

## VIDEO

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# Focus on Funds: View from the Square Mile: Impact of Brexit on Fund Industry

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During a recent panel discussion organized by ICI and the Centre for the Study of Financial Innovation (CSFI), industry leaders considered the implications of Brexit for global funds. In the July 7, 2017, edition of *Focus on Funds*, CSFI Director Andrew Hilton summarizes the discussion.

### Transcript

**Stephanie Ortvals-Tibbs, ICI director of media relations:** What's the future of UCITS, the European fund investment vehicle that has been used globally by asset managers and their investors? Recently, ICI Global and the Centre for the Study of Financial Innovation cohosted a dialogue around that question, and afterwards I got some key takeaways from the panel moderator, Andrew Hilton.

So Andrew, when you think about the discussion that went on this evening, what are a couple of the crosscutting themes or comments that stand out to you?

**Andrew Hilton, director, Centre for the Study of Financial Innovation:** Well, I think I was more concerned about the level of concern that others had for the whole Brexit negotiations—where it's going to end up. I am broadly optimistic, but it was quite clear that the panel wasn't, that there is a lot more concern about what's going to happen to the fund management industry, what's going to happen to Brussels itself, and, you know—there isn't much wiggle room in the negotiating position of the EU 27 at the present time, and the level of concern around the room is quite high.

**Ortvals-Tibbs:** So Andrew, thinking about all of the consistency you heard, what also surprised you?

**Hilton:** Well, I think that the level of concern surprised me, and also the unanimity of the feeling that there aren't really too many easy answers. This is going to be very difficult. It's going to be difficult to set up. You clearly can't set up brass-plate operations. It's quite clear that fund managers from third countries are already looking at London and saying, "Well, maybe not. Maybe we'll put our business somewhere else." London is therefore under

threat. London is under threat not immediately but, over time, the attrition is going to erode London's position.

Now, at the end, you ask the panel what is going to happen to London in five years, and the general consensus is that, "Oh, it'll be okay. It won't be as big, it won't be as powerful, but it'll be okay." But I think that in a way was a sort of heroic end of the debate—where we say, well, it really isn't going to be as awful as we told you it was going to be. But the whole tone of the debate was more pessimistic than I expected.

**Ortbals-Tibbs:** And so Andrew, knowing that you run a center that studies financial innovation and has a particularly strong City focus, how does this conversation begin to move forward in your mind? What will your view be going on from here?

**Hilton:** Well, I think that we're looking at it on a day-to-day basis, and it's quite clear to me that at the moment there isn't good will. If there were good will, the Brexit negotiations could be concluded very quickly. But without good will, we're not going to conclude them at all. Within a couple of months, I think, the negotiations are going to cease to focus on the deal, and they're going to focus on the transition. Can we have a lengthy transition period? And I don't think what that transition period will look like, but there's no way we can get a deal by—it's not just March 2019, which is the final deadline, but have to give the EU 27 at least six months for its parliaments to ratify any agreement that we have. So we're looking at the autumn of 2018—and we can't do a deal that quickly. That's quite clear, and I think therefore that London is at risk. That's a pity, because I am quite enthusiastic about the sun-lit uplands—the life after Brexit—but at the moment, Brexit itself looks very difficult.

## Additional Resources

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