

GLOBAL BREXIT BAROMETER 2018

Tuesday 20 March 2018

Gary Baker, CFA, Managing Director EMEA and Industry and Policy
Research, CFA Institute

Rhodri Preece, CFA, Head of Industry Research, CFA Institute

Will Goodhart, Chief Executive, CFA UK



CFA Institute



Leads the investment profession globally
by promoting the highest standards of ethics,
education, and professional excellence for
the ultimate benefit of society.



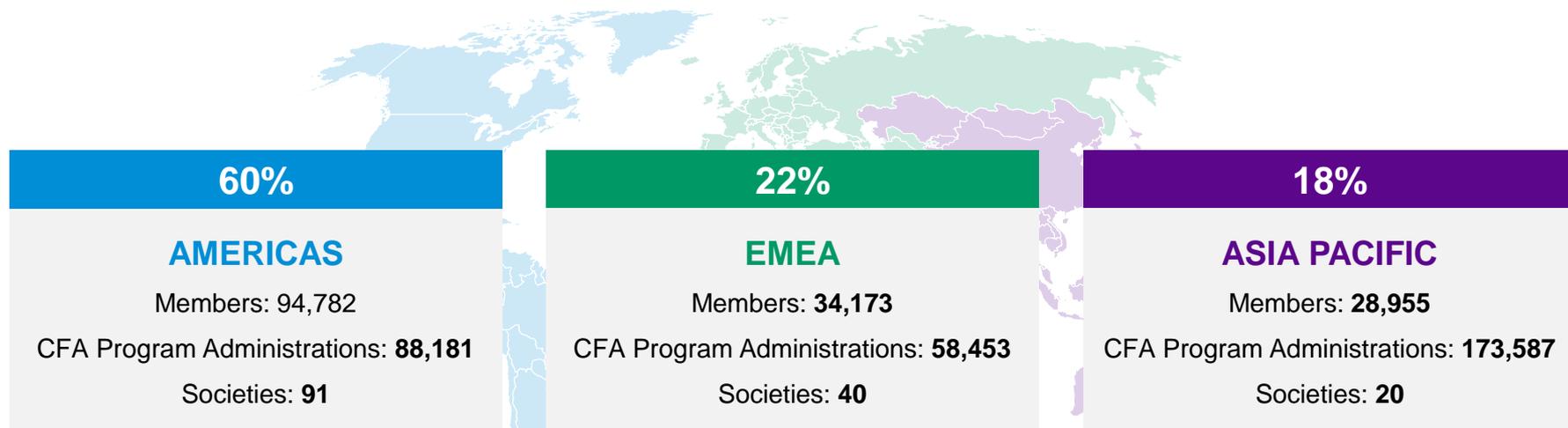
Mission

To lead the investment profession globally by promoting the highest standards of **ethics**, **education**, and **professional excellence** for the ultimate benefit of society.



- Global not-for-profit association of investment professionals with more than 150,000 members
- 151 local societies worldwide
- 3 globally recognised programmes including CFA Program®
- Codes and standards including GIPS and Asset Manager Code of conduct

MEMBERSHIP, CANDIDATES, AND SOCIETIES



151 member societies

More than 150,000 members in 165+ countries and regions.

As at March 2018

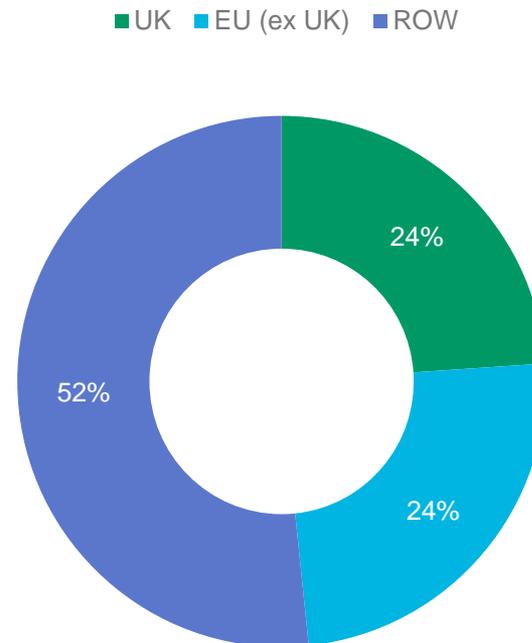
ABOUT THE SURVEY

METHODOLOGY

- Email invitation to 45,000 randomly selected CFA Institute members (15,000 per region) to participate in an online survey.
- Survey open 1 February – 15 February 2018.
- 974* valid responses received
- Response rate of 2% and a margin of error of $\pm 3.1\%$
- 24% (233 respondents) from the UK, 24% (238 respondents) from other EU countries (excluding the UK), and the remaining 52% (503) from the rest of the world (ROW).

*Global results were not re-weighted

Respondent Breakdown, by Geography

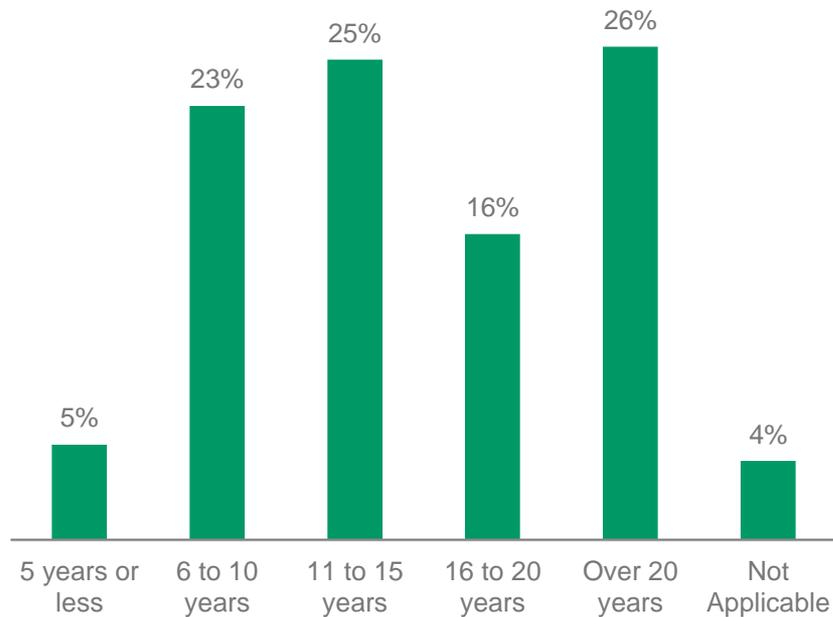


RESPONDENT PROFILE

OCCUPATION



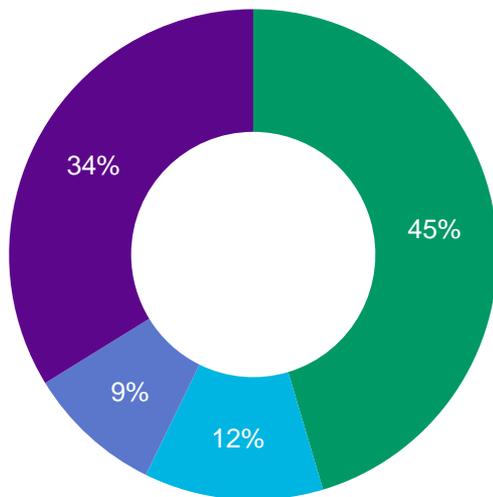
YEARS IN INDUSTRY



RESPONDENT PROFILE

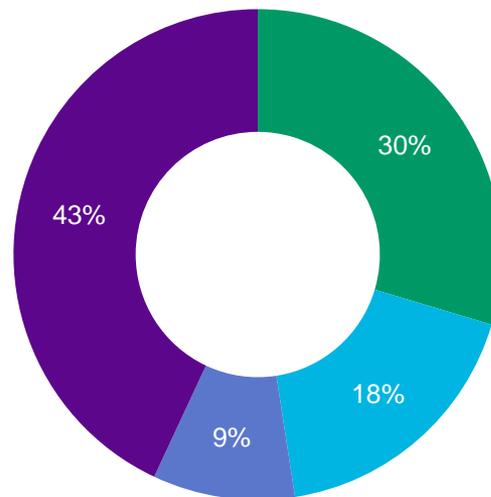
BUY SIDE/SELL SIDE

■ Buy Side ■ Sell Side ■ Buy Side / Sell Side ■ Neither



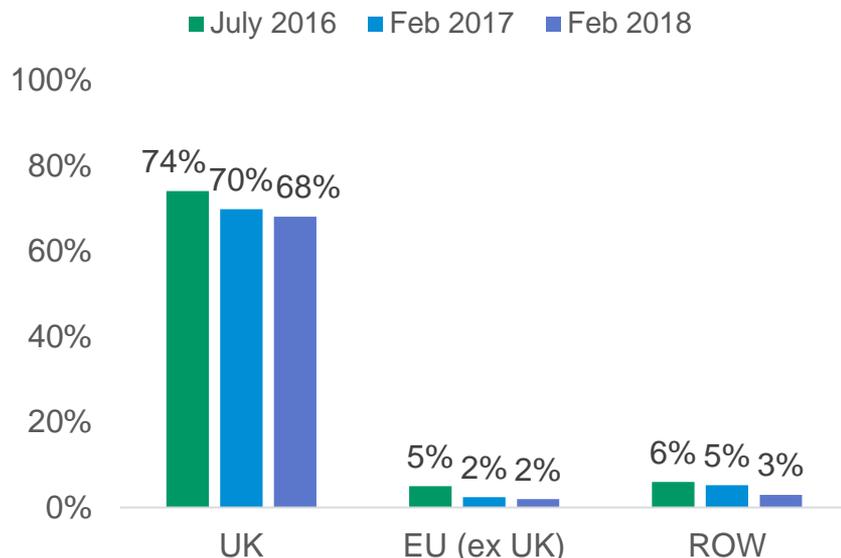
PRIMARY ASSET BASE

■ Institutional ■ Private ■ Both ■ N/A



THE IMPACT OF THE BREXIT PROCESS ON COMPETITIVENESS, BY GEOGRAPHY

% of respondents indicating the Brexit process has caused the competitiveness of their market to deteriorate*

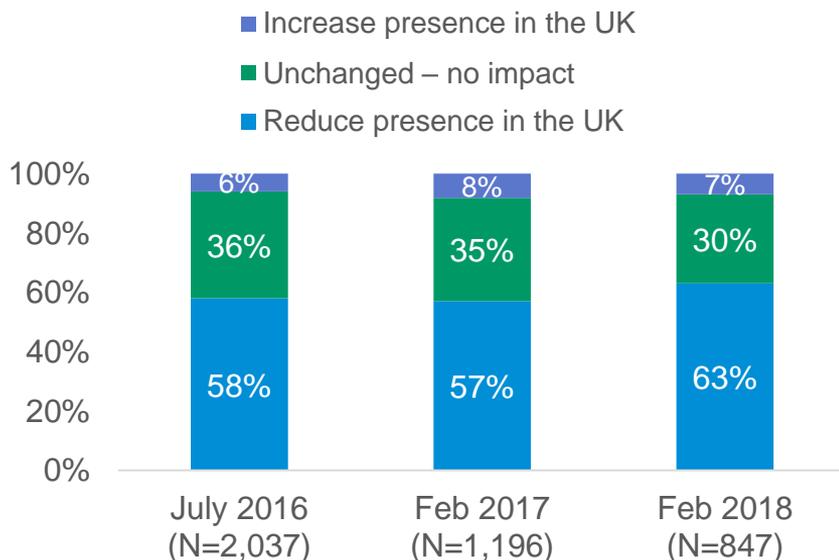


- 68% of respondents in the UK said Brexit has caused the competitiveness of their market to deteriorate, down slightly from 70% in February 2017.
- Very few respondents from elsewhere in the EU and the rest of the world (ROW) indicated the vote has caused the competitiveness of their market to deteriorate.

Question: What impact, if any, has the Brexit process had so far on the competitiveness of [respondents market] as a financial centre?
*Excludes those indicating "Don't know"

EXPECTED REACTION FROM FIRMS WITH A STRONG UK PRESENCE

How do you expect firms in your local market with a strong UK presence to react to Brexit?*



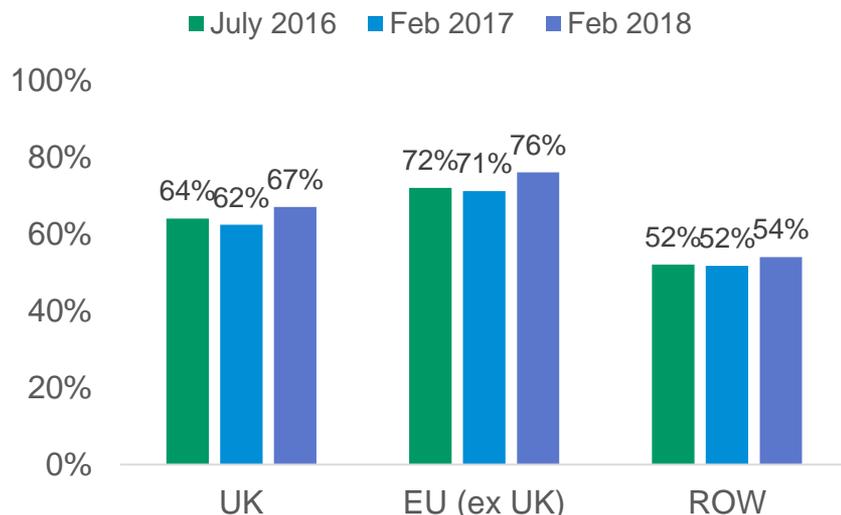
- Similar to the findings in July 2016 and February 2017, over half (63%) of respondents expect firms with strong UK presence to reduce their presence in the UK, and only a small proportion (7%) expect an increase.
- 30% expect firms' presence in the UK to be unchanged.

Question: How do you expect firms in your local market with a strong UK presence to react to Brexit?

*Excludes those indicating "Don't know"

EXPECTED REACTION FROM FIRMS WITH A STRONG UK PRESENCE, BY GEOGRAPHY

% of respondents expecting firms in their local market with a strong UK presence to reduce their presence in the UK as a result of Brexit*



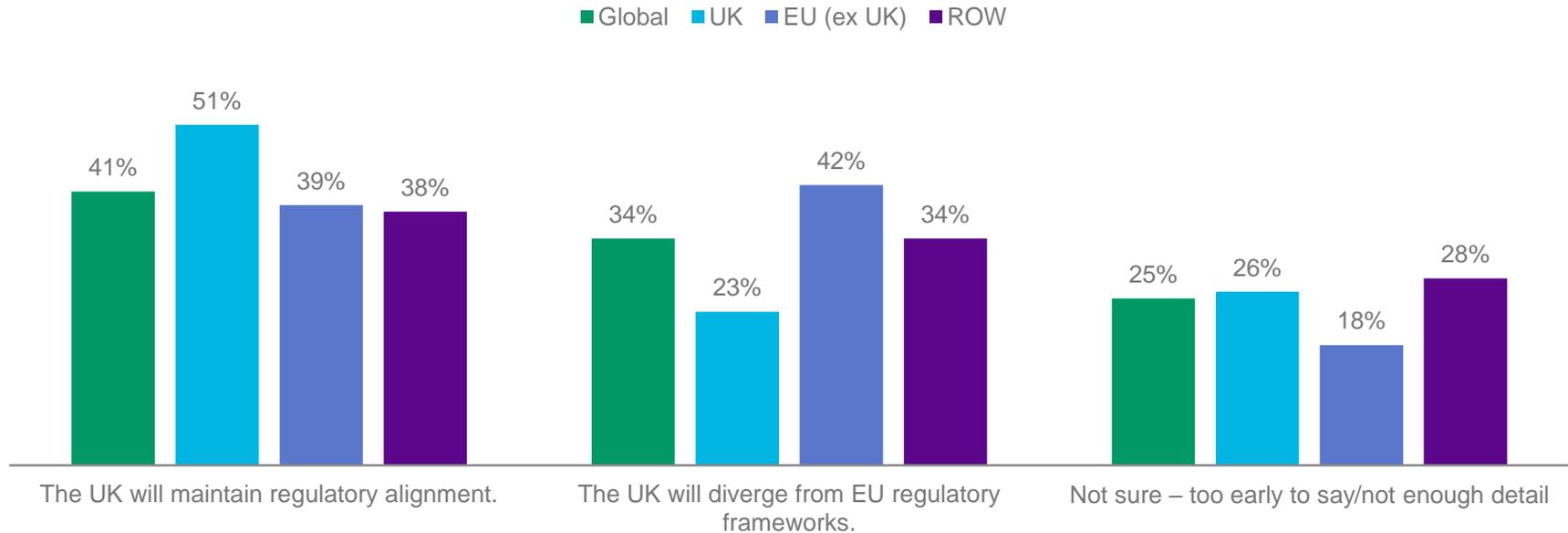
- Respondents in the EU (excluding the UK) are most likely to expect firms in their market to reduce their presence in the UK as a result of Brexit: 76% of those in the EU (ex UK), compared to 67% of those in the UK and 54% from the rest of the world.

Question: How do you expect firms in your local market with a strong UK presence to react to Brexit?

*Excludes those indicating "Don't know"

FINANCIAL MARKETS REGULATORY PERSPECTIVE

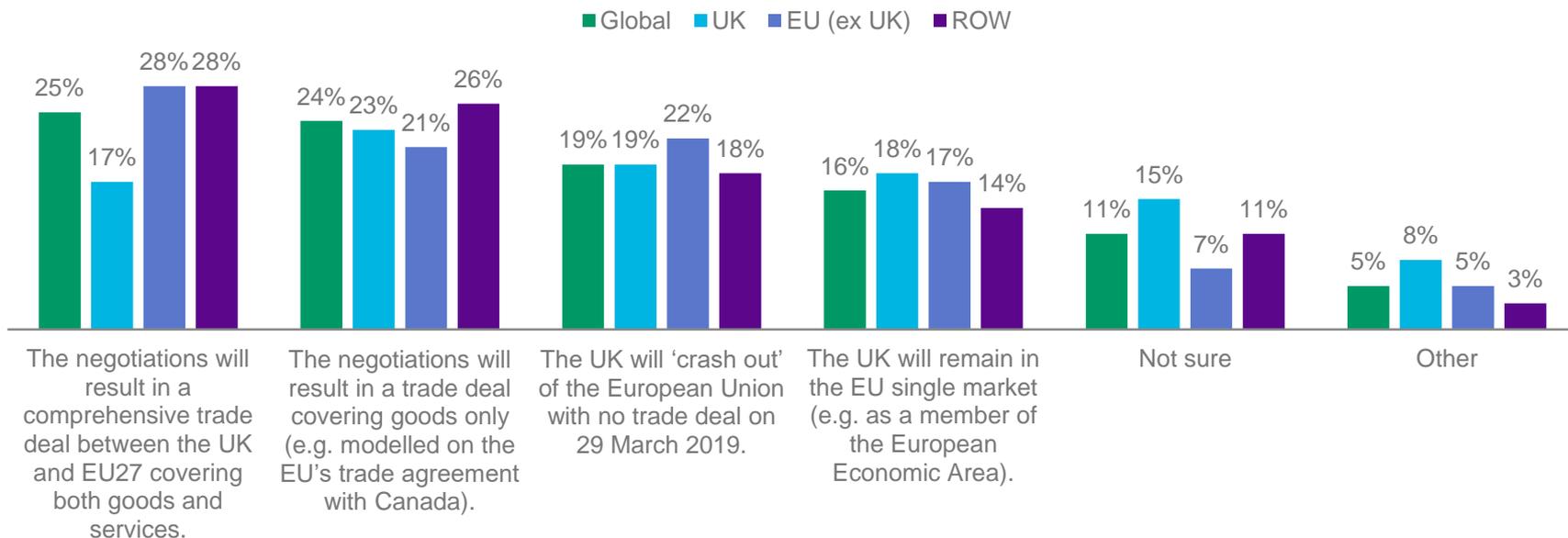
Post-Brexit, 41% of respondents think the UK will maintain regulatory alignment from a financial market perspective (higher among respondents in the UK than other markets).



Question: What do you think the outcome of the Brexit process will be from a financial markets regulatory perspective?

LIKELY OUTCOME OF BREXIT NEGOTIATIONS

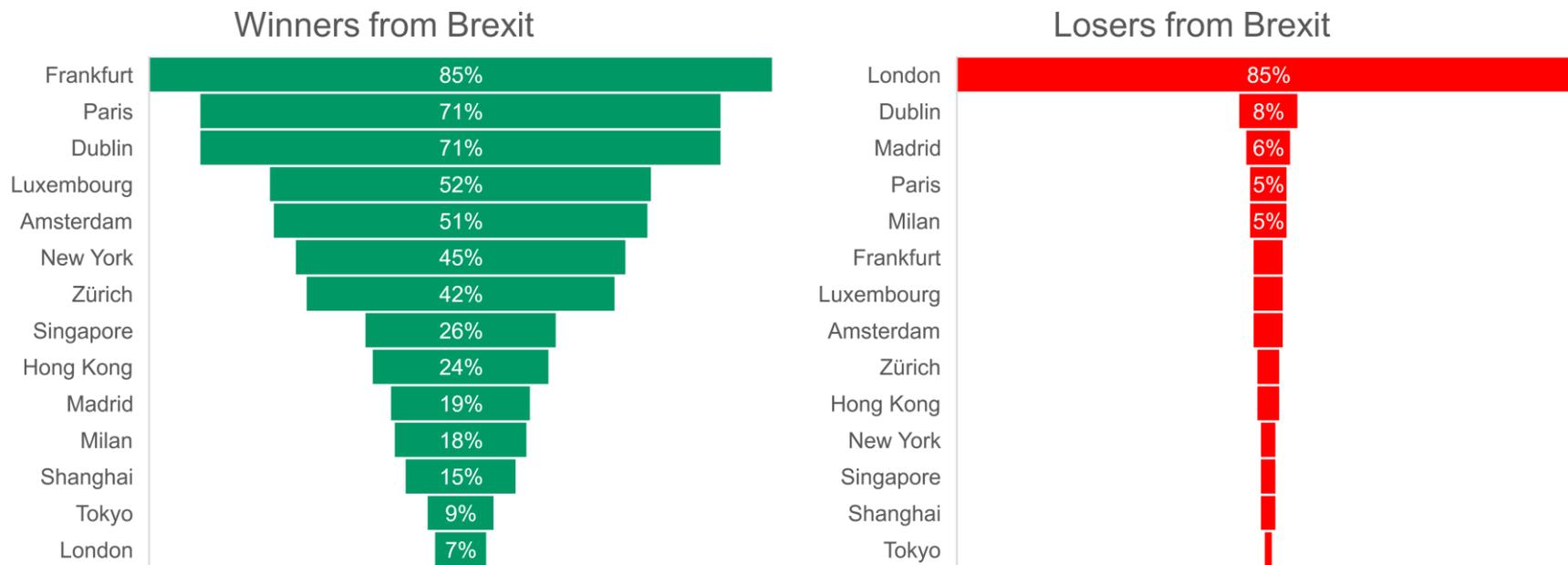
Respondents are divided on likely outcomes one year ahead of the United Kingdom's exit from the European Union.



Question: One year ahead of the United Kingdom's exit from the European Union (29 March 2019), what do you think is the most likely outcome of the Brexit negotiations?

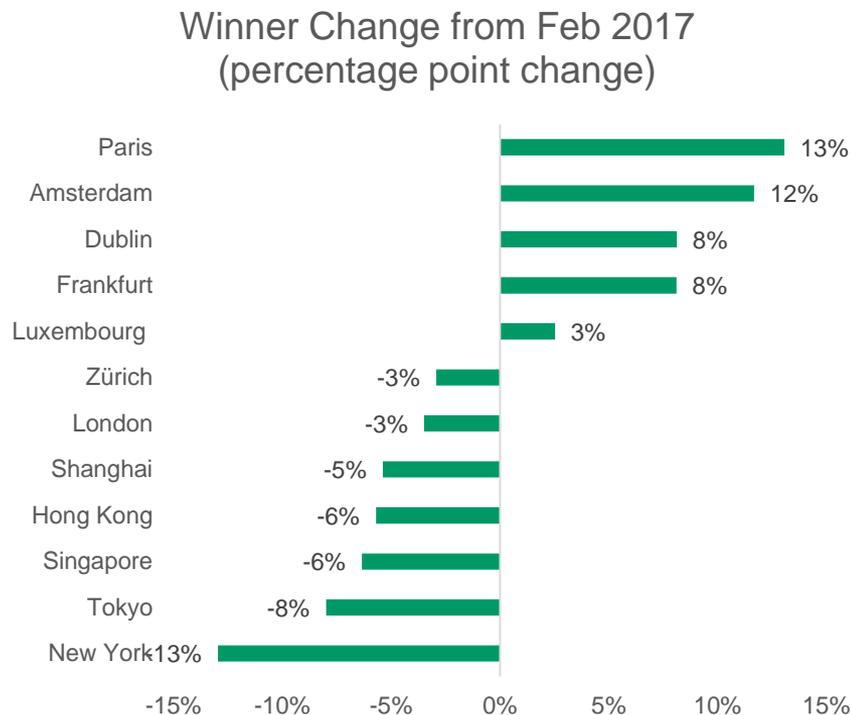
WINNERS AND LOSERS FROM BREXIT

Frankfurt, Paris, Dublin, Luxembourg and Amsterdam are considered the biggest likely winners from Brexit, while London is overwhelmingly the biggest loser.



Question: Who are the likely winners / losers from Brexit?
Response options: Winner, No Change, Loser

WINNERS AND LOSERS FROM BREXIT: CHANGE FROM FEBRUARY 2017

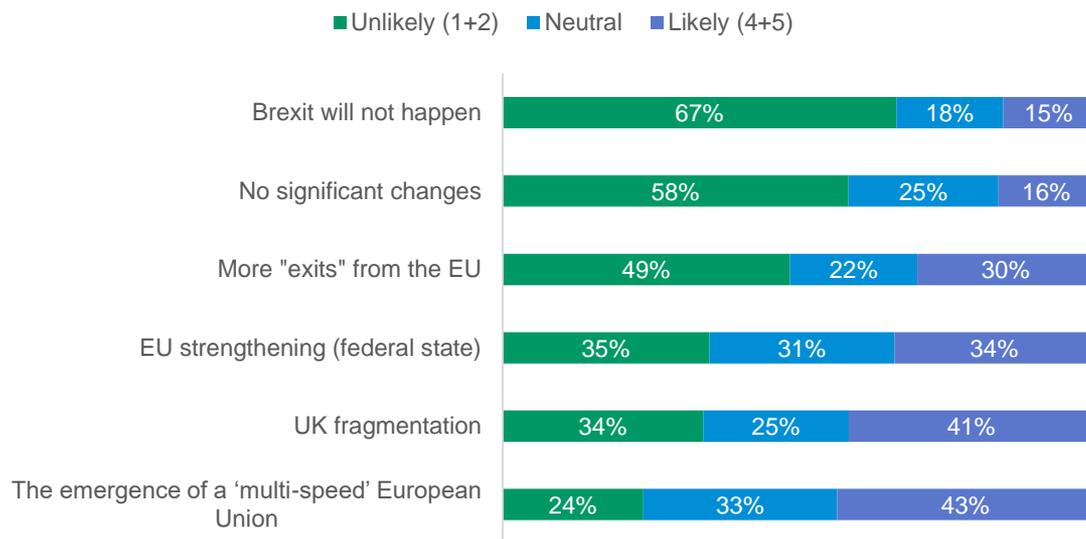


- Compared to February 2017, a higher proportion of respondents indicated Paris is a winner from Brexit (58% vs. 71% in Feb 2018).
- Those in the UK were most likely to rate Dublin and Frankfurt as a winner (84%), those in the EU (ex UK) were most likely to rate Frankfurt (97%) and Paris (90%) as winners.

Question: Who are the likely winners / losers from Brexit?

POSSIBLE CONSEQUENCES OF BREXIT BY 2026

Likelihood of each of the following consequences of Brexit, by 2026



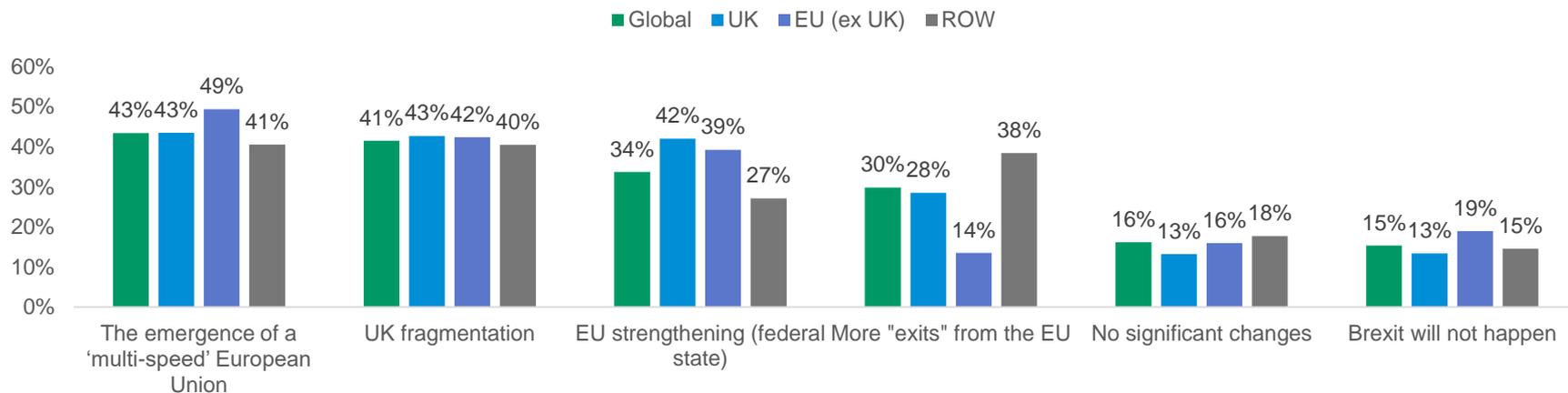
- 67% think it is *unlikely* that Brexit will not happen (down from 84% in February 2017).
- 49% respondents think more “exits” from the EU by 2026 are *unlikely* (up from 19% in February 2017)
- 34% think UK fragmentation is unlikely (up from 23%)

Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026
Scale: Not at all likely (1) to Very likely (5)

POSSIBLE CONSEQUENCES OF BREXIT BY 2026, BY GEOGRAPHY

Those in the EU (ex UK) are less likely than those in the rest of the world to say more exits from the EU are a likely consequence of Brexit by 2026.

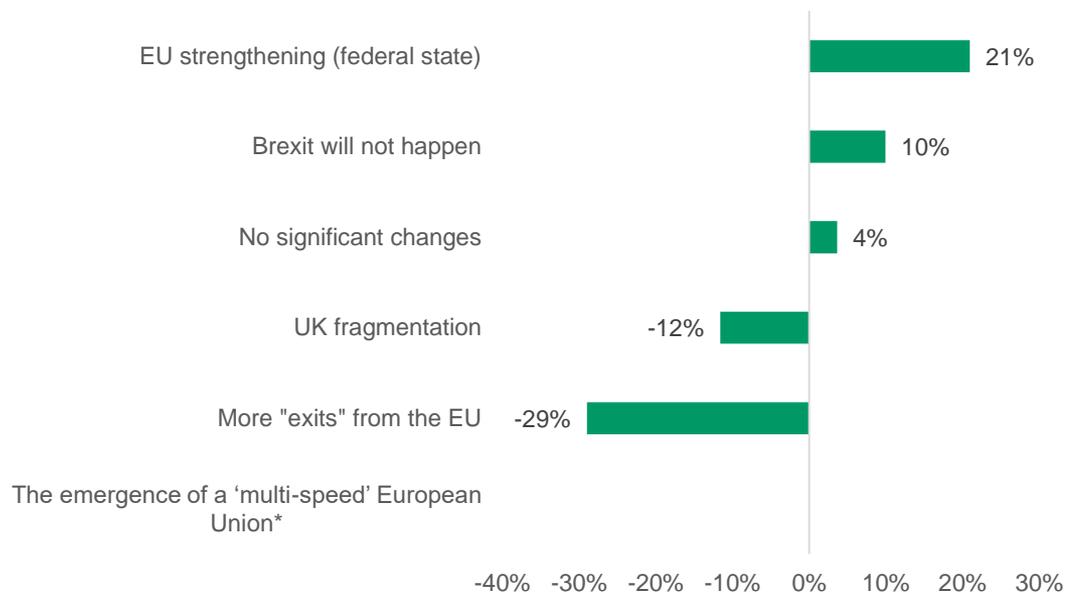
Likelihood of each of the following consequences of Brexit, by 2026 (by geography)
Chart displays % likely (4+5)



Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.
 Scale: Not at all likely (1) to Very likely (5)

POSSIBLE CONSEQUENCES OF BREXIT BY 2026: CHANGE FROM FEBRUARY 2017

Likely (4+5) %-pt. change from Feb 2017



• Compared to February 2017:

- a higher proportion of respondents think EU strengthening is likely (34% vs. 13%)
- A lower proportion think more exits from the EU are likely (30% vs. 59%)
- A lower proportion think UK fragmentation is likely (41% vs. 53%)

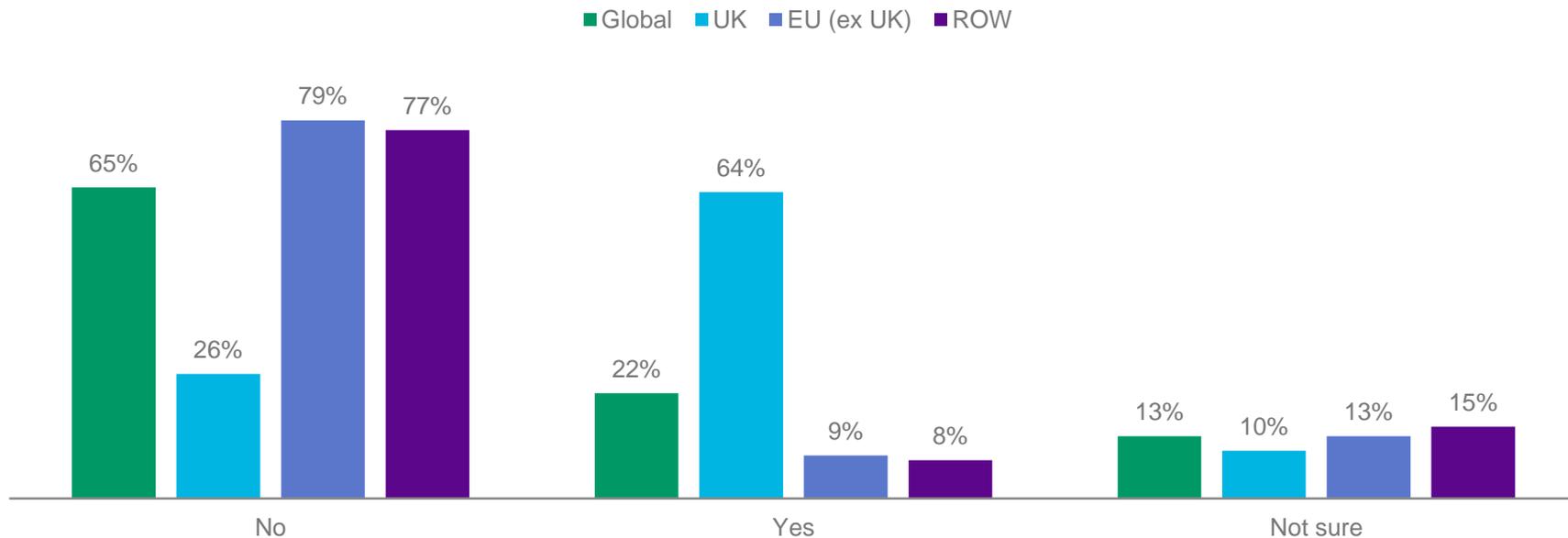
Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.

Scale: Not at all likely (1) to Very likely (5)

* Not asked in Feb 2017

ATTRACTING THE BEST TALENT

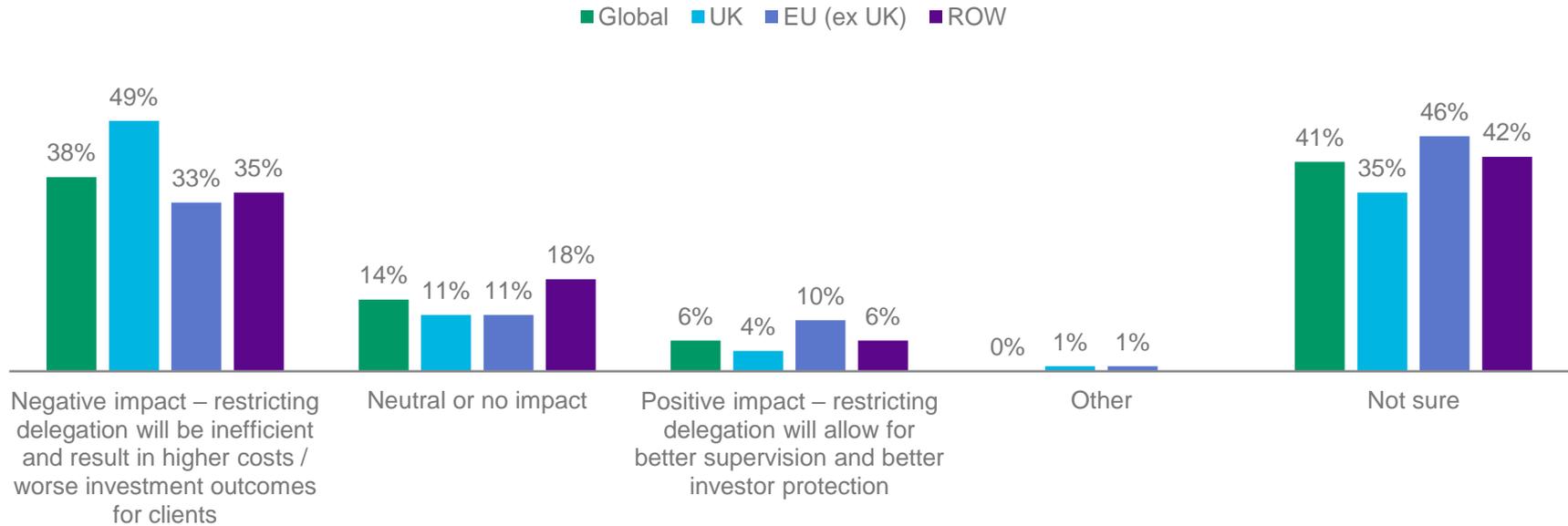
65% of respondents think Brexit will not restrict the ability of investment firms to hire the best talent; however, in the UK, 64% think that it will restrict investment firms from hiring the best talent.



Question: Do you think Brexit will restrict the ability of investment firms in your home market to hire the best talent?

IMPACT OF DELEGATION RESTRICTIONS

49% in the UK indicate that restricting delegation arrangements will have a negative impact on investor outcomes.

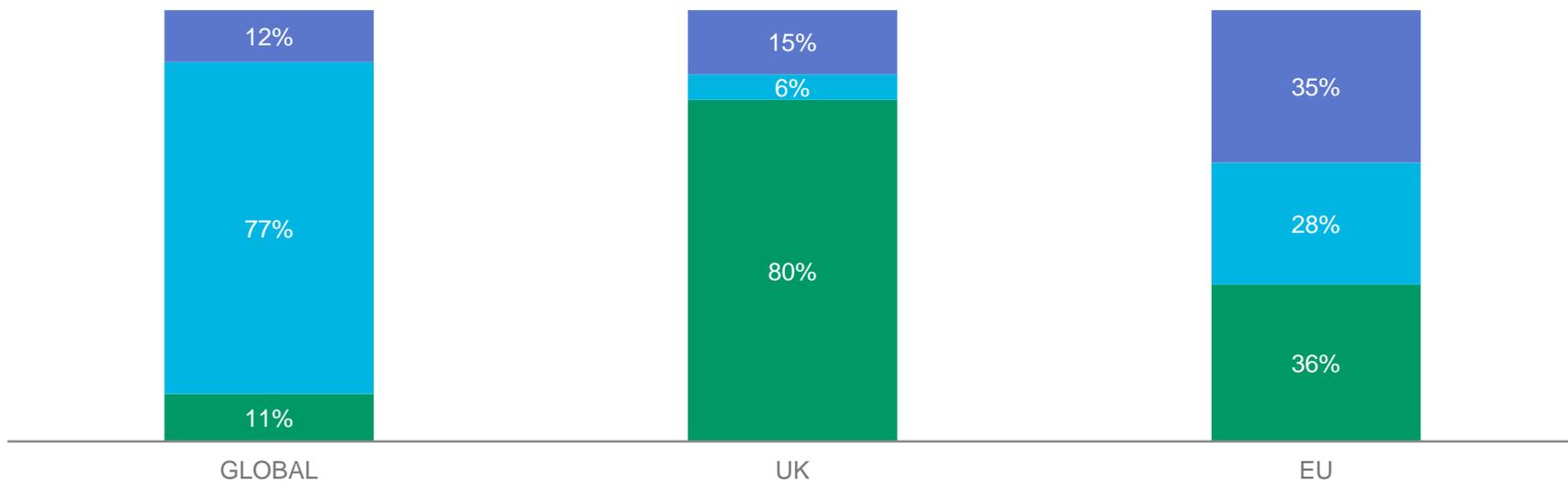


Question: If delegation arrangements are restricted as a result of Brexit, what impact, if any, do you think such restrictions will have on investor outcomes?

EFFECT OF BREXIT ON INVESTMENT RETURNS

77% think global investment returns will likely be unaffected as a result of Brexit; however, the majority of respondents (80%) think returns in the UK will be negatively affected. Perspectives on investment returns in the EU were almost evenly split.

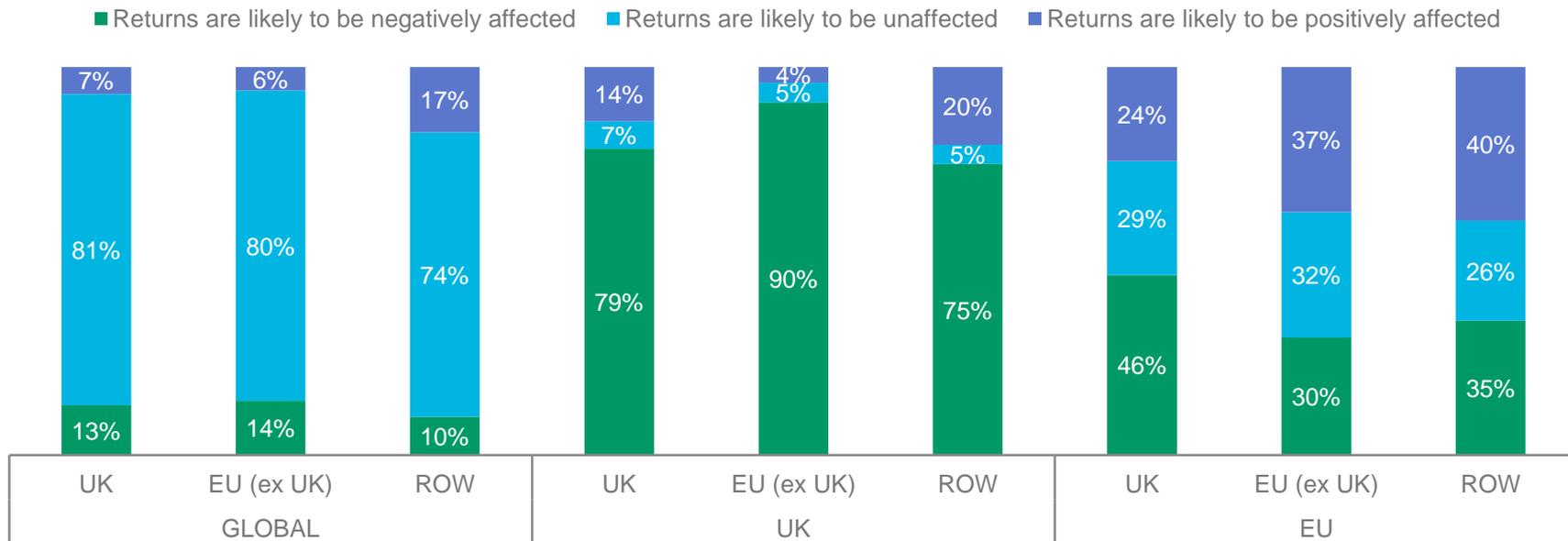
■ Returns are likely to be negatively affected ■ Returns are likely to be unaffected ■ Returns are likely to be positively affected



Question: How do you think investment returns over the next 3-5 years will be affected as a consequence of Brexit?
Calculation excludes those indicating "No opinion / Not sure"

EFFECT OF BREXIT ON INVESTMENT RETURNS

90% of members in the EU (ex UK) think investment returns in the UK will likely be negatively affected as a result of Brexit. 46% of members in the UK think returns in the EU will be negatively affected.

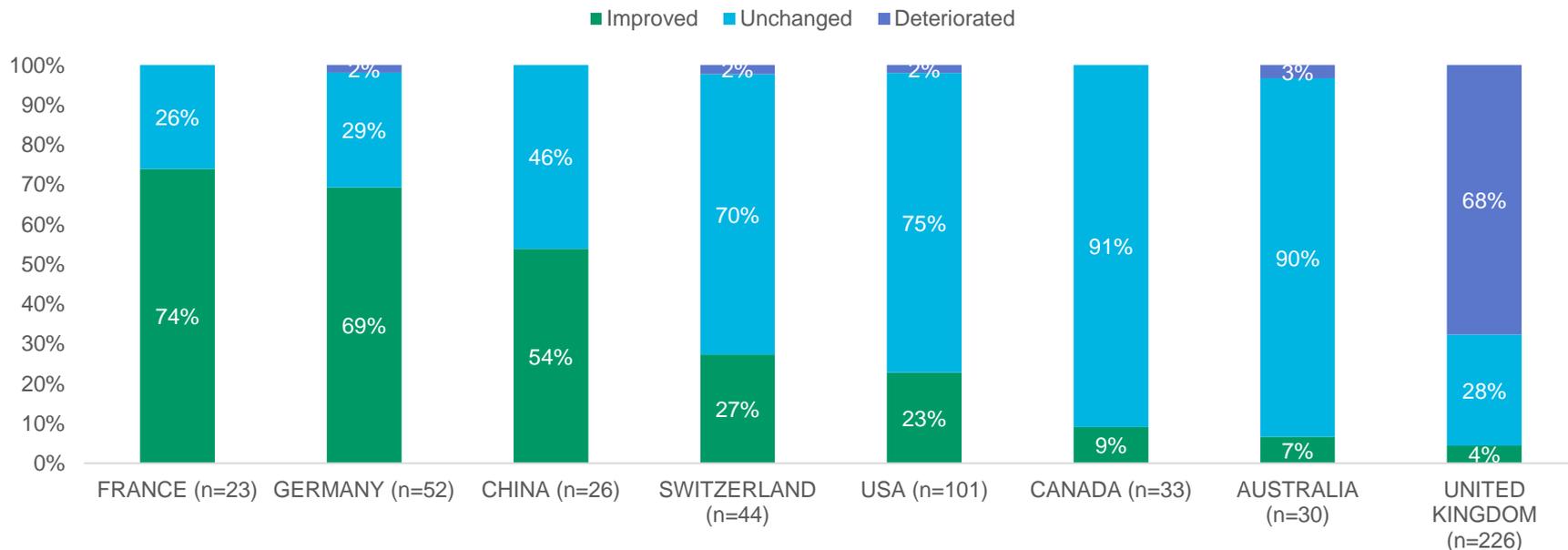


Question: How do you think investment returns over the next 3-5 years will be affected as a consequence of Brexit?

DETAILED GEOGRAPHICAL RESULTS

THE IMPACT OF THE BREXIT PROCESS ON COMPETITIVENESS OF FINANCIAL CENTERS

What impact, if any, has the Brexit process had so far on the competitiveness of [respondents' market] as a financial center?*

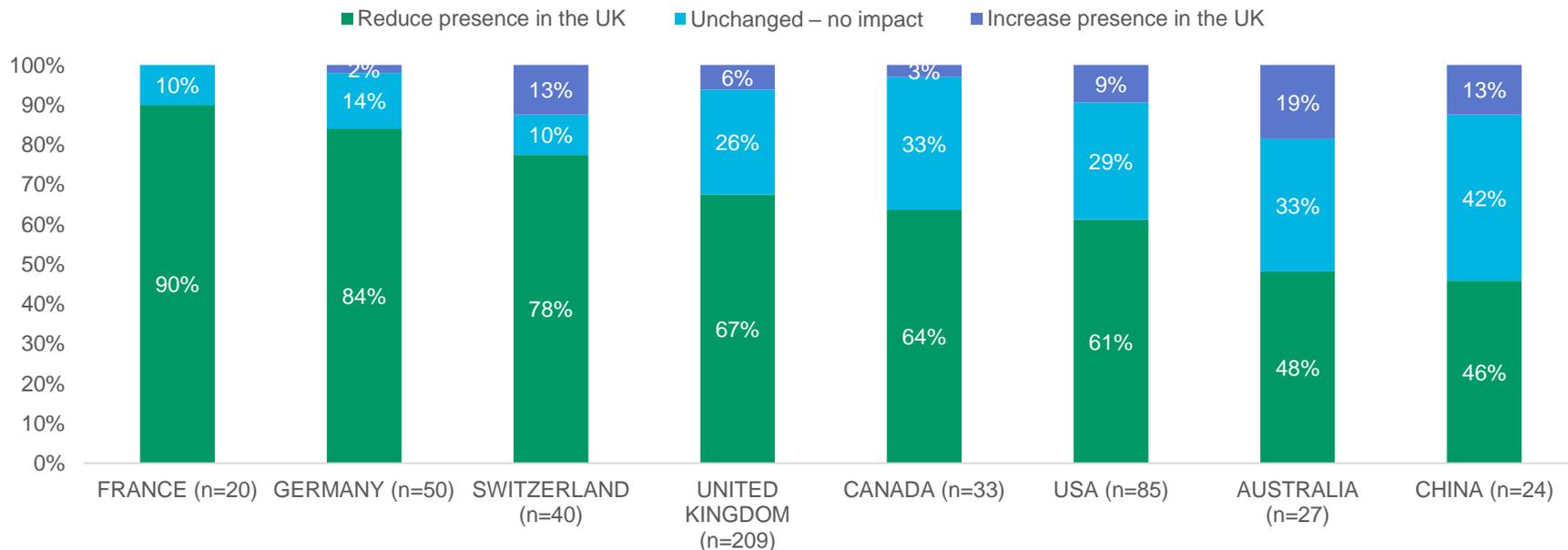


Question: What impact, if any, has the Brexit process had on the competitiveness of {respondents' market} as a financial center?

*Displaying markets with 20 responses or greater

EXPECTED REACTION FROM FIRMS WITH A STRONG UK PRESENCE

How do you expect firms in your local market with a strong UK presence to react to the UK's departure from the EU?*



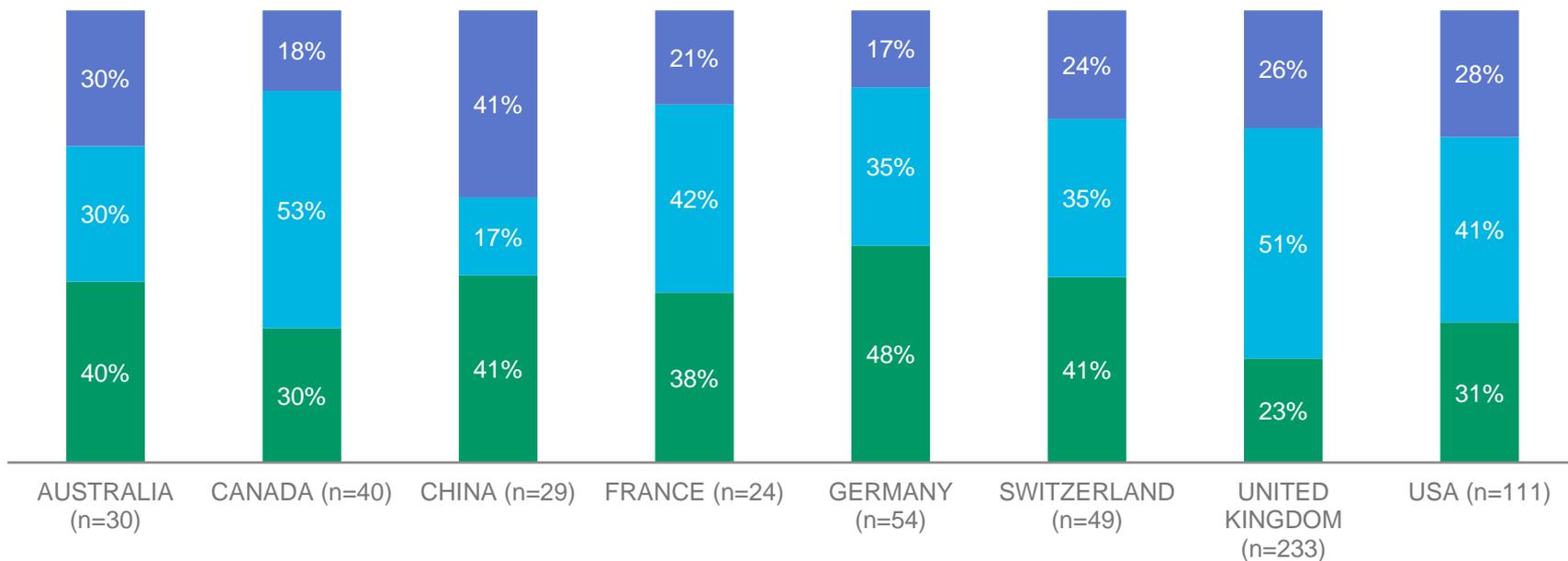
Question: How do you expect firms in your local market with a strong UK presence to react to the UK's departure from the EU?

*Displaying markets with 20 responses or greater

FINANCIAL MARKETS REGULATORY PERSPECTIVE

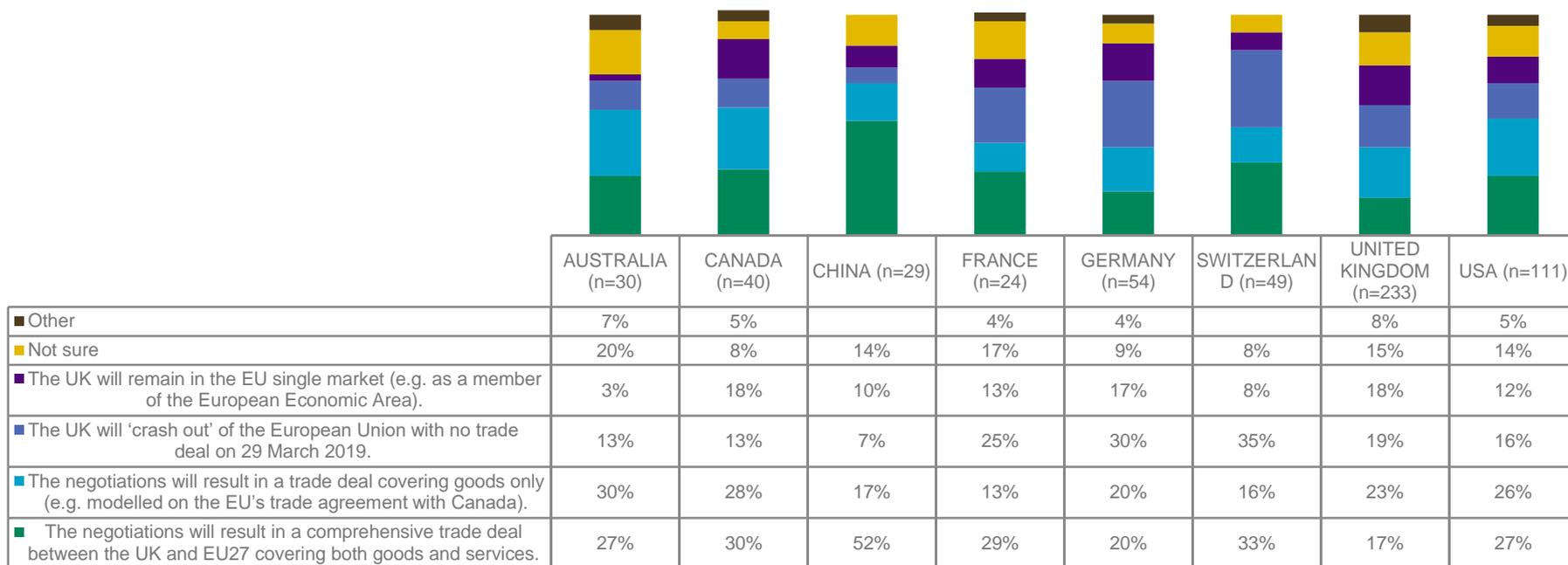
■ The UK will diverge from EU regulatory frameworks. ■ The UK will maintain regulatory alignment.

■ Not sure – too early to say/not enough detail



Question: What do you think the outcome of the Brexit process will be from a financial markets regulatory perspective?

LIKELY OUTCOME OF BREXIT NEGOTIATIONS



Question: One year ahead of the United Kingdom's exit from the European Union (29 March 2019), what do you think is the most likely outcome of the Brexit negotiations?

WINNERS FROM BREXIT

	AUSTRALIA (N=27)	CANADA (N=38)	CHINA (N=29)	FRANCE (N=24)	GERMANY (N=54)	SWITZERLAND (N=47)	UK (N=219)	USA (N=102)
Frankfurt	82%	90%	52%	96%	96%	96%	84%	76%
Paris	79%	64%	50%	88%	89%	86%	70%	60%
Dublin	57%	61%	18%	88%	85%	83%	84%	65%
Luxembourg	32%	42%	36%	62%	71%	69%	49%	48%
Amsterdam	36%	42%	21%	41%	62%	63%	56%	43%
New York	26%	45%	68%	43%	52%	24%	52%	49%
Zürich	48%	59%	36%	27%	35%	35%	38%	52%
Singapore	11%	29%	48%	13%	40%	17%	22%	23%
Hong Kong	4%	26%	39%	30%	24%	17%	18%	26%
Madrid	19%	14%	11%	14%	13%	27%	21%	22%
Milan	19%	19%	11%	23%	4%	20%	17%	17%
Shanghai	7%	27%	55%	10%	13%	2%	8%	13%
Tokyo	4%	19%	25%		6%	4%	4%	12%
London	7%	8%	21%		2%	2%	6%	15%

Question: Who are the likely winners / losers from Brexit?

*Small sample size

POSSIBLE CONSEQUENCES OF BREXIT BY 2026

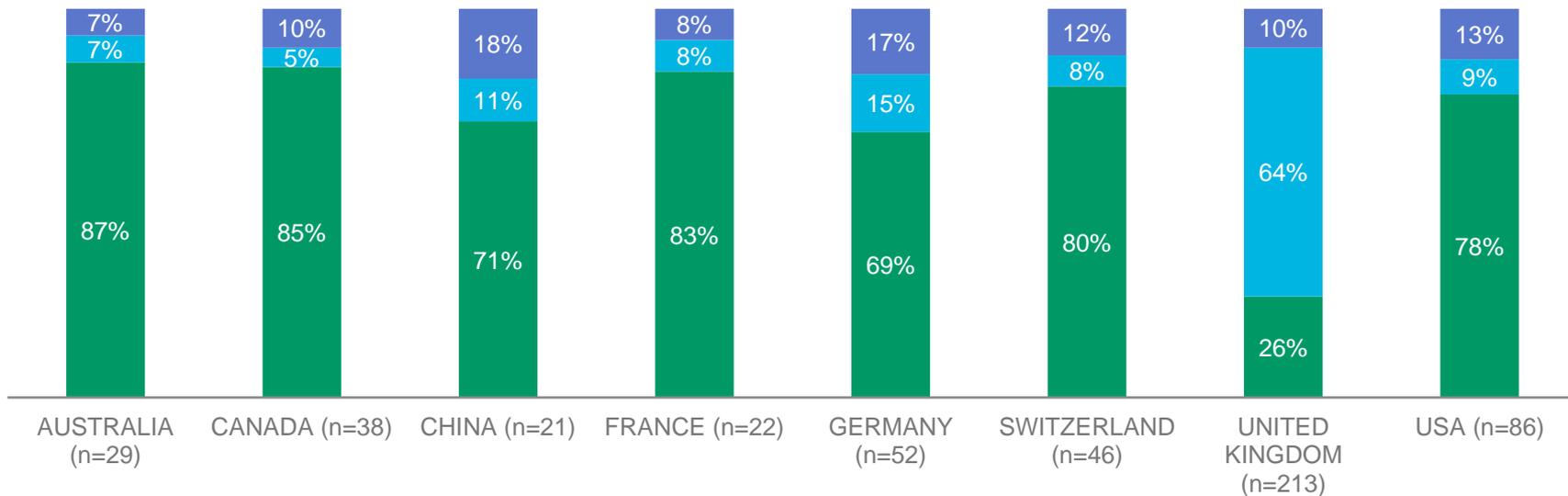
Table displays % likely (4+5)	AUSTRALIA (N=29)	CANADA (N=38)	CHINA (N=21)	FRANCE (N=22)	GERMANY (N=52)	SWITZERLAND (N=46)	UK (N=213)	USA (N=86)
UK fragmentation	40%	50%	18%	46%	50%	43%	43%	38%
EU strengthening (federal state)	10%	28%	14%	46%	41%	45%	42%	22%
More "exits" from the EU	53%	53%	43%	4%	13%	27%	28%	33%
No significant changes	17%	13%	14%	21%	13%	24%	13%	15%
The emergence of a 'multi-speed' European Union	67%	45%	39%	63%	49%	57%	43%	32%
Brexit will not happen	0%	20%	0%	13%	11%	14%	13%	19%

Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026:
Scale: Not at all likely (1) to Very likely (5): table shows % likely (4+5)

ATTRACTING THE BEST TALENT

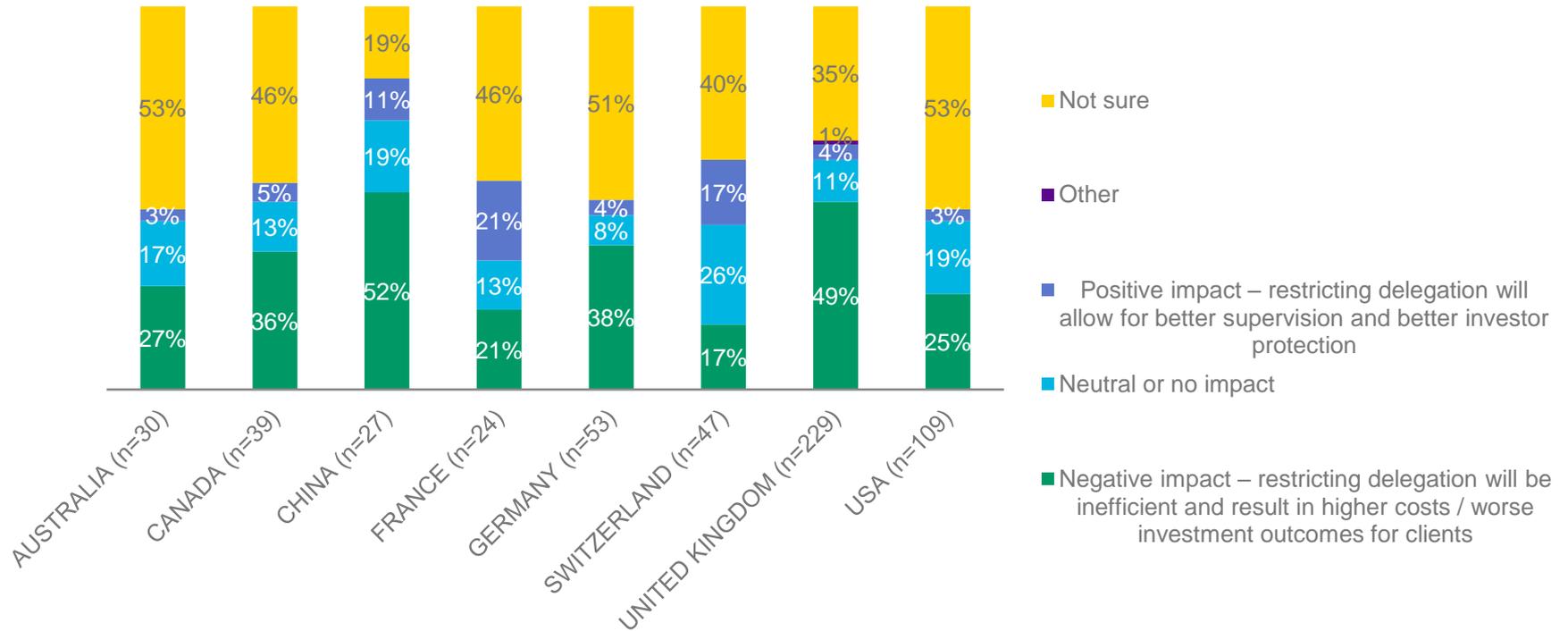
Do you think Brexit will restrict the ability of investment firms in your home market to hire the best talent?

■ No ■ Yes ■ Not sure



Question: Do you think Brexit will restrict the ability of investment firms in your home market to hire the best talent?

IMPACT OF DELEGATION RESTRICTIONS



Question: If delegation arrangements are restricted as a result of Brexit, what impact, if any, do you think such restrictions will have on investor outcomes?