Brexit Woes – will they ultimately mean rich pickings for other Derivative centres?

Bank of England warns EU over Brexit risk to financial stability – The Guardian, Oct 9, 2018

Singapore and Hong Kong could be "overwhelmed" by the next banking jobs boom – efinancialcareers, Sep 19, 2017

The negotiations over Britain's withdrawal from the EU (Brexit) were supposed to done and dusted some time ago. Alas, as Britain and Europe stumble towards a possible deal, the negative impact to Britain's pillar of its economy, Financial Services, is growing ever more worrying.

This month the Bank of England warned that London's share of the massive global derivatives market is at risk, estimating that some $76 trillion of derivatives contracts at risk especially if the EU doesn't agree on a new post Brexit clearing regime. If this is not resolved in time it may mean that EU companies may not be able to do business with London's clearing houses, causing massive disruption to London's derivatives business as well as significant costs to EU corporates. The BOE claims that there has been significant progress in London but much less in EU, possibly reflecting the importance given by each party.

These are just the latest in a sorry tale of political ineptitude and a lack of a solution with multiple factors still on the horizon to be solved, such as the Irish border problem, uncertainty will remain the name of the game well into next year and the Brexit deadline.

Since Brexit happened, the question of which plate or plates some of Britain's share of the huge global Derivative pie will land on has been garnering the attention of countries world-wide. The obvious benefactors will be Frankfurt and Paris, but New York and Asia have also been jockeying to encourage business into their parlour.

Whilst Global banks have been considering moving some of their derivatives business; in Asia, regulators such as the MAS and the HKMA have had discussions on the regulatory side for this potential shift. Banking areas affected would not just be the front office but also in the support areas as well, affecting centres who specialize in handling post trade flow as well as traders and sales personnel.

So as the sorry Brexit tale unfolds it seems that the needs for derivative skill sets in all areas of banking, ex-London, is likely to grow. It will likely entail hiring new staff for derivatives roles and training existing staff to handle more complex derivative products. As always it starts with knowing the fundamentals…

The Intuition Know-How Library consists several tutorials related to this article:

Introduction to Derivatives
- Derivatives - An Introduction
- Derivatives - Markets
- Forwards & Futures - An Introduction
- Swaps - An Introduction
- Options - An Introduction
- Derivatives Applications - Scenario

For Intuition blended learning related to this article, some of our popular workshops include:
- Derivative Risks – Overview, Applications & Mitigating Business Risks
- Commodities – Investment Roller Coaster
- Investing in Structured Products & Financial Derivatives
- Accounting for Treasury Instruments and Derivatives
- Cross Currency Rate Swaps – Processes and Applications
- Exotic FX Products – Features & Risks

Get in touch with your Intuition account manager at asiainfo@intuition.com for more details.

Get the app