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Article

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ZFW - Advances in Economic Geography

Provided in Cooperation with:
De Gruyter Brill

Suggested Citation: Hall, Sarah; Heneghan, Martin (2023) : Interlocking corporate and policy networks in financial services: Paris-London relations post Brexit, ZFW - Advances in Economic Geography, ISSN 2748-1964, De Gruyter, Berlin, Vol. 67, Iss. 2/3, pp. 92-104, https://doi.org/10.1515/zfw-2021-0044

This Version is available at:
https://hdl.handle.net/10419/333172

ZFW – Advances in Economic Geography 2023; 67(2–3): 92–104 DE GRUYTER

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Interlocking corporate and policy networks in financial services: Paris-London relations post Brexit

https://doi.org/10.1515/zfw-2021-0044
Received: 1 October 2021; accepted: 2 March 2023

Abstract: This paper examines the impacts of Brexit as an external shock to European financial centre relations. In particular, it studies the changing nature of Paris-London financial relations post Brexit. Early on in the Brexit process, Paris was not understood as the most likely European centre to benefit from Brexit given its tax regime and high office costs. However, our analysis shows that through policy and corporate network change, it has been one of the major beneficiaries. In making this argument, the paper develops a sympathetic critique of work on global cities that has tended to emphasise corporate networks without fully situating them within their political landscapes. We argue that bringing work in economic geography into closer dialogue with work in international political economy offers one fruitful way of addressing this oversight and, in turn, better understanding how inter-city relations respond to external shocks.

Keywords: Brexit, financial services, international financial centres, Paris, London

1 Introduction

Since the UK's departure from the European Union[1] on 31 January 2020, its leading financial centre, the City of London,[2] has been adjusting to a new trading relationship with the EU. Prior to Brexit, the EU was the UK's largest export market for financial services, accounting for 40 % of UK financial services exports (House of Commons Library 2021). As work on international financial centres and global cities shows, these trading relations are underpinned by deep and dense corporate networks (Beaverstock *et al* 2005; Halbert and Pain 2009). Given the depth of these networks, whilst Brexit is done, in the case of financial services in London, it will take time for its fully implications to be worked through (on which see Sohns and Wójcik 2023, Fingleton et al 2022).

Latest estimates suggest that around 7000 jobs in financial and related business services have left the City as a result of Brexit. This is less than worst case scenarios suggested prior to the UK's departure (New Financial 2021). Relocations have been distributed across a number of European financial centres including Amsterdam, Frankfurt, Dublin, Paris and Luxembourg. In this paper we present original empirical research to focus on the impact of Brexit on UK-French financial relations. Our focus on Paris is important because estimates suggest that it has attracted a significant number of business relocations – 102 as of April 2001, second only to Dublin with 135 (New Financial 2021). In many ways this is surprising because early on in the Brexit process, Paris was not understood to be as an attractive location compared with other European centres, notably Frankfurt, largely because of what was seen as an uncompetitive tax regime and high office costs (Heffler 2018). Crucially the pattern of relocation to Paris differs from those that characterise other financial centres. Other cities are typified by the functional specialism of relocations. Banking has begun to concentrate in Frankfurt, asset management and investment funds in Luxembourg and Dublin and market infrastructure in Amsterdam (Heneghan and Hall, 2020). However, Paris has attracted a wider range of functions but with fewer headquarter locations compared to other centres (Hall 2022). This suggests that the dynamics of Brexit in Paris have some distinctive qualities in comparison to other cities.

The paper frames the changing nature of London-Paris financial relations post Brexit within the wider literature on global and world cities (Cassis and Wojcik 2018; Sassen 2001). An extensive literature has developed that examines how relations of competition and cooperation develop between

1 Throughout this paper we use European Union to refer to EU member states, and Europe to mean the continent of Europe, including the UK and other non EU member, European states such as Switzerland.

2 We follow academic and policy practice in using the term the City as a shorthand for the cluster of financial and related professional services that are located close to the Bank of England in London's historical financial district, in Canary Wharf to the East of the centre of London and in Mayfair to the west.

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major cities emphasising the role of corporate networks in this process (Beaverstock 2002; Pazitka et al., 2021). In this paper, we offer a sympathetic critique of this approach and use the case of Brexit to demonstrate how external shocks need to be located at the intersection of these corporate networks alongside inter-city policy networks. The latter networks have not been studied as comprehensively within economic and financial geography. However, beyond geography, work in international political economy has focused on how policy networks emanating largely from national states shape inter-city relations through domestic regulatory and political changes, often focusing on financial services (Green, 2017; Lavery et al., 2018). This research resonates with work on the institutional dimensions of international financial centres by demonstrating the policy networks are a central, yet comparatively overlooked, component of their institutional thickness (on the institutional basis of financial centres, see Wojcik *et al* 2018).

By drawing on original empirical research into the impacts of Brexit on London and Paris, conducted from 2019 onwards, we show how policy and corporate networks intersect in response to major external shocks such as Brexit. In terms of corporate networks, our research shows that corporate relocations from London to Paris were viewed by many firms as a way of maintaining a close link with London, including the possibility of staff commuting between the two cities. As such, Paris was viewed as the least disruptive relocation option within the EU for financial services firms. At the same time, the work of French policy makers, particularly Paris Europlace (the Paris equivalence of the City of London Corporation) has been central in supporting the development and growth of financial services in Paris post Brexit. Together, these corporate and policy networks have developed to position Paris as a more attractive European financial centre post Brexit than was initially expected by many analysts (Heffler 2018). This shows how policy and corporate networks can challenge as well as reinforce existing power structures within global city networks.

The paper is organised as follows. In the next section, we set out the interlocking framework we use for understanding corporate and policy networks before detailing the methodology that underpins the research presented in the paper. Then we set out how Brexit has impacted the ability of UK based financial services to trade with the EU before examining the implications of this for London-Paris financial relations. Next, we examine the similarities and tensions between this corporate geography and the policy networks used by Paris used in an effort to attract financial services activity to Paris from London post Brexit. We conclude by outlining the empirical and conceptual implications of our argument.

2 Interlocking policy and corporate networks in the (re)production of financial centres

An extensive literature has developed that documents the clustering of financial and related professional service firms, particularly legal services in international financial centres (IFCs) (Cook et al., 2012; Pazitka et al., 2021). This literature has identified a range of different factors that contributes to the continued clustering of financial services activity within IFCs. These can be summarised as institutional factors, access to highly skilled urban labour markets, the dense and deep sharing of knowledge that underpins the financial products being developed, bought and sold within IFCs and the infrastructure that supports IFC development, including computer and more recently cabling and computer hubs associated with high speed trading (Clark, 2002; Cook et al., 2007; MacKenzie, 2018; Pandit et al., 2001).

In addition to work exploring the clustering of financial services within IFCs, economic geographers in particular have drawn attention to the connectivity between IFCs as knowledge, information, pricing and individual professionals circulate between cities. This work follows the wider literature in urban studies on the role of world or global cities in shaping economic development more generally (Sassen, 2001). Particular attention has been paid to the role of transnational corporate networks that are headquartered in one IFC but through which relations of cooperation and competition between IFCs manifests, including in banking, asset management and corporate finance (Hall, 2009; Wojcik et al., 2018). In so doing, this literature underlines how the global financial architecture is shaped by the corporate decisions of global service providers.

This literature is pertinent to Brexit because considerable policy attention has been paid to the extent to which without automatic single market access, the City may decline as Europe's leading IFC. In this respect, work focusing on the existing financial architecture of IFCs has argued that, in the case of the City, this architecture will create a path dependency that privileges the continued dominance of the City within European financial relations. For example, Kalaitzake (2021) examines the financial services' sector preparations for a potential no trade deal Brexit during 2019 and 2020. He argues that the already existing power of cross-national financial relations between the UK and the EU enabled the sector to secure significant concessions that were not replicated in other strategically important sectors.

However, this literature focuses on the centrality of corporate networks in sustaining processes of growth and agglomeration rather than on network responses to external shocks such as Brexit. In order to account for the external shock to European financial centre relations of Brexit, we argue that corporate networks cannot be studied separately from the political context in which they operate. Following the growing interest in the geopolitical nature of global finance (see De Goede and Westermeier 2022 and Van Kerckhoven 2021 on the case of Brexit), work on corporate financial networks needs to be brought into closer dialogue with work on the policy networks that also work to reproduce IFCs and their associated transnational corporate networks. In particular, we emphasise the role of the state in shaping inter-IFC policy relations (Hall, 2017a, 2021; Lavery et al., 2018).

This literature focuses on the role of finance ministries and authorities working at the level of the financial district. It emphasises how policies specific to financial services (such as regulation and corporate remuneration) as well as non-finance specific policy domains such as foreign policy, employment conditions and education policy can work to promote the development and reproduction of IFCs through the development of a policy infrastructure that is deemed to be supportive of and beneficial to financial services (see for example Green, 2017; Green and Gruin, 2020; Hall, 2017b;). The importance of these policy domains is reflected in the fact that they are looked at closely during periods of crisis as well as periods of growth for IFCs. For example, following the 2007–8 financial crisis, the remuneration of financiers was widely identified as a policy that could and was used to shape the development of IFCs in particular ways (see for example FSA 2009). Meanwhile one of the concerns for the continued development of fintech within London is the ability to hire individuals with the technology and quantitative skills within those financial markets, thereby making links between education policy and IFC development (HM Treasury 2021).

Whilst work on corporate networks in shaping IFCs relations emphasises growth and agglomeration effects, Brexit focuses attention on how such financial centre relations respond to politically induced shocks. This demonstrates the possibility that shocks may mean that corporate and policy networks pull in opposing directions at the level of the individual IFC (Heneghan and Hall, 2020). Economic actors and the transnational corporate networks of which they are a part are likely to see Brexit as a negative sum game in which Europe's financial services sector as a whole sees a post Brexit reduction in size and productivity as the departure of London from the EU triggers a wider evaluation of the place of Europe in global finance more generally, particularly as larger growth opportunities at the corporate scale are increasingly found beyond Europe in Asia (Du 2021). On the other hand, a focus on transnational policy networks would frame Brexit as a zero-sum game in which IFCs in Europe sought to use policy leavers to attract business leaving London.

3 Research approach

The paper utilises both primary data from qualitative interviews and secondary data from financial organisations in the City of London and Paris alongside reports in the financial press. As a starting point for the analysis, desk-based reviews of key policy announcements have been monitored since 2015 from the UK national and City authorities and regulators, alongside their counterparts in the European Commission and France. This includes HM Treasury, the City of London Corporation, Paris Europlace and the French Ministry for the Economy and Finance. Second, the paper draws on research from EY, the consultancy firm, and New Financial, a social enterprise cum think tank, which have both been tracing the relocation of job, legal entities, and assets from the City of London to other European financial centres as a result of Brexit. The methods deployed by both organisations are similar in that they rely on publicly announced statements from banks, insurers, asset managers and other financial services providers to trace the relocation activities of major financial organisations in London. Both organisations explicitly state their research underestimates the full extent of relocation activity as it focuses on the largest organisations and relies on publicly announced statements. To triangulate the reports from both organisation's data searches on Paris, Brexit and individual financial services providers were conducted using Google's media search tool. This data was used to corroborate reports from the major sources reporting on relocations. Illustrations of these findings are presented in the empirical component of the paper.

The grey literature was augmented by data from a series of in-depth qualitative interviews and close dialogue (Clark, 1998) with market participants that was undertaken between January 2021 and May 2021 with senior policy makers and financial actors in the City of London and Paris. This included UK government ministers, regulators, representatives from the major trade associations for financial services and senior management from financial services organisations. In total, thirteen interviews were conducted for this research. The interviews were semi-structured, yet fairly open-ended. Interviews lasted between 30 minutes and one hour and have been transcribed in full. Interviews covered the impact of Brexit on organisational structures in respondents' organisations including how they traded between the UK and other member states prior to Brexit, their understandings of the relative strengths of different European financial centres (including London) post Brexit, and their assessment of the outlook for European financial services in the future. Interviews were coded thematically by both researchers focusing on evidence cited of corporate and policy networks formation.

Participants were recruited using non-random sampling methods (Tansey, 2007). The aim was not to draw a sample from a larger population of actors to generalise the data. Rather, the intention was to obtain the perspectives of key stakeholders and decision-makers in the financial services industry. Senior respondents will have a greater knowledge of decision-making processes than more junior ones and so standardisation was not a priority, like it is in other techniques (see Seawright and Gerring 2008 on case study selection in qualitative research).

In addition to the relocation of personnel, the impact of Brexit was also measured by comparing labour market data in financial services in London with Paris since the Brexit vote. Regional data on employment by economic activity was employed from Eurostat for the Paris data. For London, the data came from the Business Register and Employment Survey published by the Office for National Statistics (ONS). Eurostat uses NACE which is directly comparable to the broad categories in the Standard Industrial Classification (SIC) 2007, used by the ONS, which makes comparison of economic activity straightforward. The broad SIC code K for financial services was used as this was published by both organisations. This classification is likely to lead to a conservative estimate as to the number of jobs employed within financial services because some financial firms, particularly those in the fintech sector do not report under SIC codes K. In addition, the related professional and business services are not captured under this category. To compare regions, the Nomenclature of Territorial Units for Statistics (NUTS) at level 2 was used (NUTS2). For Paris, the employment data for the Île-de-France region was collected as this encompasses the Paris region. For London, employment in financial services in Inner-London East and Inner-London West was collected.

4 What has Brexit meant for UK financial services trading with the EU?

In order to understand changing London-Paris financial relations post Brexit, the impacts of EU departure for UK based financial services need to be set out. Interviews began by exploring how businesses traded between the UK and other member states prior to Brexit. During UK EU membership between 1973 and 2020, financial services firms in London could automatically use their London office to service EU based clients through passporting without the need for additional regulatory clearances through what are termed passporting rights (Salter 2017). As a result, by 2019, 40 % of UK financial services exports were to the EU (House of Commons Library 2021).

By extension, dense networks of professional mobility between London and Paris, in common with other EU cities developed during the period of UK EU membership that echo geographical research on the deep and dense corporate networks between international financial centres (Cook *et al* 2012). In the case of this paper's focus on London-Paris relations, this includes French nationals working in London as well as UK nationals working in Paris (Ryan and Mulholland (2014). These networks have a distinctive quality in terms of London-Paris relations because of the ease of travel between the two cities, particularly prior to Brexit, via a two and a half hour Eurostar train journey (Barwick and Le Galès 2021). Derudder and Taylor (2018) find that the connectivity between London and Paris in advanced producer services ranks in the top 10 of such bilateral city connections globally.

However, passporting is not possible under the terms of the UK-EU Trade and Cooperation Agreement (TCA), commonly termed the Brexit trade deal, agreed at the end of December 2020. This reflects the fact that the UK ended free movement for EU nationals into the EU after Brexit and the EU is clear that without free movement, special terms for financial services in terms of continued single market access cannot continue (Hall and Heneghan 2021). Indeed, in common with other free trade agreements, the TCA does very little to liberalise services trade, including financial services exports between the UK and the EU. As a result, financial services have essentially experienced a no trade deal Brexit. This is striking given the structural significance of financial services within the UK's economy as part of its wider finance led growth model (Pike and Pollard, 2010). For example, financial services contributed £75.6bn in taxes in the year to March 2020, 10 % of the UK's total tax revenue (City of London 2021). Around 1.1 million people were employed in financial and related services such as specialist legal services at the start of 2020, around 3 % of all jobs.

The ending of passporting for UK financial services can be understood as a key change in the sector's policy infrastructure (Green 2017) that results in the networks between IFCs becoming more distant (Heneghan and Hall 2021). In the absence of passporting, UK financial services are reliant on equivalence determinations from the EU. These are unilateral decisions made by the EU in 40 areas of financial services. For each of these areas, if the EU decides that the third country's regulatory regime (in the case of Brexit, the UK's) is equivalent to its own then market access is granted. These decisions are not negotiated. They are also not a like for like replacement for passporting. They can be withdrawn with 30 days-notice leading to concerns that market access can be politicised. They also do not offer the same range of market access. Retail banking, for example, does not have an equivalence regime available to it. As a result, the former Chancellor, Phillip Hammond argued during the Brexit trade negotiations that equivalence was 'inadequate' for the City because of its limited market scope and lack of certainty (Financial Times 2018).

At the point of EU departure, the UK secured two, time limited equivalence decisions from the EU in relation to the settling of Irish securities (six months from 1 January 2021) and derivative clearing (due to expire in June 2025). This compares with 22 for the US and 15 for Singapore (EU Commission 2021). As a result, despite being the largest financial centre within Europe, London based financial services currently have less market access to the EU than those based in Singapore and the US. Under the UK government's own modelling of different trade scenarios prior to the agreement of the TCA, as a result of this significant decline in market access, financial services was identified as one of the sectors most exposed to Brexit trade deal disruption (OBR 2020). To date, this has manifested in estimates that around 7400 financial services jobs have relocated from the City to a number of other European financial centres, notably Amsterdam, Frankfurt, Paris, Dublin and Luxembourg in order to continue service EU clients from an EU base. Estimates also suggest around £900bn in bank assets have also left the City as a result of Brexit (or around 10 % of the UK's total banking system) (New Financial 2021).

These estimates are lower than some predicted as the City Minister John Glen has emphasised (Boscia 2021). However, the figures remain estimates. And the evidence is further complicated by the fact that Brexit has impacted the movement of financiers between European financial centres due to COVID-19 pandemic related travel restrictions. Therefore, there remains considerable uncertainty as to the impact of the Brexit on the City, which European centres have seen the most post Brexit growth in financial services and what the longer-term outlook is for the City vis-à-vis European centres post Brexit. Indeed, relatively little is currently known about how longer-term COVID-19 pandemic related changes such as the growth of home working and decline in office rents will intersect with Brexit to shape future European financial networks.

5 Promoting Paris as a post Brexit European financial centre

Whilst the precise form of Brexit trade relations was not finalised until the agreement of the Trade and Corporation Agreement between the UK and the EU in December 2020, as soon as the then Prime Minister Teresa May made it clear that the UK would not agree to the free movement of people outside the EU in July 2018, it was clear that the financial services sector would experience a 'hard' Brexit with very limited forms of market access set out above. This was because the EU is clear that without free movement, single market access is not possible. From this point on, it was clear that a number of European financial centres would seek to entice financial services activity from London once the UK left the EU Single Market. This included Dublin, Luxembourg, Amsterdam and Frankfurt alongside Paris. In what follows we examine the specific response of Paris

5.1 Framing Paris as London's successor through policy networks

In the case of Paris, clear aspirations were articulated relatively early on regarding its aim to supersede London as Europe's preeminent financial centre noted. Having discussed the nature of pre-Brexit organisational form, interviews turned to examining the relative strengths of different European financial centres, including London, post Brexit. The view of the interview participant below was typical in this regard:

> Paris is going to give it a very good, very good try, and are giving it a very good try. (Senior investment manager, interviewed January 2021)

This focus was notable by a swift combination of advertising and communication campaigns that stressed the possible benefits of locating in France, and in Paris in particular alongside policy changes aimed at making regulation and labour legislation more favourable to business. This can be understood as an example of Paris' wider policy infrastructure being mobilise to shape its corporate financial geographies (green 2017). For example, it was reported that within hours of the Brexit referendum result, adverts were placed in prominent financial news outlets *The Financial Times* and *The Wall Street Journal* saying 'Welcome to the Paris Region' aimed at international banks and investors (Chrisafis 2016). This reflected a wider sense amongst both financial services firms and economic policymakers across Europe that Brexit would present an opportunity in public policy terms to attract financial services activity from the City of London to within the single market, thereby attracting tax revenue and jobs (Heneghan and Hall, 2020).

The speed and depth of the response from Paris in seeking to attract business from London partly reflects the fact that on a number of measures of attractiveness for business investment, it lagged behind other European cities. For example, research shows that office rental costs in Paris were the second most expensive within Europe, second only to London (Heffler 2018). Similarly, its personal and corporate tax regimes were not as attractive as those in Dublin and Luxembourg in particular. On these measures, Frankfurt held the most advantages in terms of the economic costs of location. In response, policy responses to increase the attractiveness of Paris were developed at both the national and the city level (Lavery *et al* 2019) although this was not without its challenges. At the national level, prior to the election of Emmanuel Macron in May 2017, recent French presidents cautioned against an over reliance on financial services and the high paid financial services jobs that underpin such growth. For example, Francois Hollande, president for the two years immediately following the referendum who is "known for saying he didn't like the rich, and he did his best to put in place his famous 75 % tax bracket on earnings over 1 million euros" (Chrisafis 2016) although the policy was never implemented. His predecessor Nicholas Sarkozy also argued that the 2007–8 financial crisis represented "the end of financial capitalism" (Chrisafis 2016). This concern surrounding the extent to which regulations and legal structures in France serve to hinder the competitiveness of businesses compared to other national approaches, particularly with respect to financial services and remuneration practices was commonly voiced in our interviews with examples such as the following being typical

> Paris has emerged as the closest thing to a sort of mini-London, there's no clear sector trend in the relocations to Paris, what we also found with Paris is we divided our relocations into what we call primary and secondary. So primary relocations are where a firm chooses to locate its post Brexit, EU hub where its legal EU-wide headquarters will be based. A secondary relocation is where they've chosen to relocate particular parts of their business, or additional people. What we found is that Paris has a far higher proportion than any other financial centre of these secondary moves. And what this tells us is that Paris is not necessarily the city that you would choose to base your EU operations. But it is the only global, international city of scale really in the EU (Managing Director, Financial services firm, interviewed March 2021)

However, the election of President Macron in 2017 came with a greater focus on portraying France as a more business friendly environment (James & Quaglia, 2018). A range of policy changes at the national level were introduced with the aim of increasing corporate competitiveness that fall in four main areas. First, efforts to make labour laws more flexible particularly in terms of reducing the costs and complexities to firms of redundancies and limiting the ways in which claims for unfair dismissal can take place. Second, changes to the justice system through the formation of an English language appeal court in Paris. The court hears appeals by financial institutions against rulings from the Paris Commercial Court, notably in relation to loans and derivatives.

Third, particular policy has been focused on liberalising corporate and personal tax rate. The corporate tax rate reduced from 33.3 % in 2020 to 25 % by 2022 (although this is still higher than the equivalent UK rate of 19 %); and the Impote de solidarite sur la fortune (ISF) translated as the solidarity tax on wealth, an annual direct wealth tax on assets greater than 1.3 million euros (La Maire 2017) has been abolished and a 30 % flat rate on capital gains tax was introduced in 2018. In an effort to attract overseas business investment into France a further strand of attention has been on the taxation and costs of hiring expatriate labour in France. An individual who relocates to France and has not been a French tax resident for the previous five years may be eligible for tax exemptions on any 'expatriation bonuses' and investment income and capital gains held outside France (Paris Europlace 2021). Fourth, this focus on the nature of expatriate labour extends beyond financial policies and has included changes aimed at making the process of relocating to Paris easier, most notably the announcement by the then Prime Minister Philippe in 2017 that three new lycees international teaching in English would open in the Paris region of Ile-de-France to support expatriate families (Sage 2017).

Taken together, each of these four policy domains reflects the well-established literature in economic geography and the wider social sciences on the institutional, labour market and regulatory architectures that support competitive financial centres. In this literature, particular attention is paid a ready supply of suitably qualified labour, in the case of London the value of English case law in which judges have considerable power to use previous hearings to make decisions and a relatively light touch approach to labour market regulation, including in relation to remuneration (Beaverstock, 2005; Hall, 2009; Van Meeteren and Bassens, 2016; Wojcik et al., 2018).

5.2 From national to city-based policy networks supporting Paris as a financial centre

However, as our framework on the interlocking nature of policy and corporate networks suggest, there is nothing inevitable about firms using what may appear to be a conducive policy landscape to relocate or increase their operations in Paris. Paris policymakers are clearly aware of this risk. As a result, national level changes have been accompanied by more concerted policy measures aimed at enhancing the competitiveness of Paris in particular, including in relation to financial and related professional services. As the Paris deputy Mayor with responsibility for economic development Jean-Louis Missika summarised in 2017 "Brexit is an opportunity that presents itself only once in a century … Paris already has a significant financial sector and we [Paris] have had large banks, mostly from Asia, as well large and small financial institutions who have approached us saying they want to move here. They believe what we have to offer is good" (Willsher 2017). At the City level this has been led by Paris Europlace, the French equivalent of the City of London that has been working to promote Paris as a financial centre, just as the City of London corporation has worked to enhance the competitiveness of the City. They argued "now Brexit is happening, we have been energetic in meeting big international companies who are looking at rebalancing their operations to be nearer their clients in the EU. We are in contact with those in industry, investment, banks" (Willsher 2017).

This has been accompanied by a campaign entitled Choose Paris Region, also launched in 2017 and supported and promoted by Paris Europlace. This project aims to market the pro market regulatory reforms outlined above to attract private sector investment into the Paris region, particularly in financial services. As the then Prime Minister Edouard Philippe argued in 2017

> "France is committed to a far-reaching programme of reforms in order to cement its position as Europe's most competitive and attractive economy and unleash the huge potential of France. Boosting the standing of the Paris financial hub lies at the heart of those ambitions, to better finance the European economy and the scale up of European companies. Since 2017 we have launched a bold economic transformation strategy, with major reforms in our labour regulation and our tax system and a strong push to facilitate the relocation and expansion of business in France" (Philippe 2017).

Taken together, our analysis of the Paris policy making landscape post Brexit reveals a clear focus by national and Paris focused policy makers on increasingly the competitiveness of Paris as an international financial centre. However, it is important to note that despite the rapid policy attention in this area, in several important areas Paris remains less liberal than other European financial centres. For example, Ireland's corporation tax rate stands at 12. % And the equivalent figure for Luxembourg is 17 % (both lower than France's). It is therefore important to examine what the corporate response to Brexit in Paris has been.

6 Analysing the corporate response to Brexit in Paris

Capturing the data on activity that has relocated to Paris because of Brexit is fraught with difficulties. Not all financial service relocations are made public by financial service providers. It is also important to note from the outset that relocations are not in one direction. A Freedom of Information Act request shows that by April 2021, 200 French firms, including 90 from Paris, have applied to open offices in the UK after Brexit through the UK's Temporary Permissions Regime (TPR) (Bovill 2021). The TPR allows firms that were operating in the UK at the end of the transition period (31 December 2020) to do so for a period of three years provided that they registered their intention to do so with the Financial Conduct Authority prior to the end of the transition period.

The shifting of activity away from London to European financial centres will also result in new jobs being created in European centres such as Paris that are likely to have been in London prior to Brexit but are now attached to activity developing beyond the City.[3] Understanding and attributing the extent to which these new jobs would have been located in London is not possible retrospectively because, as one of our interviewees summarised:

> Brexit is not only the "cause" of job relocations but also an "occasion" which financial institutions are using to re-evaluate their European and wider corporate strategies (Managing Director, financial services firm interviewed March 2021)

However, despite these limitations, the current data available on Brexit relocations is a useful starting point to analyse the impact of Brexit on London and other European financial centres. Several organisations in the City of London, notably the accounting firm EY and New Financial, a social enterprise, have sought to estimate data on relocations by tracing the publicly announced statements of the largest

3 Such estimates will demand further quantitative research to estimate the size of any such relocations.

Table 1: Firms that have relocated staff, assets, or operations to Paris

Asset Management	Credit Agricole CIB Credit Suisse* Goldman Sachs	LCH
Alvarium	HSBC	Morningstar
BlackRock*	JP Morgan*	Redburn
Boussard & Gavaudan	Morgan Stanley*	RJ O'Brien
Clerville Investment Mgmt Elava Capital	National Australia Bank Natixis	TP ICAP
H20 Asset Management Hellebore Capital	Nomura*	XTX Markets
Polar Capital	Société Générale	
Ruffer	Standard Chartered*	**Alternatives**
Smart Lenders AM Schroders*	Perella	Campbell Lutyens
Stanhope	Weinberg	Chenavari Financial
Wilmington Trust	Wells Fargo	Eleva Capital
		LGT Capital Partners Millennium Global
Banks/Investment Bank	**Diversified Financials**	**Insurance**
Arab Bank	Aurel	AXA
Banco do Brasil	Aquis Exchange	Chubb
Bank of America	Checkout.com	Cooper Gay
BNP Paribas	Ebury	Portman Insurance
Centreview	European Banking Authority	Worldline
Citigroup Global Markets*	GoCardless	
Commerzbank*	Kyte Broking	

Source: New Financial (2021) * denotes firms adding staff in a city in addition to their main hub.

financial service providers. EY has been successful in producing the dominant headline figures cited in financial publications such as the *Financial Times* for the number of jobs and value of assets that have transferred to the EU since the UK announced its decision to withdraw from the EU. According to the latest announcement from EY at the time of writing, 7600 jobs have relocated to the EU as a result of Brexit and €1.3 trillion in assets has been transferred from London to the EU – roughly one-tenth of the total value of financial assets held in the UK (EY, 2021). However, this total number of jobs estimated by EY gives no indication of where they have located to. New Financial publishes a different type of data by reporting on the number of firms that have responded to Brexit by moving part of their operations, staff legal entities and assets to the EU. According to New Financial, 102 firms have either made Paris their post-Brexit European hub or increased the number of staff in Paris, which is 19 percent of the total number of firms they estimate to have shifted operations. This is second only to Dublin, which according to New Financial has captured 25 percent of firms, 135 in total.

Both organisations acknowledge their figures will underestimate the extent that activity has shifted. In addition, not all relocations will have taken place yet. The COVID-19 pandemic has delayed some moves, particularly as remote working has been the dominant form of work since the pandemic began. Nevertheless, whilst being incomplete, the data from EY and New Financial offers a useful starting point to analyse the growth and breadth financial economic activity in Paris as a result of result of Brexit. In line with other analyses, data from New Financial shows European financial services are now fragmented across several centres. Dublin and Luxembourg have emerged as the hubs for asset management firms, Frankfurt has captured relocations from the banking sector whilst market infrastructures have chosen Amsterdam (also see Heneghan and Hall, 2020; Lavery et al., 2019). However, Paris is the European financial centre that has captured a broad range of financial services. Table 1 lists the firms that have moved some or all of their operations to Paris as a result of Brexit. It demonstrates the broad range of firms that have chosen Paris as their hub or expanded operations in Paris alongside another European hub. Paris has captured Asset management, banks, diversified financials and insurance relocations (New Financial, 2021).

There are other sources that have reported on the number of jobs that have relocated to Paris in response to Brexit. Paris Europlace estimates that 3500 have relocated to Paris as a direct consequence of the UK's decision to leave the European Union (Paris Europlace, 2020). However, it must be noted that it is in the lobby group's interest to maximise the reported number of jobs that have relocated as it can help to create a momentum and a 'buzz' around the vibrancy and desirability of Paris as financial centre. A more conservative estimate comes from the Bank of France governor, Francois Villeroy de Galhau, who said nearly 2,500 jobs and €170 billion in assets have already been moved to France post-Brexit and 50 firms have received operating licences. In a New Year video to the French financial sector in December 2020. He went on to say “Other relocalisations are expected and should accelerate over the course of the year” (Reuters, 2021a). The Bank of France will have a clearer indication of relocations due to its supervisory arm authorising the organisations to conduct their operations in France.

The individual reports of relocations build a picture of the variety of sub-sectors that are shifting operations and add credibility to the numbers cited. Both JP Morgan and Goldman Sachs have built trading platforms in Paris to enable shares to be traded without impediments. In the case of JP Morgan, it will employ 800 people by 2022 (Reuters, 2021b). This number includes 265 who already worked in Paris with both relocations from London and of new jobs created making up the rest of the total. It was reported in December 2020 that 200 salespeople from London were moved to Paris with another 150 structurers and traders to be moved in 2021. Morgan Stanley will add 50 staff to its 150-strong Paris office by end the of 2021 and plans to double in size by 2024 through a mix of relocations and local hiring as it expands its central Parisian hub (City A.M., 2021). Societe Generale is also moving 150 to Paris, which will be the location of its European headquarters.

The relocation of senior staff is also an indicator of future activity. Acquis Exchange, the European equities exchange has relocated its chief financial and operations officer to Paris who has been appointed chief executive officer of Aquis Exchange Europe in addition to his other roles (Financial News, 2021). The rationale for moving senior people is the requirement for client-facing bankers in London or elsewhere outside the EU to have a local ‘chaperone’ whenever they speak to, or interact with, clients. Moving inside the bloc removes that necessity. The European Banking Authority (EBA), which is a regulatory agency of the European Union, has been based in London since 2011 but has now relocated to Paris, with 250 employees moving as a result. This move is viewed by supporters of the development of Paris post Brexit as particularly important because institutions such as this can act as anchors around which financial services clusters deepen and expand.

The shifting of operations outside of London will also result in jobs relocating between Europe’s financial centres. For example, AXA the insurance firm will handle its international risk and reinsurance business from Dublin instead of London in response to Brexit. The move means that some staff from its Paris operation will need to relocate to Dublin to ensure a minimum number of sensitive tasks are carried out under the supervision of the Irish regulatory authorities (Reuters, AXA moves international risk to Ireland from UK ahead of Brexit, 2019). These intra EU job relocations are not fully captured in currently publicly available data that emphasises flows out of London. However, they provide an important indication of the ways in which Brexit may have wider ramifications in processes of reordering within European financial geographies beyond a negative or zero-sum game between London and EU financial centres.

6.1 Beyond job relocation to job creation in Paris

Most relocations to Paris, be they the expansion of existing offices or the opening of new ones involves a combination of relocations from London and new hires locally in France. Given the role of new job openings in shaping these offices, it will take for the full extent that Paris has captured jobs from London to emerge. This is because it will involve jobs created in Paris that may otherwise have been created in London. Analysing employment data in financial services offers a useful way to try and capture this type of relocation – the relocation of jobs creation.

Figure 1 shows employment in financial services in the Île de France region where Paris is located. It is clear in the chart that financial services employment in the region has grown considerably since the Brexit vote. As the UK’s intentions to leave the Single Market became clear in 2017 there was a notable uptick in employment in the region. In 2015 there were 292,600 employed in financial services. By the end of the 2020, this had grown to 350,900 (Eurostat, 2021). This represents an increase of approximately 20 percent in the space of three years. With most of the growth in employment the sector coming between 2018 and 2019. In part this marks a positive response by financial service firms to the political commitment in France to position Paris as a viable and attractive alternative to London post Brexit. When compared with other financial centres, part of this attraction relates to the fact that it is easily commutable from London via the Eurostar channel rail service and is viewed by financiers as an attractive location to live, often in contrast to Frankfurt (on which see Faulconbridge 2004).

Figure 2 shows employment in financial services London between 2015 and 2019 – the latest date the data is available. Whilst there has been growth in employment financial services in London – due to growth in emerging sub-sectors such as Fintech – the growth is much flatter than it is for Paris. There is considerable debate as to what is causing the flatlining in financial services jobs in the UK in academic and policy circles. However, it is at least in part a reflection that Brexit has ushered in a period of regulatory uncertainty for UK financial services as the Government assesses the

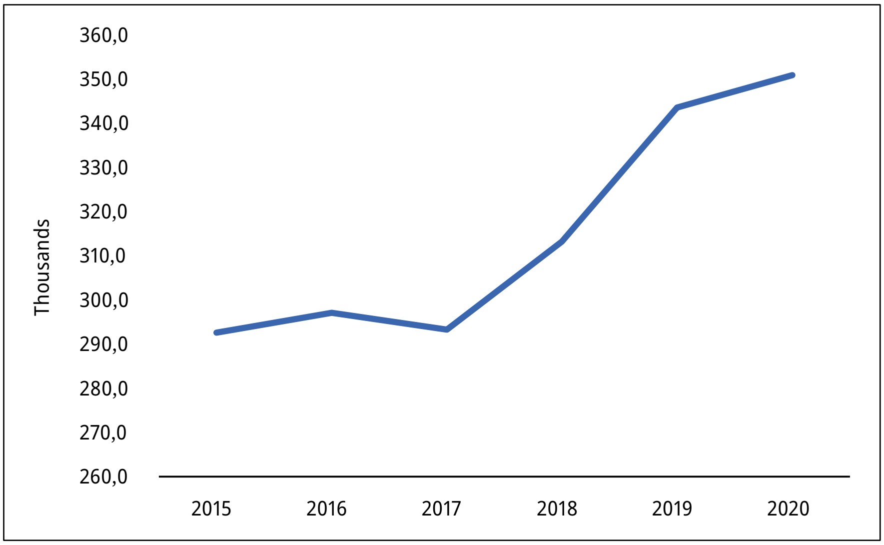

Figure 1: Île de France Employment in Financial Services (2015–2020)
Source: Eurostat. NUTS2 region FR1 and NACE code K for financial services

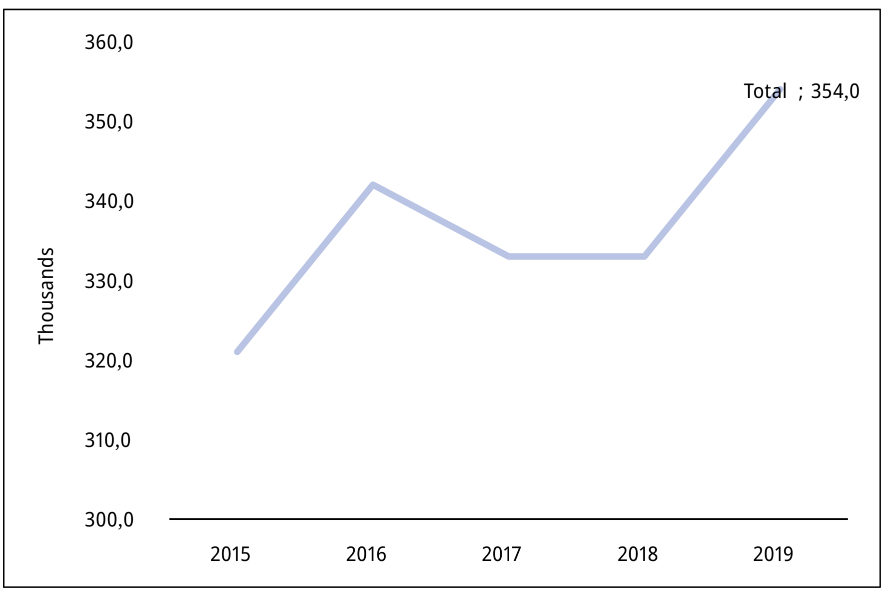

Figure 2: Inner London Employment in Financial Services (2015–2019)
Source: NOMIS Employment and Business Register 2015–2019. NUTS2
Regions UK14 and UK14 (Inner London East and Inner London West). SICCode K for financial services.

changes it wishes to make with its new found post Brexit regulatory control (Hall 2022). This is likely to have reduced firms' appetite to make new investments in their corporate networks that are based in London whilst they wait to assess the UK's new post Brexit regulatory regime. As the impact of Brexit on European financial services continues to unfold and as multinational companies fill offices in European hubs it is reasonable to assume the same pattern continues for a number of years, with growth in Paris employment in financial services outstripping London.

The overall success of Paris in attracting financial services business post Brexit through leveraging both policy and corporate networks is shown in recent figures on foreign direct investment in financial services into Europe (EY 2022). In 2021, the UK attracted the largest number of FDI investments in financial services (63) maintaining its dominant position within Europe. However, France saw the most significant growth in FDI projects to 60 and is closely behind the UK in second place. The US is the largest source of FDI in financial services in Europe and in terms of US FDI, more projects were funded in France than the UK. However, these figures also show that overall, FDI in financial services into Europe fell in 2021. This is an important reminder that whilst within Europe, Paris is increasingly catching up with London's dominance post Brexit, the importance of Europe globally in financial services faces increasing competition, particularly from Asia (see Du 2021).

7 Conclusions

In this paper, we have argued that Brexit represents a significant external shock to UK-EU financial services relations. Brexit has marked a profound shift in the trading relations between the UK and the EU with financial services based in the UK no longer able to service EU clients from a London base. This has led to competition between EU financial centres to attract financial services business out of London with firms intending to use EU offices to service EU clients. However, whilst the regulatory impacts of Brexit for single market access for London are clear and have become clearer as the UK has decided to privilege regulatory autonomy over continued single market access through so-called equivalence decisions (Sunak 2021), the extent to which this will lead to relocations out of London remains uncertain. There has also been considerable debate about which European financial centres may benefit from such relocations. Early on in the post Brexit referendum period, it appeared that Frankfurt may be the main beneficiary, reflecting its attractive corporate and personal tax rates alongside its agglomeration of banking functions in particular. In this paper, we examine how Paris has responded to this through both policy and corporate change and in so doing, has increasingly been identified as the most significant European centre to benefit from Brexit in terms of financial services activity. In making this argument, the paper makes both a conceptual and an empirical contribution.

Conceptually, the paper uses Brexit to develop a sympathetic critique of the extensive literature on international financial centres. We suggest that this literature has comprehensively documented the vital role of private sector inter firm networks in reproducing the global financial system through relations of competition and cooperation between international financial centres. It has not been so comprehensive in its consideration of how these networks are co-constitutive of the political and regulatory landscape upon which it unfolds. Our analysis shows that there is considerable benefit in brining work on corporate networks into closer dialogue with policy networks developed in international political economy into closer dialogue to better understand how IFC networks develop, not only in times of growth but also in times of challenge and shock such as that posed by Brexit. This approach contributes to wider work that is increasingly locating studies of global finance within geography within its wider geopolitics.

Empirically, we present one of the first detailed academic examinations of London-Paris financial relations post Brexit. This builds on wider policy literatures that have noted the different impacts on different European cities but has not considered any one city in a lot of detail. Our research shows that the interlocking of policy networks designed explicitly to position Paris as an attractive place for relocating financial firms with corporate preferences to locate in an outwardly looking city close to London have supported a large number of corporate relocations across a wider range of sectors when compared with European cities. However, we also argue that examining relocations is only a partial view of the implications of Brexit for Paris. We identify a trend of fast job creation in financial services in Paris compared with London after the Brexit vote. This suggests that relocations are leading to a trickle down of job creation, some of which may reasonably be expected to have been created in London without the Brexit induced relocation. This suggests that job relocations figures may be an underestimate of the Brexit impacts on the City to date and there is considerable further capacity for the continued growth of post Brexit financial services in Paris as critical mass and agglomeration effects have the potential to further reorientate financial services activity in Europe to Paris, ahead of other European financial centres, post Brexit.

Funder Name: ESRC
Grant Number: ES/T000821/1

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