Matters Now: The Window Is Closing on Both Sides

“If the UK falls behind both the US and a reforming EU, it compounds the competitive disadvantage this paper identifies. The window to act is open; it will not stay open forever.”

The cost of inaction is now visible. The AstraZeneca move is the single most consequential signal: it came after five years of substantially complete Hill implementation, was adopted by shareholder vote, and was accompanied by company materials acknowledging UK stamp-duty avoidance among the structural benefits. What is new is that the window is also closing from the other direction. The same value now leaving for New York could, on current trajectory, have fewer reasons to choose London even within Europe.

The EU’s 2026 capital-markets agenda addresses many of the same friction categories identified in this paper, but through EU-specific instruments: the Savings and Investments Union strategy, advancing through the European Council and Parliament, sits alongside EU Listing Act reforms phasing into effect through 2026, together targeting prospectus simplification, insolvency-framework harmonisation, a unified EU consolidated tape, retail-investor reform, and the SME Growth Markets framework.

Whether the agenda is enacted in full remains uncertain, but the political authorisation for the direction of travel is established, and it now represents the contemporary baseline for developed-economy capital-markets reform. If the UK falls behind both the US and a reforming EU, it compounds the competitive disadvantage this paper identifies. The window to act is open; it will not stay open forever. What ‘acting’ should mean, and who it falls to, is the subject of the sections that follow.

Negotiated Footprint Commitments Support a National Growth Strategy

A growing body of 2025-2026 commentary shares this paper's diagnosis of the UK capital-markets trap but reaches a different conclusion on remedy. The most prominent recent example is the Tony Blair Institute's June 2025 report, *From Startup to Scaleup: Turning UK Innovation Into Prosperity and Power*¹⁸, which frames the UK's problem as a broken pipeline requiring a broad programme of statutory and regulatory change – including a new Scaleup Investment Scheme, a digital-ID tracking regime for state-supported firms, revised mandates for the British Business Bank and the National Wealth Fund, and further redesign of the SEIS/EIS architecture discussed above. Similar arguments appear in recent industry commentary describing the UK's trajectory in stark terms.

This paper accepts the diagnosis but differs on what is achievable, and on what timetable.

A programme of that scale asks a legislative system that has produced seven changes of Prime Minister over the past decade to deliver, and then sustain across changes of government, a wide-ranging multi-year statutory agenda. That is not a criticism of those proposing it, many of whom are experienced and credible voices in UK venture capital and public policy; it is an observation about the political system required to execute it.

The problem has been analysed extensively. What is missing is not diagnosis but urgency. And even if all of these reforms were to be enacted in a few months, the asymmetry of liquidity and inferior access to public market capital in the UK is unlikely to change relative to the NYSE/NASDAQ.

Nonetheless, the UK is at a moment of unusual opportunity, with implications that reach well beyond capital markets. Across parts of the developed world, universities, scientific research, independent expertise, and the authority of scientific evidence itself are under sustained political pressure – a climate that is unsettling researchers, funders, and the international talent that follows them.

The UK can position itself as the stable, credible home for entrepreneurial scientific research, and convert that stability into a durable competitive advantage in attracting scientists, founders, and long-term capital. Seizing this opportunity is not a partisan gesture; it is a growth strategy, and it reinforces the retention thesis of this paper. Legislative leadership can progress in parallel rather than follow, but the first move can come from the centres of academic research excellence that have generated breakthrough innovation in this country for centuries – the same institutions that nourish UK entrepreneurs and that can become a stronger magnet for international investors.

This paper's alternative is deliberately narrower and does not wait for that legislative timetable. Where the reform-advocacy school seeks to repair the pipeline through Parliament, this paper focuses on value already leaving the country and proposes negotiated footprint commitments to retain it. That approach requires no Act of Parliament, can survive a change of government, and can be applied at the next financing or acquisition rather than the next legislative session.

The two positions are not mutually exclusive. This paper supports the direction of reform and hopes to see it advanced; its pragmatic recommendation is simply not contingent on that agenda's success.

¹⁸ Tony Blair Institute for Global Change, *From Startup to Scaleup: Turning UK Innovation Into Prosperity and Power*, June 2025, available at <https://institute.global/insights/tech-and-digitalisation/from-startup-to-scaleup-turning-uk-innovation-into-prosperity-and-power>.

The Recommendation: Footprint Commitments, Independent of Legislation

The UK – government, universities, founders, and the investment community together – should far more forcefully seek commitments from international investors and acquirers to create jobs and maintain a meaningful UK footprint for companies born in the UK, nourished by UK taxpayer investment, and first taking root in UK soil. The fruits from the UK's innovation orchard can be harvested – ownership can change, returns can flow abroad – without pulling up the tree. A company may change its corporate domicile or move its headquarters overseas; what matters for the UK economy is whether the roots remain – the jobs, facilities, research capability, and manufacturing capacity that keep this extraordinary orchard bearing fruit.

Precision about what is being retained matters, because the UK debate has conflated three distinct migrations. Of the three migrations distinguished at the outset – ownership and returns, domicile and listing, productive capability – footprint commitments are an instrument aimed squarely at the third. They do not, by themselves, retain equity ownership for UK investors, repair London's public markets, or prevent a Delaware incorporation – and this paper does not claim that they do.

Foreign capital and foreign ownership are not, in themselves, the problem; the avoidable loss of productive capability is. Where UK-embedded capabilities and public support give companies and their stakeholders genuine bargaining power, they should convert that power into proportionate, measurable, and time-limited footprint commitments – and then evaluate whether those commitments make an incremental difference.

For the same reason, the operative criterion is relocation risk, not the nationality of the capital. A UK acquirer can hollow out a British operation; an international acquirer can expand one substantially. The ask should attach wherever control passes to an owner with the ability and incentive to relocate capability, whatever flag the capital flies. Capital is, in the end, governance wearing a price tag. As

pension savers' capital is mobilised into private markets under the current reform agenda, the destinations for that capital must be well-governed destinations – and a footprint commitment is one of the clearest, lowest-cost signals of that governance quality available to an investor or acquirer today.

Two UK precedents already bracket this recommendation, as the diagnosis established. What SoftBank chose to do once should become a deliberate and routine ask of investors and acquirers across the UK growth economy.

We must underline that these precedents establish feasibility, not yet additionality. ARM and Oxford Ionics demonstrate that retention commitments can be negotiated, bound and supervised, and DeepMind that a footprint can be kept voluntarily; they do not yet demonstrate that the commitments caused the footprint to remain.

Buyers may be most willing to commit precisely where retaining the UK operation was already commercially optimal, and ARM illustrates what the expiry of a time-limited undertaking can permit.

The recommendation is therefore advanced as a well-founded hypothesis rather than a proven remedy: the call to action below assigns the task force exactly this test.

The opportunity is to extend the underlying principle – footprint retention – to the broader population of UK growth-company acquisitions and scale events through voluntary and incentive-based instruments: investor and acquirer commitments at the point of financing or acquisition, tied to UK job and capability retention; recognition and reputational mechanisms for investors who make and honour such commitments; and the alignment of public support (grants, procurement, research partnerships) with a demonstrated UK footprint over time.

“Retention must also be worth something to the company and its acquirer, or no voluntary commitment will survive contact with a board.”

What Retention Is Worth: A Counterfactual Estimate

We conducted original research to illustrate the meaningful macroeconomic impact that even a modestly successful implementation of this objective can achieve. Its inputs are grounded in actual corporate transactions, and the result is an illustrative, order-of-magnitude scenario. Several key assumptions are deliberately set conservatively, though not every assumption is.

Retention must also be worth something to the company and its acquirer, or no voluntary commitment will survive contact with a board. That commercial logic is real, and it deserves statement as a standalone positive rather than only as rebuttal. The acquired capability sits inside the research ecosystem that produced it – the university relationships, collaborative networks, and specialised talent pool in which the team was formed; the tacit knowledge the buyer is paying for is embodied in people whose productivity depends on that environment; and continuing development in place is routinely faster and cheaper than relocation, rehiring, and the attrition both provoke. On this view a footprint commitment is not a concession extracted from the buyer but a mechanism for protecting the value being bought – and companies weighing the same choice

in future can find in that logic a commercial rationale, not merely a patriotic one.

The build-up is mechanical: each annual cohort generates £62.5 million a year for the five-year life of its commitments, so from year five onward five cohorts run concurrently – the steady state shown in the table below. Counting stops when each commitment expires, and no growth in the committed footprint is assumed at any point.

The twenty-five jobs are stated net of the Green Book’s additional disciplines, as defined and defended in the Appendix. The estimate is not a forecast. It is an illustrative, order-of-magnitude scenario and should not be read as a floor: some assumptions are set conservatively, but not all of them are.

The scenarios are driven by a single lever: how many of the roughly forty companies acquired each year enter a commitment. Participation is precisely what a standard, board-normalised ask exists to move. Each additional five companies per year adds £78.125 million to the steady-state annual figure and £625 million over ten years:

Participation scenario	Steady-state annual (from year 5)	10-year cumulative (undiscounted)	10-year cumulative (present value)
Low – 10 companies per year (a quarter of the flow)	£156.25m / yr	£1,250m	£1,043m
Base – 20 companies per year (half of the flow)	£312.5m / yr	£2,500m	£2,086m
High – 30 companies per year (three-quarters of the flow)	£468.75m / yr	£3,750m	£3,128m

“A footprint commitment is not a poison pill, and its economics should not be denied. ... There is clearly a trade-off here, but it is manageable, often smaller than it appears, and worth making transparent. ... A commitment to keep that team in place typically protects the very value the buyer is paying for, which is why acquirers in practice give such assurances voluntarily.”

It values only direct employment, holding the indirect and induced employment multiplier at 1.0. The wider effect is larger: the evidence on local multipliers indicates that each high-skilled or high-technology job supports on the order of one to two further jobs in the surrounding economy, many of them for less-skilled residents – so protecting a relatively small number of highly skilled jobs can protect a significantly larger and more socially diverse employment footprint.¹⁹ Melrose’s public commitment to Parliament during its bid for GKN – to maintain investment in GKN’s apprenticeship programme – illustrates how naturally the commitment surface extends to skills.²⁰

Our analysis prices retained jobs at deep-tech productivity levels while making no separate claim on the wider life-sciences, biotechnology, and medical-device economy beyond the deep-tech taxonomy’s own boundary. The tornado analysis in the Appendix confirms what the construction implies: participation dominates every other assumption, with the sourced ranges for jobs and productivity each moving the result by less than half as much. And the switching values (Green Book, para 6.104) are undemanding: a ten-year present value of £1,000 million is preserved at just ten participating companies a year, or twelve net jobs per company – the case for action does not depend on the base case. Extension beyond half of the annual flow scales these figures linearly; generalisation beyond the deep-tech taxonomy is a question this paper assigns to the task force’s evaluation rather than to assertion.

Answering the Objections

A recommendation that asks boards to negotiate footprint commitments must meet three serious objections head-on. Each is legitimate; none is decisive.

First, that footprint conditions deter acquirers and depress the price a UK founder can command at exit. This is the objection to take most seriously, because founders and their early investors are entitled to a full and fair exit, and nothing here should be read as asking them to accept less. But the premise is narrower than it appears. A footprint commitment is not a poison pill, and its economics should not be denied.

A binding restriction on where a buyer may deploy assets and people is an encumbrance that will sometimes affect valuation, the number of bidders, or both. There is clearly a trade-off here, but it is manageable, often smaller than it appears, and worth making transparent.

Acquirers value a target for its people, its technology, and its pipeline – assets that in deep-technology companies are substantially embodied in a UK team and its tacit knowledge. A commitment to keep that team in place typically protects the very value the buyer is paying for, which is why acquirers in practice give such assurances voluntarily. Where a buyer’s model depends on stripping the UK operation and relocating it, that intention is precisely what a board negotiating on behalf of the company should surface and price before recommending an offer.

The board’s duty is clearly stated under section 172 of the Companies Act 2006: it is to promote the success of the company for the benefit of its members as a whole, having regard to employees, communities, and other stakeholder interests. This only reinforces the point that the recruitment of directors to UK company boards must facilitate expert independent director recruitment. Fiduciary oversight by independent experts must be encouraged from a company’s inception. Sound judgment born from relevant domain expertise and competency must drive governance, not merely the ability to meet compliance requirements. The

¹⁹ Neil Lee and Stephen Clarke, ‘Do low-skilled workers gain from high-tech employment growth? High-technology multipliers, employment and wages in Britain’, Research Policy 48(9) (2019); each high-tech job creates around 0.9 additional local non-tradeable service jobs, around 0.6 of them for low-skilled residents. See also What Works Centre for Local Economic Growth, Local Multipliers toolkit (2025), reporting averages of 1.9 to 2.5 additional jobs per high-technology or high-skilled job.

²⁰ Letter from Melrose Industries plc to the Chair of the House of Commons Business, Energy and Industrial Strategy Committee, 13 March 2018: ‘we intend to continue to support the development of advanced engineering, technology and manufacturing skills by maintaining investment in GKN’s apprenticeship programme’.

“The board’s duty is clearly stated under section 172 of the Companies Act 2006: it is to promote the success of the company for the benefit of its members as a whole, having regard to employees, communities, and other stakeholder interests.”

case for a footprint condition is strongest where it can be justified as protecting the value being acquired, preserving a key team, or honouring a bargain entered into before the exit arose – not as a tax on the sale. The ask is calibrated and commercial, not a blanket encumbrance; a well-advised board will seek it where it protects the value being sold, and will not press it where it would genuinely destroy deal value.

Second, that commitments are renegotiated or quietly abandoned once the deal closes and attention moves on – the Cadbury risk applied to this paper’s own model. This is the right lesson to draw from Kraft’s 2010 acquisition of Cadbury, where a pledge to keep the Somerdale factory open was reversed within days of completion and the plant closed the following year. But the lesson cuts in favour of the mechanism recommended here, not against it. The Cadbury pledge was an informal assurance with no binding force; it is exactly the kind of soft statement that the strengthened post-offer-undertaking regime was designed to replace. The ARM undertakings, specific, time-bound, independently supervised, and enforceable by the Takeover Panel, are what a credible commitment looks like instead. The design imperative that follows is that footprint commitments must be enforceable rather than aspirational: binding in form, monitored by a named supervisor, and carrying a real consequence for breach. A commitment that can be walked away from is worse than none, because it implies insincerity by the acquirer.

Practitioner analysis points the same way. A contemporaneous account by an M&A lawyer of the regime’s emergence sets out what a bidder must be prepared to do to give suitable undertakings: understand the political environment surrounding the target and its industry; anticipate that competing bidders’ regulatory remedies may force matching terms; judge how far commitments can bind the business over the medium term without undermining the transaction’s commercial rationale; and satisfy the Panel that the undertakings are specific, precise, objectively assessable, and subject to independent supervision. The

same account concludes that, in a climate of heightened public sensitivity about the economic and social impact of takeovers, “post-offer undertakings may emerge as a more significant feature” of the largest UK public takeovers. This is precisely the design standard, and the direction of travel, on which this paper builds.²¹

Third, that the enforceable model exists only for public takeovers, while most UK value now leaves through private transactions that sit entirely outside the Takeover Code. This is the most important objection, and it is correct: the Panel, Rule 19.5 (formerly Rule 19.7), and the independent-supervisor machinery apply to public offers. The acquisitions and financings this paper is most concerned with – a Series B round, a private trade sale below the offer threshold, a secondary buyout – have no equivalent scaffolding. Existing employment law does not fill the gap: TUPE protects the terms of transferred employees in qualifying business transfers, but it does not apply to share sales – the route by which nearly every transaction in this paper’s record occurred. And it does nothing to keep functions in the United Kingdom.²²

That gap is the central design question, not a reason to abandon the approach. The instruments to close it already exist in ordinary commercial practice: contractual covenants in share-purchase and subscription agreements, conditions attached to public grants, procurement, and research partnerships, and reputational mechanisms that reward investors who make and honour commitments. What is missing is a standard, credible framework that assembles them into something a board can reach for and an investor will recognise.

²¹ Financier Worldwide, ‘The emergence of post-offer undertakings under the Takeover Code’ (2019), a practitioner account by an M&A lawyer of the conditions under which bidders can give suitable post-offer undertakings.

²² See Pinsent Masons, ‘A basic guide to TUPE’, Out-Law Guide, pinsentmasons.com. TUPE’s protections attach to qualifying transfers of a business or undertaking; a sale of shares leaves the employer unchanged and is outside its scope.

“...do not believe any statement which is not legally binding... Binding undertakings are clearly costlier for bidders than warm words... The missing elements to make this a reality are passionate leaders and a well-considered framework...”

Prior Calls, and Why This Time Must Be Different

The case for binding footprint commitments is not new, and this paper does not pretend otherwise. It has been made, forcefully, at every takeover crisis of the past fifteen years – and only at those crises.

After Kraft reneged on its Somerdale pledge following the Cadbury acquisition, the Takeover Panel’s censure exposed the emptiness of announcement-day assurances. During the 2014 Pfizer approach to AstraZeneca, the calls came from every quarter – the Opposition front bench, the President of the Royal Society, the Business Secretary, and a former Deputy Prime Minister – for binding, penalised, longer-lived commitments.²³

The Panel’s answer – the January 2015 bifurcated regime of binding post-offer undertakings and non-binding intention statements²⁴ – was a substantive advance, vindicated when SoftBank’s undertakings on ARM were supervised, reported, and verifiably honoured. In 2018, the Business Secretary invoked those same post-Cadbury rules to extract enforceable commitments from Melrose over GKN, under sustained pressure from the Business Select Committee and the trade unions. In 2020, the founder-led Save Arm campaign, in an open letter to the Prime Minister backed by thousands of signatories, distilled the entire argument into one sentence: do not believe any statement which is not legally binding.

Each of these calls was right. Each was focused on a single event, not on a generalised approach to a common challenge. Binding undertakings are clearly costlier for bidders than warm words. Addressing these issues calls for crafting model terms that make binding commitments practical for parties who elect it, backed by concrete consequences for failing to honour them. The Panel’s precision requirement confined undertakings to mega-cap, politically sensitive bids; we recommend establishing a standard measurement framework that brings the same precision within reach of the sub-£1 billion transactions where university-originated value actually leaves.

Commitments made directly to ministers escaped Panel supervision; the task is to pair them with independent monitoring on the ARM model. And remedies must be sized to deal economics rather than set as token penalties.²⁵ That is the pattern this paper proposes to change – not by new legislation, but by converting an episodic, crisis-driven demand into standing practice.

²³ Lord Heseltine, the former Deputy Prime Minister, speaking on BBC Radio 4 on 3 May 2014 during Pfizer’s approach to AstraZeneca, argued that government should have greater powers to ensure takeovers serve British interests; reported in the Daily Mail, 3 May 2014.

²⁴ The Takeover Panel, Response Statement RS 2014/2, Post-Offer Undertakings and Intention Statements (23 December 2014), effective 12 January 2015. The provisions were introduced as Rules 19.7–19.9 and subsequently renumbered as Rules 19.5–19.6.

²⁵ Vince Cable, Secretary of State for Business, Innovation and Skills (2010–2015). His August 2014 proposals sought to remove the “wobble room” in bidders’ takeover commitments and to introduce financial penalties for breach; Pfizer’s anticipated annual tax saving from the proposed AstraZeneca transaction was estimated at £1.4 billion.

Looking Forward

Nothing recommended in this paper requires a dedicated group to make it happen. Any single company's leadership can act now to negotiate commercially sensible footprint retention commitments from investors and acquirers. But bringing a dedicated group together, whose objective is to turn this mindset into a recommended negotiating approach among many companies, will make the results matter. The illustrative scenario from our research indicates that if even just 20 companies a year acted in this manner, the UK would gain some £2,500 million of incremental GVA over a decade.

The missing elements to make this a reality are passionate leaders and a well-considered framework building on the foundations that have already been established by the organisations and companies we cite in this paper.

What needs to change? Four shifts are required:

First, shift from mega-caps to the mid-market. Post-offer undertakings have so far applied to multi-billion-pound public bids, while many university-originated technologies leave through smaller private deals outside the Takeover Code. For these, the NSI Act's conditional clearance of IonQ / Oxford Ionics is the relevant precedent. Outside the twenty mandatory-notification sectors, the same principle has to be delivered voluntarily: through covenants in share-purchase and subscription agreements, and through conditions attached to public grants, procurement and research partnerships

Second, move from rhetoric to auditable evidence:

Retention promises should be measured against the Panel's own standard—specific, precise, and capable of objective assessment—using UK technical full-time-equivalent employment, payroll, R&D expenditure, laboratory and manufacturing capacity, engineering functions, and technical leadership as the tests, not press-release language.

Third, close the carve-out under which commitments made directly to government fall outside Panel supervision, by pairing any such commitment with independent supervision and periodic public reporting on the ARM model.

Fourth, and most importantly, ownership of the ask must move upstream of the crisis: universities, technology transfer offices, and founding investors are parties to these companies long before any bid arrives, and footprint provisions negotiated proactively at that stage require no rule change and no consultation.

Ownership of the ask must be matched by design of the system: a systems approach that embeds the expectation from the start and makes it easy to honour through frameworks and model agreements – the task this paper's call to action assigns.

A Call to Action

Every serious call after a major UK takeover has reached for the same word: binding. The failure has not been in the insight; it has been in the follow-through. Between crises, no institution owns the ask, no standard form exists, and no board-normalised practice carries the demand into ordinary financings and acquisitions. This call to action is designed to fill that gap.

Convene a small, authoritative task force. The UK should create a deliberately focused task force with one mandate: turn footprint retention from an episodic plea into a market practice. Its drafting group should be small enough to act, but credible enough to bind the ecosystem – drawing from founders, UK and international investors, strategic acquirers, M&A counsel, universities, public-policy experts, and innovation clusters beyond the Oxford–Cambridge–London triangle.

Build sector-specific instruments. The framework should recognise that retention looks different in software, quantum, semiconductors, medical devices, and drug discovery. It should translate the examples in this paper into practical, sector-calibrated instruments that boards can use at financing, licensing, grant, procurement, and acquisition points.

Produce tools that can be used immediately. The first deliverables should be concrete and based on existing best practices, including: standalone, wholly optional model provisions applicable to term sheets for financings and acquisitions – schedules available when the parties to a transaction elect to make a commitment, leaving the industry’s standard documentation unchanged; a recognised measurement standard based on substance

rather than form; drafting that favours demonstrably additional UK hiring, including relocations into the UK, returning nationals, and new graduates; a comparison of post-acquisition outcomes with and without explicit commitments; and a pilot cohort evaluated prospectively.

Make adoption easy. Voluntary frameworks can become embedded quickly when they reduce negotiation cost and confer legitimacy. The University Spin-out Investment Terms Guide shows the path: published in 2023, adopted by fifty-eight UK universities, and now reflected in Research England’s expectations of HEIF-funded institutions. Footprint commitments need the same kind of usable market infrastructure.

Fix the operating conditions that make retention rational. Commitments aimed at investors and acquirers will not be enough if the UK makes it harder for companies to hire, move, and keep the people they need. Talent mobility, specialist supply, and scale-up management experience are part of the same retention agenda. A labour market that lets talent move between UK firms helps anchor the footprint here. A regime that pushes mobile talent toward more permissive jurisdictions works against retention even when capital and domicile remain in place. The same coalition – government, universities, founders, and investors – must therefore address the operating-side conditions as seriously as the capital-side commitments.

Name what must stay. The footprint worth securing is not a registered office or a press-release promise. It is the substance of productive capability: technical people, research teams, engineering and laboratory space, pilot manufacturing, sovereign compute, decision-making

“The framework should recognise that retention looks different in software, quantum, semiconductors, medical devices, and drug discovery. ... The first deliverables should be concrete and based on existing best practices, including: standalone, wholly optional model provisions applicable to term sheets for financings and acquisitions ... leaving the industry’s standard documentation unchanged; a recognised measurement standard based on substance rather than form.”

authority, and the peer networks that make those assets more valuable in the UK than they would be in isolation. That is what migrates when companies are absorbed abroad; it is also what can be retained if the ask is made early, drafted precisely, monitored independently, and treated as ordinary commercial practice rather than patriotic theatre. The UK can continue to celebrate the companies it creates after their jobs, laboratories, compute, and manufacturing capacity have moved elsewhere. Or it can make retention a condition of serious stewardship: a standard board question, a standard investor expectation, and a standard term of doing business with the country’s most promising technologies. The UK does not need to close itself to global capital to keep more of what it creates. It needs to ask earlier, draft better, measure honestly, and then insist that the roots remain.

“The UK can continue to celebrate the companies it creates after their jobs, laboratories, compute, and manufacturing capacity have moved elsewhere. Or it can make retention a condition of serious stewardship: a standard board question, a standard investor expectation and a standard term of doing business with the country’s most promising technologies.”

Appendix

Table A – Rule 19.5 (formerly 19.7): Post-Offer Undertakings (binding), 2015–2025

Year	Transaction Parties	Deal Value	Undertaking Terms	
2016	ARM Holdings plc → SoftBank Group Corp	~£24.3bn	At least double UK headcount within five years (to 3,494 by September 2021); increase non-UK headcount; maintain the global headquarters in Cambridge; preserve the ratio of technical to non-technical UK employees.	
2018	GKN plc → Melrose Industries plc	~£8.1bn	Remain UK-headquartered; retain LSE listing; UK-resident majority on the board; further R&D & manufacturing commitments	
2018	Sky plc → 21st Century Fox / Comcast Corp (competing bids)	Comcast’s winning bid ~£30 bn	Fox is reported to have given non-binding SOIs during its initial approach, while at least Comcast gave a 5-year POU, later extended by deed poll to fund Sky News and guarantee its editorial independence indefinitely.	

Source: Companies’ regulatory filing reports

	Duration	Supervisor	Verified Outcome (UK footprint after 3–5 years)
	5 years (to Sept 2021)	Grant Thornton UK LLP	Target met by Sep 2021 (3,494 UK staff) – then ~700 jobs (~20%) cut by Oct 2022, disproportionate to global cuts, ahead of ARM's 2023 Nasdaq IPO
	5 years (to ~2023)	RSM Corporate Finance LLP	Key commitments fulfilled – including UK headquarters and research spending targets – with formal completion confirmation by late 2023 and early 2024. GKN was demerged into Melrose Industries plc and Dowlais Group in 2023.
	5 years + indefinite Sky News extension	Grant Thornton UK LLP	Compliance outcomes required filing annual reports to the UK Takeover Panel confirming full adherence to these commitments.

Table B – The Historical Record: Major UK Tech Companies Absorbed by Foreign Acquirers

The table below assembles the principal cases examined for this paper, ordered from complete exit to retained footprint. It is deliberately not a gallery of grievances: two of the episodes most often cited as cautionary tales – Solexa and WaveOptics – are, on the primary-source evidence, retention successes, and the record is presented so that the paper’s argument rests on what actually happened rather than on what is remembered.

Company and Origin	Acquirer, year, value	
Icera (Bristol; fabless semiconductors, industry-founded)	Nvidia, 2011, \$367m	
Ubiquisys (Swindon; small cells)	Cisco, 2013, ≈\$310m	
VocallQ (University of Cambridge spinout; spoken dialogue systems)	Apple, 2015, undisclosed	
Magic Pony Technology (London; Imperial-graduate founders via Entrepreneur First)	Twitter, 2016, ≈\$150m	
Dark Blue Labs & Vision Factory (University of Oxford spinouts)	Google DeepMind, 2014, undisclosed	
Evi / True Knowledge (Cambridge; semantic search)	Amazon, 2012, ≈\$26m	
Solexa (University of Cambridge chemistry spinout; sequencing). Reverse-merged into Lynx Therapeutics (Hayward, California) in 2005 and renamed Solexa, Inc.; a Nasdaq-listed US company when Illumina acquired it.	Illumina, 2007, ≈\$600m	
WaveOptics (Oxfordshire; AR waveguides)	Snap Inc., 2021, ≈\$500m+	
Oxford Ionics (University of Oxford quantum spinout)	IonQ, 2025, \$1.075bn	
ARM Holdings (Cambridge)	SoftBank, 2016, £24.3bn	

Source: Nvidia newsroom announcements (2011 acquisition; “NVIDIA to Wind Down Icera Modem Operations,” 5 May 2015); The Register on Cisco/Ubiquisys (July 2015); Financial Times, The Times, and contemporaneous press records on VocallQ (2015); Global Venturing and City A.M. on Magic Pony (2016); University of Oxford and Google announcements on Dark Blue Labs and Vision Factory (2014); Illumina press release of 13 November 2006 and Business Weekly on the Cambridge European headquarters; Companies House record for Wave Optics Limited (no. 08202019) and WaveOptics Milton Park expansion announcement; IonQ announcement and UK Investment Security Unit conditional clearance reporting on Oxford Ionics (2025); Takeover Panel compliance reports on the SoftBank/ARM undertakings (2016–2021); Beaufhurst/Parkwalk Spotlight on Spinouts (2025); UKRI/HESA UK Spinout Register (2025).

	Stated rationale / public statement	Outcome
	CEO cited Nvidia's Tegra roadmap and the ability to 'reach a broader market' as part of Nvidia.	Complete exit. Nvidia announced the wind-down of the Icera modem operation (≈500 staff, primarily UK and France) on 5 May 2015; closed by 2016.
	Acquisition of the entire business and operations, integrated into Cisco's Mobility Business Group.	Slow-burn exit. Headcount attrition from ≈150 toward closure over the following years.
	Press reported the team was expected to remain in Cambridge; Apple offered only its standard non-statement on purpose or plans.	Standalone dissolved. Technology and team absorbed into Siri; described by its former CEO as an acqui-hire of technology and talent.
	Twitter stated the London team would serve as the European base of its Cortex machine-learning group.	Leadership relocated to San Francisco; residual London presence initially retained. Mixed outcome.
	Google stated the accompanying Oxford partnership underlined its commitment to supporting UK academia	Companies dissolved; founders hired, three professors retained joint Oxford appointments, and a funded university partnership remained in the UK
	No substantive public rationale; product discontinued after acquisition.	Company absorbed – but Amazon subsequently built a substantial Cambridge development centre. Footprint grew.
	Illumina stated it expected to maintain operations in both California and Cambridge, with no intention of significant change.	Pledge honoured and exceeded. Cambridge became Illumina's European headquarters, later expanded to a ≈155,000 sq ft site with capacity for 500 staff.
	Snap stated the company would continue to be based in the UK and keep supplying external customers.	Retained. Entity remains active at Companies House (accounts to 31 Dec 2024); Milton Park headquarters expanded post-acquisition.
	IonQ cited a UK base for university collaboration and pledged expansion of the Oxford workforce; founders stayed.	Retained – with teeth. NSI Act clearance was conditioned to prevent key assets from being shifted abroad. Outcome under observation, 2026–2028.
	First-ever binding post-offer undertakings: double UK headcount in five years, maintain the Cambridge global HQ, preserve the technical staff ratio.	Verified honoured by the Takeover Panel: Grant Thornton UK LLP confirmed that Arm's UK headcount successfully crossed the required 3,494 threshold, growing from its initial 2016 baseline of 1,749 to more than 3,500 employees by September 2021.

“The relevant comparison is a job in the United Kingdom against the same job outside it. Displacement logic has no purchase on a choice between jurisdictions. ... These are expansion roles in scarce specialist fields ... in an internationally mobile talent pool where the realistic alternative for many candidates is emigration, and where vacated positions in a tight high-skill market are substantially backfilled.”

Brief Methodology of GVA Estimates from UK Deeptech Scale-ups’ Retained Footprint

Population at risk. The base population is the observed annual flow of UK deep-tech acquisitions – 23 to 56 per year over 2015–2025, averaging approximately 40 (Tracxn; cross-referenced against RAEng/Dealroom deep-tech M&A counts). Because acquisitions recur every year, the model’s base case is a recurring programme in which a new cohort of retained companies enters annually; the ten-year totals sum ten overlapping vintages, each counted only for the five-year life of its commitment. Acquisition value is used only to characterize the population and is never compounded – deal price is an equity valuation and does not convert into wages or GVA.

Participation and employment. The lever is participation: the number of acquired companies per year entering a binding footprint commitment (scenario band 10–30; base 20, half of the observed flow). Each participating company is credited with twenty-five net new UK jobs (typical scale-ups’ employee size adjusted by Green Book’s additionality principles), valued at £125,000 of GVA per job per year (band £100,000–£150,000, anchored to DSIT Digital & Technology and Frontier sector statistics, 2024).

Net definition. The twenty-five jobs are defined net of the HM Treasury Green Book additionality chain (1/ deadweight) (1/ displacement)(1/ leakage)(1/ optimism bias). At base assumptions that chain compounds to approximately 0.34, so the net figure corresponds to a gross committed footprint of roughly seventy-five jobs per company before adjustment; the presentation embeds the Green Book discipline in the headline number rather than applying it afterwards.

Displacement. The Green Book’s guidance is acknowledged directly: at the national level, employment effects are by default assumed to be fully displaced – new jobs in one firm offset by losses elsewhere in the economy – unless the appraisal makes a reasoned case to the contrary (HM Treasury, Green Book 2026, para 8.41). This model does not

evade that discipline; it prices it and then departs from the default on three grounds the Green Book itself recognises.

First, the accounting already concedes displacement. The twenty-five jobs per company are stated net: embedded within that figure is an assumption that a quarter of the gross committed employment displaces activity elsewhere in the UK economy, alongside deadweight, leakage, and optimism-bias adjustments. The question is therefore not whether displacement is acknowledged – it is – but whether the correct figure is twenty-five per cent or one hundred.

Second, full displacement assumes the wrong counterfactual. The default reflects a world in which economic activity reshuffles within Britain. That is precisely not this appraisal’s comparison. The companies in scope are high-growth by construction – growth is why they are acquired – and the documented pattern this paper chronicles is that, absent a commitment, the expansion happens abroad: the roles in question are created in Mountain View or Boston, not in Manchester instead of Cambridge. The relevant comparison is a job in the United Kingdom against the same job outside it. Displacement logic has no purchase on a choice between jurisdictions.

Third, where hiring does draw on the UK labour market, the displaced value is partial, not total. These are expansion roles in scarce specialist fields at roughly £125,000 of gross value added per worker – approaching twice the economy-wide average – in an internationally mobile talent pool where the realistic alternative for many candidates is emigration, and where vacated positions in a tight high-skill market are substantially back filled. Even under conservative assumptions about the origin of each hire, the net national gain per role remains large.

For these reasons the model treats twenty-five per cent displacement as a conservative departure from the default, made openly and priced explicitly. The task force can tighten the logic further in practice: footprint schedules can be drafted to favour demonstrably additional hiring –

“Any expansion of committed teams, and any persistence of the footprint beyond expiry, is upside outside the estimate.”

relocations into the UK, returning nationals, new graduates – so that the commitments are not merely contractually net but economically net by design.

Duration discipline. No growth is assumed. Committed employment is held flat for the five-year life of the commitment and is counted for no longer: when a commitment expires, counting stops. Any expansion of committed teams, and any persistence of the footprint beyond expiry, is upside outside the estimate.

Discounting and uncertainty. Cumulative figures are reported undiscounted and in present value at the Green Book social discount rate of 3.5 per cent. Sensitivity is tested one variable at a time (Figure 3). Participation, net jobs per company and GVA per worker are each moved across their sourced ranges while the other two stay at base. Because the model is linear, each variable moves the result proportionately, and participation has the largest effect.

Presentation standard. Figures are presented as an illustrative scenario with a range, never a single point; every input is drawn from a primary source cited in this Appendix, and each departure from Green Book defaults, including the displacement treatment set out above, is argued in this Appendix.

Figure 1. Additional GVA against participation – the policy lever. Steady-state annual GVA scales linearly with the number of companies entering a binding footprint commitment each year: £15.625 million per company, £78.125 million per additional five. The shaded band is the scenario range (10–30 companies); the base case of twenty – half the annual acquisition flow – yields £312.5 million a year and £2,500 million over ten years (£2,086 million in present value). Because the model is deliberately linear, the chart shows the sensitivity to participation: every point on the line is reproducible by hand.

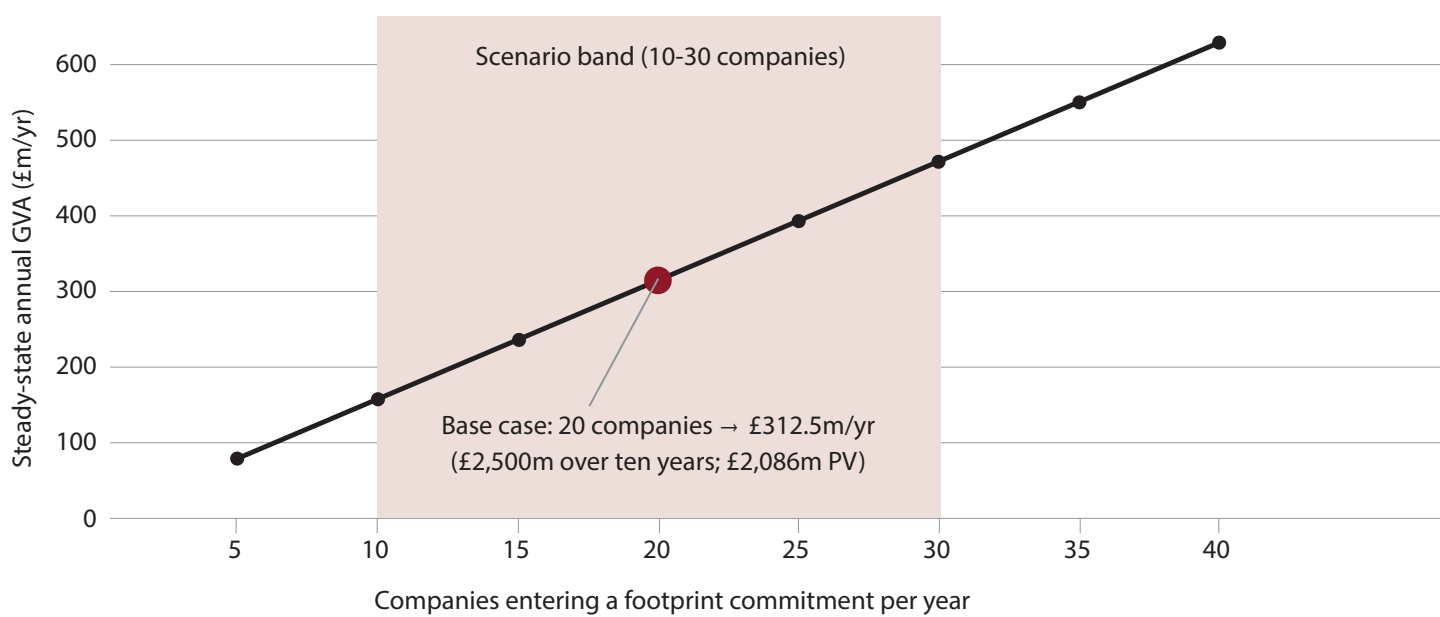


Figure 2. Programme build-up — ramp to steady state. Each annual cohort of commitments is counted for its five-year life only. The programme ramps as vintages stack, reaches steady state in year five when five vintages are simultaneously live, and plateaus thereafter: it does not compound, because no growth is assumed and expired vintages stop being counted. The plateau is the discipline made visible.

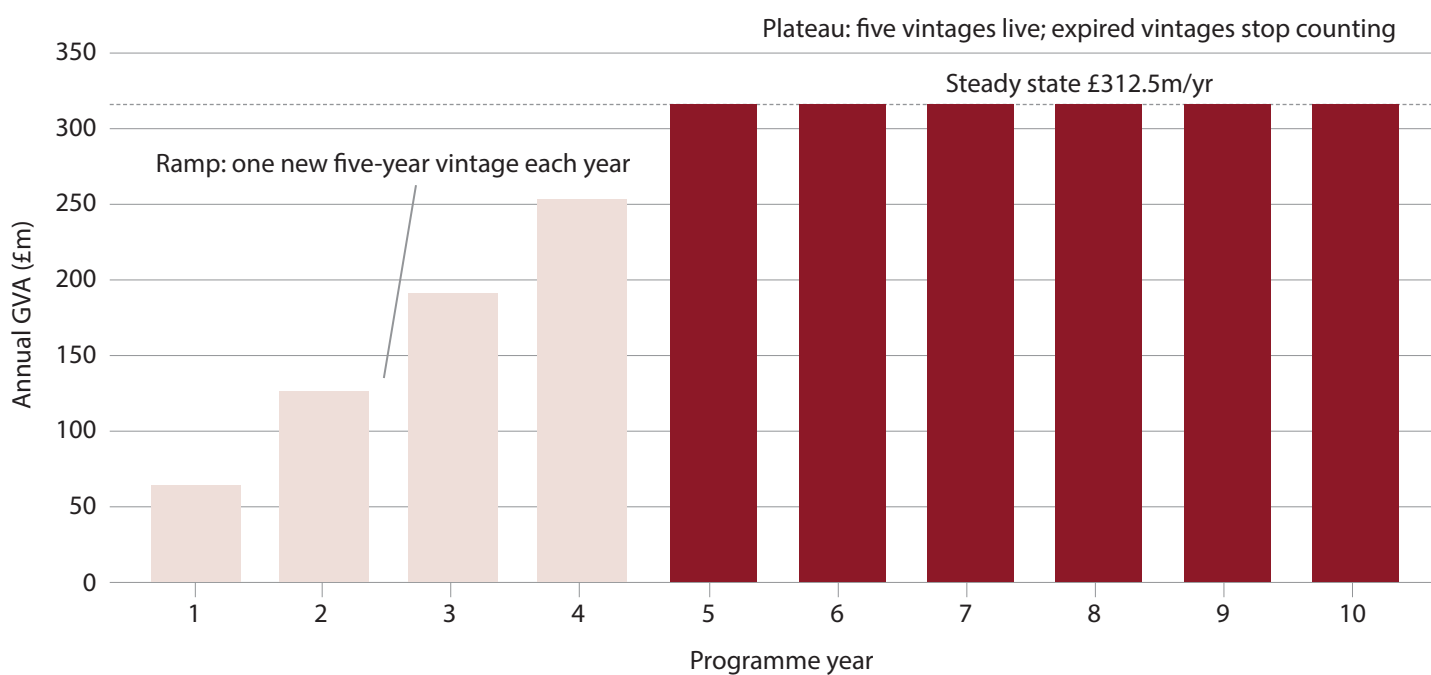
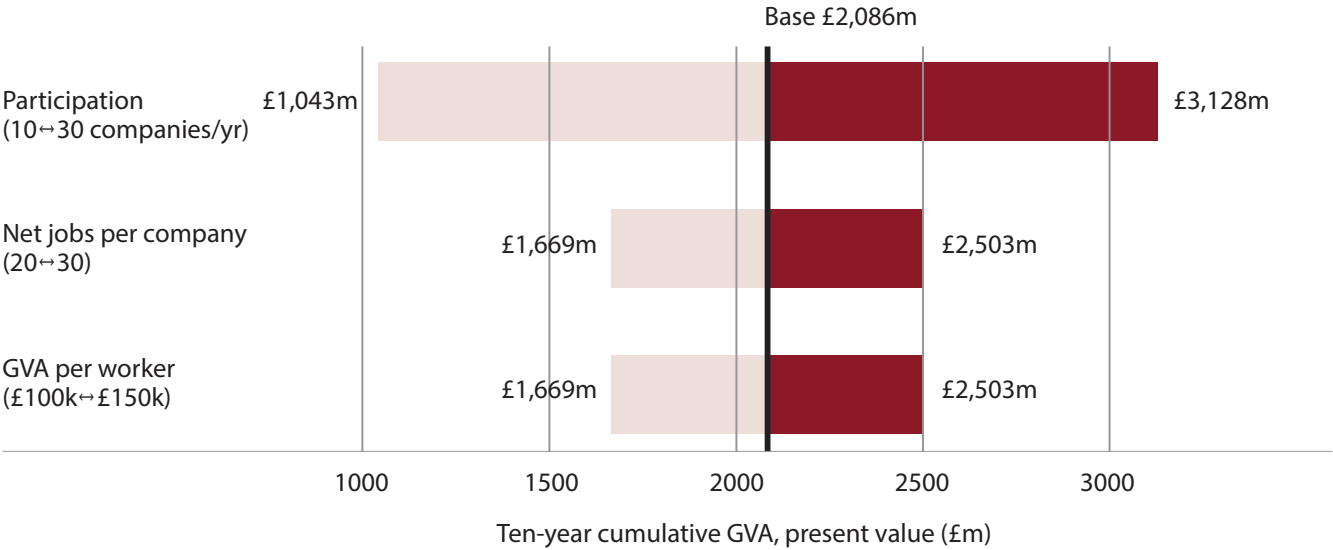


Figure 3. Sensitivity of the ten-year present value – one variable at a time. Each driver is moved from its low to its high value while the others hold at base (£2,086 million). Participation dominates – the 10-to-30 band swings the result by roughly ±£1,043 million – with jobs per company and GVA per worker each contributing about ±£417 million across their sourced ranges. In Green Book terms (para 6.104), the switching values are undemanding: a ten-year present value of £1,000 million is preserved with participation of just ten companies a year, or twelve net jobs per company at base participation. The conclusion the tornado supports is the paper’s own: the question that matters is how many companies enter commitments – which is precisely the lever a standard, board-normalised ask exists to move.



Cambridge Judge Business School

University of Cambridge

Trumpington Street

Cambridge CB2 1AG

T: 01223 339700

enquiries@jbs.cam.ac.uk

www.jbs.cam.ac.uk



**UNIVERSITY OF
CAMBRIDGE**
Judge Business School