

With No Frexit, the Focus Returns to Brexit

May 9, 2017

With French presidential elections out of the way, expect further clarity on Brexit and more competition from French banks.

Last week the debate across the channel about how the U.K. and the EU should best engage on the Brexit process could be heard at near DEFCON 1 levels.

Countering European Commission president Jean-Claude Juncker's contention that "Brexit cannot be a success," U.K. Prime Minister Theresa May warned, "[I will be a bloody difficult woman.](#)"

It is hard to avoid the impression that some of this display was posturing toward the rest of Europe—and French voters in particular—to emphasize that leaving the EU is best avoided.

Exit Frexit

With Emmanuel Macron's resounding victory in the French presidential election, the prospect of Frexit is off everyone's mind—at least for the next 5 years. And there is not another major electoral trap within the EU in the next 1 to 2 years, as German voters will head to the polls this fall and appear likely to vote for some version of mainstream, pro-EU political continuity.

While there will still be some need for political posturing in the U.K. ahead of the British elections, it is fair to assume that the U.K.-EU discussion will become more business-focused. In the coming months, the discussion will focus on the practical questions of Brexit and the impact on companies.

The main question will be how companies should organize their businesses, including:

- recruitment of EU nationals in the U.K.
- the provision of cross-border financial services
- organizing cross-border supply chains that may no longer enjoy complete freedom of trade in goods and services

Paris Back in the Game

A second immediate implication of the French election is that financial services providers and their clients should find that "Paris is back in the game" and poised to pick up business from providers that are moving some of their operations from the U.K. to continental Europe.

The public announcements from firms including [Goldman Sachs](#), [J.P. Morgan](#) and [UBS](#) have so far clearly

avored Frankfurt, as few banks would have ventured to staff up in Paris with the prospect of an extreme left or extreme right government. But with Macron's background, it is fair to assume there will be an early focus in his administration to attract more of the "Brexit crowd" to Paris by relaxing labor market rules, taxation and other regulations that have acted as a drag on Paris' attractiveness for financial services providers.

Furthermore, the major French banks are showing stronger business momentum than most of their European peers, as illustrated in particular by the [first quarter results of BNP Paribas](#).

This is also supported by the strong business momentum among corporates toward BNP Paribas, according to [our latest corporate banking research](#) , which shows that a net 8% of major European corporates expect to increase business with the bank. Only Santander matches this scores with a net 9%, while the remaining Top 20 European corporate banks achieve scores ranging from -17% to +7%.

With the Macron election, the threat of politics and further regulation in their home market has receded significantly, leaving the French banks free to capitalize on their strong business momentum.

Summary

The implications for corporates conducting business across the EU are straightforward and rather positive. In the coming months, expect to see more clarity on those parts of your business that are impacted by Brexit and more options among French financial services providers, as competition heats up.

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers

through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.