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# How a post-Brexit City can help close the UK's regional divisions

IT IS what we do after Britain leaves the EU that will determine the country's future success. Today, my co-author Liam Halligan and I have released Clean Brexit, where we explain why, regardless of how you may have voted, there are many reasons to be positive about what lies ahead. We outline the policies for the UK to take both during and after the Article 50 process.

The City has already featured prominently in Brexit discussions. We stress that, in particular, we should not lose sight of the role that the City and finance can play in helping the wider UK economy, supplementing London's international appeal.

Too often this is overlooked. Some long-standing issues need to be addressed post-Brexit.

In 1931, the Macmillan Committee examined the role of the City. In words that resonate today, it concluded that banks need to do more to help small and medium-sized firms. This "Macmillan gap" has not yet been closed. It has to be now.

In its recent assessment of 263 EU regions, the European Commission concluded that four of the top 10 are in the south of England. That is impressive.

Yet, the UK has "heterogeneous scores", reflecting a wide distribution of competitiveness across the economy. This points to the need for a concerted post-Brexit regional strategy. Thankfully, regional and cohesion policy is one of many areas where EU "competency" will now be returned to Westminster.

There is a fresh opportunity for the City to play its part in funding domestic infrastructure too, and closing the

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vast regional divide.

Municipal bonds could play an important role in funding specific local infrastructure projects.

We explain that concerns about what happens the day after we leave can be addressed through a temporary transition agreement for Britain. It avoids the much feared and overhyped "cliff edge", and instead builds a bridge. Before you get on a bridge you need to know how long it is and where it will take you.

Paris and Frankfurt are trying to entice business. Good luck to them. While London is the world's number one global financial centre, Paris is at 26 and Frankfurt at 11.

Some City firms may create new roles in EU cities. But the key question will be where will customers want to conduct business?

London still has the deep pools of liquidity and capital that make it central for the whole of the EU. Moreover, London continues to make inroads into other markets, such as green bonds and the offshore RMB, and is rapidly becoming the world's fintech capital too.

Much of the City's appeal is "Brexit-proof": its timezone, English common law, and London's intoxicating atmosphere and culture.

It will not be easy to replicate

London's scale, skills, and deep-rooted infrastructure spanning legal, consulting services and technology – all unmatched elsewhere in the EU.

Naturally, there should never be complacency. The UK should have acted sooner on guaranteeing EU workers' rights.

There's also a risk of some firms losing passporting rights, but the overall impact should be manageable.

In Clean Brexit, we highlight that the City should be careful what it wishes for. A Brexit deal that implies little change or ties us into EU regulation we are unable to influence directly could seriously undermine the City's global competitiveness.

Once outside, there should be a comprehensive debate about the future regulatory agenda.

One area where change is needed is competition law, with application across the whole economy. The UK has had to adopt EU thinking that is not always economically rational or market-friendly. Competition law should work in response to specific problems arising, and otherwise be minimal and non-interventionist.

If the UK can focus on issues like this that impact our domestic economy and international appeal, Brexit will be an unparalleled opportunity.

We must look not only on our future relationship with Brussels, but to the vast array of global opportunities now possible with the 80 per cent of the world economy that is outside the EU.

Dr Gerard Lyons is co-author with Liam Halligan of Clean Brexit, released today by Biteback publications. It can be found at [www.bitebackpublishing.com/books/clean-brexit](http://www.bitebackpublishing.com/books/clean-brexit).