



This is where the action is

AUTHOR
Dr. Gertrud R. Traud
Chief Economist/
Head of Research
Tel: +49 69/91 32-20 24
research@helaba.de

EDITOR
Barbara Bahadori

PUBLISHER
Helaba
Landesbank
Hessen-Thüringen
MAIN TOWER
Neue Mainzer Str. 52-58
60311 Frankfurt am Main
Tel: +49 69/91 32-20 24
Fax: +49 69/91 32-22 44

As a teenager in the nineteen seventies and eighties, I am the proud owner of a record collection and while recently browsing it, as I sometimes do, I came across the song entitled “Frankfurt” by the grande dame of (German) pop music, Ulla Meinecke. In 1980, she wrote an affectionate song dedicated to the city: “Hier scheuert’s Leben am Beton... da kocht’s, da brodel’t, da steppt der Nightlife-Bär” (loosely translated: here life grinds against the concrete... it’s seething, it’s simmering, there goes the party animal dancing into the night).

Meanwhile, a variety of artists and festivals covering all musical genres are attracted to the Rhine-Main region. The Wireless Festival, from London of all places, recently selected Frankfurt as its first-ever venue for the event on the Continent. It has already signed up such pop celebrities as Justin Bieber and The Weekend, so that the line-up is even more impressive than across the Channel.

For this to be successful in the realm of banking and bourses, it is essential to avoid regarding competitors with envy, but instead to convince interested parties of the advantages of Frankfurt as a location – of which the city boasts more than enough.

For instance, a decision will shortly be taken as to whether and when the merger between Deutsche Börse AG and the London Stock Exchange will take place. Despite the British vote for Brexit, increased efficiency and lower costs, primarily in the use and development of electronic trading platforms and settlement systems, promise to deliver higher returns to shareholders.

London has been chosen as the headquarters of the holding company. From a British point of view, this was non-negotiable and was accepted by the majority of shareholders from both sides. If anyone is surprised about this, they should first take a look at the shareholder structure of Deutsche Börse AG: only 15 percent are allocated to Germany, while the United Kingdom and the United States account for a combined 59 percent. Secondly, from a London perspective, Eschborn may not appear to be an attractive location. After all, the local stock exchange hardly maintains a presence any more in Frankfurt’s city centre, whereas LSE resides a mere stone’s throw from St. Paul’s Cathedral.

However, support from the shareholders is not enough to guarantee a merger, since competition factors also have to be taken into account. The ball is thus firmly in the EU Commission’s court. The Hessian Exchange Supervisory Authority, under the control of the local Minister for Economics, Tarek Al-Wazir, has the final say in this matter, though. We do not expect a decision before the summer. In our assessment, a merger with London as the new company’s headquarters would represent an enormous loss for the financial centre of Frankfurt.

The stock market merger is also keeping other institutions busy. The ECB, for example, has let it be known that Britain’s exit from the EU could undermine the effectiveness of the ECB’s Banking Supervision in respect of settlement business. These clearing activities are a key area of business for the stock exchanges.

A further important decision for Frankfurt will be whether Brexit will mean so-called EU passporting rights for banks in the United Kingdom will be retained. If not, banks that want to do business in the European Union will have to find a location there. Paris, for its part, is full of self-confidence in predicting that it will be able to “steal” around 20,000 bankers from London. We also see considerable potential for Frankfurt. Our cautious estimate amounts to 8,000 people. It could easily be more – if those responsible manage to sufficiently emphasise Frankfurt’s advantages. ■

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