

27 Mar
2017

BOOKMARK | ☆

FACEBOOK | f

TWITTER | t

PRINT | p

TAG

Brexit
Finance
hub
market
technology

HOME › BUSINESS AND ECONOMY

Milan gearing up to become major financial hub in the wake of Brexit

by Maurizio Bernardo and Bepi Pezzulli

Italy's business capital **Milan** is increasingly emerging as the most suitable European financial center to carve out a key role in the euro zone. It is evident that only Frankfurt and Milan have the necessary infrastructure to host a regional financial hub, leaving London the role of global financial center.

Milan has chosen to focus on post-trading activities. Banking activities that require the use of balance sheets represent a third of consolidated banking activities. If the headquarters moving out of London and trading desks head to Frankfurt, two thirds of business would remain for Milan: middle office and back office activities. This is also realpolitik.

The reform measures implemented by the government with the input of the finance committee created the conditions to absorb these flows. As it involves economic activity, which unlike the transfer of a European agency does not have a visible physical element, it is worth summarizing the state of play to measure the effectiveness of Italy's Brexit strategy.

In recent times, the finance sector has been active.

Investment bank Lincoln International bought the Italian boutique advisory unit Rondelli Advisers while Houlihan Lokey snapped up the investment banking arm of Banca Leonardo. Debt specialist Jefferies meanwhile decided to open an independent office in Milan, launching an intense period of recruitment. These are significant moves, which go in the direction of targeting the market of medium-sized companies. **Conso** President **Giuseppe Vegas** is assessing the establishment of a ratings agency for small to medium-sized companies, pointing to the emergence of a clear industrial policy toward mid-caps, a segment that is well-known to be key for the Italian economy.

Similar activity is being seen in the large-cap sector. The investment multinational Vanguard is in the process of setting up a branch in Milan. Vanguard's strategy is an example of the reorganization of the European market. The US company is based on three poles in Amsterdam, Zurich and Milan and separates its European wealth in pension assets (the Netherlands) insurance assets (Switzerland) and private savings (Italy).

At the same time, the Allianz group will transfer a European insurance pole into the Isozaki tower in the CityLife business district of Milan. Deutsche Bank has already consolidated its entire Italian workforce in its headquarters in the Bicocca district of the city, while Credit Suisse has reinstated some marketing and product development functions in Milan.



The incentives offered to professionals with the Pagano decree have made Milan into an extremely attractive destination for the managerial workforce. International head-hunters Olivier James will open an office in Milan in April, expecting an increase in demand in qualified personnel. A similar density of investments is recorded in the high-tech sector, which is benefiting from the wide-ranging offer of infrastructure and real estate.

Sky has announced the consolidation of its Southern European operations in its office in the Rogoredo area. Microsoft earmarked a €30 million budget for its new offices in Palazzo Feltrinelli. The business district of Porta Nuova is welcoming Amazon, Google and Samsung. Meanwhile Apple, after the opening of the center of excellence in [Naples](#), is planning a new mega store in Piazza del Liberty, not far from the city's Duomo.

The recent decision by the European Centre for Medium-range Weather Forecasts (Ecmwf) to transfer its own research and data elaboration center to [Bologna](#), is coherent with the development picture. Super-computing and high technology are activities with high added value that are coming to Italy to produce know-how and stimulate the industrial sector. At the intersection between finance and technology, the Fin Tech sector is already growing. Recently, [UniCredit](#) together with a pool of foreign banks (HSBC, KBC, Natixis, Rabobank and SocGen) invested in the development of a payment platform based on blockchain technology, to manage economic transactions between companies.

The merger between LSE and Deutsche Boerse is falling apart because London decided to not give up MTS, a platform that manages both the wholesale Italian government bond market and the system of wholesale exchange of European government bonds. The infrastructure of the Italian market remains in British hands and today makes up a platform in the euro zone in spite of Brexit, reinforcing Milan's position in the European reorganization. Finally, there is the fundamental role of the [Lombardy](#) region that has announced it wants to use its own competence in terms of industrial districts to support Milan's growth in the key sectors of finance, technology, biomedical sciences and infrastructure, and turn Milan into a "pole of innovation".

It is not a coincidence that on March 27, Milan will host the GFCI 21 in the headquarters of the Region. The Global Financial Centres Index measures the competitiveness of international financial centers. Bringing the event to Milan shows that the city is now firmly on the map of international investors. From this event, we will see the strong need emerge to launch a marketing effort to highlight Milan's capacities to serve the euro zone. The bill on the special law for Milan adds an element of major impact for the marketing of the city. Only a small step is still awaited then to put Milan where it deserves: up high.