

Brexit Dilemma and Opportunity!

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The United Kingdom has held a pivotal position in European venture capital as a hub for both investors and start-ups, and that’s particularly true in categories where it has been strong, including financial technology (fintech), games, and biotech.

The decision by U.K. voters to leave the European Union will have significant ripple effects on the venture capital landscape—both in Europe and beyond.

When it comes to fintech, Marcelo Ballvé, Research Director of CB Insights, recently wrote: “London could fade as a fintech hub: The category most under threat is arguably London’s thriving fintech scene. As part of the EU, London’s advantages were clear: the status of London as a pre-eminent global finance hub, the abundance of European talent, and the uniformity of regulations that allowed London-based companies to easily roll out products Europe-wide. With Brexit, all the comparative advantages are thrown at least partly into question.”

Other aspiring fintech hubs, some of which are already using tax breaks to lure fintech start-ups—including Frankfurt, Amsterdam, Dublin, Switzerland, and New York—could see more investment and entrepreneurship shift in their direction as London’s advantages are eroded.

When it comes to banking, Martin Arnold, Emma Dunkley, and Laura Noonan wrote in *The Financial Times* that until now, most global banks have done business in the EU by setting up regulated businesses in the U.K. and using their right to “passport” into the rest of the 28-member bloc. London also serves as a major center for clearing and settling trades involving EU securities. France’s central bank governor François Villeroy de Galhau made it clear that is no longer going to work: “If Britain is not part of the single market, the City [of London] cannot keep this European passport, and clearing houses cannot be located in London either.” But so far banks have been quiet on their contingency plans because of the political sensitivity of the issue.

Once Brexit happens, EU banks from France and Germany may come under pressure from their own regulators to move jobs home. At the same time, U.K. regulators may compel the biggest ones—such as Deutsche Bank—to establish a full-scale U.K. subsidiary to have closer oversight of their activity and force them to hold more capital in



the country. The U.S. has already done something similar, forcing big foreign-owned banks to set up separately capitalized holding companies. But this could backfire—driving more jobs and operations elsewhere.

Moves are not likely to be made in haste, however. Relocating investment banking operations and people is costly and complex. And London still boasts many advantages: language, legal system, and the talent pool have long been a boon to the City, as well as more intangible draws such as housing, schools, restaurants, and cultural delights. Many top traders will be asking themselves, Do I really want to live in Frankfurt or Dublin?

Amsterdam Advantage

Without question, our Netherlands-based corporate real estate firm believes Amsterdam is—and will be—an option for any company that considers relocation from the U.K. to the Continent. We offer many business and cultural benefits:

- Amsterdam has one of Europe's best airports, ranked just behind Frankfurt and Vienna, and an excellent rail network connecting major European capitals, including London. It's also a short train ride to Brussels, the capital of the European Union. The financial district is only seven minutes from the airport compared to the 60-90-minute commute in London.
- Approximately 90 percent of the Dutch speak English. Our schools are ranked the best in Europe, and there are plenty of English-language options. We're not only fluent in English, but we also speak Dutch, French, and German (to some extent). Sure, people make fun of our accent, but we don't really have many other options if we want to continue to speak in our native tongue.
- Amsterdam has beautiful architecture and housing options, picturesque canals, excellent restaurants, music and theatre, lively night life, and a cosmopolitan and tolerant attitude cultivated over centuries as a major global trading center. Our roads are highly-rated, smooth as velvet.
- We're also frontrunners when it comes to adopting new technologies. We were among the first countries connected to broadband internet, cell phones, and smartphones. To this day, we're early adopters. We're one of the largest internet exchanges in the world.
- The overall quality of life in Amsterdam and the Netherlands has been applauded by the global community.
- The Netherlands maintains favorable tax treaties and intellectual property laws, many of which you probably already know. We are very attractive for large companies.
- Equally important, we're also a nation of entrepreneurs. Our history as a naval merchant-war state closely resembles that of the U.S. What brought us to the height of our power is what brought America to the height of hers. Don't believe me? We invented the multinational firm, the stock exchange, insurance companies, short selling, futures, and many other innovations that are at the core of U.S. economic dominance of the past 30 years.
- Amsterdam is less than an hour away from London by plane.

Conclusion

The coming months will be challenging for many companies doing business in the U.K. or that are headquartered in London. For those companies, like Brexit itself, staying or leaving is an important decision that may impact the bottom line for many years. Being flexible and understanding the nuances of relocating to another European city are vitally important to weathering the impact of Brexit. That's why it's crucial to obtain representation from your nearest ITRA Global office, such as AREA Occupier Solutions. The principals of AREA are seasoned professionals with over 18 years of experience in helping companies understand and relocate to Amsterdam. As an ITRA Global office, Area Occupier Solutions provides conflict-free representation with total objectivity.

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