Brexit and the financial services industry – the future of the City

Text of speech by Sir Mark Boleat, Senior Partner, Albionrock and Former Policy Chairman, City of London Corporation, at Cass Business School, 20 June 2018

Introduction

I can legitimately claim to be a Brexit veteran. My master's degree, 47 years ago, was in Contemporary European Studies, I have run national trade associations in the finance industry and been political leader of the City of Leader of London Corporation, I have done consultancy work on European representation and I was an active participant in the referendum debate, representing the City Corporation, which was firmly in favour of Britain remaining in the EU.

I have continued my interest as someone who cares deeply about economic prosperity. And I am increasingly concerned about the way Brexit is developing. The issue is not about whether Brexit is good or bad, but rather what is the best sort of Brexit for Britain and for the financial services industry, and what are the likely implications of Brexit for the City. This is what my paper will address.

My paper is in six sections –

- Why Brexit is important to the City.
- The policy debate on Brexit and financial services.
- What the industry is doing in response Brexit.
- The impact of Brexit on the City and the financial services industry.
- Mitigating the effect of Brexit.
- Some conclusions about the stance of the industry and its contribution to the public debate.

Why Brexit is important to the City

To set the scene, it is necessary to understand the importance of Brexit to the City. London is the world's leading international financial centre. It has achieved this status through a combination of factors – the rule of law, the English language, geographical location and an open society among others.

Most of the financial services industry in Britain is purely domestic. Businesses authorised and regulated in Britain, even if foreign owned, offer a wide range of financial services to people and corporates in Britain. For this part of the industry whether Britain is in the EU or not is largely irrelevant.

But a significant proportion of the industry based in Britain is international in nature, serving corporates, governments and people throughout the world. This sector of the market is to a large extent, but not wholly, dependent on Britain being in the European single market, which covers almost all financial services. So, for example, a bank or an insurance company based in one member-state can provide its services throughout the European Economic Area (EEA – the EU countries plus Iceland, Norway and Liechtenstein) without the need to establish separate businesses, with their own capital, liquidity and management, in each member-state. This gives scope for significant economies of scale. Many international financial service businesses have taken advantage of this to centralise operations in a single state. The UK has been the principal beneficiary, although Dublin and Luxembourg have also benefited to some extent. Just a few statistics illustrate the point -

- The UK has a financial services trade surplus of £61 billion, much higher than any other country. £18.5 billion of this surplus is with the EU-27.
- The UK accounts for 37 per cent of international foreign exchange trading, 39 per cent of over-the-counter-interest-rate derivatives trading and 16 per cent of cross border bank lending.
- The UK financial services industry paid £71.4 billion in tax in 2016, 11.5 per cent of the UK's total tax revenue.

For the avoidance of doubt, no other economic grouping of countries allows such cross-border activity; indeed some countries, including the USA, restrict some businesses to operating within individual states. So, the US investment banks operating throughout the EU are not doing so through businesses established, capitalised, authorised and regulated in New York, but rather through businesses established, capitalised, authorised and regulated in London.

The policy debate on Brexit and financial services

In June 2016 Britain voted to leave the European Union. However, it did not vote, and was not asked to vote, on where it was going. Two years on we are little the wiser. True, there is a leaving date, which can be varied, of 29 March 2019, political agreement, but not one that is legally certain, for a transitional period up to the end of 2020, and now an emerging view that Britain is not going to leave the customs union until a few years after 2020. But there is still no clarity on the end-game. A "deep and special relationship", "frictionless trade" and "leaving the single market and the customs union" are all government policies, but they are not compatible.

TheCityUK, the overall representative body for the financial services industry, set out its key "ask" for the Brexit negotiations in January 2017. This was a bespoke agreement delivering mutual market access, transitional arrangements to allow for enough time to implement the new relationship and access to talent.

The concept of mutual market access, based on agreement to recognise that regulatory regimes, while different, can produce similar outcomes and with a dispute resolution mechanism, was explained in detail in a report by the International Regulatory Strategy Group with the support of the law firm Hogan Lovells. The concept has been embraced by the government, not surprising as it does not offend either of the two competing viewpoints on Brexit in the Cabinet. The Chancellor, in a speech on 7 March 2018, noted that the UK financial services hub is not just a British asset…

> …"but a European asset too..supporting businesses, savers and citizens across the EU…serving the whole of our continent, as well as the world beyond."

He said there was a need to

> "shape a regime to manage future regulatory change that ensures that…
> …while our rule systems may evolve separately…
> …we deliver fully equivalent regulatory outcomes…
> …maintaining commitments to support open-markets and fair competition."

He rejected the notion of Britain being a simple automatic 'rule taker', very reasonably because of the size of the UK's financial services industry.

The key sentence in his speech was -

> "But the principle of mutual recognition and reciprocal regulatory equivalence, provided it is objectively assessed, with proper governance structures, dispute resolution mechanisms,

> and sensible notice periods to market participants clearly could provide an effective basis for such a partnership."

These proposals would preserve the benefits of efficient wholesale financial markets, serving corporates and governments throughout the EU. But they run into political realities. They would to a large extent result in the UK having the benefit of being in the single market and would mark a significant departure from the principles on which the EU operates. The reaction from the EU 27 has not been favourable, and there is little chance that the EU27 will agree to it. It would actually put Britain in a more favourable position outside the EU than the member states inside would have.

Sir Ivan Rogers, Britain's former ambassador to the EU, in a speech in May 2018, explained why the British proposal would not fly –

> "So here, the UK is again advancing a proposition – snappily entitled bespoke dynamic mutual recognition – which has considerable substantive merits on how issues might be best ordered across international boundaries between regulators and supervisors on either side of the Channel, but is inevitably going to be rejected – indeed, already has been unequivocally rejected – as legally unviable. One cannot take oneself outside the jurisdiction of the ECJ, and leave the Single Market, and simultaneously demand a role that no non-member has in the shaping of EU regulation.
>
> Why, again, should members, who have painfully agreed an extremely detailed constraining single rule book, allow a non-member greater latitude than they have themselves to achieve so-called comparable regulatory outcomes – and agree a non-ECJ unique resolution mechanism to decide whether they are comparable? This is not going to happen in a month of Sundays."

The EU's position is that Britain will become a "third country" after Brexit, with access to the Single Market through existing equivalence regime procedures. These provide for the EU Commission to certify that the regulatory regime in another jurisdiction produces equivalent outcomes to that of the EU, and therefore institutions based in that jurisdiction can do businesses in the Single Market.

The industry is agreed that this equivalence regime is not the answer. The main reason is simply that it covers less than one third of financial services and does not include mainstream banking and insurance. Also, in practice, the process of granting or withholding equivalence is political, as Switzerland has discovered to its cost. In December 2017 the EU granted Swiss stock exchanges

access to EU markets under the equivalency procedure. However, this was granted for one year only and its renewal will depend on the outcome of negotiations between Switzerland and the EU over an institutional agreement on their long-term relations. Switzerland and the EU currently have 120 bilateral agreements; attempts to rationalise the arrangements have been frustrated by the Swiss referendum decision in 2014 to introduce immigration quotas. The current equivalence regime operated by the EU is therefore not an option as a basis for businesses based in the UK conducting cross-border activities into the EU.

So, what will the end-result be? Mutual market access is not achievable. Equivalence is on the table and no doubt can be moderately enhanced, although note that the scope cannot be changed without going through the tortuous process of new directives.

For the mainstream banking and insurance industries the most likely outcome is that Britain will be a third country and that there will be no special access to the EU27 after any transitional arrangements have ended.

There is also a specific problem area that needs to be addressed – contract continuity. The Association of British Insurers (ABI) has raised the issue of cross-border contracts written pre-Brexit that will still be in operation post-Brexit, for example liability contracts which can run for 10 years and pension contracts which can run for 30 years. The ABI has pointed out that "these contracts cannot be transferred safely and quickly to a new EU location. Special arrangements would be needed to transfer the contracts, covering both legal form and regulatory responsibility". The ABI went on: "If nothing is fixed, insurers will be left in an impossible position and face an unacceptable choice: break their promise to customers or risk breaking the law." The ABI noted that it was not possible to vary the contracts and that transitional arrangements would not be sufficiently long. Transferring contracts to another EU jurisdiction does not work because this is a judicial process and requires at least two years. The ABI concluded that certainty on this was needed by the end of 2017. This was not achieved.

This point was also covered in the Bank of England's Financial Stability Report. The report noted that about £20 billion of insurance liabilities and six million UK policyholders could be affected because their policies are with a non-British EEA insurer, and the figures are even higher for EEA policyholders with contracts with UK insurers. Transferring business to an EEA or UK insurer in the required timescale is not possible. The report said that over-the-counter derivative contracts would also be affected. The gross amount of affected contracts is around £26 trillion with £12 trillion maturing after the first quarter of 2019. Banks are looking at options including seeking local

permissions and transferring contracts to a legal entity in the EEA – something that is virtually impossible in the timescale.

The issue of contracts that run over the Brexit date has been recognised by the government. On 20 December 2017 the Chancellor announced that the government will, if necessary, bring forward legislation to cover contractual obligations and also allow EEA firms to continue to operate in the UK for a limited period after the UK leaves the EU without being authorised in the usual way. This is a valuable mitigation for EU businesses operating in Britain, although it does not solve the problem for business being done in Britain from the EU 27.

What the industry is doing in response to Brexit

While the policy debate rages on business is simply getting on with it, preparing for a worst-case scenario as it is prudent to do. The contingency plans were drafted long ago; they are now in the implementation stage.

Each financial services business that operates in other countries in the EEA – and even some that do not – has had to plan for Brexit. Financial services businesses are heavily regulated and have demanding customers, and many engage in long-term transactions. They are expected to manage risks intensively.

There is clearly a risk that from March 29th 2019 Britain will no longer be in the European Union or the single market, and that there will be controls of labour movement between the other EEA countries and the UK. This risk has to be mitigated. Following the agreement on 'sufficient progress' at the European Council in December 2017 it now seems probable that in practice the UK will remain in the single market until the end of 2020 at least. But this is not bankable. There can be no certainty that it will be implemented until the UK's withdrawal agreement has been ratified, which will not happen, if it happens, until early 2019. More generally, the value of transitional arrangements diminishes by the day. If they are finally agreed in March 2019 that will be too late for most institutions, although some might be able to slow down restructuring of their business.

Two side-effects of Brexit planning work have become apparent -

- Business now sees the costs, as well as the benefits, of concentrating activity in one location. Sir Howard Davies, the Chairman of RBS and the former Chairman of the UK's Financial Services Authority, has commented: "Brexit will alter the picture, whatever the outcome of

the negotiations. Foreign-owned firms have concluded that keeping all their eggs in a British basket being shaken vigorously by changeable political winds is risky."

- Some of the work on location should have been done anyway, and even with a favourable Brexit outcome some businesses will see merit in moving some business from the UK for economic reasons – for all of its attractions, Britain, and London particularly, is a high-cost place to do business. And, related to this, once location is on the agenda it is not confined to the issue that caused it to be on the agenda. Businesses will look at their location policy, in some cases immediately, in others in the longer term.

The two factors reinforce each other.

For the most part businesses are, in the short term, doing the minimum to provide continuity of service to their customers; what this is depends on the nature of the business and the method of operation of the individual company. It also depends on the attitude of regulators in the EU-27 and in the UK. Regulators in the EU-27 will not accept firms establishing "letter box companies", with all business continuing to be done from the UK. This type of arrangement is not acceptable to any regulator – including the PRA in the UK. Regulators require capital, liquidity and management to be in the jurisdiction in which the business is authorised. However, regulators recognise the exceptional circumstances that Brexit presents – with many institutions trying to do the same thing at the same time, which itself poses resource problems for the regulators. Accordingly, they are taking a pragmatic approach, accepting a limited transfer of functions initially but with the stipulation that over a period of three to five years all the required functions will be transferred. So, this might mean, for example, 50 staff initially but 500 after three years.

The impression is sometimes given that there is one button that all financial institutions will press at roughly the same time to shift some of their operations to other centres in the EEA. This is not the case. Financial services businesses are affected by Brexit in very different ways even if they are doing similar business. Most financial services businesses have been going through a series of steps to make their plans from an initial scoping exercise covering what business must be moved through to analysing workarounds and other short-term options, analysis of longer term options and then the expensive work of a comprehensive analysis of new locations, obtaining the necessary consents and then the really expensive work of implementation.

It is impossible to give a precise estimate of the extent of relocation activity so far as a result of Brexit. Most businesses are not issuing press releases saying what they are doing; they are just doing it.

It may be recalled that during the Referendum debate some argued that London's dominance of wholesale financial markets would mean that business would stay in London, and that anyway no one would want to work in Frankfurt. Those who suggested that some business would move from London were accused of scaremongering. So, let's look at some facts –

- Lloyds of London has established a subsidiary in Brussels.
- Barclays bank is moving some business to Dublin.
- RBS is building up its operation in Amsterdam.
- Standard Chartered is establishing its EU business in Frankfurt.
- Lloyds banking group has chosen Berlin as its EU base.
- Goldman Sachs has moved client-facing people to Milan, Paris and Frankfurt and has reported that "no one has turned down a Brexit-inspired move".
- Wells Fargo is planning to use Paris and Dublin as post Brexit hubs
- Bank of America Merrill Lynch has similarly opted for Paris and Dublin.
- HSBC is building on its existing business in Paris.
- JP Morgan is enlarging its business in Dublin and will also be relocating staff to Frankfurt.
- Morgan Stanley is building up its businesses in Frankfurt and Paris.
- UBS has chosen Frankfurt as its main EU base.
- EY has reported that 39% of wealth and asset management firms have publicly said that they are moving some operations out of the UK – to Dublin and Luxembourg.
- Bloomberg is moving its EU trading operations from London to Amsterdam.
- Thomson Reuters is moving its foreign exchange derivatives trading from London to Dublin.

These moves are bad for London – but they are also bad for the EU as they will make financial markets less efficient. However, they are not sufficiently bad to have a significant influence on the EU position, particularly as several EU states see the benefit to them of having a larger financial services industry.

The impact of Brexit on the City

So, what is the overall impact of Brexit on the City so far?

Brexit has already had a significant impact, although most of this impact is not easy to see. Even though Britain will be outside the EU it will be affected by EU policies. In particular, those financial institutions that wish to operate within the EEA post-Brexit will have to comply with EU rules. It follows that being able to influence those rules is important, particularly as Britain dominates the European wholesale financial markets. The UK has been very successful at influencing EU regulation

over the last 30 years through a combination of expertise that goes with the size and importance of the industry, excellent work by officials in the Treasury and regulatory bodies, good input from the industry by individual companies and trade associations, and excellent work by a small number of Members of the European Parliament.

Immediately after the Referendum this influence has diminished as there is less capacity, and indeed willingness, for Britain to have an influence and less willingness to give British views the same weight as they previously had.

A second factor has been the diversion of resources away from strategy and product development to dealing with Brexit. Large project teams have been put in place in major companies, aided by consultancy and legal support. So, staff who were previously working on expanding the business are now working on protecting existing business. This will not show through in aggregate figures but will be apparent in profit and loss accounts. Major banks have individually spent over £100 million on Brexit plans and the cumulative costs runs into billions. Similar figures are reported in the other sectors most affected by Brexit – chemicals, pharmaceuticals and the motor industry. In its annual report GSK has estimated transitional costs of £70 million and ongoing costs of £50 million a year. None of this is productive.

It is very likely that new investment has been reduced, though it is almost impossible to give precise examples. Decisions that might have been to expand or to set up in Britain were deferred or even cancelled. Equally, as outlined in the previous section, businesses have been building up their operations in other EEA centres in anticipation of Brexit. All these decisions have been at the margin, perhaps affecting anything between a few jobs and 100 jobs at a time, but cumulatively they are significant.

Accordingly, the effect on employment so far has been comparatively small, and largely reflect new jobs not being created. For the most part the new offices in the EU-27 are employing additional staff rather than taking staff from London and other parts of the UK. TheCityUK has estimated that the total effect so far is a net loss of around 10,000 jobs.

The long-term impact

The longer-term impact of Brexit on the financial services industry in the UK is unknown. It depends primarily on the final exit agreement between Britain and the EU. This may include some useful mitigating measures such as grandfathering clauses which will facilitate a more orderly shift of

business from the UK to other centres but which, for the reasons already stated, will give nothing like the current level of market access.

The alternative scenarios were analysed in a report by the Oliver Wyman consultancy. It concluded that if the UK retained market access on near to current terms the impact would be only modest, with 3,000-4,000 jobs at risk and tax revenue falling by less £500 million a year. At the other end of the spectrum, if the UK had no special status with the EU – now the most likely option - the industry would lose £18-20 billion a year in revenue, which would put 31,000-35,000 jobs at risk along with £3-5 billion a year of tax revenue. There would also be a knock-on impact on the ecosystem that could result in the loss from the UK of activities that operate alongside those parts of the business that leave, the shifting of entire business units, or the closure of lines of business due to increased costs. An estimated further £14-18 billion of revenue, 34,000-40,000 jobs and £5 billion in tax revenue per annum might be at risk. So the worst case scenario – which currently looks the most likely is the loss of 75,000 jobs and £10 billion of tax revenue.

Jamie Dimon, CEO of JP Morgan, has summarised the position well in his recent annual letter to shareholders.

> " we have the resources to be prepared for a hard Brexit, as we must be. It essentially means moving 300-400 jobs around Europe in the short term and modifying some of our legal entities to be able to conduct business the day after Brexit. What we do not know — and will not know until the negotiations are complete — is what the end state will look like. Although unlikely, there is the possibility that we could stay exactly as we are today. Unfortunately, the worst outcome would be much of London's financial center moving to the Continent over time. We hope for all involved that this outcome will not be the case."

Howard Davies has similarly distinguished between the long and the short term.   In an article in the current issue of *Financial World* he notes that when Britain leaves the EU "those who are keen on localisation than on global markets will be in the ascendant". He notes in particular the adverse effect on London if the right to delegate fund management outside the EU was withdrawn or Eur-clearing was pulled back to the Eurozone. In a timely analogy he comments that this is a long game - "we are still early in the first half, and the final result is impossible to call".

Mitigating the effects of Brexit

What can Britain do to mitigate the longer-term effects on the City of Brexit, in whatever form it might take?

The biggest influences on the City will be policies firmly within our control, and indeed are largely within our control now. It has been suggested that once it is outside the EU Britain will be able to follow a path of radical deregulation to gain a competitive advantage over continental Europe – a model which has come to be called 'Singapore on steroids'. Singapore is a highly regulated financial centre, so the comparison is not apt; but more importantly, there is no appetite in the UK, in the finance industry, government or regulators, for significant deregulation. Rather, there is a wish to stay within international norms and as far as possible to mirror EU regulation, at least in the short to medium term, simply because many institutions based in the UK will still be operating in the EU, albeit through subsidiaries rather than passporting. However, there is an argument for modifying the regulatory regime to give more emphasis to competitiveness rather than trying to prevent every conceivable problem.

A thorough review of the whole of financial services regulation from the perspective of competitiveness could, at the margin, help to retain and attract business to London. Ideally, this needs to be done now. However, there is very little bandwidth in government, regulators or the industry to look at these issues because Brexit is rightly absorbing all the available resources.

In this respect it was encouraging that in December 2017 the PRA announced measures that would make it easier for EEA banks to continue operating in the UK post Brexit, and the Treasury announced that if necessary it would bring forward legislation for a time-limited 'grandfathering' regime. Currently, these banks can operate without PRA authorisation. After Brexit they will need to seek PRA authorisation to operate as a subsidiary if they conduct retail business or a branch if they do wholesale business only. Normally the PRA would assess the adequacy of home state supervision. The PRA statement said that for EEA banks this could in effect be taken for granted. This is as far as the PRA could be expected to go, but it is still the case that the 77 EU banks currently operating in the UK under the passporting regime will have to go to the considerable expense of applying for a licence to operate in the UK, a process that the PRA has said may take up to 12 months. A few may decide that it is not worth doing so but most will accept the cost, albeit a further addition to the heavy cost of doing business in London.

As with regulation so with tax. Britain will not become a low-tax jurisdiction, but there is scope to tweak current engagements to take full account of competitiveness issues.

Brexit will also require a massive increase in financial diplomacy – in the international agencies and in relevant national capitals. Until recently Britain punched well above its weight by taking the lead at the EU level and then benefitting from EU clout at the international level. It will require much greater resource to achieve anything like the same effect post-Brexit. Embassies in the EU countries are already being beefed up. The Government will need a much bigger permanent presence in Brussels, as will City institutions. The international regulatory bodies – the Basle Committee, IOSCO and the International Association of Insurance Supervisors – will need much greater attention.

But by far the most important such issue is talent. And here the signs are not promising. Talent is a particularly difficult issue. Britain has benefitted hugely from its relative openness to talent from around the world, and from the EU in particular. Financial services, construction, hospitality, social care and food packing and processing are among the sectors that are heavily reliant on labour from other EEA countries. But concerns about immigration were one of the factors driving the referendum result and the government is committed to bringing net immigration down to the "tens of thousands". There has been some hope that stricter controls on EU nationals could be balanced by easier access from Commonwealth countries in particular. But the government has given no indication that this is likely; indeed, given that net immigration from outside the EU is already over 100,000 a year it is difficult to see how this could be done. The university sector has already been adversely affected by the clampdown on non-EU immigration and is making warning noises about the impact of Brexit. Similarly, the technology sector is heavily reliant on being open to the best talent from throughout the EU, and there are signs that London's relative attractiveness is diminishing, because of high cost as well as Brexit-related concerns. The government frequently speaks of a "global Britain". So far nothing has been done to take this beyond words. The acid test will be on talent; a global Britain must mean a more liberal immigration policy.

Conclusions

My analysis should not be judged as being pessimistic or optimistic, but rather as to the extent that it is realistic. The realities are now becoming clear. Brexit will be more difficult to achieve and more damaging in its effect than was generally believed at the time of the Referendum.

Britain may want a "deep and special relationship" with the EU post-Brexit, but in the short term this can be achieved only by continued membership of the European Economic Area, which has been instrumental in Britain becoming the world's leading international financial centre. Yes, this is the wrong side of the Government's red line of leaving the Single Market, taking control of immigration and leaving the jurisdiction of the ECJ. But not to go for this option will be on the wrong side of the

objectives of frictionless trade with the EU and minimising disruption. So far, these trade-offs have been deferred. They cannot be for ever. International trade specialists understand the most difficult part of international trade negotiations is within countries not between them. So, it is with the Brexit negotiations, as is very clear. For the avoidance of doubt the EEA option is a bad one, but in the short term it is the least bad. If Britain leaves the European Union it is the only option capable of avoiding significant short term damage to the economy generally and to the financial services industry in Britain specifically. However, this can only be a short term option, as Britain cannot be a rule-taker. But the EEEA option will give time to develop a more satisfactory permanent relationship with the EU, which itself needs to reform in way that Britain would be promoting were it not about to leave. However, I accept the counter-argument, that this will prolong the uncertainty. As I have said, hard choices have to be made

For the City in particular, the point of no return, although better described as a window of no return, has now been reached, and the negotiations are increasingly irrelevant as international financial services business are taking the necessary steps to provide services in the EU 27 from the EU 27. Mutual market access is a laudable objective but has little chance of being achieved, and equivalence is wholly inadequate. Leading financial services businesses will ensure that their customers will not be adversely affected by Brexit. So "the City" – shorthand for the financial services industry – will be fine after Brexit. But "the City" – the financial services industry in the UK, will be smaller. In the short term only marginally so; but in the longer term significantly so if Britain remains outside the EEA. This is not bad news for the industry generally or for bankers specifically; it is bad news for the country with a loss of 75,000 jobs and £10 billion a year of tax revenue.

The interests of the financial services industry currently based in the UK and the interests of the City and the country have in the past been one and the same. But they are now are diverging. That divergence needs to be recognised.

And let me conclude with some final words about the public debate and the role of business in that debate. The whole Referendum was deeply damaging to the country, creating divisions where none previously existed and massively increasing the level of intolerance and unpleasantness in public debate in a country which has prided itself on the opposite. In such an environment most businesses have found it wise to sit out the public debate, leaving it to the politicians. This is dangerous. Politicians respond to the public debate. If business is not contributing its views it will be ignored. We now have the position that many businesses are very reluctant to point to the practical problems they are facing as a result of Brexit, or to setting out their plans. I believe they have a clear duty to be more open, not to express views about the merits or otherwise of Brexit, but

simply to explain what the current situation means to them and what their plans are. They need to do this to their MPs and local councils and to the media. And, nationally, the major companies and the trade bodies should be doing the same. Paul Dreschler, outgoing President of the CBI, made this point in his valedictory interview with the FT earlier this week. "If you do not speak out now, do not say in three years' time that this is a terrible mess".

Business cannot simultaneously complain about the poor quality of political debate and decision-taking but not play its part in improving the situation. The need for this to happen has never been greater. The evidence points to Britain remaining in the EEA in the short term, but there is much to do to transform the evidence into a state when it can have a decisive influence on policy-making.

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This paper draws on the author's paper Brexit and the financial services industry – the story so far, published by the Centre for European Reform in March 2018.

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