



PIIE *virtual event*

January 27, 9:00 - 10:00AM ET
Register at piie.com/events

Early post-Brexit observations on the City of London

Financial Statements

A series on the world of finance

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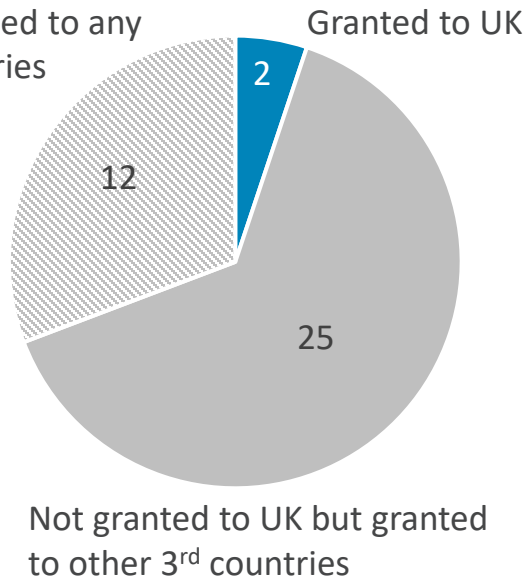
Brexit & the City - key themes

- Where are we now?
- How important is equivalence?
- The initial impact
- Adjusted working practices
- What happens next?

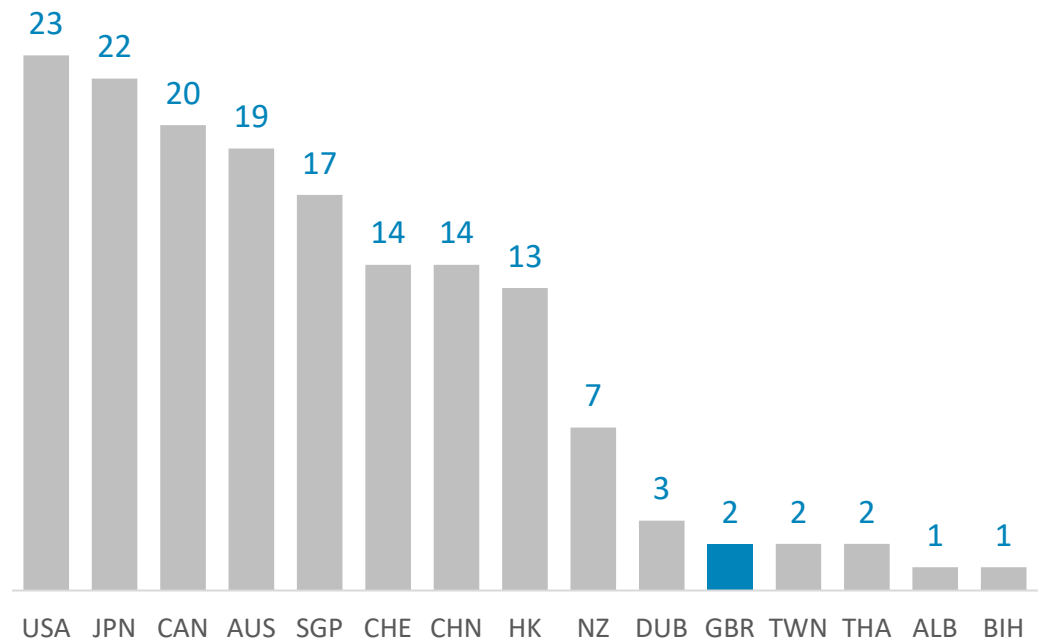
Where are we now? 'No Deal+' or 'Australia –'

EU equivalence agreements with the UK

i) EU equivalence decisions for the UK



ii) EU equivalence decisions with third countries

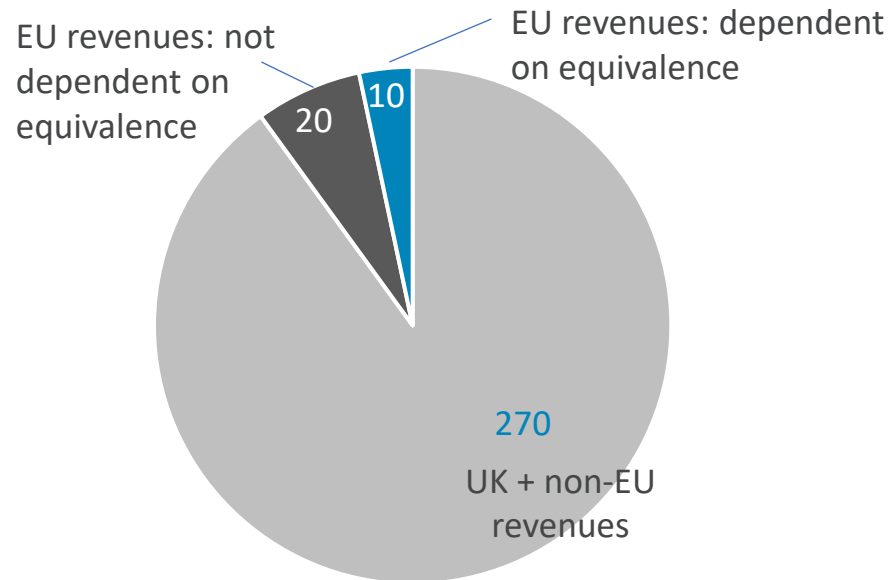


Source: European Commission, New Financial

The value of equivalence (1)

What proportion of business is affected by equivalence?

i) EU / equivalence share of total UK revenues
£bn



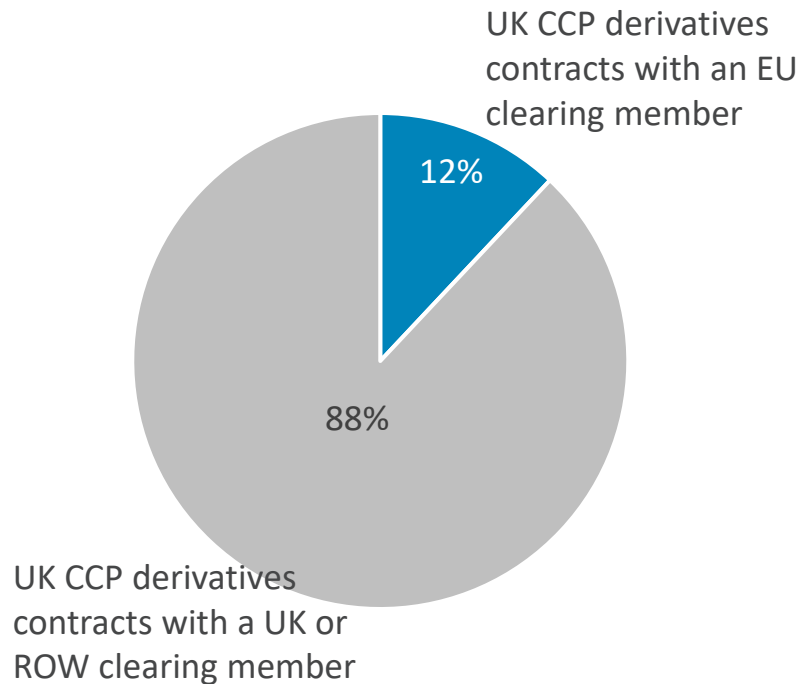
ii) % of share trading in UK affected by equivalence



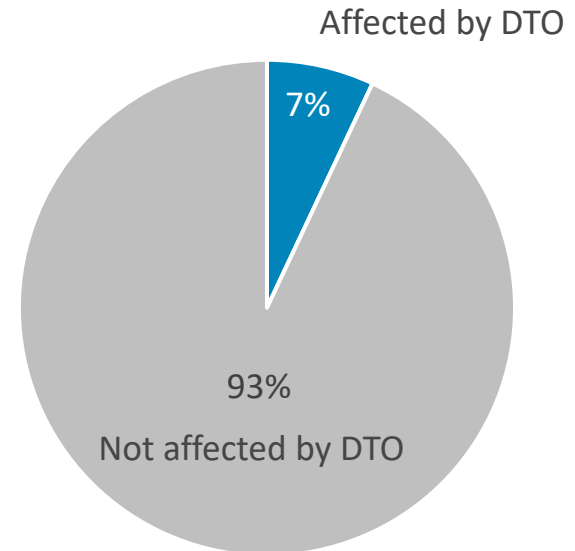
The value of equivalence (2)

What proportion of business is affected by equivalence?

i) % of UK CCP contracts with EU clearing member
By value



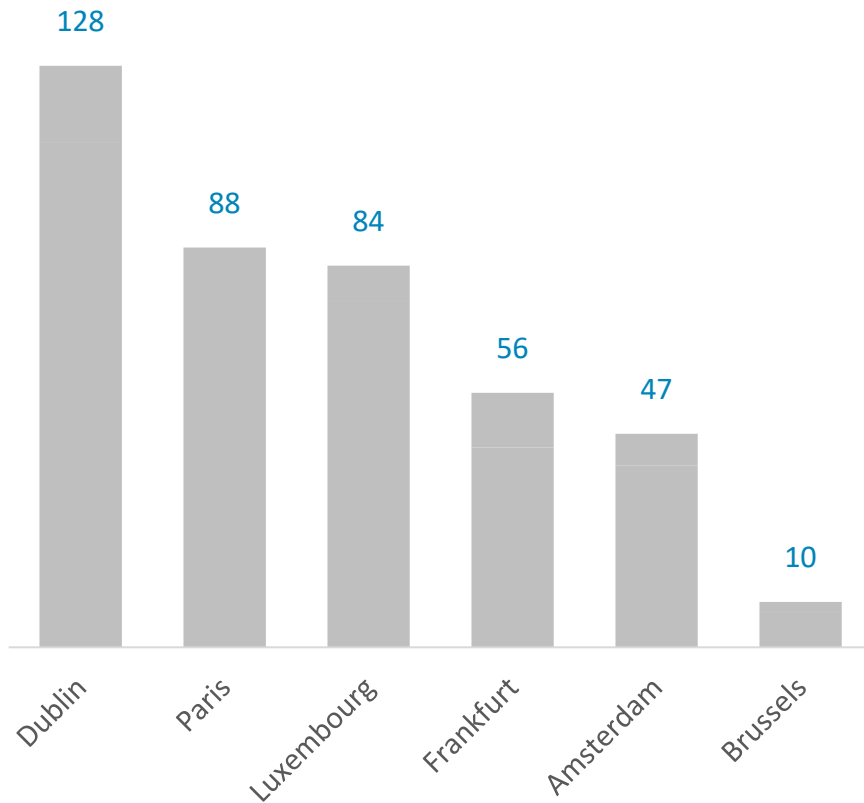
ii) % of EU derivatives trading affected by DTO



The impact of Brexit (1)

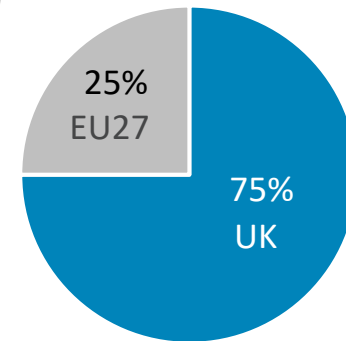
How have firms responded?

i) Number of Brexit relocations by city
(Work in progress: final numbers expected March 2021)

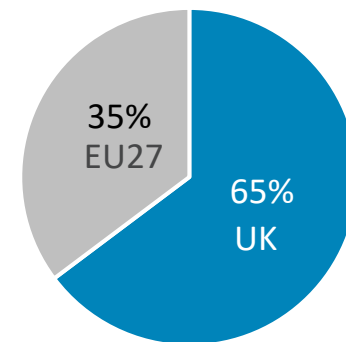


ii) Distribution of non-EU bank assets in the EU

End 2019



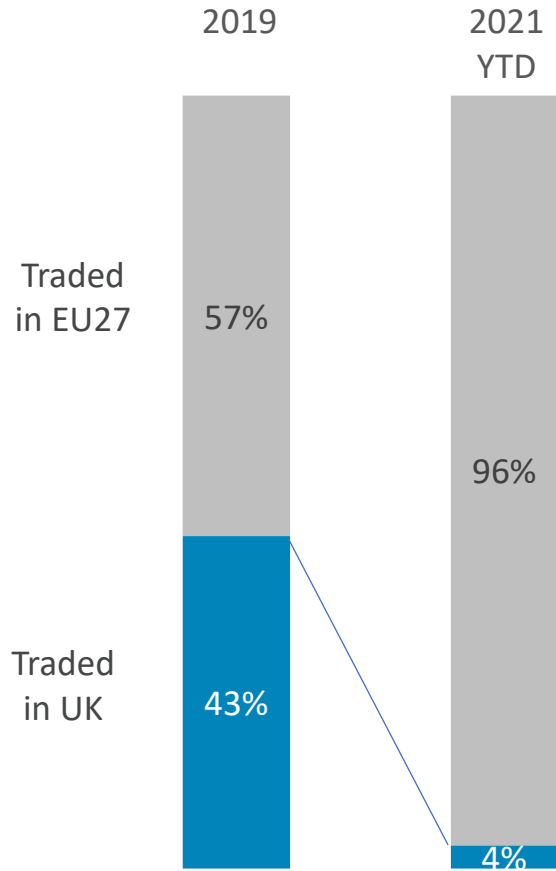
End 2020 (estimate)



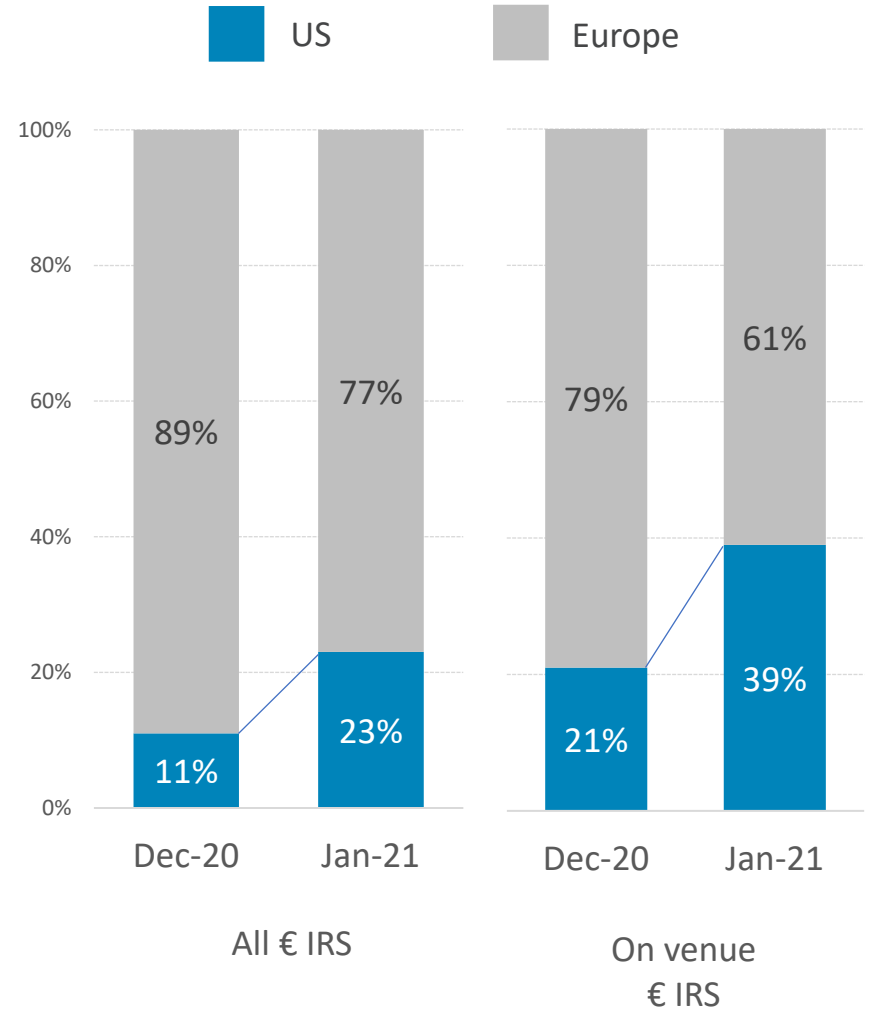
The impact of Brexit (2)

How have markets responded?

i) UK share of trading in EU27 stocks



ii) Share of € denominated IR swaps trading conducted on US SEFs



Source: Cboe Europe, Fidessa, IHS Markit

Adjusted working practices

- Accidental / deliberate stretching of the rules
- Allocating .eu emails and EU simcards to UK staff
- Reverse solicitation:
 - EU staff prompting client to 'spontaneously' contact UK
 - Ad 'pop-ups' to confirm EU client contacted UK
 - Pre-meeting discussions on WhatsApp / Signal
- EU chaperones on calls / meetings
- UK staff commuting to / parachuting into EU
- Employees of EU entities based in London to execute EU business

>>> Early warning shot from ESMA



What happens next?

- **A memorandum of understanding?**
US or Japan model for regulatory cooperation
- **Deal or No Deal?**
Limited prospects of a more comprehensive deal / more access
- **An emboldened EU**
EU likely to squeeze harder
- **A long-term rebalancing**
Rewinding the clock 20 years
- **The long-term impact?**
Binary and very negative in a few key sectors – but probably overstated at an industry wide level