

London No Longer Top Shares Trading Hub

London is **no longer Europe's largest trading center for shares**. That honor now belongs to Amsterdam, the city that also hosts the world's oldest stock exchange. This deals another blow to London's standing as one of the world's leading financial hubs and is a **direct consequence of Brexit**.

Breaking down the numbers

During the month of January, Amsterdam traded an average of 9.2 billion euros worth of shares per day. In comparison, the equivalent figure for London stood at 8.6 billion euros according to data released by the CBOE exchange. Only last year, London accounted for 17.5 billion euros of daily trading activity. At the same time, Frankfurt was second by a long margin at 5.9 billion traded daily. Most notably, Amsterdam **only accounted for 2.6 billion euros** of trading activity per day.

Brexit blow

The UK's financial services sector accounts for over 10% of the tax collected in Britain. That number is destined to go down after Brexit because of the lack of adequate measures taken to protect this sector. Officials at the CBOE, which operates both in London and Amsterdam, say the shift to Amsterdam is most likely permanent. EU requires euro-denominated shares to be **traded within the union**. That stance does not look likely to change any time soon.

Good news from Switzerland

Despite all the above, it's not all doom and gloom for London as the city is on track to recover slightly. This month, **Swiss shares trading resumed in London** with volumes averaging up to 250 million euros per day. This is **likely to increase up to a billion a day**, which was the same level back when Swiss shares stopped trading in London in June of 2019.

Interest rate swaps

According to yesterday's published data, London is also losing in the interest rate swaps market. The data shows how **volumes have shifted to New York and EU markets**. In the last 7 months, trading platforms in Amsterdam and Paris increased their trading market share from **10% to 25%**. That increased volume came from London whose share **fell from 40% to approximately 10%**.

The reason for this increased trading activity is the same as that for shares. The EU requires firms to trade these instruments either inside the EU or on a platform based in an EU approved country, which in this case is the US. London still hasn't received that status even though PM Boris Johnson claims his office has sent all the necessary documents needed for approval to the EU.

Things are unlikely to change any time soon. The EU wants to build its own capital markets so it has direct supervision over trading activities. A three-way split between the US, the UK and the EU is likely to continue.