The City of London In a New Geopolitical Order

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Benefit from the UK leaving the EU?

• Re-gain regulatory sovereignty
• But “Trilemma” of international economics:
  – Internationalised finance
  – Financial Stability
  – Regulatory sovereignty
• MIFID II on “Third Countries”

• Hence: The EU Referendum Would Free London... To Become More of a Prisoner

City of London: Not Just a Regional Hub

Largest hub for international currency transactions...
... Thanks to geographical location (GMT)
“Cognitive Dissonance”:
- Most Beneficiary of Thatcherite deregulation
  + Euro creation
- Skepticism vs EU/EZ/Europe

Forget the EU, Let’s Aim At the World (1)

Growth of Chinese Finance

• PBOC-BOE Currency Swap Agreement
• China Construction Bank first London-based clearing house for renminbi
• UK government recently issued its first renminbi-denominated bond (October 2014)

Foreign Banks Claims in China

Trade Transactions Settled in RMB

Source: RGE, HSBC, Haver
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Forget the EU, Let’s Aim At the World (2)

**Growth of Islamic Finance**

- Britain first western country to issue an Islamic bond (£2bn orders)

**Growth of Islamic Banking Assets**

![Graph](image)

Source: RGE, Bloomberg, Zawya, central banks, E&Y. *Includes Banking, Takaful (insurance), Sukuk, Funds, Others

**BOE: The Beginning Of Global Central Banking**

A new “Big Bang” On the Day of Guy Fawkes:

- Including CCPs and Broker Dealers in SMF
- Very Generous Leverage Ratio
- Soft Macropru on Housing
- Carney: UK banks 9 Times Uk GDP
- Haldane: Managing Global Finance as a System

**The City In A New Geopolitical Order**

- Making Profits or Hedging vs EU Developments?
- EU Might Soon Cease to Exist in Its Current Form:
  - Pressures from South, ME, NE
  - Fault Lines From Within: Populism, Separatism, Nationalism
  - German “Leadership” Leads to Zombification?
- UK to be the detonator of EU Break-Up with membership referendum?
- The City will be ready for the new order: “special relationship” with US, European location, Islamic and Chinese Finance