

London Review: Post Brexit Financial Landscape

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Abstract

Brexit induced earlier estimation on huge relocation of employees and business from London indicating sharp contraction of the financial geography of the city, has later been evaluated as an exaggeration. Information from existing literature in the said area and various reports published during the Brexit process have brought the main foundation leading to content analysis. It is found that gradually the relocation volume has been squeezed and corporate offices retreated from their previous huge relocation plan. But later gradually silent relocation has increased from a wide range of financial fields. Consequently, resilience of London in global financial system is evident, despite probable latent shock in the long term may not be overlooked. The prospect of the city of London in terms of financial business would be narrowed against the rise of specialized financial centres in fragmented EU-financial market though intra EU competition is evident. Still being free from EU bindings, the capacity to apply more individual strategy from its own would open new opportunity for market expansion for London as a prime financial centre. But to compensate for the Brexit losses, British vow to build a “Global Britain” is yet to explore new financial market in coming years. Even making better ties with the EU is vital enough for retaining the glory as a prime financial city.

Keywords: Post-Brexit, Financial Landscape, Financial Centre, Relocation, London, EU

JEL: D53, G15, P16.

1. Introduction

The Brexit process has already passed nearly nine years including almost five years after final leave placing a potential impact on substantial structural change to the EU financial architecture. A growing fragmented new geography of competition (Dörry & Dymski, 2018; Heneghan & Hall, 2021; Howarth & Quaglia, 2018; Lavery et al., 2018a; 2018b) would dwarf London's power of financial leadership in European finance (Van Kerckhoven, 2021). Though till to date Brexit-panic induced estimation of relocation of jobs and services seem to be exaggerated and unrealistic. Both the big outflow of banking jobs from London and clear emergence of rival financial centres in the EU is a reality. In contrast, the number of active banks in London has continuously grown over the last five years by 4 % to 375 in 2023 along with a slightly decreased employee (Lannoo, 2023). It does not definitely reduce the latent prolonged shock to the whole economy. The major negative effect of Brexit on the economy is rather a result of combined impact originating from a queer variety of sectors ranging from trade to migration. The financial sector, a dominating one but not independent of multi-layered relations with the EU and the rest of the world, would face the consequences. As per a survey in Europe, 55% people find that Brexit will have a negative impact on the UK (Miedviedkova & Us, 2020). National Institute of Economic and Social Research (NIESR) has identified slower economic growth in the UK. They estimate that investment, exports, imports, employment and productivity are expected to be lower by 2035 than in case of no Brexit (Bui et al., 2024), though financial service sector has been impacted less strongly than it had been predicted, particularly for short term (Katanich, 2024).

Mainland Europe is choreographed to lure financial business from Canary Wharf, London against Britain's loss of **passporting** (Note 1) facility, though the UK, the world's largest financial service exporter had roughly 1/3rd of its export to EU27 (Howarth & Quaglia, 2018) and around 40% of UK financial service tax was being received from international firms those had their EU Headquarters in London. The UK has become the de-facto EU27 investment banker (Carney, 2017). Finance generates 7 percent of the UK's GDP, 10 percent of tax and nearly 5 percent of employment (Fraccaroli *et al.*, 2023) being its "Growth Model" heavily dependent on financial services (Hantzsche *et al.*, 2019), particularly of specialized nature and by all activities it is clearly far ahead of other European and regional centres being second only to New York (Lannoo, 2023). The UK financial services workforce including relevant professional services reaches 2.2 million in number; this includes 483,000 in management consultancy, 314,000 in legal services and 391,000 in accounting services (House of Lords, 2016; The CityUK, 2017). This financial sector is dominated by London as 50% of financial services output is contributed by London having 1.1 million jobs in finance, and insurance consisting of 3.1% of all jobs (ONS, 2019; 2020). Brexit rivals have already snatched a substantial portion of financial business from London. Paris clearly flourishes as a true financial centre attracting a blend of every major type of firms. Frankfurt, a major banking centre is growing with a heavy inflow of investment banking assets but Dublin is attracting asset management (Hall & Heneghan, 2023a).

The Brexit phobia induced exaggerated estimation on relocation of jobs and assets are statistics that lacked realization of "particular political economy, capability of economic

geography beyond the EU financial market and understanding of interactions of corporate cultures” in a broader global hemisphere. Though researchers opined that it is still early to assess the impact of Brexit on the European financial sector to conclude (Fraccaroli *et al.*, 2023; Veron, 2021). The reality is increasingly becoming clear despite prolonged covid-19 effect though the Ukraine- Russia war also has slowed the Brexit process. The resilience of the city as a prime IFC is another reality. Moving from a sticky agglomeration point to another advertised platform is not so prompt. Financial products and services are produced at a particular point in space wherein London is placed in global transaction system (Clark, 2001). The depth and the multi-layered complexity of financial texture of the city including its inevitable connections with broader global financial system and strategic relations with EU have barred the city from sudden fall and consequently made resilient but not static over time facing slow growth with latent damage. In such a reality, this article tries to depict a picture of London financial landscape with a question that – whether Brexit induced relocation of employees and asset from its financial sector to rival cities in EU27 would make IFC London nearly stale.

2. Literature Review

Researchers explored how the international financial system is reproduced through grounding of global financial flows, being these place-specific around institutional spaces (Clark, 2001; Clark & Wójcik, 2007; Clark *et al.*, 2009). Research on the financial centre got preference (Cook *et al.*, 2007; Faulconbridge *et al.*, 2007; Kindleberger, 1974; Wójcik *et al.*, 2007), and focused Anglo-American economies (Faulconbridge, 2004; Hall, 2017). Focus on growing Asian Markets have been of newer attention (Beaverstock & Doel, 2001; Lai, 2006b; Zhao *et al.*, 2004; Xu, 2015; Wang, 2017). Comparison, particularly between large financial centres in Europe is evident (Faulconbridge, 2004). Recent debate on Brexit has attracted newer attention i.e. distorted clearing system would weaken the position of London Dörny (2017) and would divide the centralization of EU financial architecture (Dörny & Dymski, 2018; Lavery *et al.*, 2018b). Financial centres like Dublin, Frankfurt, Paris, Luxembourg, Amsterdam etc. have come forefront focusing their area of specialization and capacity for hosting the incoming business from London (Bischoff, 2016, 2017, 2018, 2019; Campanella, 2018; Lavery *et al.*, 2018a, 2018b; Philipponnat, 2017; Sapir *et al.*, 2017; SPERI, 2017; Ständer, 2017; The CityUK, 2017). Analysis has shown that how and how many employees from which sectors, particularly investment banking, insurance, asset management etc. likely to move away from London (Batsaikhan *et al.*, 2017; Djankov, 2017; Hamre & Wright 2021; Oliver Wyman, 2016, Sapir *et al.*, 2017; Schoenmaker, 2017). The role of clearing houses has been prioritized (Van Kerckhoven & Odermatt, 2021), though Kalaitzake (2021) argued that the earlier explanation had suffered from systematic analysis and impractical estimation of relocation of business and employees from London to EU27. Finally London survives with its own strength, though the political leadership of finance would be fragmented and decentralized influencing the institutional outcomes and policy formation at Post Brexit era (Van Kerckhoven, 2021).

The analysis of forming financial centres, the history and factors including economies of IFCs have been well structured by Kindleberger (1974); (an outstanding work of time). Hall

(2017) argues that how does the state play a vital (comparatively) neglected, **role** (Note 2) in shaping, developing and changing nature of IFCs, as example London has become the RMB offshore centre by internationalizing Chinese currency; a step for alternative global reserve currency (Lee, 2014). Boosting Shanghai may be a remarkable example of state role (Lai, 2006a). Moreover, legal system has strong influence in developing capital market having preference of common law area to French civil law (La Porta et al., 1997; 1998), but English contract law became widely accepted making London a place of good practice (Wood, 2008). Spatial concentration matters as positive agglomeration arises from specialized labour supplier, –knowledge dispersion etc. Palmberg (2012), which consequently attracts the highly skilled labour force, a vital asset in information-rich environment (Beaverstock & Hall, 2012) and important determining factor for future capitalist democracy, wherein they would cluster (Iversen & Soskice, 2019). However, around 1990s London's future as Europe's pre-eminent IFC seemed far from assured (Leyshon & Thrift, 1992) though launching Euro and setting European Central Bank in Frankfurt were initially seen as a threat to London's pre-eminent position in European financial geographies (Faulconbridge, 2004).

Drawn on Central Place Theory and other theories of economic geography Budd (1998) and Parr and Budd (2000) observed IFC-London as the 'specialist' centre, a location of global higher order activities and lower order activities are dispersed to other centres. These are locations of important financial firms and support services being the point of origin and destination of financial flows and a control centre (Kindleberger, 1974; Reed, 1981 and Rose, 1994). Successful financial districts are built on highly liquid financial markets (Faulconbridge et al., 2007) and the clustering of financial firms in these centres give rise to a 'buzz' between financiers (Storper & Venables, 2004). Information and knowledge becomes central to the IFC, wherein tacit knowledge, a vital issue, only transferrable in close proximity (Nonaka & Takeuchi, 1995). These centres stand as interpretative nodes for knowledge creation, reproduction and exchange networks (Beaverstock, 2004; Beaverstock et al. 2000), including risk taking attitude, business understanding and contractual performance (Clark & Wójcik, 2001; Thrift, 1994; Wójcik, 2007). Howarth and Quaglia (2018) explains that continental European Financial Centres are comparatively less appealing than London as continental Europe is characterized with labour market rigidities, less flexible hiring and firing strategies, market fragmentations, tax policy etc. Even London is an attractive place in terms of Global time frame, being nearer to Europe and between Far East and North America, a particular position for currency trading (Pooler, 2014). Wójcik (2013) claims that if global finance is to change, the New York – London axis has to be changed. Beaverstock et al., (2005) added Tokyo with this network for making London a prime location and also finds that Frankfurt and London are codependent. But the close ties with US Investment banks made London durable (Kalaitzake, 2021). However, the geography of financial centre in Asia might be shifted as a result of Brexit due to inter connection with London (Lai & Pan, 2018).

3. Methodology, Data and Limitation

The analysis has been sketched being based on secondary information particularly released during the Brexit process and beyond. The process is partly content analysis preferring ongoing debates in the said area. However, limitation of forecasting the fate of the City of

London as an IFC is dependent on a wide range of factors and uncontrolled indicators beyond financial issues. The contemporary literature, mostly regarding relocation of jobs and assets from London to its rival cities have been considered (references may be: Batsaikhan *et al.*, 2017; Djankov, 2017; Hamre & Wright 2021; Oliver Wyman, 2016, Sapir *et al.*, 2017; Schoenmaker, 2017). And research on long term impact of Brexit is scarce (Bui *et al.*, 2024). The role of EY's Brexit tracker and the New Financial, a think tank, were fruitful in re-evaluating the Brexit scenario. In these cases the research reports and statistics those had been published as series of periodic observations have been prioritized including consulting discussion on political economy, financial geography and economic geography. Data, particularly number of employees in the financial sector has been taken from regular reports of European Banking Federation (EBF), the European Central Bank (ECB) and Nomis, UK. The increase of employees clearly indicates the positive growth of the sector, though it is not mentioned whether the employees are domestic or international. On the other hand, in a research on Brexit impact, Iliopoulos *et al.* (2024) claim that they avoid employment data as the main indicator because a large employment share consists of domestic, mostly retail finance though this claim does not support any negative impact on other financial sub sectors.

However, the job contraction and job relocation since Covid-19 have made the situation tough to estimate because in both cases contraction is obvious. The Covid-19 impact had been so strong and prolonged in global economy that job loss, job creation and job relocation have created a grey area.

4. Scenario of Few Financial Sub-Sector

4.1 Brexit and the Banking Sector

Banks are the principal organizations in financial centres. Around 230 foreign banks have been operating in London, which was more than 250 in 2016, (while the Brexit vote is on the door) higher than its global rivals i.e. New York, Paris and Frankfurt (The CityUK, 2016). Nearly 1/5th of global wholesale banking activities were booked in the UK. Out of the whole banking sector, retail and business banking covers almost 55% in terms of revenue and 82% employees of the sector. The retail and business banking part is mainly domestic and outside of relocation threat (Djankov, 2017), though the major UK domestic banks have no or very negligible trading or derivatives business (Schoenmaker, 2017). The retail and business banking have less than 1% of home loan towards euro area. The next largest and important sector is wholesale banking being provided by the UK Universal Banks, the EU-Euro Area Universal Banks and non UK-Non Euro area Banks which has been hard hit by Brexit as these are passporting dependent for EU27 market (mainly Swiss and US investment banks in London). The Bulge Bracket banks including a few EU banks having 90% of their business in London are shocked (Batsaikhan *et al.*, 2017; Goodhart & Schoenmaker, 2016). Nearly 35% of London wholesale banking is EU27 client dependent varied these issues being around 1/5th for UK headquartered banks and 1/3rd for US Headquartered banks. Of these volume, 50% is for EU27 headquartered banks and around € 1.8 trillion in asset or 17% of the whole UK banking asset (out of € 10.3 trillion) likely to move from the UK to the EU27 countries including other countries (Sapir *et al.*, 2017). Earlier it was estimated that around 35% of

corresponding sales could move to EU27 including only a scant of senior management and well trained staffs. Thus the estimation may not cross 15% of the top 5 US bank employees. Even it was guessed that the total number of wholesale banking employees likely to move from the UK may rise up to 10,000 including 3,300 US investment bank employees. Even more 18,000 to 20,000 related employees might join this exodus. Few other estimations revealed that London may lose around 31,000 to 35,000 employees to EU27 (Batsaikhan *et al.*, 2017; Oliver, 2016). The top 5 US and 1 Swiss investment banks having high turnover and number of employees in the UK compared to other EU27 counterparts are concentrated and dominating. For all the banks the turnover in the UK stands within a range of 85% to 97%, which is more higher from the 2nd position e.g. for Bank of America, Ireland stands in the 2nd position in terms of turnover being 1.72%. For employee concentration the case is almost same e.g. for Bank of America it is 87.06% in the UK and the 2nd largest country is Ireland having 9.52% of employees. In this manner, position of Bank of America, Citi Group, Goldman Sach, JP Morgan, Morgan Stanley and Credit Swiss in other EU27 cities are almost same being all through far more behind the UK position (shown in Table 1).

Table 1. Turnover & Employees Position of Top 5 US Banks and a Swiss Bank in EU

Panel A : Bank wise Turnover Position in Countries			
Bank Name	1st	2nd	3rd
Bank of America	UK (95.78%)	Ireland (1.72%)	Germany (1.02%)
Citi Group	UK (84.62%)	Germany (9.79%)	France (2.41%)
Goldman Sach	UK (96.59%)	Netherlands (1.14%)	Spain (0.92%)
JP Morgan	UK (87.31%)	Luxembourg (4.66%)	Germany (2.49%)
Morgan Stanly	UK (93.14%)	France (3.86%)	Italy (0.98%)
Credit Swiss	UK (91.43%)	France (4.84%)	Germany (1.46%)
Panel B : Bank wise Employee Concentration in Countries			
Bank Name	1st	2nd	3rd
Bank of America	UK (87.06%)	Ireland (9.52%)	Germany (1.19%)
Citi Group	UK (83.84%)	Germany (6.48%)	Spain (2.11%)
Goldman Sach	UK (96.68%)	Germany (0.72%)	Poland (0.54%)
JP Morgan	UK (69.78%)	Ireland (9.33%)	Luxembourg (9.16%)
Morgan Stanly	UK (94.19%)	France (2.12%)	Italy (1.66%)
Credit Swiss	UK (95.43%)	France (1.72%)	Germany (1.38%)

Source: Author's calculation based on Batsaikhan et al., 2017 and Goodhart and Schoenmaker, 2016.

To ensure good liaison with European corporate office, customers, governments, elites and so on, strategically the key positions have been adorned with employees being cherry picked from main nationalities/cultures across Europe. The top 5 US banks have 29,909 employees in the EU operational positions of which 26,629 (89%) are based in the UK which is much higher than its Brexit rivals i.e. 1011 in Ireland, 794 in Germany, 491 in Luxembourg 293 in

France and 326 in other EU areas (Goodhart & Schoenmaker, 2016). Regarding wholesale banking, most of the banking assets are held by systematically large major UK-International banks i.e HSBC, RBS, Barclays and Standard Chartered having assets of €4583 billion. Standard Chartered bank is primarily an Asia focused institute. HSBC and RBS have subsidiaries in EU27 getting licenses from France and Netherlands respectively. Barclays had been operating through branches in Italy and France (Schonmaker & Veron, 2016), therefore, only Barclays has finalized a license to operate in EU27 at post Brexit. Major international banks including EU27 banks have fewer UK clients and face less market risk.

Homesickness may have important implication over the choice of relocation of staff. French banks (BNP Paribas and Societe Generale) are backing home, so is the case for German Banks i.e. Deutsche Bank. But Swiss banks i.e. UBS and Credit Suisse have switched to Frankfurt to retain the EU clients. Consequently, world's biggest banks are moving far fewer employees outside London than their earlier announcement led by Brexit phobia. Even few banks have changed their choice of hub for EU27. Estimated reports by research observers in March, 2018; January, 2019 and April, 2021 revealed volatile figure. Earlier, Deutsche Bank warned that 4000 employees might be relocated, later reduced to 500 and again squeezed to 250. The same is for JP Morgan, UBS and Goldman Sachs as they had earlier expressed to relocate around 4000, 1500 and 1000 of their employees respectively but presently these are adjusted to 500, 200 and 500 respectively. In the same manner HSBC, Society General, Morgan Stanley, City Group, Credit Suisse, Bank of America, Standard Chartered and Nomura bank have squeezed their relocation than their earlier notification (EuRA, 2019; Finch *et al.*, 2018; Hamre & Wright, 2021). The ups and downs of relocation plan over time released by systematically important banks in the UK is shown in Figure 01.

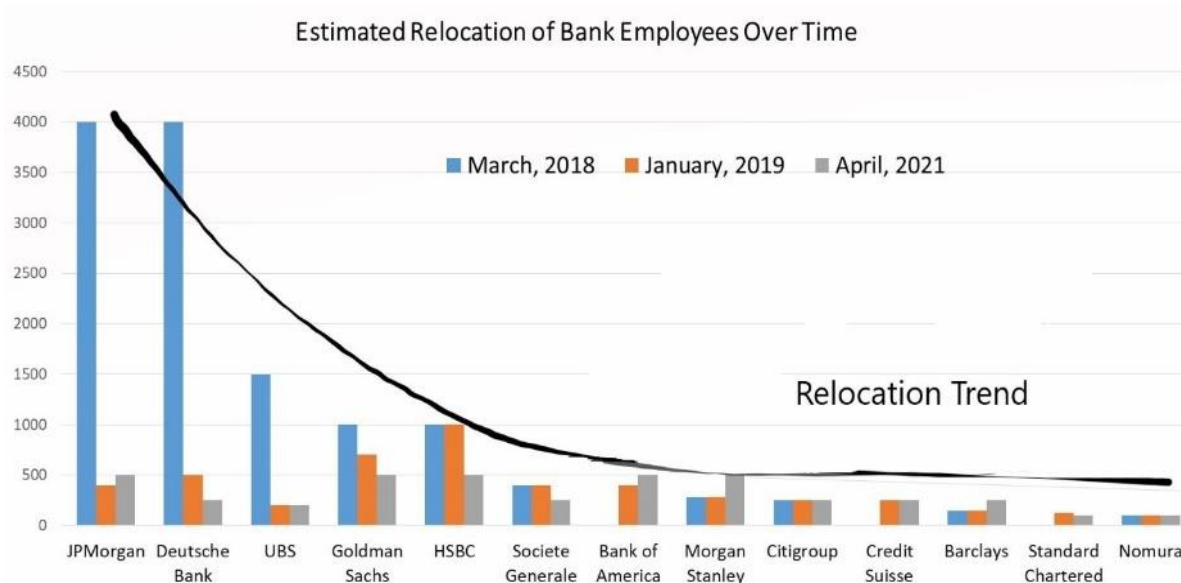


Figure 1. Estimated relocation of bank employees over time

Source: Taken from: Finch *et al.*, 2018; Hamre & Wright, 2021; McCarthy & Van Coppenolle, (2018).

The systematically important 14 banks (JP Morgan, UBS, Goldman Sachs, Deutsche Bank, HSBC, Society General, Morgan Stanley, City Group, Credit Suisse, Bank of America, Standard Chartered, BNP Paribas and Nomura.) have more than 92,500 employees in the UK, of which around 4,400 (4.75% of their employees) are likely to move in the EU 27 countries (Finch *et al.*, 2018; Hamre & Wright, 2021). During the Brexit procedure both the number and volume of syndicated loan enacting in London has decreased around 24% due to pervasive reduction in demand by UK firms (Berg *et al.*, 2021), though the resilience doctrine also shows example that total financial sector employment in the UK is now higher than before the Brexit vote and also the major US firms are opening up rather than closing down (Kalaitzake, 2021). Journalistic report ensures that hundreds of firms yet to enter in London at Post-Brexit (Kimathi, 2020).

4.2 Brexit and Insurance

During Pre-Brexit era, around 600 insurers and reinsurers had been operating in the city of London in life, non-life and composite insurance. The earlier assessment of various researchers showed that in 2015, nearly 28% of insurance exports had been destined for EU; mostly through subsidiaries instead of branches and Brexit would have less impact on the insurance sector. It would rather increase the cost of services by distorting the market. The regulation mainly effective for passporting facilities in this sector is “Solvency II”, which covers all sorts of insurance ranging from life to maritime. But passporting and third country equivalence might be enjoyed under regulation of “Solvency II”, for reinsurance but not for insurers. Exceptionally Lloyds of London has authority to operate in EU27. This business covers around 11% of the existing gross written premium of the market. Finally, around UK£ 800 million is directly pasporting reliant (Scarpetta & Booth, 2016). In pre-Brexit situation 3,25,000 employees had been working in the sector of which 1,14,000 were directly involved and 2,11,000 were with the auxiliary services to insurance and pension fund e.g. brokering and third party services (Djankov, 2017).

4.3 Brexit and Asset Management

The asset management sector is complex and layered having a multiplicity of EU rules that governs the sector. Brexit has exposed four risks to the UK asset management i.e loss of passport, outsourcing core activities to third countries, limitations in managing EU assets from the UK and limits to financial infrastructure (Lannoo, 2017a). The city of London covered around 45% of all asset management in Europe having a value of UK £ 6.9 trillion, of which around 18% was EU client based and 15% was for Non-EU clients. The Asset Management companies have around 45,000 employees directly working excluding another 40,000 as hired or consultants, making the sector largest in Europe being only 2nd to the US. Even the city a largest European hedge fund provider has about 800 hedge funds. Nearly 85% of EU based hedge funds had been managed in London (The CityUK, 2016). Moreover Private equity employment covers around 8,000 people mainly concentrated in London. These are of pre Brexit period. The asset management in Europe is regulated by Undertaking for Collective Investment in Transferable Securities (UCITS) and the Alternative Investment Fund Managers Directives (AIFMD) specified for alternative funds i.e. hedge fund, private

equity fund and other structures not covered by UCITS. These two regulations do not make provision for third –country equivalence pushing the sector into risk (McCarthy & Van Coppenolle, 2018). Resultant relocation of more asset management business to its contenders, particularly to Dublin (the highest hosting point) and Luxembourg. But UCITS and AIFMD directives permit a range of portfolio management functions to be taken outside EU. The field is gradually becoming difficult.

4.4 Brexit and Clearing Transaction

The central clearing market is highly concentrated. Only a few Central Counterpartys (CCPs) offer the bulk of clearing services. London Clearing House (LCH) is one of the main clearing houses of the world and other major houses are in the USA i.e. Depository Trust and Clearing Corporation (DTCC), the Chicago Mercantile Exchange (CME), and the Intercontinental Exchange Clear (ICE) having subsidiaries in the UK (James & Quaglia, 2021). The city of London is the global base for clearing foreign exchange transactions and for interest rates derivatives worldwide; it clears swaps in 18 currencies and also in 55 jurisdictions. The clearing house i.e. Central Counterparty (CCP) functions independently. Until recent times almost three-quarters of all the foreign exchange trading was being placed in London followed by 11% in Paris and 7% in Frankfurt. London was the world's largest platform for Over the Counter (OTC) foreign exchange derivatives and OTC interest rate derivatives market. In terms of interest rate derivatives, including forward rate agreements, swaps and options London had been dominating the global euro-denominated transactions having daily turnover of €927 billion (out of a total daily global turnover of €1.3 trillion). The financial market infrastructure subsector that includes all post-trade activities—e.g. clearing, settlement listing of companies and other securities and their trading on UK market infrastructure—contributes 2 percent of the City's revenues, 2 percent in value added and 1.6 percent in taxes, and about 10,000 of employees (Batsaikhan, 2016; Oliver, 2016; Schoenmaker, 2017), though Ernst and Young in 2017 claimed that up to 83,000 clearing jobs could be lost in London at its worst case (Hope, 2017).

LCH Clearnet is the largest and far ahead of its immediate competitor in euro area. Other three largest of the euro area are limited in their product and currency coverage. EuroCCP of Netherlands only clears securities, LCH SA France (LCH SA France is a subsidiary under LCH Clearnet Group Ltd., a wholly-owned subsidiary of London Stock Exchange- LSE) and CCG of Italy only clear euro-denominated products. Eurex (Germany) is a multi-currency clearing house and passes derivatives, securities and repos. However, euro-denominated clearing and settlement trades in London had been a contested issue since long (Batsaikhan, 2016). As per European Central Bank (ECB) guidance of 2011, large-scale offshore CCPs should be fully incorporated in the euro area having full operational and managerial control. The UK protested this 'location policy' before the court and won the verdict in her favour having the ground that the ECB lacks the necessary competence to regulate securities clearing systems (Barker & Brunsden, 2016; Lannoo, 2017b), now the right is over, therefore, locational restrictions would bring a major benefit for Frankfurt, because only the Eurex in continental Europe has the capacity to transact large scale euro-denominated derivatives (James & Quaglia, 2021). The post Brexit UK-based CCPs will have to earn equivalence

from the European Commission to operate in the EU in accordance with Article 25 of European Market Infrastructure Regulation (EMIR), whereas, third country CCPs applicant requesting the right to operate in the EU must be authorised by the European Securities and Markets Authority (ESMA); these go through a complex channel. EU-based CCPs are being supervised by authorities in their home countries but third-country (i.e non-EU-based) CCPs are supervised by their home authorities on the basis of recognition by the European Commission of the equivalence of their supervisory regimes. The European Central Bank (ECB) ensures that payment systems and other market infrastructures function smoothly and effectively for the sack of Euro- area financial stability. This makes TARGET2 a key building block of financial integration in the EU and enables free flow of money across borders within a more integrated financial system (few exceptions exist for the US). So, Brexit would have a serious impact on the financial industry for the City's role in clearing activities, though as an early mover London had become the natural monopolist in providing clearing services (Van Kerckhoven & Odermatt, 2021). It is estimated that £6 billion (50% of the business) under this sector might be migrated to competitors (Oliver, 2016) including a threat of job loss or relocation of a portion of 10,000 existing employees. Following an effort in early 2019 between repo dealers and two LCH CCPs (of London and Paris) within eight months the average monthly clearing repo of Paris (LCH SA) increased to £ 15.1 trillion from £ 8.3 trillion in 2018 at the cost of decline in London (LCH Ltd.) from £8.1 trillion to £3.2 trillion (Bergbauer *et al.*, 2020). In mid-2020, 40% of OTC swaps were cleared in London which had fallen to 10 percent at the beginning of 2021 (Stafford, 2021). But still the locational transformation may not be so easy. It brings a profound challenge for the whole transaction cycle unless conducted meticulously. Even the failure of a global CCP based in the UK may negatively impact financial stability in the EU, as approximately 90% of euro-denominated transactions were being cleared in London (Coeure, 2017; Mersch, 2017). By this time Euronext has moved to Italy from Essex, UK. But clearing awaits a full migration facing tough consequences and would stay up to June, 30, 2028 after several rescheduled plan (Berg *et al.*, 2025).

5. Content Analysis: London on Change as an IFC

Post-Brexit rise of other financial cities in the EU27 would grow at the cost of London's decline although it is highly unlikely to snatch the position of London and bring a similar status to Dublin or Frankfurt or Paris etc. Brexit will definitely reshape the European financial landscape with fragmentation and would create further venue of new connectivity with rising Asian financial markets i.e. China. The attempts of Z/yen Partners to rank the IFC since 2007 have been giving hints of their status. It is observed that the top position of London has recently been snatched by New York. Other financial centres in Europe have had a long history of rise and fall but following Brexit the rising of Paris, Amsterdam and Dublin (ranked in March, 2025 as 17, 18 and 14 respectively) have substantially gained good ranking in global financial centre index (GFCI) than their earlier history (Wardle & Mainelli, 2025). Moreover, gradually the gap between London and Hongkong and Singapore are becoming narrowed. A newer financial elite group in London emerged, who engulfed a range of high skilled labour forces (Hall, 2018), though, Frankfurt, Luxembourg and Paris have been

approaching to increase their role as off-shore RMB Centre beyond London (Lai & Pan, 2018). The probable damages to London including exaggerated estimation of researchers on relocation of job and business to the EU is ambiguous; a picture that lacks proper analysis (Kalaitzake, 2021). Decentralization of business and political power of financial leadership in EU27 by curbing London's bargaining power due to Brexit (Van Kerckhoven, 2021) including huge relocation of financial services and assets out of London would create multipolar financial Europe. The rise of other IFCs in EU (Heneghan & Hall, 2021; Lavery *et al.*, 2018a, 2018b) subsequently might intensify specialization of IFC across Europe. The decaying of London as an IFC might not be as big as it had been sketched earlier. In 2018 it had been warned by several researchers that the Brexit loss could hit 75,000 of jobs and £10 billion (€11.1 billion, \$12.9 billion) in annual tax revenues. But as per EY, at the end of 2021, the asset transfers mounted to only £1.3 billion and large investment banks in London squeezed the relocation of employees to EU27 only to 7400 (Harper, 2022) though at the last quarter of 2024, the estimated job loss is claimed by city Mayor to be 40,000 (O'Donnell *et al.*, 2024). On the other hand, 2500 new jobs have been created earlier in the UK and 2900 jobs in the EU (Grunwald, 2022). The importance of the city of London in Fintech is still rising (Stafford *et al.*, 2021) including a limited dispersed relocation despite strong global competition (Sohns & Wójcik, 2020). And financial centers do not move easily (Fraccaroli *et al.*, 2023).

Till to date more than one third of major financial activities of the UK are concentrated in London including 72 percent of fund management and 77 percent of trust fund and similar activities representing London as a point of agglomeration. The number of employees in financial sector of the UK and London are shown in Table 2.

Table 2. Financial service concentration in London, 2023

Major Subsectors of Financial Sector	UK	London	% in London
Monetary intermediation	366,000	151,000	41.26
Trusts, funds and similar financial entities	12,975	10,000	77.07
Other financial service activities, except insurance and pension funding	102,250	42,000	41.08
Insurance & Reinsurance	98,090	26,000	26.51
Activities auxiliary to insurance and pension funding	197,250	59,000	45.93
Activities auxiliary to financial services, except insurance and pension funding	209,000	96,000	29.91
Fund management activities	69,750	50,000	71.68
Legal activities	312,000	104,000	33.33
Accounting, bookkeeping and auditing activities; tax consultancy	465,000	127,000	27.31
TOTAL	1,832,315	665,000	36.29

Source: NOMIS, 2025.

The Brexit impact is not so transparent but equivocal. The overall bank employees have been substantially shrinking across Europe since long, even the Brexit rival countries have the same fate except Luxembourg. The total number of employees of credit institutions in EU squeezed to 2152883 in 2023 from 2789622 in 2008. In this context, only the decrease of employees in the sector may not be a suitable indicator to prove the "waning of London" unambiguously. In 1998 the total bank employees in Germany, France, the UK and the Netherlands were 768300, 393380, 463923 and 119106 respectively which stands far below as 546213, 389240, 402500 and 67883 respectively in 2023. This negative growth is shown in Figure 2.

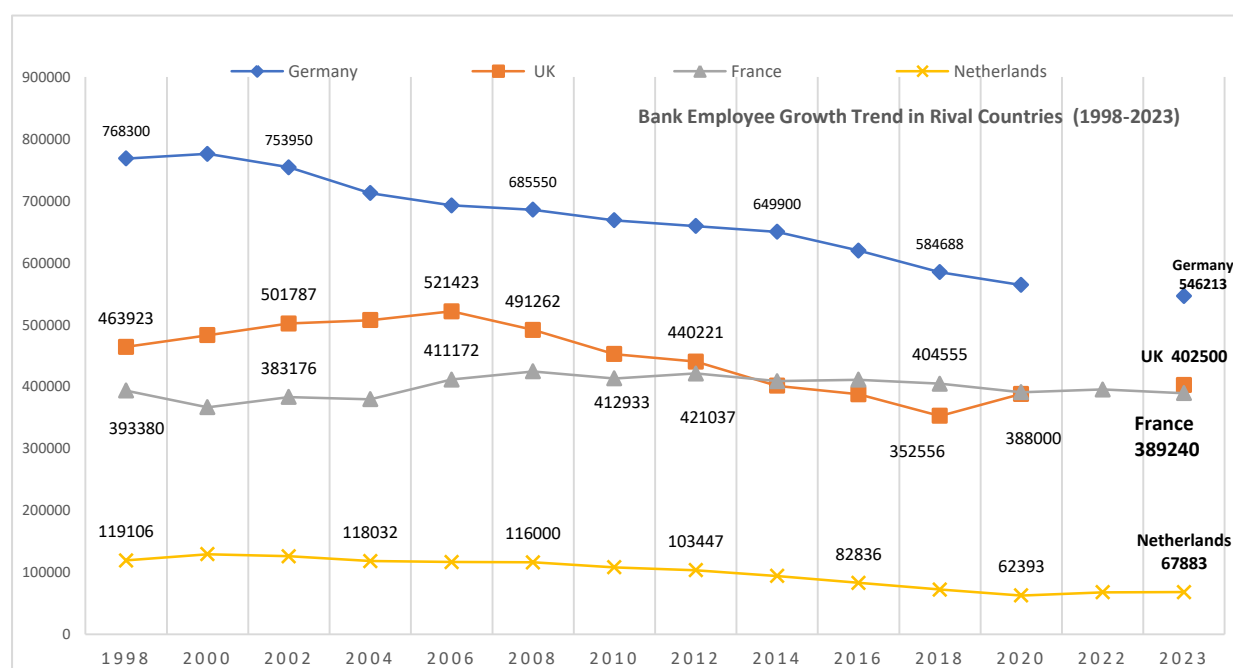


Figure 2. Bank employee growth trend in rival countries

Source: EBF, 2018-2024, ECB, 2023.

On the other hand, employees in financial sector (as described in Nomis, 2025) of London have gradually increased over time. Following Brexit referendum (presented in Figure 3) that also decreased to 557,750 from 563,250 and again continued growing with little fall in 2022 but reached 666,510 in 2023.



Figure 3. Financial sector employees in London

Source: NOMIS, 2025.

It is also observed that the other regions of the UK beyond London have continuously kept growing from 1050,705 since 2012 up to 2021 though again declined a little bit and reached 1167,315 in 2023 (presented in Figure 4).

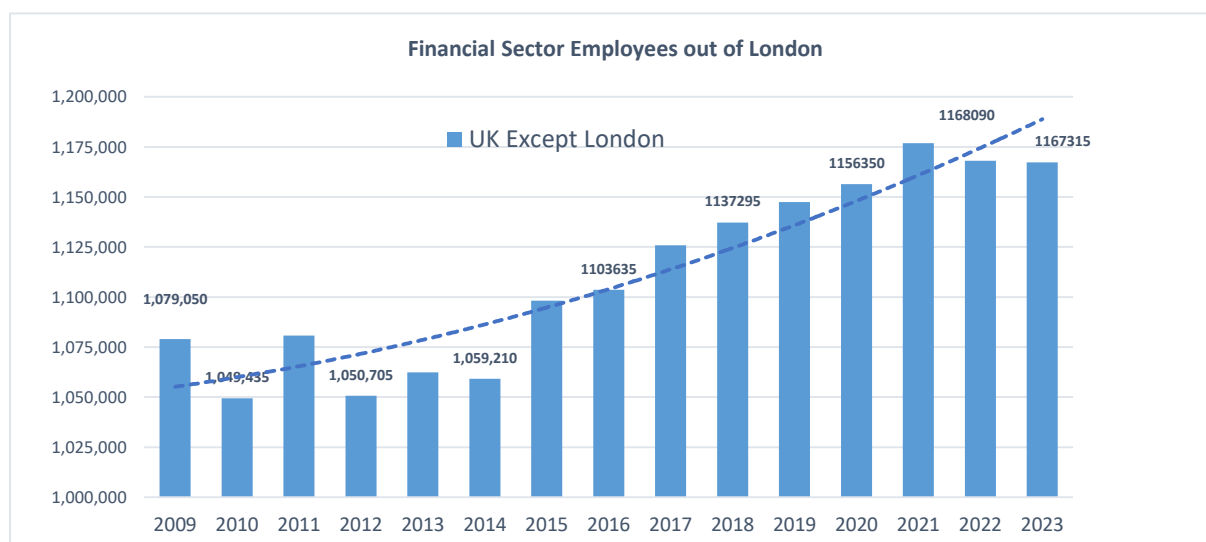


Figure 4. UK financial sector employees out of London

Source: NOMIS, 2025.

However, the number of employees in other big financial hubs out of London are growing over time except Glasgow City, wherein the number of employees reduced to 30,235 in 2022 from 42,475 in 2009 (Shown in Table 3).

Table 3. Financial sector employees in UK big Hubs' over time

Big Financial Hubs out of London	Earlier -2009	Brexit Year 2016	Post Brexit -2022
City of Edinburgh	48,950	41,775	51,150
Birmingham	38,825	42,300	45,575
Manchester	36,575	39,800	41,525
Leeds	37,775	37,950	41,375
Glasgow City	42,475	35,000	30,235
Cardiff	17,950	17,555	24,820

Source: NOMIS, 2023.

Usually, this growth of employees is clearly indicating that the financial hubs out of London are also expanding. A major conjecture is that in both London and other big financial Hubs the growth of employees may have occurred to fill the gap of much exodus by local employees. On the other hand, expansion of domestic market may be a matter. Despite all these, the centralization of clearing system in London would be distorted by creating a fragmented financial architecture in EU (Dörry & Dymski, 2018). Contending cities would show their exposure to compete as per their respective field of specialization to allure business (Bischoff, 2016, 2017, 2018, 2019; Campanella, 2018; Lavery *et al.*, 2018a, 2018b; Philipponnat, 2017; Sapir *et al.*, 2017; SPERI, 2017; Ständer, 2017; The CityUK, 2017) which would fragment and reshape the geography of European financial landscape (Heneghan & Hall, 2021). Analysis and estimation have tried to depict a picture of destination wise volume of relocation but has been proved equivocal overtime (Batsaikhan *et al.*, 2017; Djankov, 2017; Hamre & Wright 2021; Oliver, 2016, Sapir *et al.*, 2017; Schoenmaker, 2017). Clearing houses is considered to have major role in transaction flow (Van Kerckhoven & Odermatt, 2021) and still has not been within the grip of EU, though financial institutions already had their network through branches or subsidiaries both in London and euro area (Iliopoulos et al., 2024).

Brexit alone is not sufficient to give rise to another city unless the competitor city has the capacity to absorb the role of being the next leading one (Church, 2018). Both the EU and the UK market are expecting sustainable Asian connectivity, particularly Chinese investment which is gradually becoming highly political and diplomatic product. Britain is on the other hand ambiguous regarding close relations with China being highly dominated by US-China policy but aspiring to be close with EU members (Obermann, 2021). The future capitalist democracy would probably be determined by high-tech and high-growth cities with particular clustering of high skilled graduates (Iversen & Soskice, 2019). The advantage of clustering stands on human capital, education, technology as well as (as example for London) the highly skilled labour force (Beaverstock & Hall, 2012). Brexit has substantially hampered the historic growth of skilled migration to the UK, a shock to resume the growth though the City of London's competitiveness is based on the global talent pool including its capability to attract and retain labours from all nationalities (Beaverstock & Hall, 2012). Post Brexit economic indicators are going downward and public sentiment is getting U-turned. The UK

likes to be much closer to EU again (Hiraishi, 2023). However, the city's capacity to absorb huge number employees in the financial sector including meeting their requirement i.e. children's' schooling, suitable working field for spouses etc. will gradually play few crucial role. Moreover, tolerance to immigrants and multicultural societies would silently play a role of retaining skilled professionals for further growth.

6. Conclusions

Brexit is the ever biggest decision in European trade deals raising barriers between counterparts by reshaping the major financial geography of the region. The Brexit process has neglected the financial service and freedom of movement with an arrogance though the EU needs the City more than the City needs the EU (Ford, 2020). Cities like Dublin, Frankfurt, Paris, Luxembourg, Amsterdam etc. have been benefiting from the Brexit. No single city hub would be able to house all the fruits in its basket (Hall, 2021). The post Brexit City of London is being replaced within European framework with a fragmented landscape instead of replicating the "London's state of Art" into a single location. Brexit also has placed an intra competition among financial centres of EU27. Two doctrines are in motion. Firstly, the motive is to bring all the EU based financial business into EU27 from the UK and secondly to ensure uninterrupted services (Van Kerckhoven & Odermatt, 2021), wherein the threat to London is combined instead of from any single rival city (Ryan, 2023), although, cities and the transnational regulators in EU27 stand face to face to lure business from London (James & Quaglia, 2021). Alluring business into house is substantially dependent on the city image and respective business history of the competing cities despite Brexit induced Intra-EU competition. Moreover, competition arises due to policy makers' aspiration to upgrade their national financial centers to be international (Palmberg, 2012).

In the Post-Brexit financial architecture, London may sustain as an important financial hub, but the gap between London and its contending cities would probably be narrowed (Därry & Dymski, 2018). It would positively help EU27 to be more international with multiple specialized financial centres at the cost of huge migration of assets and jobs from London. The magnitude of the city of London and the overall hemisphere of economic geography is not comparable to EU. A single rival city does not have the capacity to consume London's appetite. So, considering the city size, a minor slice of business from London could be a major gain for Frankfurt (Deutsche Bank, 2016). It is also quite impossible for others to replicate the city culture of London that has been piled through a queer variety of uniqueness silted gradually under every point of its texture. Contending cities would rise at their own strength and gesture. At the beginning there had been an excessive hypothetical threat to the existing financial structure. Journalistic reports added extra fuel to create panic, so the UK based financial firms those had been providing services to EU27 based clients under passporting rights hastily expressed an exaggerated relocation plan, which has now been squeezed. Relocation of employees from London to its rivals has almost been completed by relocating a small portion of estimated figure but silent departure has not yet been stopped claiming more. In rival cities to cope with the growth the scenario has turned to accept new recruitment e.g. the Irish financial services has increased employees by surpassing the set

target of 50,000 in 2021 (Hall & Heneghan, 2023b).

Other than the European geography the financial interlinks across boundaries and particularly with the USA and China may play game changing roles. The business may shift to third countries. Europe as a whole has lost and liquidity concentration increased in the USA (Lannoo, 2023). On the other hand Post Brexit London is quite free from the EU bindings in making cooperation within global fields (Miedviedkova & Us, 2020). In contrast the new job creation in the EU would definitely increase which would have been in the UK and had happened till Brexit. It can be guessed that the loosening ties with US investment banking and squeezed banking elites in London may further lose few attractions. London would particularly lose its shines as an IFC but still would be a prime financial hub and probably continue to be reshaped. The financial centres of the same territory seem to be hierarchical. The evidence of earlier global recession indicates an initial contraction among regions but followed by sharp recovery in London (Hall, 2019; Wójcik & MacDonald-Korth, 2015). In the changing worst cases the UK's policy reform and focus shifting would play further role for resilience of London, though still today the lobbying to retain both financial and non-financial business into London and also to create more attraction like before is an ongoing process. However, the fate of the IFC London is particularly dependent on the capacity of bargaining power and relationship with outer world emphasizing more relation with EU27 because the structural capacity may not be judged inactive. Following the estimated relocation and reality mismatch, the balance of power seems to be firmly rooted in the city of London (Rycott, 2024). It is observed that both the EU and the UK are converging towards a closer relation. Transnational networks of economic actors based in international financial centres shape the international financial system (Hall, 2017; Lavery *et al.*, 2018a). So, in the long run the city choice of these elites may reshape the financial networks and financial flow newly but it is assumed that London would survive due to its magnitude and magnetic power of financial geography based on policy adjustment having more rivals in the EU with duality in principles like compete and cooperate but with more cost than before.

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Notes

Note 1. Banks and financial services companies in any EU or European Economic Area (EEA) are authorized to trade freely in any other EU country with minimal additional authorisation. This system is the foundation of the EU single market for financial services and the authorisation is called Passporting. But the non-EU firms have to go through a range of significant regulatory barriers to do the same business.

Note 2. As example the creating off-shore financial centre for Chinese renminbi (RMB) in London, brought Chinese transaction into Europe, a deal, first of its kind.

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