

Brexit: Implications on Banking Regulations and Conditions; An Analysis

Authors : Astha Sinha, Anjali Kanagali

Abstract : The United Kingdom's withdrawal from the European Union, also termed as "Brexit," took place on June 23, 2016 and immediately had global repercussions on the stock markets of the world. It is however expected to have a greater impact on the Banking sector in the UK. There is a two-fold effect on the earnings of banks which is being expected. First is of the trading activity and investment banking businesses being hit due to global weakness in financial markets. Second is that the banks having a large presence in the European Union will have to restructure their operations in order to cover other European countries as well increase their operating costs. As per the analysis, banks are expected to face rate cuts, bad loans, and tight liquidity. The directives in the Brexit negotiations on the Markets in Financial Instruments Directive (MiFID) will be a major decision to be taken for the Banking sector. New regulations will be required since most of the regulations governing the financial services industry allowing for the cross-border transactions were at the EU level. This paper aims to analyze the effect of Brexit on the UK Banking sector and changes in regulations that are expected due to the same. It shall also lay down the lessons learnt from the 2008 financial crisis and draw a parallel in terms of potential areas to be focused on for revival of the financial sector of Britain.

Keywords : Brexit, Brexit impact on UK, impact of Brexit on banking, impact of Brexit on financial services

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