

## Press Release

### **Financial Centre Frankfurt emerges as major winner of a Brexit**

FRANKFURT, 21 July 2016. Germany's financial industry is in firm agreement that the Financial Centre Frankfurt will profit from a British exit from the EU, although the outcome of the British vote largely came as a surprise to the industry. The potential impacts on the German economy are also regarded as neutral to positive. These were among the results of a survey of financial institutions and service providers in the Financial Centre Germany. Securities trading and settlement in the Financial Centre Frankfurt will receive a particular boost, according to 78% of respondents. Just over half the survey participants believe the European Banking Authority (EBA) will move from London to Frankfurt. Regarding potential shortages in Frankfurt in case of an influx of business, 72% of the surveyed financial firms are concerned about adequate living space.

"The survey results confirm that many financial market participants had not expected the Brexit outcome at all. This surprise effect is reflected in the high level of stock market volatility we can expect to see in the coming months," Professor Volker Brühl, Managing Director of the Center for Financial Studies, interprets the results.

For almost all companies surveyed (95%), the Financial Centre Frankfurt emerges as the major winner. In addition, just over two thirds see Paris as another beneficiary of a British exit. 15% expect Amsterdam to profit. Just 6% see a positive effect for London. Hardly any respondents expect to see Milan or Madrid benefit, but one third expect positive impacts on other financial centres.

"Frankfurt was well prepared for a Brexit. We will make every effort to take advantage of this once in a century chance. It is clear to us that London will maintain its position as the central financial centre. We hope that the Financial Centre Frankfurt will become the bridge between London and the Eurozone," explained Hubertus Väth, Managing Director of Frankfurt Main Finance e.V..

When asked in which business areas the Financial Centre Frankfurt could benefit in particular, 78% of respondents pointed to securities trading and settlement. Half the participants see opportunities for the areas of asset management and corporate banking, followed closely by professional services (43%). By contrast, only 7% named retail banking in this regard.

"The results reveal the market participants' high expectations about the future role of the Financial Centre Frankfurt. Yet other financial centres are also hoping to benefit. I therefore anticipate stiff competition between various locations, so it will be crucial to highlight Frankfurt's specific strengths to top decision-makers," adds Professor Brühl.

It is unlikely that the European Banking Authority (EBA) will be able to keep its headquarters in a country outside of the EU. However, it remains to be seen where the EBA will choose as its next location. The majority of the German financial industry (57%) believes the EBA will move to Frankfurt. However, 33% of respondents expect the EBA to relocate to another city.

The German financial industry is also anticipating certain bottle-necks in case business activities shift from London to Frankfurt. Almost three quarters of those surveyed (72%) point to a shortage of living space; half (53%) are concerned about having enough qualified personnel; 27% believe the transport infrastructure may not be sufficient; 22% point to the availability of office space. By contrast, only 11% see Frankfurt's IT infrastructure as a potential bottle-neck.

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### **Majority of the financial industry in favour of limiting Britain's access to the EU interior market and expects a Brexit to have neutral to positive impacts on the German economy**

In the opinion of most financial institutions and service providers surveyed (68%), the EU should not grant Britain unrestricted access to the EU interior market after a Brexit. By contrast, 22% advocate not introducing any restrictions in spite of a Brexit. Around half the respondents (48%) regard the potential impacts of a Brexit on the German economy as neutral, while 35% see them as positive. Just 15% are anticipating negative impacts.

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The results are based on a quarterly management survey of around 400 companies in the German financial sector.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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