

# GLOBAL BREXIT BAROMETER 2018

Tuesday 20 March 2018

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**CFA Institute**



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



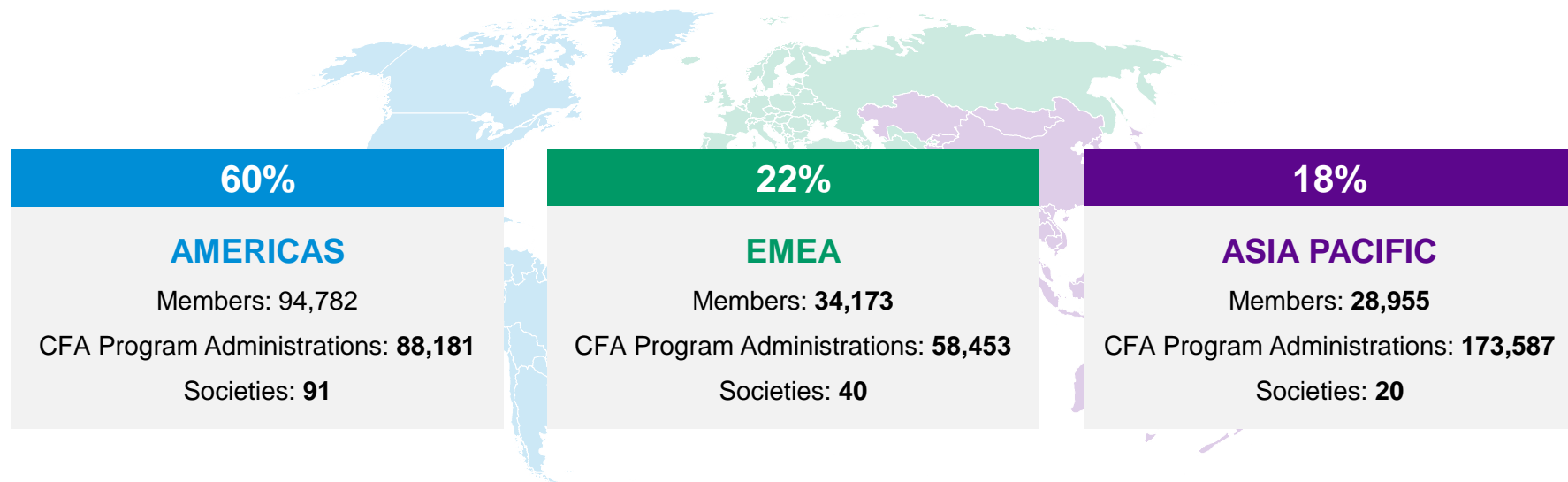
## Mission

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

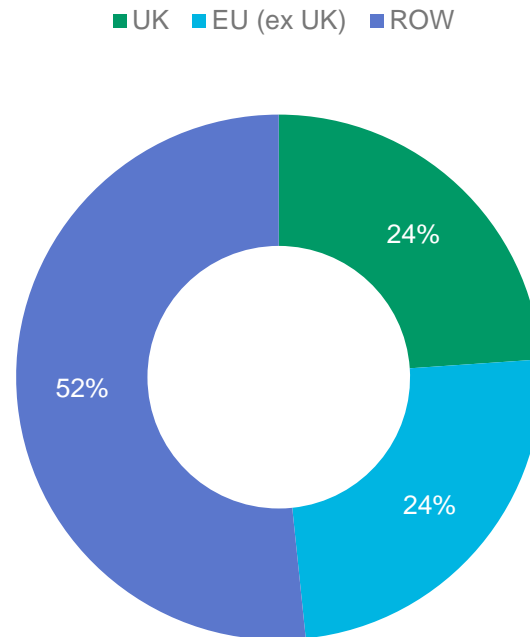
# ABOUT THE SURVEY

## 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).

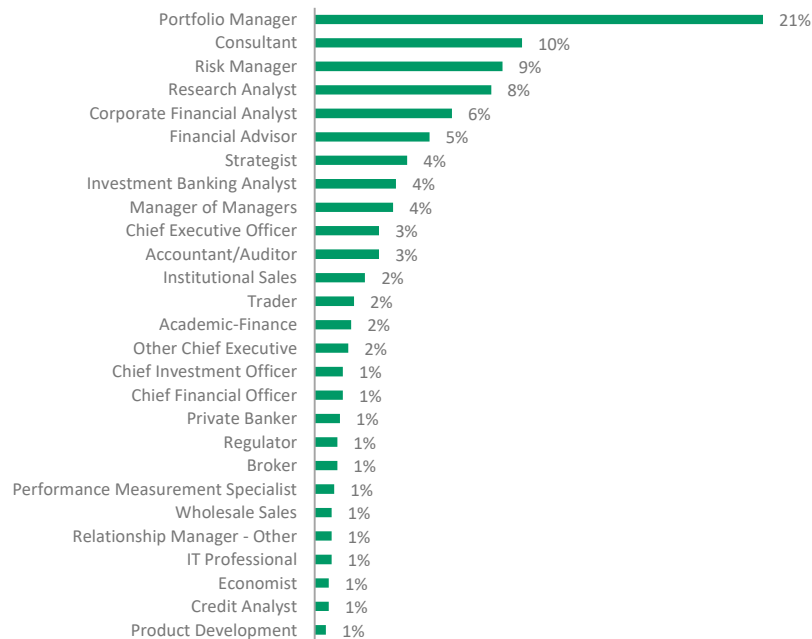
\*Global results were not re-weighted

Respondent Breakdown, by Geography

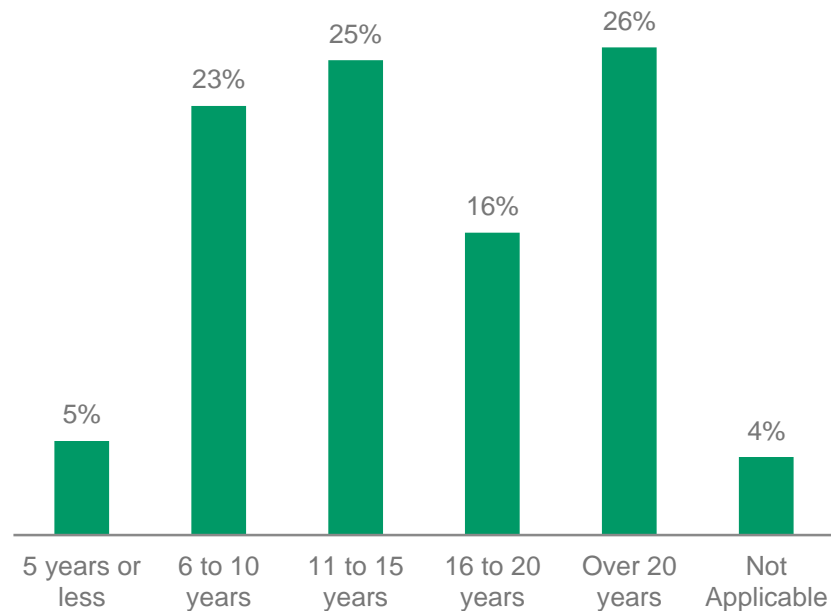


# RESPONDENT PROFILE

OCCUPATION



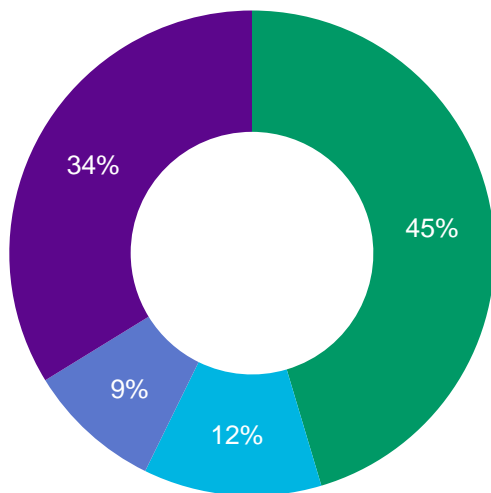
YEARS IN INDUSTRY



# RESPONDENT PROFILE

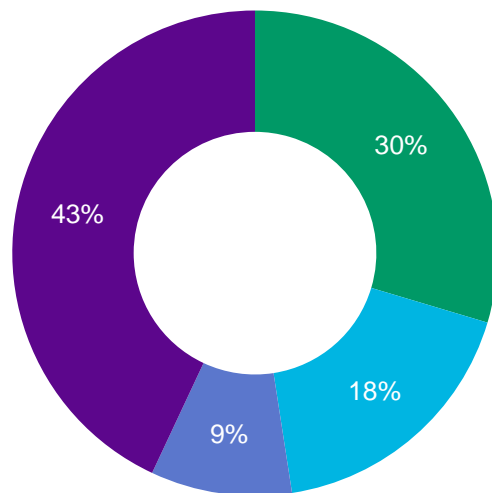
## BUY SIDE/SELL SIDE

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



## PRIMARY ASSET BASE

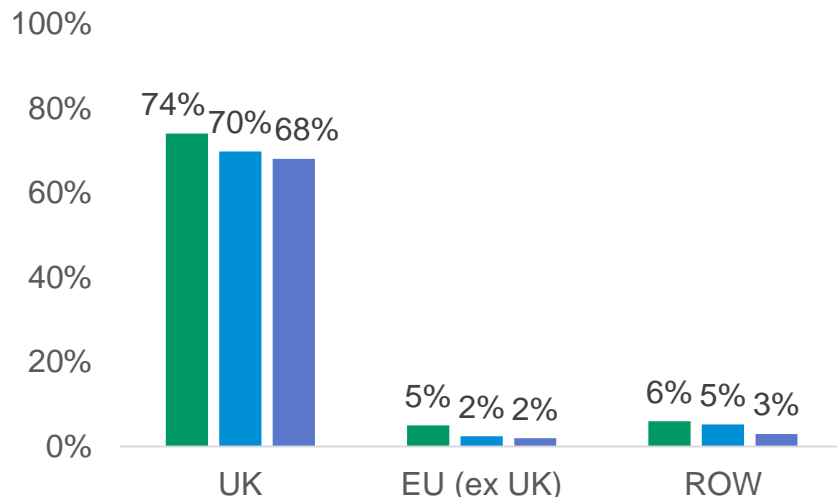
■ Institutional ■ Private ■ Both ■ N/A



# 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\*

■ July 2016 ■ Feb 2017 ■ Feb 2018



- 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.

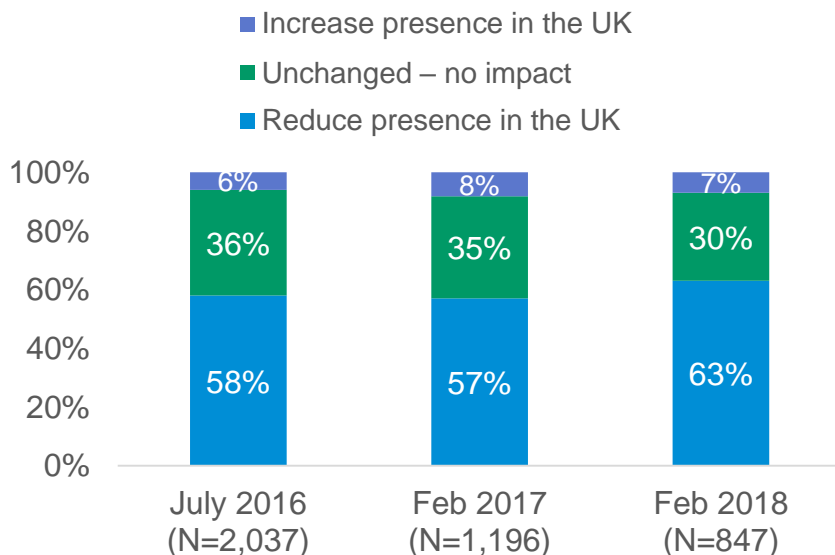
Question: What impact, if any, has the Brexit process had so far on the competitiveness of [respondents market] as a financial centre?

\*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?\*



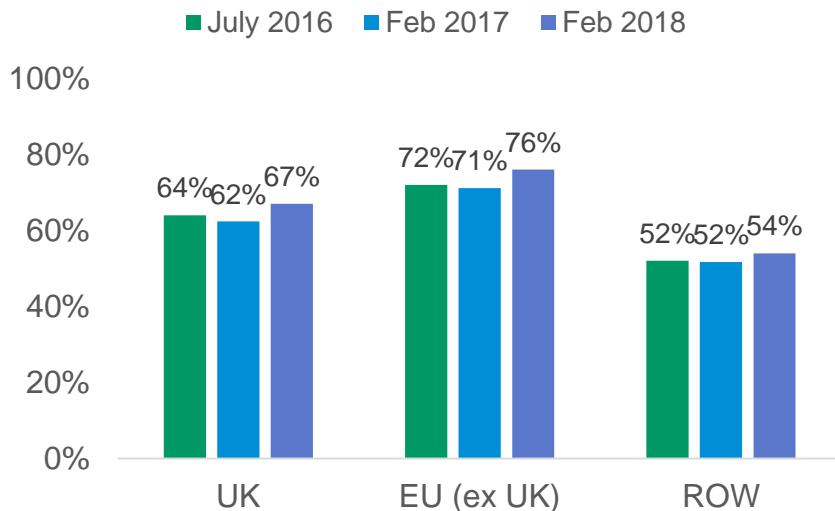
- Similar to the findings in July 2016 and February 2017, over half (63%) of respondents expect firms with strong UK presence to reduce their presence in the UK, and only a small proportion (7%) expect an increase.
- 30% expect firms' presence in the UK to be unchanged.

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\*



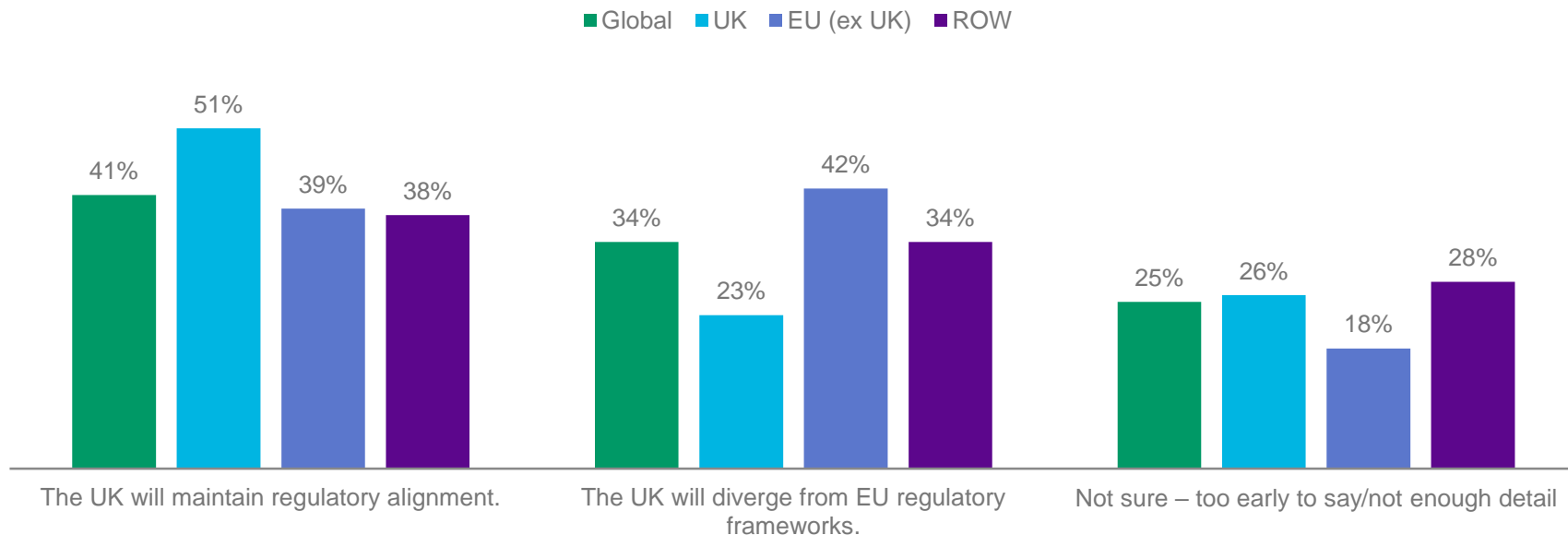
- Respondents in the EU (excluding the UK) are most likely to expect firms in their market to reduce their presence in the UK as a result of Brexit: 76% of those in the EU (ex UK), compared to 67% of those in the UK and 54% from the rest of the world.

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

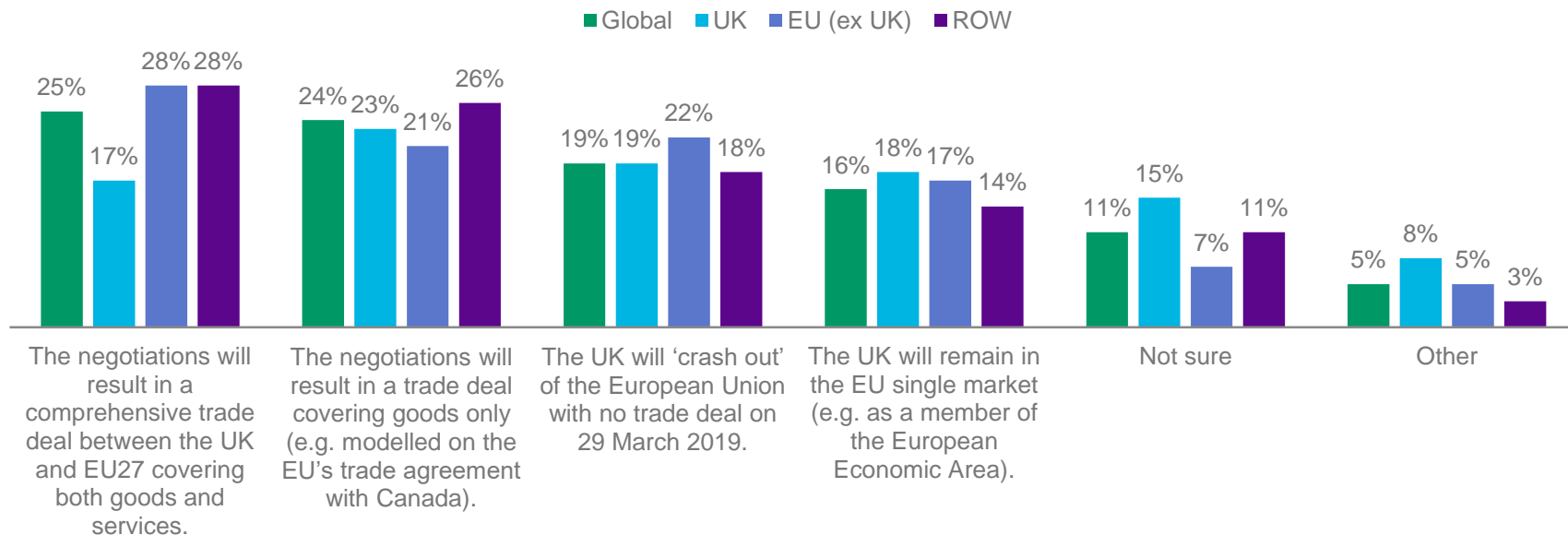
**Post-Brexit, 41% of respondents think the UK will maintain regulatory alignment from a financial market perspective (higher among respondents in the UK than other markets).**



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

# LIKELY OUTCOME OF BREXIT NEGOTIATIONS

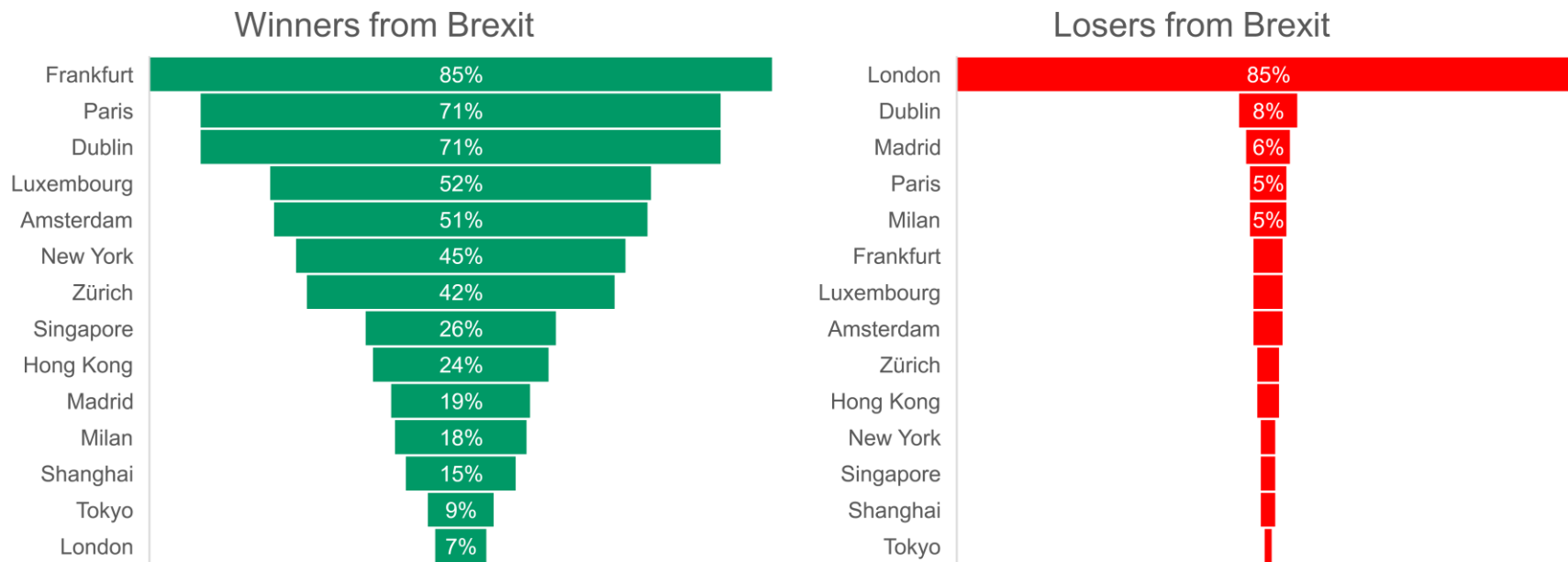
**Respondents are divided on likely outcomes one year ahead of the United Kingdom's exit from the European Union.**



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?

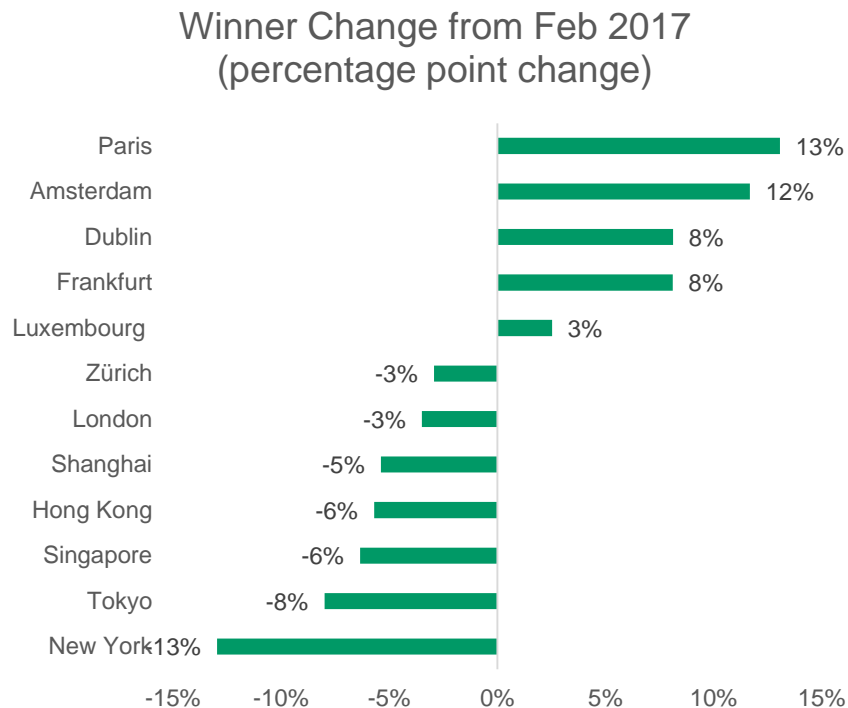
# WINNERS AND LOSERS FROM BREXIT

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

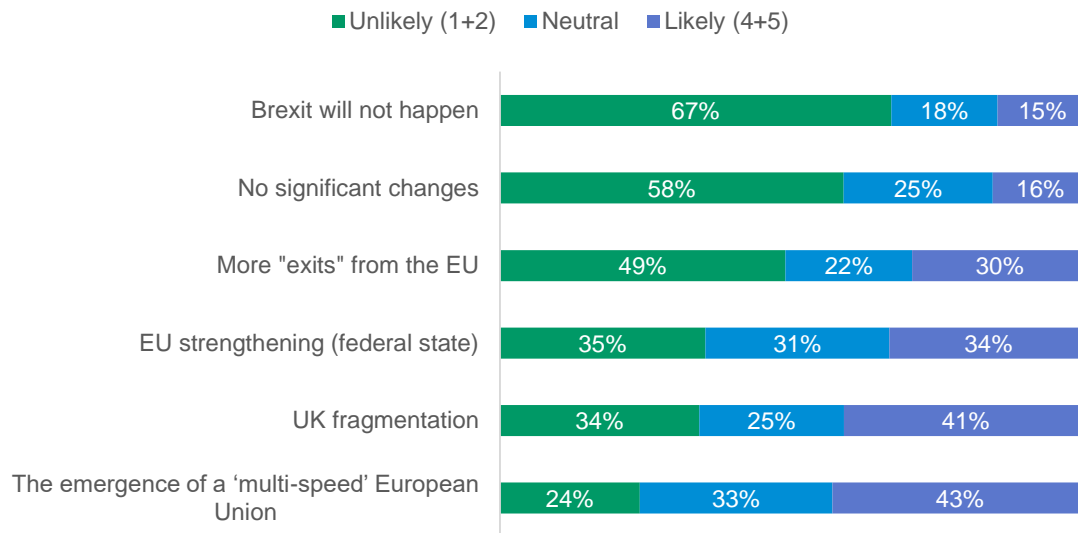


- Compared to February 2017, a higher proportion of respondents indicated Paris is a winner from Brexit (58% vs. 71% in Feb 2018).
- Those in the UK were most likely to rate Dublin and Frankfurt as a winner (84%), those in the EU (ex UK) were most likely to rate Frankfurt (97%) and Paris (90%) as winners.

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



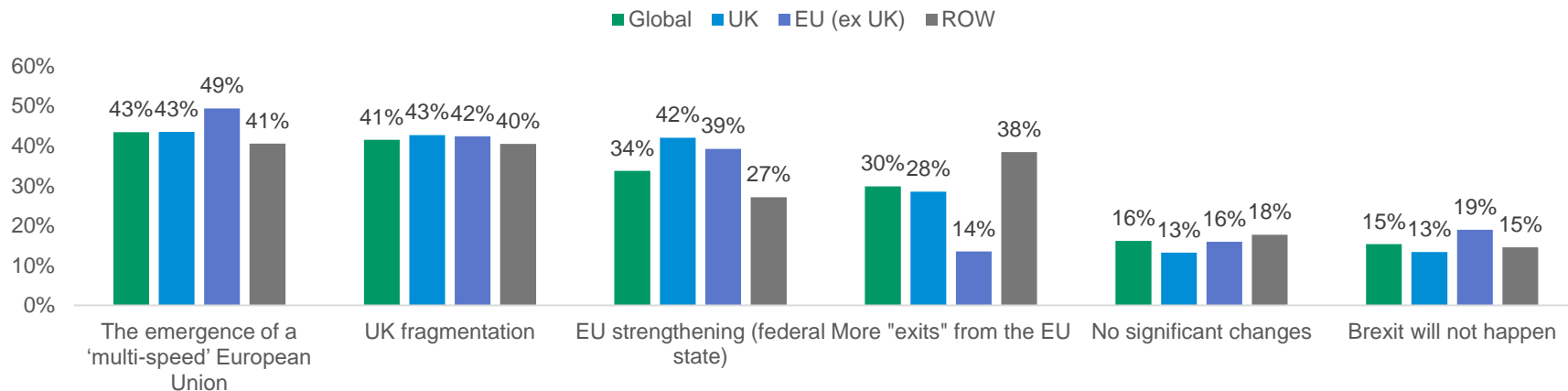
- 67% think it is *unlikely* that Brexit will not happen (down from 84% in February 2017).
- 49% respondents think more “exits” from the EU by 2026 are *unlikely* (up from 19% in February 2017)
- 34% think UK fragmentation is unlikely (up from 23%)

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)*

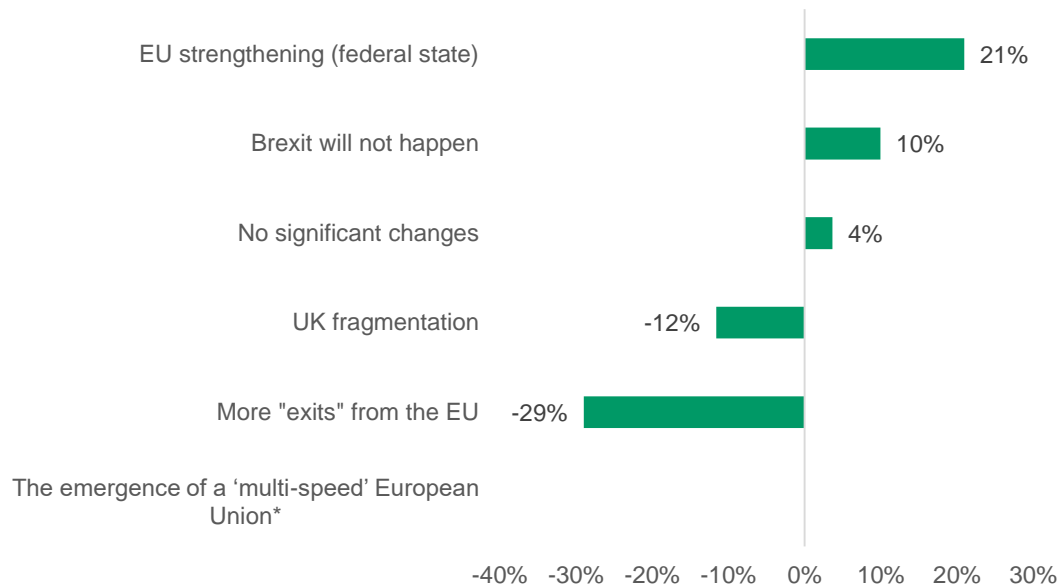


Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.  
Scale: Not at all likely (1) to Very likely (5)



# 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%)

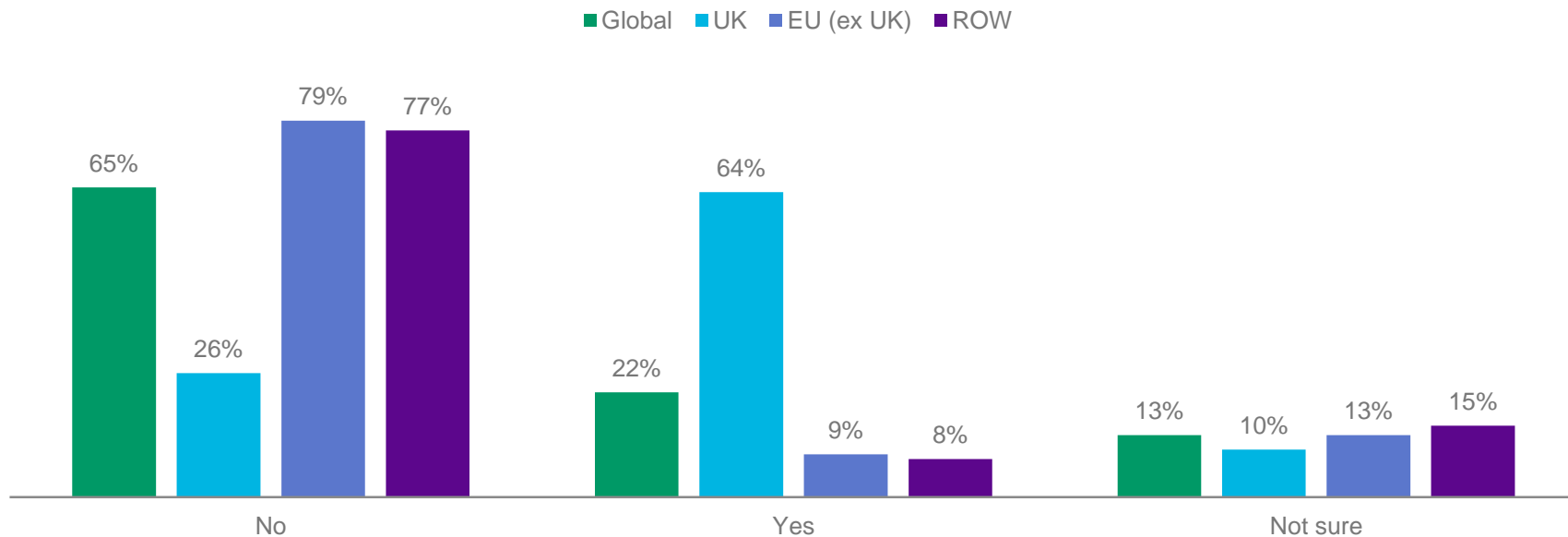
Question: Please indicate how likely you think each of the following consequences of Brexit are, in terms of the possibility of their occurrence by 2026.

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

\* Not asked in Feb 2017

# ATTRACTING THE BEST TALENT

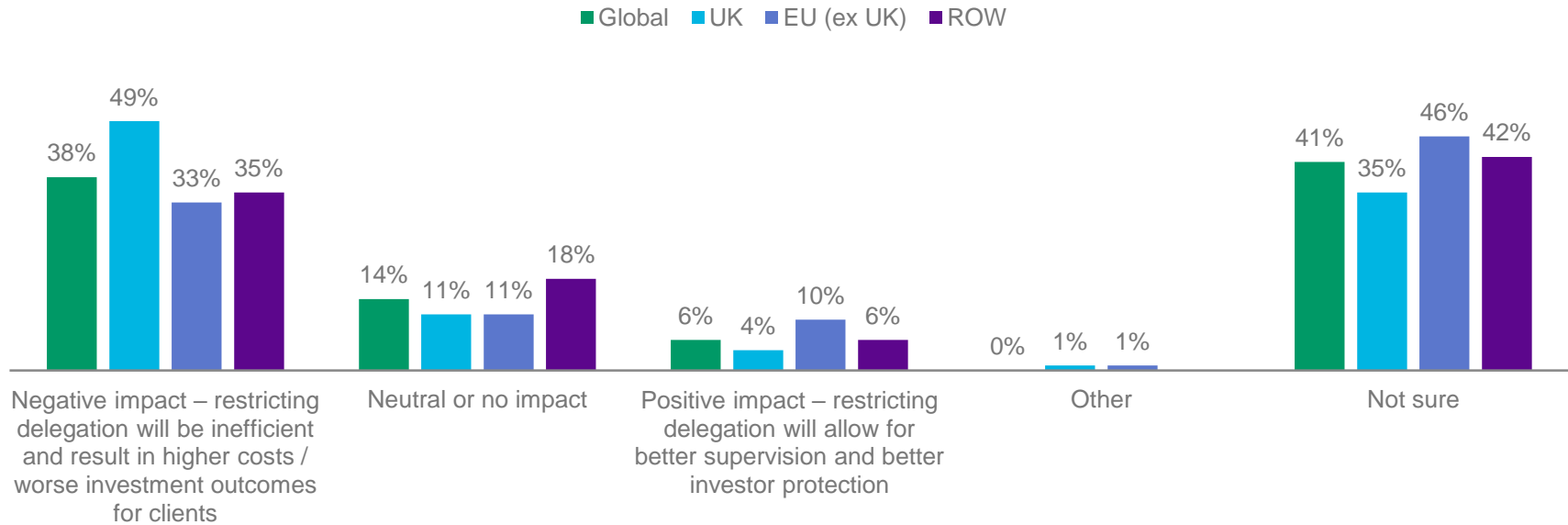
**65% of respondents think Brexit will not restrict the ability of investment firms to hire the best talent; however, in the UK, 64% think that it will restrict investment firms from hiring the best talent.**



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

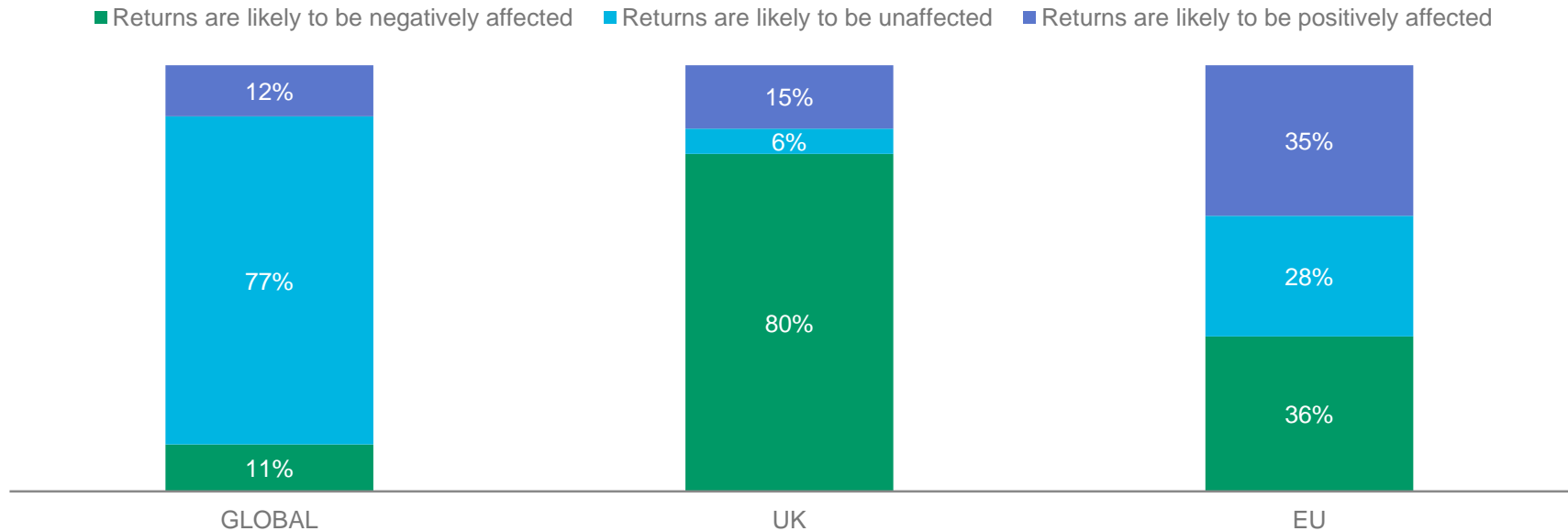
**49% in the UK indicate that restricting delegation arrangements will have a negative impact on investor outcomes.**



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

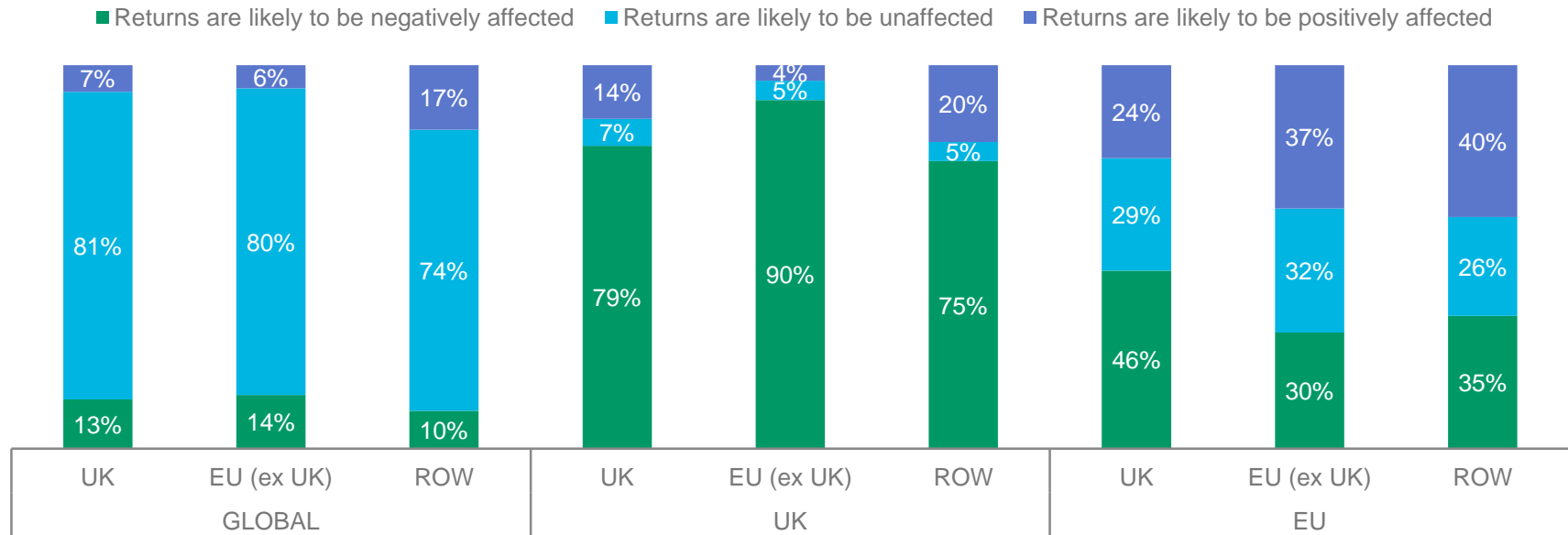
**77% think global investment returns will likely be unaffected as a result of Brexit; however, the majority of respondents (80%) think returns in the UK will be negatively affected. Perspectives on investment returns in the EU were almost evenly split.**



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.**

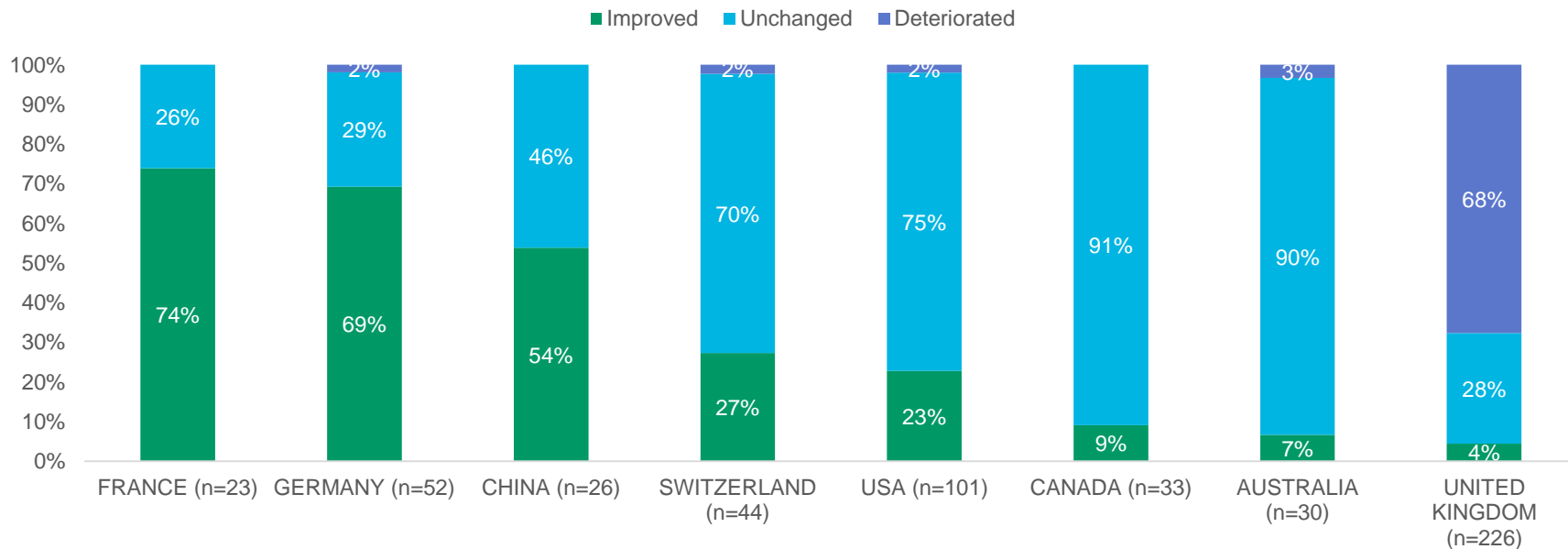


Question: How do you think investment returns over the next 3-5 years will be affected as a consequence of Brexit?

# 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?\*

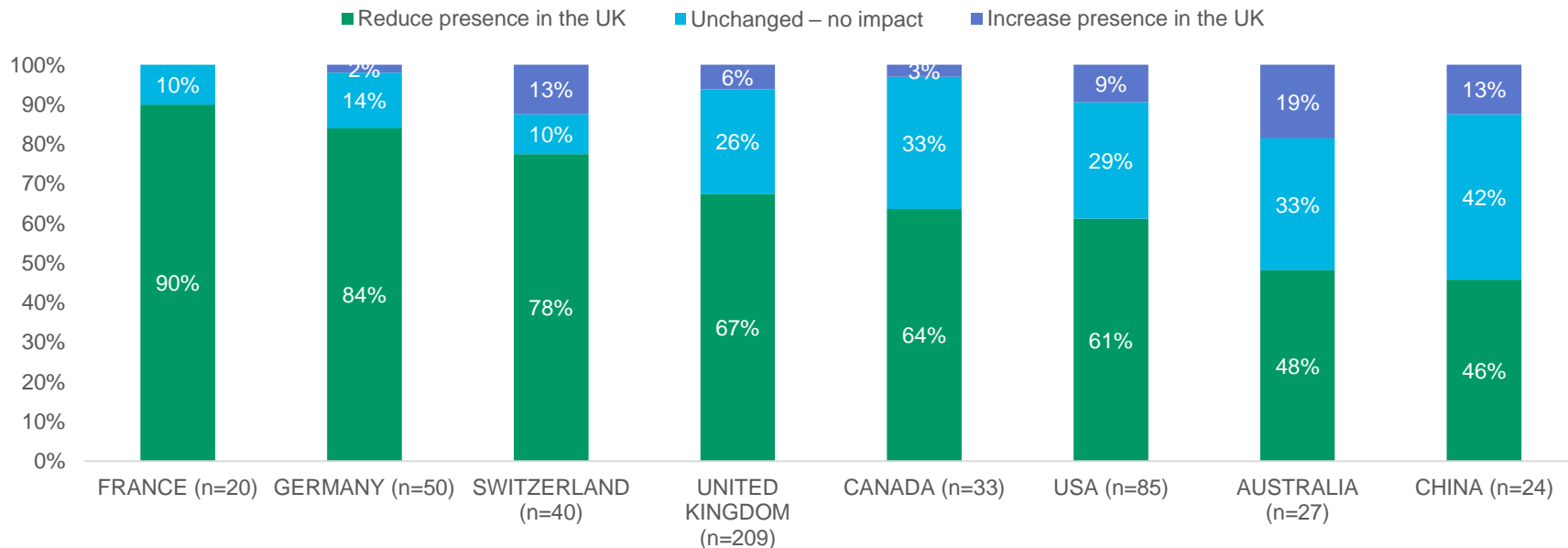


Question: What impact, if any, has the Brexit process had on the competitiveness of {respondents' market} as a financial center?

\*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?

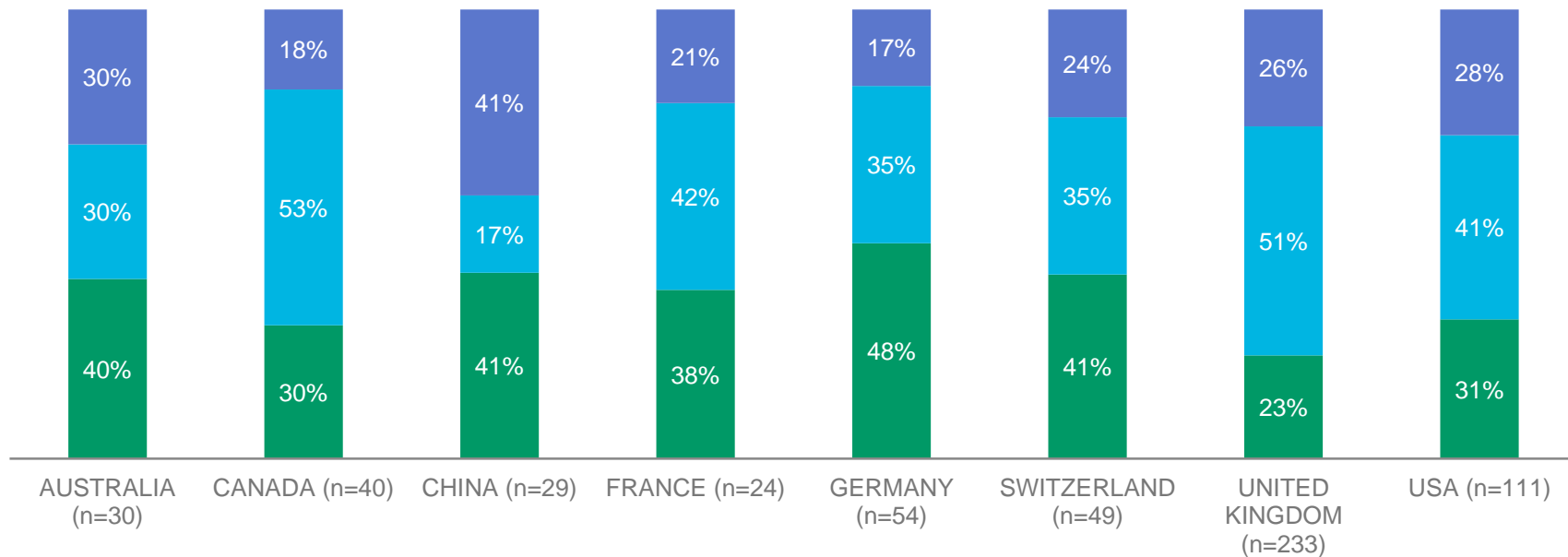
\*Displaying markets with 20 responses or greater



# FINANCIAL MARKETS REGULATORY PERSPECTIVE

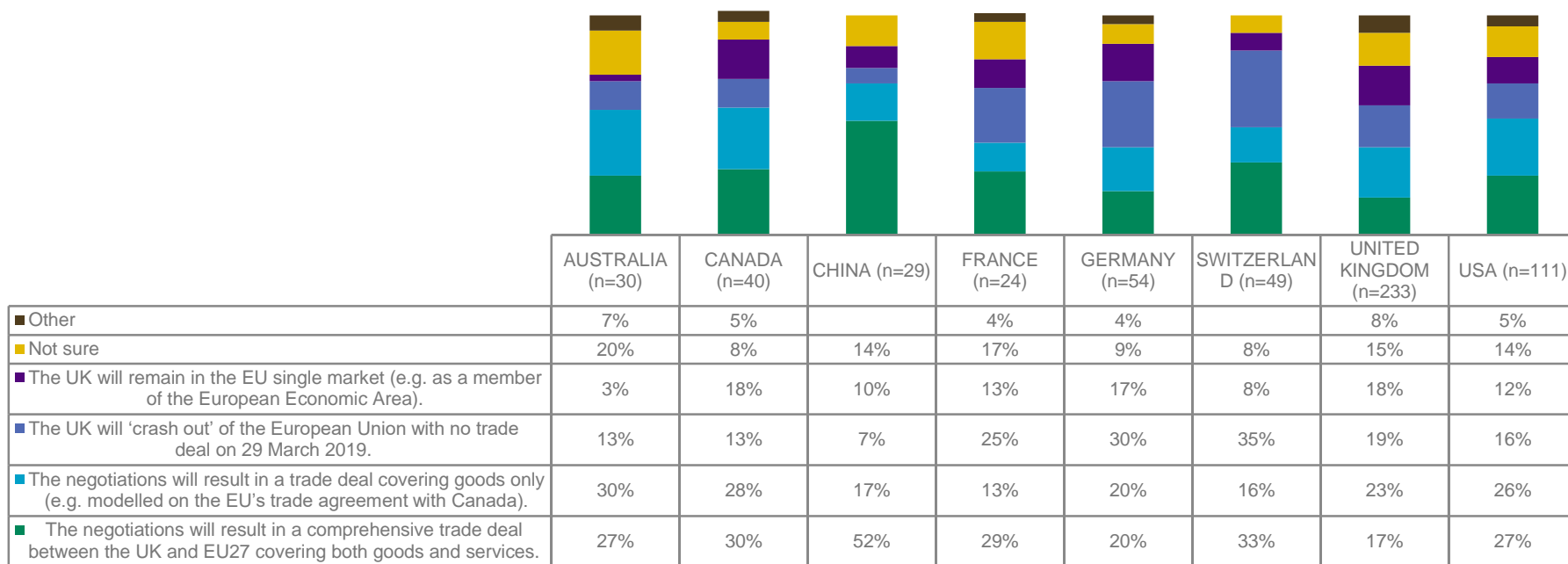
■ The UK will diverge from EU regulatory frameworks. ■ The UK will maintain regulatory alignment.

■ 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

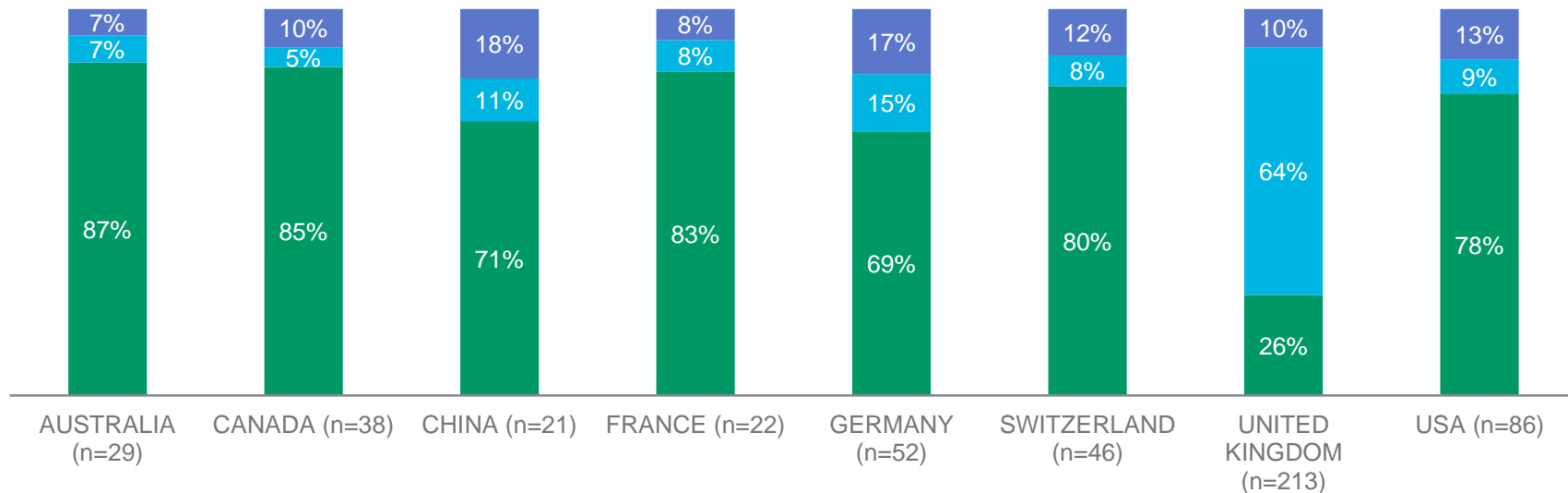
<b>Table displays % likely (4+5)</b>	AUSTRALIA (N=29)	CANADA (N=38)	CHINA (N=21)	FRANCE (N=22)	GERMANY (N=52)	SWITZERLAND (N=46)	UK (N=213)	USA (N=86)
UK fragmentation	40%	50%	18%	46%	50%	43%	43%	38%
EU strengthening (federal state)	10%	28%	14%	46%	41%	45%	42%	22%
More "exits" from the EU	53%	53%	43%	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

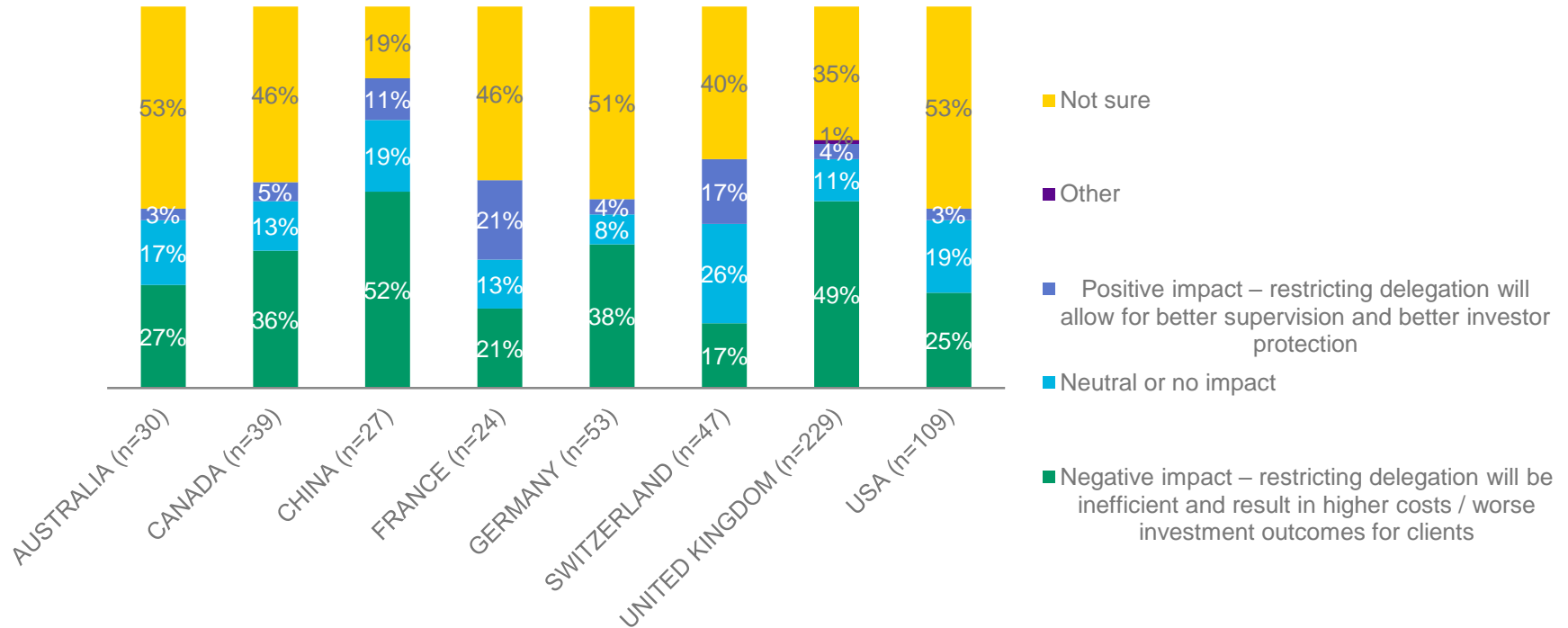
Do you think Brexit will restrict the ability of investment firms in your home market to hire the best talent?

■ 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?