

# Fewer than 10 UK-based banks have asked for EU licence as Brexit looms

REUTERS, Frankfurt

Fewer than ten of the approximately 40 banks that conduct EU business out of London have applied so far for a licence to continue banking in the bloc after Britain leaves, regulatory sources told Reuters.

The slow pace of applications is raising concern at the European Central Bank, the EU's top banking supervisor, that some lenders are not doing enough to prepare for Brexit, or may even avoid it through a gap in the rules.

The past two months have seen a pick-up in the number of banks saying they plan to set up new EU subsidiaries after Brexit, with most major US, British and Japanese banks saying they will establish units in Frankfurt or Dublin.

But supervisory sources say they have still seen few formal applications for licences.

"We're having lots of meetings but not enough concrete action," one supervisor said.

While Britain does not leave the EU until March 2019, bank executives have said time is already running out: it could take 18 months or more to set up a new subsidiary, given the need to relocate staff, get the requisite technology and contractual arrangements with EU clients.

The location of investment banks' European headquarters is a major issue during Britain's negotiations to leave the EU. Companies across the bloc depend for financing on global banks whose European arms are now mainly based in London. The Bank of England estimates that half of all the debt and equity issued in the EU involves financial institutions in Britain.

Big banks have warned a "hard Brexit" could trigger financial instability if they were to suddenly lose access to EU markets. On Friday, Europe's banking industry group said central banks would need to be ready to inject cash into financial markets to help keep them stable.

The application for a banking licence, to an EU member state's national regulator and to the ECB, can take 6-12 months, and possibly longer if many banks apply at the same time. Three sources at different EU banking watchdogs told Reuters the total number of banks that had submitted applications so far across Europe was still in single digits.

The ECB declined to comment on the number of applications made, but has previously expressed concern that banks are behind in their preparations.

"A number of the larger banks have made progress in their planning," Sabine Lautenschlaeger, who represents the ECB's supervisory arm on the board, said last month.



The City of London is seen from Canary Wharf, Britain.

"But we have not seen many final decisions yet."

A spokesman at German regulator BaFin said it had received some applications and expected this to swell into double-digits eventually. The Central Bank of Ireland did not receive any applications in the first half of the year, its mid-year report shows. According to Lautenschlaeger, there are around 40 banks that now conduct business in other EU countries from UK bases. These include UK lenders, the big Wall Street investment banks and smaller groups from Asia and the Middle East.

To receive permission to operate new or expanded subsidiaries in the EU, they would have to subject their business plans, safety and the fitness of managers and investors to national and ECB banking supervisors.

Most major international and UK banks already operate small licensed subsidiaries in at least one other EU country, but would still need expanded regulatory approval to transfer big chunks of their London business to them.

In at least five cases -- Barclays, Citi, HSBC, JPMorgan and State Street -- European subsidiaries are already big enough to be directly supervised by the ECB, although they may need further permission to expand their operations.

Barclays has said it plans to secure an expanded licence for its subsidiary in Ireland. Among other big banks, Royal Bank of Scotland is negotiating with Dutch supervisors about moving some of its staff and business to its subsidiary in the Netherlands, while Lloyds and

Standard Chartered plan to make formal submissions this year.

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"The delay in applications could also be due to considerations not to lose top-level employees," a German supervisor said.

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