

Brexit: One Industry, One City = One £Trillion - Gone

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A report by a London based think tank that focuses on capital markets has published the most comprehensive analysis yet of the impact of Brexit on the banking and finance industry in London. It has determined that more than 250 firms in banking and finance have moved or are moving business, staff, assets or legal entities away from the UK to the EU - and these numbers are likely to increase significantly in the near future. In total, close to £1 trillion of assets have already been relocated - with much more expected.

With little more than two weeks to go until a potential 'no deal' Brexit, more bad news arrives, this time for the Financial Services industry.

The [New Financial](#) think tank has a membership made up of some of the biggest names in the financial services business, including the City of London Corporation, JP Morgan, Barclays, Lombard and the London Stock Exchange to name just a few. It has identified in its report that 275 firms in the UK have moved or are moving some of their business, staff, assets or legal entities from the UK to the EU to prepare for Brexit. Around 250 firms have chosen specific post-Brexit hubs for their EU business, and more than 200 firms have set up or are setting up new entities in the EU to manage their business.

"These moves are the inevitable consequence of Brexit. The political uncertainty since the referendum and failure to reach a deal has forced firms to prepare for the worst and put their contingency plans into action. Much of the damage has already been done and for many firms, Brexit happened sometime last year. This shift will chip away at London's position as the dominant financial centres in Europe; increase cost, complexity and risk in European financial services; reduce the UK's influence in the banking and finance industry at a European and global level; and hit tax receipts and exports in financial services."

The report found that:

Dublin is by far the biggest beneficiary with 100 relocations, well ahead of Luxembourg (60), Paris (41), Frankfurt (40) and Amsterdam (32).

The post-Brexit landscape is much more 'multipolar' than before: more than 40 firms are moving staff or business to more than one financial centre in the EU.

There is a wide range in how different sectors have responded: for example, nearly half of asset managers, hedge funds and private equity firms in our sample have chosen Dublin, while nearly 90% of firms moving to Frankfurt are banks or investment banks.

“The shift in underlying business is more significant than headlines about the number of staff: our conservative estimates shows that banks and investment banks are moving around £800bn in assets; asset managers have so far transferred more than £65bn in funds; and insurance companies have so far moved £35bn in assets.”

New Financial found that the impact of Brexit is bigger than expected and that they think the report actually understates the full picture. Many firms will have quietly moved parts of their staff or business below the radar, others will have held off making a formal move. They also think plenty of other firms aren't yet ready and not yet moved.

The think tank report also clearly states an expectation that the headline numbers will increase significantly in the next few years as local regulators across the EU require firms to increase the substance of their local operations. Worse still, the report says that hundreds of firms will have to move something somewhere to retain access to EU markets but which haven't yet done so.

“The scale of the shift is not to be underestimated either. Only a small number of firms have said what they are moving and already the numbers are very large: £800bn in bank assets is nearly 10% of the entire UK banking system. The final tally is likely to be much higher, which will reduce the UK's tax base, supervisory influence and ultimately have an impact on jobs.”

This report adds weight to the mounting evidence that Brexit is and will be extremely damaging to the United Kingdom in the short, medium and long-term prospects of the country.

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