

There remains heated debate on what Brexit will mean for Britain and this is likely to intensify until the public votes on the 23rd June - and no doubt will remain a hot topic for some time after the result is known.



Disruption will be led by FinTechs. We believe that the traditional Financial Services companies will increasingly look towards and work more closely with FinTechs as an alternative source of innovation to their own new product and service development functions.

To help provide some clarity, we have summarised a selection of the prominent arguments we are hearing in regards to the impact of Brexit on the FinTech space.

These arguments are based on and sourced directly from what we are seeing in the press, on blogs and the like, as well as from our conversations with various FinTechs and prominent players from across the wider Financial Services space. The arguments do not necessarily represent nor reflect the views and opinions of KAE.



A Collection of Claimed Pros & Cons of Brexit



PROS OF BREXIT



CONS OF BREXIT



REPUTATION

Brexit could put London and the British FinTech space in a superior position compared to the rest of Europe, particularly if the EU imposes stricter regulations onto its member states

Britain has the ability to strengthen the attractiveness of its legal system and will also have more freedom to build a highly educated workforce - all of which make it an attractive location to locate HQs from and / or attract foreign direct investment

Potential scaling down of London based operations and / or the re-location of Financial Services companies HQs from London to Dublin or Continental Europe could weaken the status of London as a centre of Financial Services and potentially encourage some FinTechs to relocate

Britain is no longer viewed as an entry point to the EU's single market for FinTechs or Financial Services companies - making British FinTechs less of an attractive investment target



TRADE

Easier for Britain to do business with non-EU countries through the ability to freely negotiate trade terms

Opening up and potentially better negotiating new partnerships and trade corridors

Trading barriers potentially being established with Britain's main trading partners in the EU

Impacting free access to Europe's 400M+ consumers



REGULATORY

Ability to better shape business regulations and conditions, e.g. tax regimes, may make Britain more attractive to FinTech start-ups

Reducing regulatory complexity and compliance requirements in addition to associated costs

Brexit could present a fresh opportunity to review law-making around areas such as competition law and data privacy that better align to global business and regulators needs vs. those specific to the EU

Britain could be outside any EU developed frameworks and less able to operate and compete within the EU itself

Passport for FinTechs and Financial Services companies authorised in Britain to operate across European borders may cease

No longer benefitting from the implementation of 'positive' EU regulations and common frameworks such as the amended Payment Services Directive (PSD2) that provides opportunities for FinTech firms to become more competitive



TALENT

Wages may increase that will help attract more talent to the British FinTech space

Brexit may result in a points-based visa system being established that is focused on specific skills sets (similar to the Australia system) which could facilitate FinTechs in hiring talent

May end the freedom of movement of people that helps the best and brightest to work and locate in Britain

Cost of recruiting overseas talent could rise due to the increased complexities involved in the process

Closing Thoughts

There are no clear black and white answers on what Brexit will really mean and much of the pros and cons being debated, be they focused on the FinTech space, the wider Financial Services industry or at the national level, remain highly speculative.

Whatever the result of the EU referendum, we believe that the future remains bright for the British FinTech space. FinTechs will continue to disrupt the Financial Services industry and we believe that even in the event of a Brexit vote, many FinTechs will choose to remain in the country.

Regardless of the outcome, we expect that the referendum has caused some bumps in the road when we consider the pace of disruption and growth of the FinTech space itself. The EU Referendum has already driven market volatility and impacted confidence across the business and investor communities.

One trend that we will be watching even more closely is the ferocity and speed that other European FinTech hubs, including the likes of France and Germany, will move at in an attempt to potentially encourage British-based FinTechs to relocate or discourage start-ups setting up in the country. Similarly, we also expect various strategies to be put in place by other European FinTech hubs in regards to encouraging investors to divert their focus and capital from Britain.

Brexit is not a subject to be taken lightly and it will be some time before the true impact of an 'in' or 'out' vote, for better or worse, is apparent.

About KAE

As part of KAE's continued focus on and work within the FinTech space, we have been monitoring a number of prominent themes to assess their impact on this space as well as the wider global Financial Services industry.

We have supported both traditional Financial Services companies and start-ups to access the market opportunities and potential challenges.

Part of our recent work includes KAE's Digital Banking Study, a multi-market study that investigates the global trends within the Digital Banking space.

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