



Brexit effects on FS Industry

26 July 2016

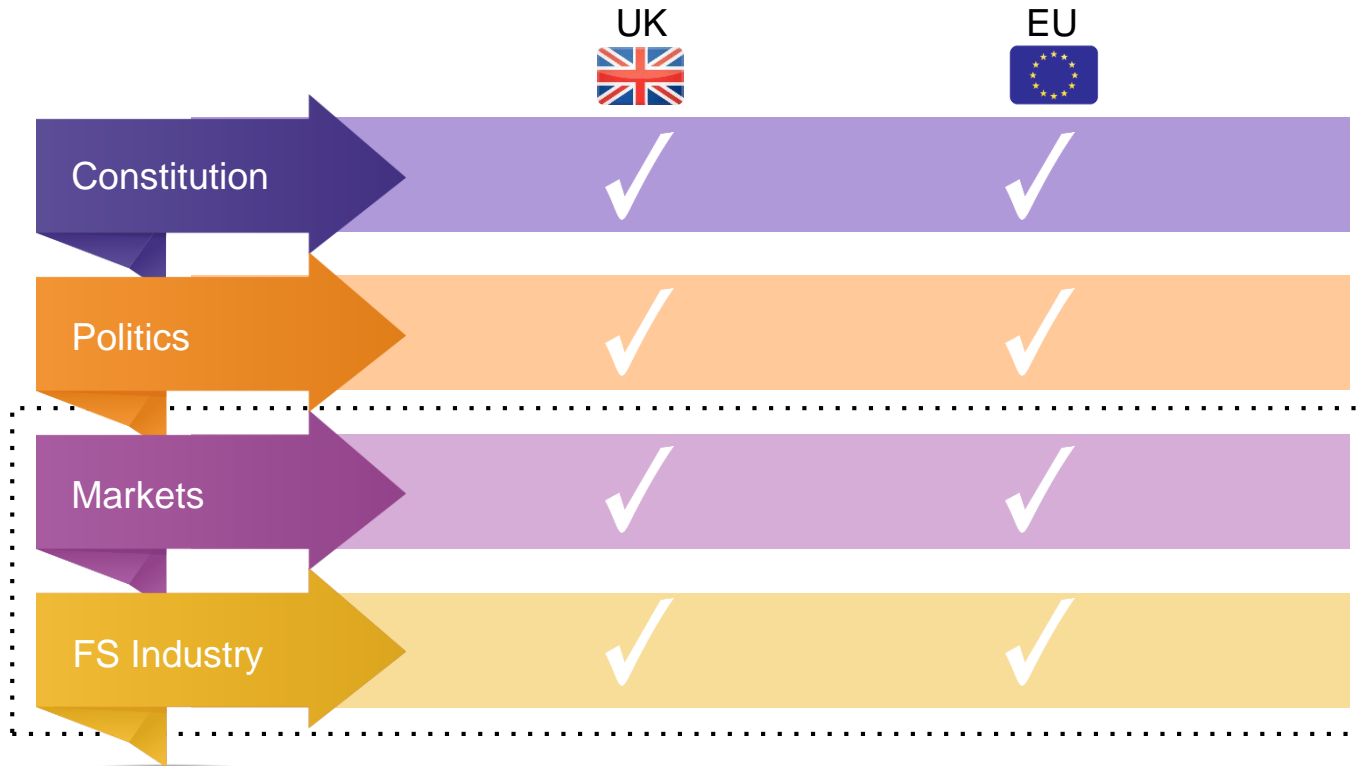
Massimo Proverbio
EALA Banking Lead



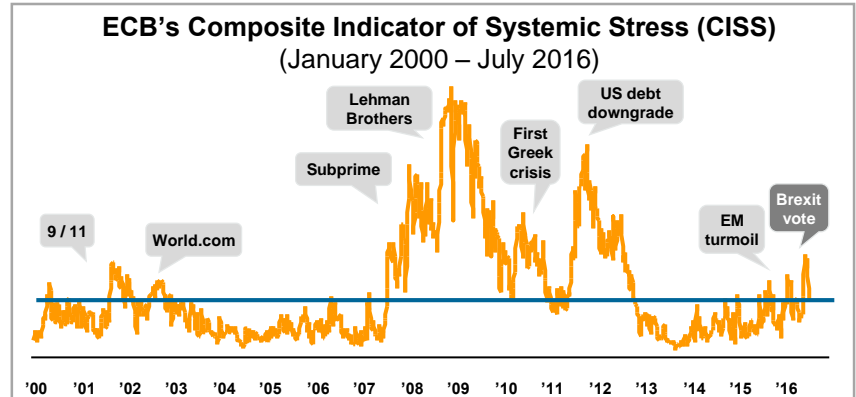
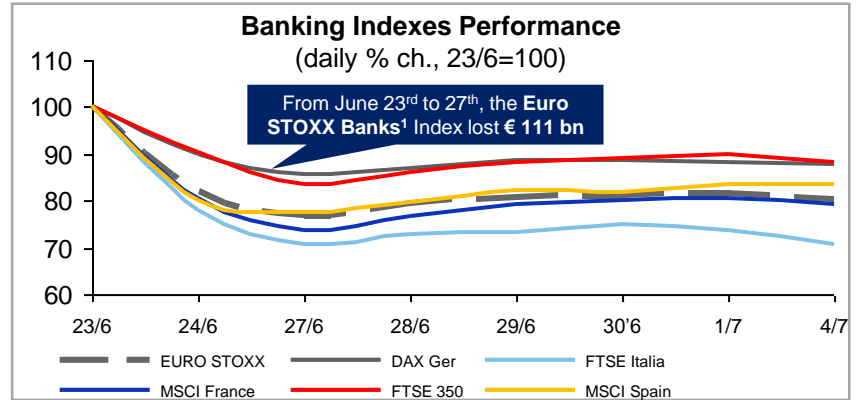
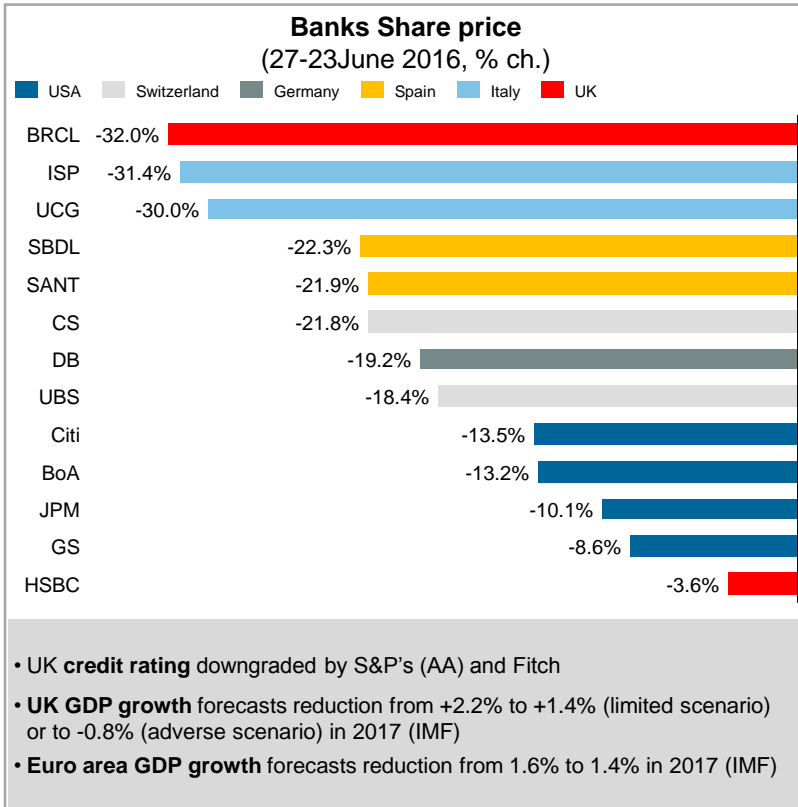
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Brexit vote potential impact

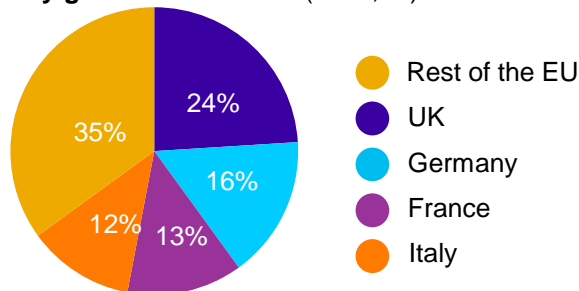


Market reaction



UK is now central to the European FS industry

EU Financial Sector Composition
by gross value added (2014, %)



% of UK Share in EU trades



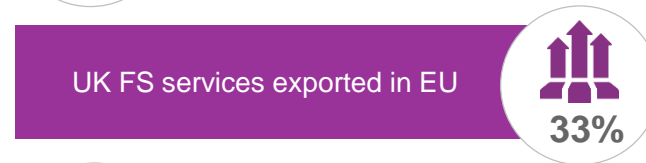
% of UK Share in Funds



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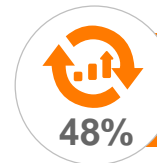


London's Financial hub targets **20%** of Global GDP (16% Euro + 4% UK) vs 25% of NY (US GDP)



UK FS services exported in EU

33%



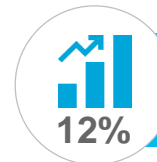
Net Foreign Direct Investments (FDIs) into the UK coming from the EU

48%



FS workforce in UK (7% of total Workforce)

~2.2M

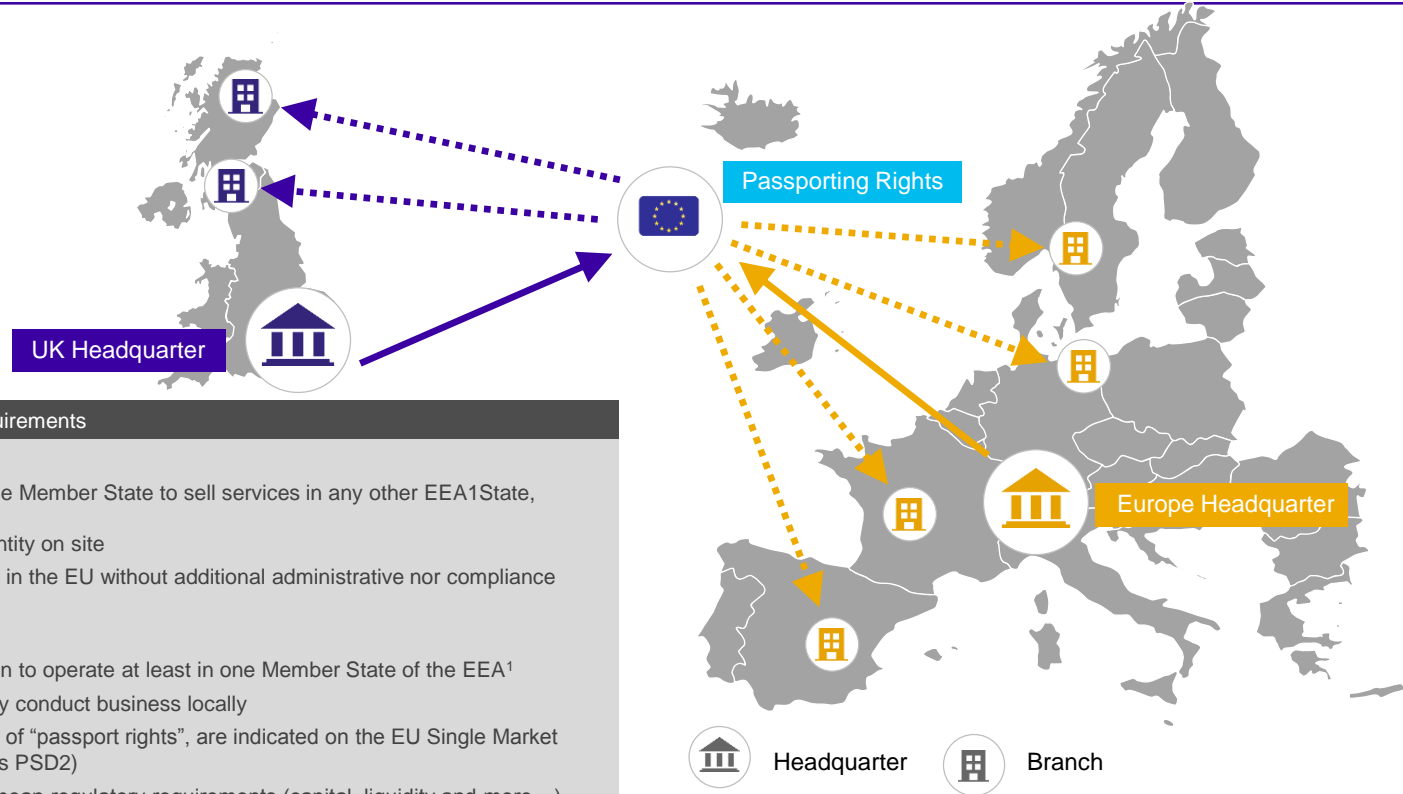


FS industry contribution to UK national GDP (more than manufacturing)

12%

Source: Accenture Research based on BoE, press research

Passporting right is one of the key enablers of this role



Passporting: Rights and Requirements

• Rights:

- Allows FS firms from one Member State to sell services in any other EEA1State, without the need to open another legal entity on site
- FS providers to operate in the EU without additional administrative nor compliance costs

Requirements:

- To Receive authorization to operate at least in one Member State of the EEA¹
- To prove to continuously conduct business locally
- Activities that can enjoy of “passport rights”, are indicated on the EU Single Market Directive (and it includes PSD2)
- To comply with all European regulatory requirements (capital, liquidity and more...)

The real impact of Brexit will depend on negotiations outcomes that may not start soon and may last a while...

Different models

WTO
(Common Tariff)



FTA
(Canada model)



Custom Unions
(Turkish Model)



EFTA¹
(Swiss Model)



EEA²
(Norway Model)



EU membership



Relevant Themes

Passporting right to Financial Services

Direct access to Single Market
(free movement of capital, services and goods)

Free movement of people

Tariffs-free trade

Compliance with EU rules

Contribution to EU budget

A Pre cooked agreement may enable to bridge a EU-UK specific deal and mitigate the uncertainty...

	WTO	EFTA (Switzerland)	FTA (Canada)	Custom Union (Turkey)	EEA (Norway)
Passporting right for Financial services					
Direct access to Single Market (free movement of capital, trade, services)					
Tariffs-free Trade					
Compliance with EU rules ¹					
Free movement of people					
Contribution to EU Budget					

Not Implemented

Partial / Specific Agreement

Fully Implemented

WTO: 1986-1994 (8 years); **EFTA:** 1992-1999 (7 years); **FTA (The Canada-EU Trade Agreement):** 1999-To be approved

Brexit needs short term actions and the evaluation of mid-long term options...

UK FS Players

- How to respond to economic slowdown?
- Where to focus my investments?
- How can we leverage our capability to better address Global Markets?
- Which is the correct balance between presence in EU and other markets?
- How can we stay competitive in the EU?
- How can we stay in the future EU CMU?
- How will we manage EU regulation?

EU FS Players

- **How to respond to economic slowdown in EU?**
- Can I benefit from client shifting sentiment?
- **What should be my future presence in the UK market?**
- How to seize opportunities and capture services now based in London? CIB, payments,...
- How to attract talents and create a better FS ecosystem?
- ...

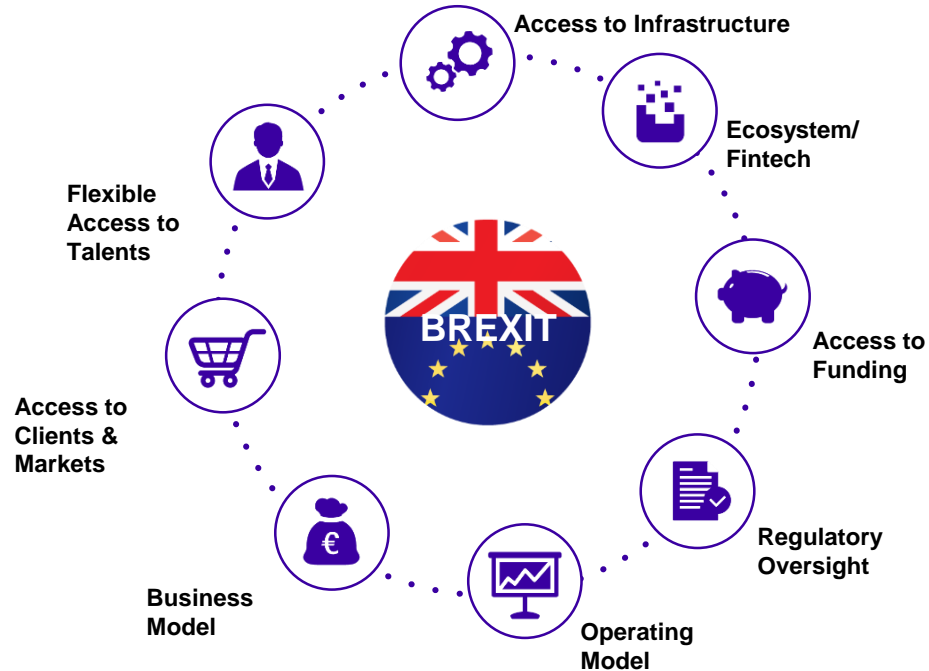
Global FS Players

- **How should we direct our current investments?**
- Do we need to re think our Geographic presence? How I redeploy my talent pool?
- What is the right balance between our presence in UK and in EU?
- Which service model to adopt for EU clients?
- ...

FS Infrastructure Players

- Where clearing houses for euro-denominated products will go?
- **Can I be an aggregator of Euro denominated clearing?**
- Exchanges (M&A, capital flow, Tobin Tax etc)
- What will be the direction of the ECB?
- ...

There are several factors to consider to take advantage of Brexit



If it is not... "Much ado about nothing"