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**BREXIT as a chance to review EU financial integration: implications for Post-Soviet countries**

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1. **Introduction**

With the resumption of the debates after World War II, it was understood that new attempts should be made in addition to the previously unsuccessful methods. Many new ideas were put forward for this purpose. One of these ideas is the idea that Jean Monnet, who led to the establishment of the present EU, presented it to the French Foreign Minister Robert Schuman, and then called the Schuman Plan. The idea, also known as the Schuman plan, proposed the joint management of the coal and steel resources of West Germany and France and according to the plan, this joint control over coal and steel would make it impossible for a new war to emerge. United Kingdom has not been included in the EU's various reasons. However, for some reason, he changed his policy and became an EU member. The 1973 United States, which was a member of the 1973 United Kingdom, was a member of the Union (1975).

The United Kingdom's relations with the EU have been so far in confrontation. The United Kingdom has been a member of the United Nations, and it has been acknowledged that the United States has no intention of blocking it. For example, The United Kingdom stayed outside the Eurozone and was not included in the Schengen area. As we know, the EU was established with Schuman Plan. First established with 6 countries The EU has turned into an international organization that is now 28 members.

Despite the fact that many areas are outside, Britain, with a referendum on June 23, 2016, 48 percent against 52 percent of the vote with the EU had decided to leave. The Exit process would be a long-term process. This process was called Brexit. Brexit, which refers to the United Kingdom's exit from the European Union, was made from the combination of the words British (UK) and exit (exit) in English. It has become a mold used by the supporters of the European Union. For Instance, Nexit (Netherlands), Dexit (Germany), Spexit (Spain), Frexit (France), Bexit (Belgium), Grexit (Greece) prepared by spread. Even the United Kingdom has created Brexit ministry for this process to manage Brexit was a challenging process. In the United Kingdom since July in 2016, 14 ministers resigned on the grounds of Brexit. These ministers are included the minister of Brexit. May's Brexit agreement with the EU was rejected overwhelmingly on January 15th, which was called "historic" in parliament. Finally, the head of the European Union (EU) Council, Donald Tusk, announced that EU leaders and the United Kingdom agreed to extend the country's EU accession (Brexit) until October 31.

In this diploma work, after the referendum, we look at the financial and other economic impacts of the Brexit process on the European Union, the Great Britain and the post-Soviet countries. This diploma work has 3 chapters. In the first chapter of the Diploma work, we research Brexit impact on the European zone. Mainly we try to investigate in first chapter how will does Brexit impact on financial industry of European Union and other economy fields of European Union. In Second Chapter how will does Brexit impact on financial industry of United Kingdom and other economy fields of United Kingdom. Generally, Brexit how harm to economy of United Kingdom and what will Brexit bring to the United Kingdom economy? In last chapter, we will explore some negative and positive effects of Brexit's on post-Soviet countries' influence. What is the Eastern Partnership and how will this process effect to the East Partnership? Some post Soviet countries and Baltic countries also wanted to join the European Union. Brexit will weaken the European Union and such ideas will weaken the desire to join the post-Soviet countries, which they want to join the European Union, and again can they integrate into other sides? Can some economic associations created by post-Soviet countries again have a say in the world economy? Will UK increase investments in post-soviet countries after Brexit? What will be the impact of the Brexit process on the Azerbaijani economy and how will Brexit affect relationships of Azerbaijan-Europe and Azerbaijan – UK? Last chapter will focus on the above-mentioned ideas. Last section will explore how Brexit will affect Azerbaijan.

**2. TRANSFORMATION AT EUROPEAN FINANCIAL MARKET AFTER BREXIT**

**2.1 Free market access or EU considerations for resolving BREXIT consequences**

The United Kingdom's withdrawal from the EU is an exceptional improvement in European combination. Fears have been communicated that it could prompt the EU's crumbling, while others have seen an open door for the EU to coordinate further. To inspect the United Kingdom's impact on European mix, this report takes a gander at the job the United Kingdom has played pushing or blocking mix in five territories: the inward market; social strategy; the region of opportunity, security and equity; outside, security and resistance collaboration; and the Eurozone. The report demonstrates that in certain territories the United Kingdom has deferred or blocked European joining, making it a greater amount of an ungainly accomplice in European incorporation than most other Member States have been. The United Kingdom's restriction to European joining originates from the United Kingdom's local governmental issues, where, conversely with the circumstance in other Member States, British lawmakers have only very seldom sought after anything over a value-based way to deal with EU enrollment. The United Kingdom's exit could in this way be an open door for the rest of the EU to incorporate further. Nonetheless, it ought not be ignored that, regularly, the United Kingdom's postponing and blocking strategies have been skirted. The United Kingdom's withdrawal is likewise not a transient procedure; as it proceeds, there is a hazard that the United Kingdom could turn into a non-EU elective those interests to Eurosceptics in the rest of the EU Member States. Moreover, other Member States have additionally been unbalanced accomplices. Their ponderousness is probably going to happen in a procedure of separated coordination, where some Member States incorporate all the more rapidly in certain zones contrasted with others. While the EU is probably not going to break down in light of the United Kingdom's withdrawal, noteworthy fundamental difficulties remain, not least inside the Eurozone and in confronting a scope of worldwide weights. This implies the impact of the United Kingdom's withdrawal on European combination will be dictated by a harmony between two impacts. In the first place, the United Kingdom's prosperity or disappointment outside the EU and how this is seen inside the rest of the Member States. Second, the EU's capacity to conquer its fundamental difficulties, thus keep on showing to EU natives that, contrasted with different choices, it can react to their political requests and give compelling answers for the issues they face.

The vote by the British individuals to leave the European Union (EU) has given the EU a one of a kind test. This has occurred when European combination has been plagued by crises in the Eurozone and Schengen Area, stressed relations with Russia and the United States (USA), and a tide of illiberalism in European states and around the world. Before the United Kingdom's (UK) choice, sees were communicated that a vote in favor of Leave could achieve critical changes to European integration. On the one hand stood the possibility of the EU disentangling, with the United Kingdom's vote activating comparative submissions somewhere else in the EU, maybe notwithstanding inciting the Union's crumbling. Then again, was the likelihood that the United Kingdom's withdrawal could prompt the reinforcing of the Union by encouraging further mix. The United Kingdom has for quite some time been portrayed as “an awkward partner” since it has frequently blocked combination and requested extraordinary treatment or select outs. Its exit could expel this barrier and give a truly necessary lift to those trying to drive European incorporation forward.

As of the mid year of 2018, feelings of trepidation that the United Kingdom's withdrawal would prompt the disentangling of the EU have demonstrated unwarranted. While the United Kingdom has attempted to adapt to the heap difficulties of withdrawal, the EU itself has up to this point been joined together and comprehensively responsible for the leave arrangements. Recommendations have been advanced for further coordination in zones, for example, the Eurozone and in outside, security and barrier participation. Surveying has enrolled an expansion in open help for the EU in some Member States. Nevertheless, the impact of the United Kingdom's withdrawal on the eventual fate of European joining stays open to much discussion and hypothesis. It isn't yet clear whether the EU has conquered the limitation of substantial quantities of its natives appearing elevated amounts of Euroscepticism or unease at exchanging new powers to the EU. This has been a main impediment to recommendations to push forward with further coordination in late years.

The most effective method to comprehend and characterize European mix has incited much discussion in legislative issues, among the general population, and in academia. Various hypothetical structures have displayed reconciliation as the aftereffect of ‘spill over’ whereby collaboration between states in a single region prompts the requirement for participation in another. Other hypotheses have rather centered around the intermingling of interests of Member States, particularly the bigger states. For this investigation, we see European coordination as a blended procedure that joins both overflow and the combination of the premiums of Member States which prompts the governmental issues, laws, social orders, economies and security of the people groups of Europe being united in a ever closer union.' Integration isn't and never has been totally smooth. The EU has incorporated more in some strategy zones, for instance in the Eurozone (but just for those Member States who joined), than in others, for instance, in guard. This has prompted discuss “differentiated integration” where, in view of contrasts in political ability, riches, characters, and household established arrangements, some Member States incorporate all the more rapidly in certain territories contrasted with others. The United Kingdom's vote to pull back and ongoing crises in the Eurozone have likewise prompted exchange of European breaking down and how this may come to fruition. For instance were it to have set off an crisis in Germany – the EU's overwhelming influence and crucial Member State – or by empowering government officials and publics in other Member States to battle against 'Brussels' and even look to hold choices of their own that could likewise deliver cast a ballot for withdrawal.

Regardless, the impacts of the United Kingdom's withdrawal on the fate of European coordination will set aside some effort to take shape. Despite the fact that the formal lawful procedure for the United Kingdom's withdrawal is restricted to two years by Article 50 TEU, its belongings will happen over numerous years to come. The impacts will likewise reflect continuous advancements in the Eurozone, the EU's political economy, and Europe's security and universal standing.

In investigating the conceivable results of the United Kingdom's withdrawal on European incorporation, this report inspects the institutional and political job the United Kingdom has played as an EU Member State, considering, specifically, how the United Kingdom has cultivated and frustrated European mix amid its participation. It does as such by taking a gander at the job the United Kingdom has played in five arrangement regions: the inward market; social approach; the territory of opportunity, security and equity; remote, security and resistance participation; and the Eurozone. These regions were picked in light of the fact that they spread the EU's political economy (inside market and the Eurozone), society (social approach), and Europe's security and worldwide standing (the region of opportunity, security and equity, and outside, security and resistance collaboration). Every one of these regions has seen shifting degrees of incorporation both generally and all the more as of late. The United Kingdom's association additionally shifts in every zone, due, for example, to its non-participation of the Eurozone appearing differently in relation to its focal job in the inside market and its conflicted job in barrier and security arrangement. Each segment in this manner starts with a short diagram of the region before tending to three inquiries: how the United Kingdom has pushed forward coordination here; how the United Kingdom has blocked joining here; what impact may the United Kingdom's withdrawal accordingly have on that region of combination.

For the time being, the United Kingdom's withdrawal may give a political catalyst to the remainder of the EU to push ahead in finishing its financial association – particularly the third leg of the stool, for example basic store protection. Additionally, Brexit could give an impulse to other EU part nations to join the euro, including Denmark and Sweden, which have been considering joining the financial association. Given that Eurozone change is currently at the highest point of the EU's plan, and with the United Kingdom in transit out, it will demonstrate more earnestly for the euro-outs to see the advantages of EU participation while avoiding the single cash. Unmistakably the Eurozone will bit by bit assume control over the EU itself in institutional significance, and the euro-outs could make the figuring that it is essential to be a part when major institutional issues of administration are chosen upon.

With the Meseberg Declaration, we saw unobtrusive assembly among German and French recommendations for Eurozone change. Merkel and Macron had the capacity to concur on a stopping board for the Banking Union's single goals subsidize as an ESM acknowledge line just as the foundation of an Eurozone budget. But the French line that calls for greater solidarity and association wide hazard sharing and the German view that increasingly national obligation and individual Member State chance decrease is required stay unaltered. It is likewise the situation that the littler Northern European nations, driven by the Dutch, take a harder line than Germany, while Southern Europe, particularly Italy, don't think the French proposition go very sufficiently far. Basically, it isn't evident that the United Kingdom's withdrawal will give a tremendous stimulus to promote Eurozone coordination, even as euro-outs are considering joining. To be sure, for some, the United Kingdom's withdrawal gives a greater amount of an irritating diversion from the greater institutional difficulties to the EU, for example, putting the euro on a substantially more strong balance and thinking of an EU-wide movement routine and displaced person approach.

That is the reason, in the medium to long haul, the United Kingdom's withdrawal will nor be certain nor negative for the Eurozone. The primary blame lines over future administration are between the Northern and Southern Member States of the Eurozone. The differences are among loan boss and indebted person countries over principles versus attentiveness, chance decrease versus chance sharing, auxiliary changes to upgrade intensity versus the requirement for interest boost to invigorate development, and fiscal solidarity versus national obligation. The United Kingdom's withdrawal will do nothing to relieve these distinctions, as it never was a critical player or arranging accomplice amid the numerous endeavors of Eurozone change since the crisis of 2010.

While there might be some financial sector business action that moves from London to Dublin, Paris, Amsterdam and Frankfurt (and the EBA will move to Paris), the long haul effect of the United Kingdom's withdrawal on the fate of Eurozone administration will be peripheral, best case scenario. While the United Kingdom has been a voice of sober mindedness before – particularly amid the years 2010– 2012. When it empowered experts in Paris and Berlin to pursue the Anglo-Saxon lead in battling financial crises through liberal bailout bundles and financial facilitating – it is not certain that the United Kingdom government at any point had any immediate effect on the Eurozone change exchanges.

From an approach of amiable disregard during the 1990s and mid 2000s, the United Kingdom turned out to be progressively confident in seeking after its national and financial interests since the episode of the euro crisis in 2010. They even baffled the formation of the Fiscal Compact, which until today remains a between administrative treaty.88 Once the United Kingdom leaves the EU, be that as it may, the Eurozone Member States will never again have the capacity to hole up behind London's inner conflict to mask their absence of advancement towards a certified economic and monetary association.

The United Kingdom has been an unbalanced accomplice in European combination, yet not the awkward partner. As the five arrangement sections appear, the United Kingdom has certain territories been more cumbersome than most other Member States. United Kingdom clumsiness has additionally been avoided. This ought not to shroud the way that other Member States have additionally now and again been ungainly, counteracted joining and presented difficulties to the heading of the EU.

• In substantial part, this cumbersomeness mirrors the United Kingdom's political first class and open's challenges in dealing with the political repercussions of European mix. For some in the United Kingdom, the EU has been viewed as an unhindered commerce zone or normal market rather than a typical political undertaking. The United Kingdom's general way to deal with European joining has thusly be to back change, collaboration and coordination where it is persuaded of an unmistakable and direct advantage to the United Kingdom.

• United Kingdom governments have infrequently upheld advance out of some profound situated duty to European joining as an end in itself. The legislatures of all Member States have sought after their national advantages; however, these have included differing dimensions of responsibility to European reconciliation. For some United Kingdom government officials, paradoxically, the end has been whatever serves the United Kingdom's national intrigue. This has prompted pick outs and postponements in reception of strategies.

• The United Kingdom's withdrawal is a chance and a hazard to the rest of the individuals from the EU. The cumbersomeness of other EU Member States will currently happen in a procedure of separated joining. The EU is probably not going to deteriorate sooner rather than later, yet critical foundational challenges remain, particularly inside the Eurozone and in the EU's capacity to go about as a bound together performing artist universally.

• In GDP terms, the United Kingdom's departure is the proportional to the EU losing the 19 littlest Member States. In this way, it is probably going to cause some move in the EU's parity of intensity and the heading of European coordination.

• The connection between the United Kingdom and the EU can possibly affect European joining. The United Kingdom's withdrawal is definitely not a transient procedure, yet one which will have some impact on the EU for something like 10 years or more. The United Kingdom will remain an accomplice in numerous fields of EU movement. It could likewise turn into a non-EU elective those interests to Eurosceptics in the rest of the EU Member States.

The United Kingdom's enrollment of the EU has once in a while been smooth or without discussion either in the United Kingdom or somewhere else in Europe. As appeared in the previous sections, the United Kingdom has sought after a frequently blended way to deal with European combination. In certain regions, for example, the interior market, the United Kingdom has been at the front line of pushing forward the expulsion of lawful, financial, and political hindrances to the free development of merchandise, administrations and capital (and until 2007 additionally of individuals). Paradoxically, in others, for example, guard, social approach and direct tax collection, the United Kingdom has frequently blocked advancement that may prompt 'nearer and nearer association among the people groups and Member States'. This finishing section clarifies this befuddle, evaluates its general impact on European mix, and thinks about how the United Kingdom's withdrawal will change European joining.

In spite of its notoriety for hindrance, the United Kingdom has additionally upheld European combination to changing degrees. Most obviously this has been the situation with the interior market where the United Kingdom has done little to square reconciliation. In those territories where it has hindered advance, for instance over recommendations to present direct tax collection at the EU level, it has not been the main Member State to do as such. United Kingdom governments have likewise been uneasy with the opportunity of development of individuals as a component of in different zones, for example, social arrangement, opportunity, security and equity, the United Kingdom's association has be increasingly blended. It has every so often given a portion of the main staff and ability in these regions. Its resistance and want to separate from mix have be overseen through select outs (when blocking was unrealistic) and by the remainder of the EU undertaking intergovernmental activities that by-pass the United Kingdom. The United Kingdom's methodology can been clarified by the more value-based perspective on European joining held in the United Kingdom political field, which is to some extent a result of the United Kingdom's majoritarian arrangement of administration contrasted with the more consensual frameworks that work in numerous other EU Member States. Besides, ideological duty to European reconciliation is powerless in the United Kingdom. Infrequently have United Kingdom governments sponsored advance out of some profound situated promise to European incorporation as an end in itself. For some lawmakers in the United Kingdom, the end is whatever serves the United Kingdom's national intrigue.

This has made troubles for both the United Kingdom and the EU. Incorporation in one territory can and regularly leads to the requirement for coordination in another (overflow). In certain occasions, the United Kingdom's advantages have lined up with those of other Member States, considering joining to push ahead, yet just later to keep running into issues when the United Kingdom's responsibility melts away or changes course. In expansive part, this mirrors the United Kingdom's political first class and open's challenges in dealing with the political implications of European incorporation. For some in the United Kingdom, the EU has been viewed as a facilitated commerce territory or normal market. It was unexpected nothing then that the Remain campaign in the 2016 submission concentrated largely on the economic benefits of the United Kingdom's participation.

These troubles help clarify why the United Kingdom has been depicted as 'an awkward partner' in European integration. Too regularly, notwithstanding, the United Kingdom is portrayed as 'an awkward partner'. The thing that matters is more than semantic. As observed over, the United Kingdom's ponderousness is beyond shadow of a doubt.

In any case, it is vital not to dismiss how other Member States have sought after their national advantages and presented troublesome difficulties to the EU. While the United Kingdom has stayed away from the Eurozone, the greatest obstructions in the Eurozone crisis lay inside it because of various viewpoints between certain Member States. The key distinction, nevertheless, is that dissimilar to in the UK the political elites in other Member States have not addressed or generally discussed the requirement for the EU's prosperity or their political promise to it.

Seemingly, the United Kingdom's general commitment to European combination thusly lies in its help for change, collaboration and reconciliation where it is persuaded of an unmistakable and direct advantage to the United Kingdom. With the single, yet huge exemption of the production of the inside market, it has been doubtful, conversely, of advantages to the United Kingdom that may gather by implication through the combination procedure. In spite of fears that the United Kingdom's withdrawal may incite a domino impact, the UK's withdrawal alone is probably not going to realize any type of foundational crisis for European mix. To be sure, as noted in a few sections, the United Kingdom can be believed to have been pulling back for quite a while. 'Brexit by stealth' was the way one observer depicted the United Kingdom's exit from EU protection cooperation. In different zones, the United Kingdom's pick outs, for instance in the territory of opportunity, security and equity, mean little will change. Accepting an effective leave understanding and progress course of action can be concurred — and it is a critical stipulation — the United Kingdom's formal exit could subsequently be more a delicate landing instead of an unexpected change. A delicate landing would, after some time lead to changes in every one of the zones secured. The United Kingdom's size – in GDP terms, the United Kingdom's exit is the identical to the EU losing the 19 littlest Member States – implies it will probably cause some move in the EU's parity of intensity and the course of European mix. In the inner market, on-going endeavors to decrease hindrances, not least in administrations, may decay. In any case, the need to invigorate financial development may require further endeavors to bring down boundaries to exchange. In social arrangement, the EU may discover it to some degree simpler to achieve a harmony among EU and national social and financial strategy activities, with the United Kingdom never again contradicting fiscal and social approach change, yet the long-standing issue of overseeing different national social welfare frameworks will remain. In the field of opportunity, security and equity, the EU could move towards more harmonization instead of the UK's favored methodology of common acknowledgment. This move could in any case, have occurred with the United Kingdom as a part. On account of the Eurozone, the exit of the biggest non-euro part could see the euro zone all the more unmistakably become the core of the EU, attracting the last remaining non-euro Member States. Regardless of whether open craving exists for such a change remains an open inquiry. In remote, security and barrier, endeavors are presently being made to infuse more substance into the EU's goals in these territories. Notwithstanding, it stays misty whether Member States will confront the vital, security and political exchange offs involved.

Largely, this examination focuses to shifting dimensions of joining in every zone, conceivably showing a more clear procedure of separated mix because of differing dimensions of political duty, riches, personality legislative issues, and local established arrangements over the EU. Political elites in a few Member States may have transparently scrutinized a few parts of European combination, reflecting in no little part the ascent of Euroscepticism over the previous decade and that's only the tip of the iceberg. While Euroscepticism has appeared of retreating in some Member States, the eagerness of EU natives to face largescale changes keeps on burdening the psyches of EU and national chiefs. In no little part this is a direct result of the likelihood such changes will trigger submissions. No Member State, be that as it may, has yet moved to pursue the United Kingdom. Those not just mirrors the more drawn out standing responsibility to European incorporation found in the political elites and political societies of other Member States, particularly the more established and bigger ones. It likewise more than likely mirrors the poor execution of the United Kingdom in the Article 50 arrangements. The United Kingdom government's battle to characterize what it needs has left the United Kingdom looking a frail, isolated, useless nation that is unequipped for offering much by method for administration that others would wish to pursue.

A delicate arriving in March 2019 would not mean, in any case, that the United Kingdom's withdrawal would not have a greater impact over the more extended term. Here two issues go to the fore. In the first place, the impact of the United Kingdom's withdrawal on European reconciliation will rely upon how that withdrawal is characterized in the withdrawal understanding and in the arrangement over another relationship. As the EU has clarified from the begin, the United Kingdom can't hope to verify another relationship that is on a standard with or superior to current participation. Whatever new relationship is concurred will see the United Kingdom move from a chief to a choice taker, in a scope of territories. In certain regions, the United Kingdom may keep on having more straightforward contribution than in others. For instance, in remote, security and protection matters, the United Kingdom and EU may fabricate a nearby working relationship and look for from the outside to be the main non-EU choice shaper. Second, the United Kingdom may rise as a model looked to by Eurosceptics in the rest of the Member States. This could occur if in 10-20 years' time the United Kingdom appear as though it had prevailing with regards to leaving the EU while proceeding to develop financially. Such a circumstance may stow away proceeded with administrative combination and arrangement and hence the degree to which the United Kingdom is as yet molded by the EU. Be that as it may, withdrawal may interest Eurosceptics and publics in the rest of the Member States if the EU faces another arrangement of crises, for instance in the Eurozone.

The impact of the United Kingdom's withdrawal on European combination will be controlled by a harmony between two impacts. First, the United Kingdom's prosperity or disappointment outside the EU and how this is seen inside the rest of the Member States. Second, the EU's capacity to beat its foundational challenges, thus keep on exhibiting to EU natives that, contrasted with different alternatives, it can react to their political requests and give successful answers for the issues they face.

**2.2 Quantifying near-term damage to regional financial stability**

As regards the position of the EU member states against Brexit, it is clear that not all states have a positive attitude to this event. Firstly, Brexit can create a basis for the rise of votes on the withdrawal of France, the Netherlands and other countries through the domino effect to other member states. Le Pen, who is also a successful candidate for the French presidential election in 2017, is also the leader of the Party for Freedom, Geert Wilders, who ranks second in the 2017 parliamentary elections in the Netherlands, They to support a referendum on their country's withdrawal from the European Union. Secondly, the separation process will have a negative impact on the economies of member countries, more precisely, negative impact trade with the United Kingdom. Another important point is what countries will be affected by Brexit. The analysis of the World Economic Forum's report on the subject will be the most affected country in Germany. The main reason for this is that according to the statistics of trade partners of the United Kingdom by 2016, Germany is the second partner after the United States. At this point, Britain's second trading partner, Netherlands, and third-party trading partner, are likely to have a more negative impact on France than Brexit. German Chancellor Angela Merkel has commented on Brexit's decision as "we are sorry for Britain's decision to leave the EU, but we must be firm". "We only see the question of confidence in the EU project, not just the United Kingdom, but also other countries. We have to take the necessary steps in front of these problems. We must not forget that the idea of ​​the European Union is at the same time equivalent to the concept of peace in Europe. "

France dominant force in the European Union also faced a dilemma in Brexit. France does not want the United Kingdom exit European and worries that Germany will be the only force in the Union. Former French President F.Olland has repeatedly stressed the need for the United Kingdom to remain in the EU:

"The United Kingdom must remain in the European Union. Our desire is in this direction. At the same time, there is a need for EU development. No country should have a veto right. No country should be left out of joint duties’’. After the referendum results, F. Olland said in his speech:

"For the United Kingdom and Europe, I feel deep regret for this decision, but the choice is theirs and we have to respect it, which will be painful for Britain, but it will suffer for those who are left behind’’.

In addition to the mentioned countries, Italy, Spain, Austria, Bulgaria, Slovenia, Croatia, Latvia, Lithuania and other EU members have expressed regret over Brexit following a referendum and that it will have a negative impact on Europe.

As we have already mentioned, Brexit was concerned about the authorities of the concerned states, but the radical right-wing parties in the countries were delighted with this decision. In France, the right-wing National Front leader Le Pen called for a similar referendum in France. Le Pen wrote about this: "Victory for the sake of freedom! As I have said many years ago, we have to hold similar referendums in France and other EU countries. "

The leader of the North Alliance Party, Matteo Salvini, who is the most powerful advocate of avroskeptik in Italy, has said that Italy should follow the United Kingdom, saying now we are in range. Geert Wilders, leader of the Dutch Party (Party voor de Vrijheid), said on June 23 that the day of independence and Brussels's defeat in the face of national sovereignty.

The Prime Minister of Ireland reacted to the Brexit: "It will have a great impact on Ireland, as well as Britain and the European Union."

Apparently, lack of consensus on member countries in Brexit also affirms this danger for other states. There is anxiety that EU members have serious uncertainty about how the Brexit process is being implemented in practice. On the other hand, they are aware that this process will create serious problems for Europe. It is known that British exit from the EU will have a great impact on British life. But what about the results of Brexit for other EU countries with free trade relations with the United Kingdom, like other France and Germany? In which direction will the relations between them continue?

Looking at the between relationships of United Kingdom and France, it seems that Brexit will not only negatively affect trade. The free movement of people, goods, services and capital that constitute the main pillar of the European Union is the main advantage that both sides lose. Because no documents, taxes, fees were applied to the above-mentioned points. Brexit is likely to cause a 30% increase in these costs. The United Kingdom was the third largest export destination in France. France is Britain's third largest trade partner. Additionally, considering the costs of logistics, smaller French companies will be unable to compete in the United Kingdom market. This means that if companies are to meet the growing costs, they will seek another market. This would greatly hurt the trade relations between France and the United Kingdom. The most optimistic outlook for the new trade agreement is over 30% increase cost. It is important to highlight the cooperation between the United Kingdom and France in the field of defense. First, both NATO members are the permanent members of the UN Security Council. Second, both countries play a key role in regional and global peace and security. United Kingdom and France cooperate in Iran's nuclear deal as part of P5+1 or E3+3, Ukraine and Syria continue to work together on the European and international scene for a peaceful settlement of the conflicts. Third, both countries face the same threats, including international terrorism and cyber threats. Finally, both countries form a large part of the European armament capability. The defense industries of the two countries are about 40% of Europe's defense exports. In 2016, France was the world's largest global defense exporter, leaving behind Russia the third place.

Germany is one of the countries most affected by British exit from the European Union. United Kingdom is Germany's fourth largest trade partner. Germany is Britain's 2nd largest trade partner. As can be seen from the table, Brexit may lose 5.48% of Germany's Gross National Income. However, Germany's firm position is that it will not sacrifice its political interests to economic interests. Germany is probably one of the most important countries in Europe's integration. It will not allow the United Kingdom to shake the influence of EU institutions. On the other hand, Germany and the United Kingdom are one of the three states in the European Union, with a dominant position in Europe. These states are compelled to compromise and work together for the protection and development of Europe. It proves that in March 2017, Prime Minister Theresa May Brexit would play an important role in Europe's security. So, after officially launching Brexit's process, Germany and the United Kingdom have agreed on a new defense agreement. Under the agreement, states will cooperate in cyber security, training and maritime patrols. The German-British defense agreement also took place in a sensitive period for Germany. Because recently US President Donald Trump criticized Germany for not contributing enough to NATO.

According to a study by the Erasmus Rotterdam University, Ireland will be the most affected country in Brexit. According to the analytical assumptions, countries that are closest to the United Kingdom, such as Belgium and the Netherlands, as well as countries like Germany and France, will suffer from the biggest economic effects of Brexit.

Brexit's likely damage to the Gross National Product of the European Union

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| --- | --- | --- |
| 1. | Germany | ~5,47% |
|  |
|  |  |  |
| 2. | France | ~2,18% |
|  |
|  |  |  |
| 3. | Italy | ~0,55% |
|  |
|  |  |  |
| 4. | Spain | ~0,77% |
|  |
|  |  |  |
| 5. | [Poland](https://az.wikipedia.org/wiki/Pol%C5%9Fa) | ~1,31% |
| 6. | [Romania](https://az.wikipedia.org/wiki/Rum%C4%B1niya) | ~0,56% |
|  |
|  |  |  |
| 7. | The Netherlands | ~4,39% |
|  |
|  |  |  |
| 8. | [Greece](https://az.wikipedia.org/wiki/Yunan%C4%B1stan) | ~0,75% |
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| 9. | [Belgium](https://az.wikipedia.org/wiki/Bel%C3%A7ika) | ~3,50% |
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| 10. | [Portugal](https://az.wikipedia.org/wiki/Portuqaliya) | ~0,67% |
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| 11. | Czech Republic | ~2,14% |
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| 12. | [Hungary](https://az.wikipedia.org/wiki/Macar%C4%B1stan) | ~1,71% |
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| 13. | [Sweden](https://az.wikipedia.org/wiki/%C4%B0sve%C3%A7) | ~1,68% |
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| 14. | [Austria](https://az.wikipedia.org/wiki/Avstriya) | ~0,77% |
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| 15. | [Bulgaria](https://az.wikipedia.org/wiki/Bolqar%C4%B1stan) | ~0,44% | |
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| 16. | [Denmark](https://az.wikipedia.org/wiki/Danimarka) | ~1,49% | |
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| 17. | [Slovakia](https://az.wikipedia.org/wiki/Slovakiya) | ~1,31% | |
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| 18. | Finland | ~0,80% | |
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| 19. | [Ireland](https://az.wikipedia.org/wiki/%C4%B0rlandiya) | ~10,12% | |
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| 20. | Lithuania | ~1,02% | |
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| 21. | [Latvia](https://az.wikipedia.org/wiki/Latviya) | ~0,86% | |
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| 22. | [Slovenia](https://az.wikipedia.org/wiki/Sloveniya) | ~0,42% | |
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| 23. | [Estonia](https://az.wikipedia.org/wiki/Estoniya) | ~0,85% | |
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| 24. | Croatia | ~0,44% | |
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| 25. | [Cyprus](https://az.wikipedia.org/wiki/Kipr) | ~0,52% | |
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| 26. | [Luxembourg](https://az.wikipedia.org/wiki/L%C3%BCksemburq) | ~1,05% | |
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| 27. | [Malta](https://az.wikipedia.org/wiki/Malta) | 5,08% | |
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Ireland is the first in the list of countries that face the most severe consequences of Brexit among EU countries. The reason is very deep and extensive economic relations. In addition, political relations between the countries in the Northern Ireland issue are at a high level. As Brexit's right-of-regulated paragraph, Brexit may renew the forgotten conflicts along Ireland and the Northern Ireland border. Among the most affected areas are maritime, agricultural, energy fields. Ireland imports 89% of oil products and 93% of gas from the United Kingdom. As can be seen from the table, Brexit will decrease approximately 10.12% of Ireland's Gross National Income.

The Prime Minister of the Kingdom of the Netherlands, Mark Rutte, urged Britain to clarify the future of its relations with key trade partners after leaving the European Union. The Netherlands is one of the EU's countries closest partners with Britain. Consequently, the exit of the British bloc in March 2019 without replacing the previous trade relations with the new trade agreement would have to do with the fall of the Netherlands's Gross National Income by a few percentage points. The House of Representatives, the legislative body of the Kingdom of the Netherlands, had appointed two representatives to investigate Brexit's influence on the Netherlands-United Kingdom relations. The report, published in March 2017, said Britain was the Netherlands's 2nd largest trading partner and accounted for 9% of total exports. In the report on Brexit, five proposals have to be taken into consideration in the United Kingdom and the Netherlands:

1. Guaranteeing the rights of Dutch nationals living in the United Kingdom;

2. Maintain close trade relations with the United Kingdom;

3. Ensure active participation of the House of Representatives in the Brexit Treaty;

4. Evaluation of Brexit's effects on EU long-term budget;

5. The negotiations on the withdrawal of the United Kingdom from the Eurasian Union must be conducted separately from the Brexit negotiations.

It is well known that Brexit will have a greater impact on the economy. There will be more impacts on countries such as Ireland, Malta, Germany, the Netherlands, and there will be less impacts on Bulgaria, Croatia, Italy, Romania and Slovenia. Although Brexit has certain effects on the political and defense spheres, it is likely that they will not be as large as those seen in their trade will relations will. Because economically destabilizing countries are likely to attempt to improve relations in political talks. In addition, as the United Kingdom is a political and military strongman in the European region, countries are expected to be interested in bilateral relations. Moreover, it is believed that the United Kingdom is also trying to improve bilateral relations with EU countries in order to avoid European issues.

**2.3 Equivalence arrangements during complex period of uncertain transition**

The United Kingdom's exit from the European Union makes an open door for the remaining EU27 to quicken the advancement of its financial markets and to build its flexibility against stuns. Similarly, Brexit includes dangers for market honesty and dependability, in light of the fact that the EU including the United Kingdom has been critically subject to the Bank of England and the United Kingdom Financial Conduct Authority for oversight of its wholesale markets. Without the United Kingdom, the EU27 should quickly overhaul its ability to guarantee market uprightness and financial solidness. Besides, losing even incomplete access to the productive London financial center could involve lost proficiency for the EU27 economy, particularly if financial advancements inside the EU27 stay restricted and uneven.

The European Union 27 should update its financial control architecture to limit the fiscal market fragmentation coming about because of Brexit and the corresponding growth in borrowing costs for firms. While some decrease in cross-Channel incorporation is unavoidable, the EU27 should move rapidly towards a completely coordinated single market for financial services, with fit tenets and predictable supervision and requirement. Approach activities need to incorporate administration change and more noteworthy strengthening of the European Securities and Markets Authority, further strides towards banking association and third-nation routines for the supervision of market framework firms (e.g. clearing houses), like those in the United States. With arrangement coordination, there will be less requirement for fiscal firms to move to one area, lessening the weight for all offices (foundation, workplaces with exchanging floors, private lodging) to be in one city.

London is the fiscal center point of Europe, giving corporate and investment banking administrations to the European Union's 28 part states and well past. In a situation in which the United Kingdom leaves the EU single market by the spring of 2019, United Kingdom-based fiscal firms would lose their identifications to do coordinate business with EU27 customers. Brexit would subsequently prompt a fractional relocation of financial services exercises from London to the EU27 (EU minus United Kingdom) so financial firms can keep on serving their clients there. A few exercises may likewise be moved to different purviews, the United States (New York). The following area talks about the requests of greatness required for wholesale banking, a significant market portion. It ought to be noticed that our assessments all through this paper are for the reasons for outline and banter, and not expected as conjectures. The present moment and longer-term dangers and openings associated with this move make it basic for the EU27 to receive clear approach positions on some key issues. For the time being, an unexpected departure of financial firms from London could make disturbance financial markets and to the financing of the EU27 economy. Area 3 examinations the basic hazard that the following discontinuity of exchanging action may result in expanded expenses and diminished access to capital for organizations. There is additionally the related danger of an administrative race to the base among EU27 nations, prompting unfortunate behavior, loss of market respectability and conceivably financial unsteadiness. On the upside, Brexit is likewise a chance to manufacture progressively coordinated and energetic capital markets in the EU27 that would better serve all its part economies, improve hazard sharing to withstand local shocks and make the EU27 an alluring spot to do worldwide financial business. This would accelerate the rebalancing from a principally bank based to a generally more market-based financial framework, which is a focal target of the EU's Capital Markets Union (CMU) policy. To address these dangers and openings, we audit three key zones applicable for arrangement (segment 4). The first is legitimately connected to the finding that intra-EU27 financial market discontinuity is probably going to prompt higher getting costs. To deflect this, a solitary arrangement of rules (or single rulebook) is essential however not adequate. Steady supervision and requirement are likewise required, and would be best accomplished by an improved European Securities and Markets Authority (ESMA) assuming an upgraded job as the single European capital markets administrator. ESMA ought to work in a center point and-talked demonstrate with national capital market specialists, likewise to EU rivalry approach implementation and euro-zone banking supervision. Second, financial security requires the euro region's incomplete financial association to be additionally reinforced to produce the ideal motivating forces for banks and national experts. We suggest that further hazard sharing ought to hand-in-hand with extra harmonization initiatives and the restriction of banks' holdings of individual countries' sovereign bonds. Third, the future European capital markets system ought to satisfactorily consider cross-jurisdictional interdependencies inside the EU27 – particularly while not all part states are a piece of the financial association, not to mention the euro territory – and in connection to third nations, including the United Kingdom, the United States and different wards, for example, Switzerland. The following couple of years may likewise call for recharged accentuation on the EU's vital advantages in joint worldwide activities in the territory of financial regulation, given the probability of a less multilateral methodology from the United States. In parallel, EU27 nations ought to likewise take a shot at nature of foundation, the abilities base, English-language capability and expense and work laws inside the breaking points set by the EU structure (e.g. state help control and central rights) to encourage productive and dynamic markets. The challenge between EU27 nations to draw in financial action and occupations can be comprehensively lined up with European interests if EU-level courses of action anticipate a financial administrative race to the base.

To evaluate the degree to which wholesale banking could move to the EU27, we gauge the present size in London of that s market segment, which comprises the issuing and equity securities and trading of debt, derivatives and foreign exchange trading.. Table 1 gives a review of aggregate (retail and wholesale) United Kingdom banking resources, adding up to €10.3 trillion. Our rough approximation is that around 50 percent of all out United Kingdom banking resources is identified with wholesale banking in London. To offer financial market items to EU27 customers, banks need a visa under the Markets in Financial instruments Directive (MiFID). In view of talks with market members all through Europe, we gauge that 35 percent of London wholesale banking is identified with EU27-based customers, changing from around one fifth for United Kingdom-headquartered banks to a third for US-headquartered banks and half for EU27-headquartered banks. In this way, about €1.8 trillion (or 17 percent) of all United Kingdom banking resources may be progressing as an immediate result of Brexit. With respect to representatives, Goodhart and Schoenmaker (2016) give nitty gritty information to the London tasks of the main five US investment banks, which together record for about 33% of London wholesale banking. Panel A of Table 2 proposes that 35 percent of the corresponding sales may move to the EU27. The quantity of positions that will move with this volume of business relies upon business contemplations of the investment banks and on the ‘substance requirement’ of the EU chiefs. This prerequisite empowers chiefs to request adequate 'substance' as the executives, staff and inner control frameworks as a component of the permitting system. At the very least, it is normal that the new EU27-based substances should have independent sheets, full senior supervisory crews, senior record directors and merchants, despite the fact that a great part of the back-office may remain in London or somewhere else in the world. We in this way gauge 10 to 15 percent of positions may move, or around 3,300 positions at the five top US investment banks (Table 2, Panel B). As US investment banks mean 33% of London wholesale action that may move, our gauge for the whole wholesale banking section would add up to 10,000 financial positions moving from London to the EU27. In a different paper (Batsaikhan et al, 2017), we gauge that a further 18,000 to 20,000 positions identified with expert services (e.g. consultancy, legitimate and bookkeeping) may be on the move.

**Table 1: Wholesale banking in London (end-2014)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Total assets | | | Wholesale banking in London | | Wholesale banking for EU27 clients | | |
| Bank types | | | | | | | |
|  | Assets (€ billions) | % of total UK banks | Assets (€ billions) | % of total assets | Assets (€ billions) | % of wholesale | % of total assets |
| Major UK international banks | 4583 | 45% | 1375 | 30% | 275 | 20% | 6% |
| Major UK domestic banks | 1489 | 15% | 0 | 0% | 0 | - | 0% |
| Other UK banks | 321 | 3% | 0 | 0% | 0 | - | 0% |
| Rest of the world investment banks | 2221 | 22% | 2221 | 100% | 777 | 35% | 35% |
| Rest of the world other banks | 591 | 6% | 591 | 100% | 207 | 35% | 35% |
| Branches of EU banks | 1018 | 10% | 1018 | 100% | 509 | 50% | 50% |
| Total UK banking system | 10223 | 100% | 5205 | 51% | 1768 | 34% | 17% |

Source: Bruegel. Note: Total assets based on Burrows, Cumming and Low (2015) and for branches from EU banks on ECB (2015). Bruegel estimates for wholesale banking (issuing and trading securities, foreign exchange, derivatives) in London and for wholesale banking for EU27 clients. The final columns (wholesale banking for EU27 clients) are estimates for the business moving to EU27 after Brexit.

Where might the London business move to in the EU27: an incorporated wholesale market or one divided along national lines? We make a first conditional examination of the advantages and downsides of joining. Fracture would prompt an expansion in borrowing costs in the EU27, contrasted with an incorporated market for the EU27. By utilizing distinctive exchanging settings and focal counterparties, banks would forego cooperative energies from cross margining crosswise over items, and would need to extend their staff and frameworks to consent to separating neighborhood prerequisites. Notwithstanding accepting that banks can keep on taking an interest in the London market for their very own hazard the management purposes (off-setting forex bargains or e.g. derivatives), they would need to move the wholesale exchanging of securities, derivatives and foreign exchange for EU27 customers to the national markets of the EU27 on account of the MiFID international ID. This would result in a greater expense of capital for households (mortgages and consumer credits) and corporates (bank advances and corporate securities). We minimalistic ally gauge the greater expense of cash flow to be in the scope of 5 to 10 premise focuses. This adds up to an additional yearly expense of €6 billion to €12 billion for family units and corporates, or 0.05 to 0.1 percent of EU27 GDP. This additional expense of the divided EU27 contrasted with the coordinated EU27 would be extra to the (possibly greater) cost coming about because of the incomplete loss of access to the proficient London financial market, which we take as given and don't endeavor to assess here. Concerning the downsides of joining, centralization of financial exercises can negatively affect different enterprises. The financial sector may draw in such a large number of alumni from a nation's ability pool and exaggerate the real exchange rate, and it can likewise turn out to be too huge for the nation (as London has for the UK). In any case, exchanging parties don't should be all in the equivalent physical area to appreciate the advantages of integration. For whatever length of time that predictable tenets and requirement ensure square with conditions, brokers can work from better places. Additionally, exchanging settings can be connected electronically to encourage best execution. In any case, normal standards crosswise over part states are insufficient. The system must guarantee that authoritative choices (which we allude to here as 'enforcement', yet which additionally incorporate different routines of authorization, enrollment and supervision) are likewise predictable (Verona, 2015).

**Table 2: European operations of top five US investment banks, revenues and employees**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Panel A** | Revenue by country, end-2014 (in € millions and %) | | Potentially relocated revenue (in € millions and %) | |
| UK | 22744 | 92% | 7960 | 35% |
| Germany | 513 | 2% |  |  |
| France | 361 | 1% |  |  |
| Italy | 193 | 1% |  |  |
| Ireland | 201 | 1% |  |  |
| Luxembourg | 276 | 1% |  |  |
| Other EU | 438 | 2% |  |  |
| **Total** | 24726 | 100% |  |  |
| **Panel B** | Number of current employees by country | | Potentially relocated positions | |
| UK | 26629 | 89% | 3,329 | 10-15% |
| Germany | 794 | 3% |  |  |
| France | 293 | 1% |  |  |
| Italy | 326 | 1% |  |  |
| Ireland | 1011 | 3% |  |  |
| Luxembourg | 491 | 2% |  |  |
| Other EU | 365 | 1% |  |  |
| **Total** | 29909 | 100% |  |  |

Source: Goodhart and Schoenmaker (2016). Note: The data refer to European operations of the five US investment banks, namely Bank of America Merrill Lynch, Citi, Goldman Sachs, JP Morgan, and Morgan Stanley. Goodhart and Schoenmaker (2016) provide a breakdown for each bank. Bruegel estimates for potential moves.

To delineate these focuses, we present two situations for the EU27 financial framework, while recognizing that these are unavoidably self-assertive. In the two situations, a lot of the complete European wholesale market drops from 90 to 60 percent result of Brexit. The beginning stage is that financial firms with a MiFID identification can serve EU27 customers from anywhere in the EU27, similarly as they presently do from London. In Batsaikhan et al (2017), we look at London and four noteworthy urban areas that together may at last host the greater part of the new EU27 wholesale market: Frankfurt, Paris, Dublin and Amsterdam. Situations expect divided markets in the EU27, with financial principles subject to national varieties and national supervision. Incomprehensibly, fracture of business sectors prompts a grouping of the financial industry. Banks are motivated to move to a similar spot to limit the expense of fragmentation. Frankfurt as of now has the greatest European activities of the US investment banks outside London (see Table 2) and is home to the European Central Bank (ECB), which is currently likewise the euro territory's banking supervisor. For this and different reasons, we expect that Frankfurt is situated to turn into the most noticeable focus with 45 percent of the EU27 wholesale market. Next, Paris, which is home to the business, sectors chief ESMA and a few huge banks, may cover 20 percent. The sprinters up, Dublin and Amsterdam, may cover 15 and 10 percent separately, and a total 10 percent in every single other focus (see Table 3). By contrast, under situation B, which expect incorporation, there is less requirement for all activities to move to one area, which decreases the weight to (and price of) having all offices (offices with trading floors, foundation, residential housing) in one city. In this situation with an all the more geologically spread industry, 35 percent of EU27 wholesale finance may be in Frankfurt, 12-20 percent each in Amsterdam, Dublin and Paris, and a total 15 percent in every single other focus. Despite whether the EU27 financial framework post-Brexit is facilitated chiefly in one area or scattered between a few areas, these areas are probably going to be inside as opposed to outside the euro region, for two reasons. To start with, at present the biggest financial centers inside the EU, other than London, are situated in the euro region. Second, the ECB, as provider of liquidity and banking manager, is unmistakably unrivaled in the EU27. The way that few nations are presently competing to draw in business from London proposes that they plan to receive rewards from having bigger financial sectors, not least as extra duty income. In the meantime, nations with bigger financial segments face higher potential expenses related with potential open use if there should arise an occurrence of financial strife. These potential expenses would be shared by all euro-region nations in a full financial association, however not in a fragmented financial association, as is presently the situation. Largely, it will be a test to keep a feeling of the harmony among advantages and potential expenses crosswise over euro-territory nations.

**Table 3: Scenarios for migration of wholesale markets**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Current situation (% of market) | | Scenario A: Fragmentation (% market ) | | Scenario B: Integration (% market ) | |
|  | Total European market | Total European market | EU27 market | Total European market | EU27 market |
| UK | 90% | 60% |  | 60% |  |
| Germany | 2% | 18% | 45% | 14% | 35% |
| France | 1% | 8% | 20% | 8% | 20% |
| Ireland | 2% | 6% | 15% | 7% | 18% |
| Netherlands | 1% | 4% | 10% | 5% | 12% |
| Luxembourg | 1% | 1% | 3% | 2% | 4% |
| Italy | 1% | 1% | 3% | 2% | 4% |
| Spain | 1% | 1% | 3% | 1% | 4% |
| Other EU | 1% | 1% | 1% | 1% | 3% |
| Total | 100% | 100% | 100% | 100% | 100% |

Source: Bruegel. Note: The current market shares are based on Goodhart and Schoenmaker (2016). In both scenarios 35 percent of the UK market moves to the EU27, so that 60 percent of the current European wholesale market stays in London. Scenario A assumes fragmented markets in the EU27, leading to concentration. Scenario B assumes an integrated market for the EU27, allowing a geographically spread industry

EU27 leaders need to set their goals obviously for the reshaping of the financial system that is being activated by Brexit. Distinctive nations and urban communities will normally contend to draw in business moving out from London, prompting an unavoidable blend of rivalry and collaboration. We emphatically prescribe that leaders unambiguously express that this challenge ought not be based on financial regulation and supervision. Such an announcement ought to be quickly supported up by solid choices – despite the fact that their execution will definitely require some serious energy. A topical model is the substance necessity: EU-level plans ought to keep national specialists from forcing just shallow prerequisites so as to pull in business.

As we have noted, steady oversight of wholesale markets and authorization of applicable regulation is basic to accomplish cross-fringe reconciliation. This requires coordination of the institutional engineering, for which the attempted and-tried model in the EU is a center point and-talked configuration, since quite a while ago utilized for rivalry approach and, all the more as of late, for banking supervision. The clear method for actualizing this, without the requirement for changes to the EU arrangements, is through the support of ESMA, the European Securities and Markets Authority that was made in 2011 and that as of now has a direct EU wide supervisory job, however just for restricted market segments. It is outstanding that the require a solitary EU capital markets chief has come not just from EU specialists, most conspicuously in the Five Presidents' Report of June 2015, yet in addition from certain nations (e.g. German Council of Economic Advisers, 2016). An expanding of the extent of ESMA's authority requires change of its administration and funding, which as of now limit its autonomy and limit. Such change ought not upset ESMA's tasks meanwhile, yet ought to adjust it to better structured foundations, for example, the ECB's Supervisory Board and the Single Resolution Board. ESMA ought to be overseen by an official leading group of five or six full-time individuals verified by the European Parliament, instead of the current supervisory leading group of national delegates (in which the seat can't make a choice). This would beat bends emerging from compelling national interests and would avert administrative catch. In accordance with worldwide practice, the fortified ESMA's subsidizing ought to depend on a little toll on capital markets movement under investigation of the European Parliament, rather than the current political haggling through the general EU spending plan. The changed ESMA ought to be essentially centered around those market fragments for which EU movement is at present most amassed in London, for example, the wholesale banking parts of MiFID/MiFIR, e.g. the oversight of exchanging stages, benchmarks, and every administrative arrangement applying to global financial foundations and subordinates (e.g. the European Markets Infrastructure Regulation, EMIR). For different angles, for example, first sale of stock authorizations and store the board enrollments, ESMA's approach setting job ought to be reinforced however, national specialists could keep on taking their very own choices for a long time to come. One other territory that requires further intermingling inside the EU is bookkeeping and examining. ESMA ought to be the focal specialist for implementation of International Financial Reporting Standards, despite the fact that bookkeeping specialists in national experts would keep taking a shot at individual cases, and an EU-level supervisory system ought to be made for review systems (see likewise Verona and Wolff, 2015).

On account of the wide-going changes concurred in 2012-14 and executed since, the prudential supervision of banks is presently altogether more coordinated than different zones of financial regulation in the euro region, and this European financial supervision is working comprehensively as proposed. Universal investment banks that work in London and need to set up another element or develop a current element in the euro territory are as of now in converses with the ECB, which will guarantee that they meet the substance prerequisite talked about in segment 2. This will most likely require the ECB to rapidly learn and adjust however largely there is no motivation to question its capacity to deal with the relating authorization and oversight forms. However, banking association stays deficient and its further improvement is expected to brace the reshaping of the EU27's fiscal markets post-Brexit. In particular, the objective of fortifying financial association ought to incorporate progressively unequivocal euro-territory wide hazard sharing courses of action. Which could envelop the production of an European Deposit Insurance Scheme (extensively along the lines proposed in November 2015 by the European Commission). A command for the European Stability Mechanism (ESM) to go about as a stopping board to the Single Resolution Fund and the future European Deposit Insurance Fund, and for the utilization of the ESM's immediate recapitalization instrument for preparatory recapitalization purposes. At the same time, there is a requirement for a legitimately aligned structure for restricting introduction constrains on sovereign exposures of euro-zone banks and for further harmonization to come nearer to the vision of a solitary rulebook required for banking supervision and for the bankruptcy routine that applies to euro area banks. Finishing the financial association would likewise better empower European financial gatherings to challenge the right now predominant places of driving US investment banks. The key factor here is the command post of European financial gatherings, which is still generally surrounded at a national instead of European scale and sustains noteworthy contortions in euro-zone nations (Schoenmaker, 2016). Reinforcing the financial association ought to likewise infer that the dangers as well as the advantages from an extended euro zone financial sector Post-Brexit are better shared by euro region nations. Except if there is some sharing of advantages there is a threat that nations will be reluctant to share the dangers, which would make the extended financial sector of the euro region increasingly helpless against of financial insecurity.

With Brexit, a few parts of the EU27's fiscal system foundation will wind up outside of its regional degree. This test should compel a wide reevaluate of the manner in which the EU27 deals with its administrative associations with third nations, which for the present are to a great extent sorted out around the standard of acknowledgment of equality. This creates an excess of dependence on third-nation experts for basic framework, for example, clearing houses (additionally called focal counterparties or CCPs in Europe), which are financial firms whose job in the fiscal system has been upgraded by late subordinates market changes and, specifically, by the necessity that numerous over-the-counter subsidiaries exchanges ought to be halfway cleared by CCPs. Right now, EU based CCPs are regulated by experts in their home countries, and third-nation (i.e. non-EU-based) CCPs are administered by their home experts based on acknowledgment by the European Commission of the identicalness of their supervisory routines. Paradoxically, EU-based (or other) CCPs that work in the United States are regulated by their home experts, yet in addition by the US specialists, including for their nation of origin activities (eg in London for United Kingdom-based global CCPs), under a hearty reconnaissance system that incorporates nearby (i.e. extraterritorial) assessments and information get to. To guarantee appropriate arrangement among supervision and hazard introduction, euro area based CCPs ought to be managed by European specialists under a structure similar to that set up for banking supervision, and a US-style third-nation routine ought to be set up. By which these European experts would likewise secure extraterritorial supervisory limit over non-EU-based (e.g. UK and US) CCPs that have fundamental significance for the EU27. Such courses of action would be in interest of both the United Kingdom and the EU27, since they would turn away the elective choice of an expensive and economically sub-optimal 'location policy' that would limit unexpected ECB liquidity to just those CCPs that are situated in the euro territory.

**3. REBUILDING NEW FINANCIAL LANDSCAPE IN THE UK AWAY FROM EU**

**3.1 İmpact of Brexit in UK banking sector**

The United Kingdom banking framework has been the greatest financial sector area from Europe, with in excess of 311 banks and 47 building social, proceeding to be the third on a worldwide scale. (BBA, 2014) according to a BBA report from 2015, United Kingdom banking system evaluated more than 6 trillion GBP, around 25% of its movement being from retail services, 35% from corporate and other financial services, the staying 40% being assigned to the enterprises with foreign offices. In the most recent years, the United Kingdom economy began to recapture its development and dependability, conquering the 2007 impacts: the joblessness rate has fallen at 5%, the GDP values have been on a rising pattern, the swelling achieving 0.6%, the industries movement and the personal satisfaction when all is said in done, being improved.

The likelihood of Britain exit from the European Union has been examined as far back as 2012, when David Cameron, the Prime Minister of the United Kingdom, has rejected the possibility of a choice. Starting now and into the foreseeable future, the point has been abundantly pondered, in national and worldwide channels and media. After numerous long periods of convincing efforts, on the 23rd of June, the populace ruled for the United Kingdom leaving the European Union, producing frenzy and vulnerability over economic, political and social situations. The fundamental goals of the article are to decide the size of the occasion over the financial markets and its outcomes. So as to do that, an occasion think about measurements has been connected to a board information of eleven banks. In any case, for a considerably more far-reaching paper, the examination results have been connected with the news from the internet based life and the specialists' official statements.

On the off chance that in the main weeks after the submission, just the negative impacts have been watched, for the following timeframe, the circumstance won't be improved. The temptation of United Kingdom resources will lessen, the capital inflows being chopped down; the credit conditions, particularly the ones with respect to the mortgage advance will fix, because of the lodging markets unsteadiness. The center financial sections could confront liquidity and financing issues, the standpoint of the United Kingdom economy being eccentric. (National Banks of England, 2016)

The article "Short run response to news declarations: United Kingdom proof" built up the association between in excess of 8,000 corporate news revelation including 100 organizations for more than 10 years, and the suggestion over the market productivity. With regards to economic institutions, it is notable that expanded dimension of dangers and vulnerability will decide methodologies concentrated on costs decrease and upgraded incomes. The financial specialists are changing their desire and conduct, in view of the market data, regardless of whether there are just bits of gossip. Besides, the market responses to the negative data are more essentially than the ones to the positive data. Since time is running short casing of the occasion, there are very few articles or concentrates on this theme, the exploration being an endeavor to evaluate the BREXIT impacts utilizing an occasion contemplate system. Most of the data identified with this issue is brought by consultancies as reports or contextual investigations. Moreover, the United Kingdom financial institutions (Bank of England, BBA) or the greatest press focuses are examining the ramifications of the occasion on a day-by-day bases.

A recent investigation of Ashurst, a worldwide law firm, has argue the main impacts of the BREXIT situation: here will never again be an European single market for the England companies. Issues regarding grants and other funds may show up, some restrictions related with the free movement of people could arise, local currency could be affected by the market fluctuation, seeming new regulation, just as another financial treatment. Other influenced zones may be the intellectual property or the information protection. Without a doubt, London as one of the greatest worldwide financial center will experience some movements influencing not only United Kingdom as well as the entire world.

According to the last Financial Stability Report of the National Bank of England, the financial part has been the most influenced on present moment, particularly with the drop of the sterling. After 23 June, the value banking prices have decline with around 20%, the price to book value achieving 0.58 from 0.72. These are just the start of a time of economic and regulation changes, the difficulties of United Kingdom exit the EU being unusual.

The occasion thinks about are attempting to explore the impacts of the social, political or economic conditions over the market. The fundamental thought is that the business sectors are effective, so the assets prices will mirror any progressions or result of an occasion. On the off chance that toward the starting the month-to-month returns have been utilized, lately the investigations have concentrated on the day-by-day and intraday results.

The philosophy is generally straightforward, this speaking to the fundamental motivation behind why it is being utilized such a great amount by specialists. In any case, the occasion date should be built up. The exactitude of the time allotment it is significant in such a case that it is not exact, we may investigate the wrong board of anomalous returns. Besides, much of the time the data is spilled to the press some time before the official declaration affecting the financial specialists' situation towards the market. For our situation, this was not hard to survey, the submission being on 23 June 2016. Regardless of whether the likelihood of United Kingdom leaving European Union has been a mainstream subject this year, we've consider day 0 the choice date due to all the doubt and perplexity encompassing the theme in the earlier months. The pre and post occasion window included 10 days and the estimation window 221. According to Khotary and Warner (2006) a beneath a year time span is viewed as the best lengths of the estimation window from three of view: determination, control against explicit kinds of speculation and affectability. Along these lines, the skyline turns out to be very much determined, the danger of misspecification being insignificant.

-221 -10 0

+10

estimation window pre event post

event window window

The example is spoken to by the banks recorded on London Stock Exchange. Contemplating that as benchmark we have utilized FTSE100, the picked financial entities are a piece of one of the FTSE index. Remember that just the greatest organizations are a piece of this classification of list, so the outcomes can be summed up for the entire financial system. From 14 entities, three have been rejected for the absence of information. The stock prices have been gathered from Yahoo Finance. In Table 4 it tends to be observed all the chose entities.

**Table 4 - Selected banks for the analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Name** | **Symbol** | **Comments** |
| **1.** | Aldermore Bank | ALD |  |
| **2.** | Barclays | BARC | Top 5 |
| **3.** | BGEO Grup | BGEO |  |
| **4.** | Caribbean Investment Holding Ltd | CIHL | Rejected, constant prices, no returns |
| **5.** | Clydesdale Bank and Yorkshire Bank | CYBG | Rejected, last stock price on 03.02.2016 |
| **6.** | HSBC Holdings PLC | HSBA | Top 5 |
| **7.** | Lloyds Bank PLC | LLOY | Top 5 |
| **8.** | Metro Bank | MTRO | Rejected, last stock price on 07.03.2016 |
| **9.** | Royal Bank of Scotland | RBS | Top 5, state cap |
| **10.** | Sberbank CIB | SBER |  |
| **11.** | Secure Trust Bank | STB |  |
| **12.** | Shawbrook Bank | SHAW |  |
| **13.** | Standard Chartered | STAN | Top 5 |
| **14.** | Virgin Money Holdings | VM |  |

*Source:*[*http://www.jopafl.com/uploads/issue11/BREXIT\_IMPLICATIONS\_OVER\_THE\_ENGLAND\_BANKING\_SYSTEM\_AN\_EVENT\_STUDY\_APPROACH.pdf*](http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf)

The normal returns are being calculated for the entire time frame, coming about 242 qualities for each financial institution. The parameters of the market model are built up dependent on the initial 221 qualities. For the pre and after occasion window, the abnormal and the cumulative abnormal returns (CAR) are resolved, on the day zero being the highest worth. On the off chance that the qualities from the post occasion window are more prominent than zero, the market suggestions have been sure, the financial specialists being optimist in regard to the future trend of the organization.

The market model equation has the following components:





*of the coefficient*



So as to check whether there is an abnormal return, we should decide in any e the estimation of the ordinary returns without the occasion. The every day returns are being determined dependent on the stock prices, utilizing the beneath equation. The time span is 03.08.2015 – 08.06.2016, coming about 221 qualities for the estimation window. The estimation window structure is just about a year, the length should have been middling. If we take into consideration to many or a few days, the market model parameters can be influenced. The pre and post occasion window is somewhere in the range of 09.06.2016 and 07.07.2016, with 21 values.





The benchmark is spoken to by FTSE100 record, framed by the initial 100 biggest organizations recorded on the London Stock Exchange (LSE). The list is utilized as an indicator of the market, the greatest five banks being a constituent. The other financial institutions associated with this investigation are a piece of the other FTE files. For every day, by summing.





A t-Test is being performed in order to establish whether the abnormal returns values are different from zero. Two hypotheses are issued:

 : The BREXIT announcement had no implications over the stock prices, mean or variance of returns. The event did not influence the market.

[α (CAR)] / [β (CAR)] = 0

 : The BREXIT announcement had some implications over the stock prices, mean or variance of returns. The event can influence the market.

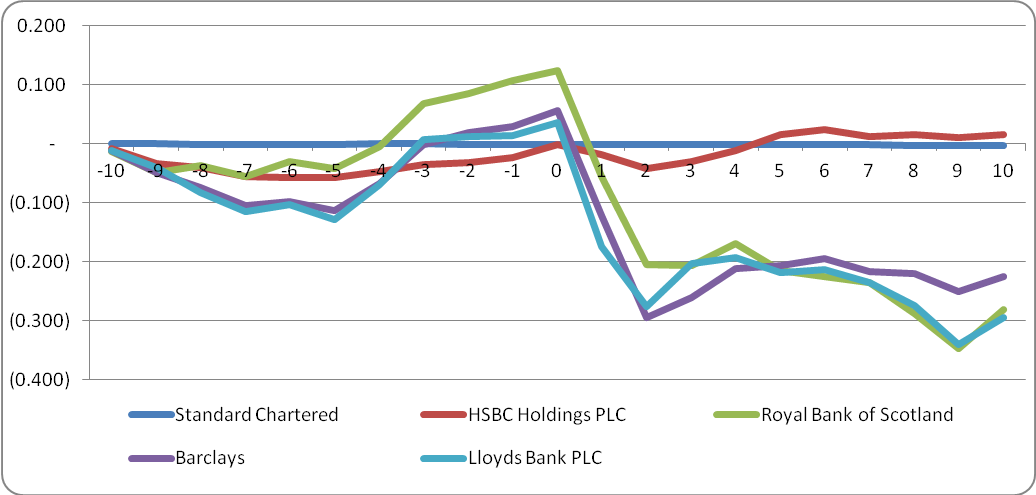
[α (CAR)] / [β (CAR)] ≠ 0

Following the above procedure, we can state whether the affirmation of the United Kingdom exit from European Union has impacted the stock market and assuming this is the case, how. Besides, we will figure out which banks have been increasingly influenced by the changes. Regardless of whether the example isn't including all the financial institutions recorded on the London Stock Exchange, the outcomes can be generalized, generally on account of the banks' asset value.

Results. The primary target of the investigation was to recognize the market response to the BREXIT declaration and its suggestions over the financial framework. As should be obvious in Graph 1 and 2, in the main day after the declaration, estimations of the combined anomalous returns have dropped altogether, implying that the occasion has affected in a negative manner the market. The United Kingdom exit from the European Union is anything but a point of reference, the first run through a nation casted a ballot eagerly this choice being Greenland. In any case, United Kingdom is a major player on the global market and a veteran individual from EU establishment, the submission results being something surprising for a major piece of the world. An occasion this way, without a doubt will have suggestion on the nations usefulness and its association with the world. In these conditions, the consequences of the investigation are just an affirmation of the vulnerability of the United Kingdom markets in the present.

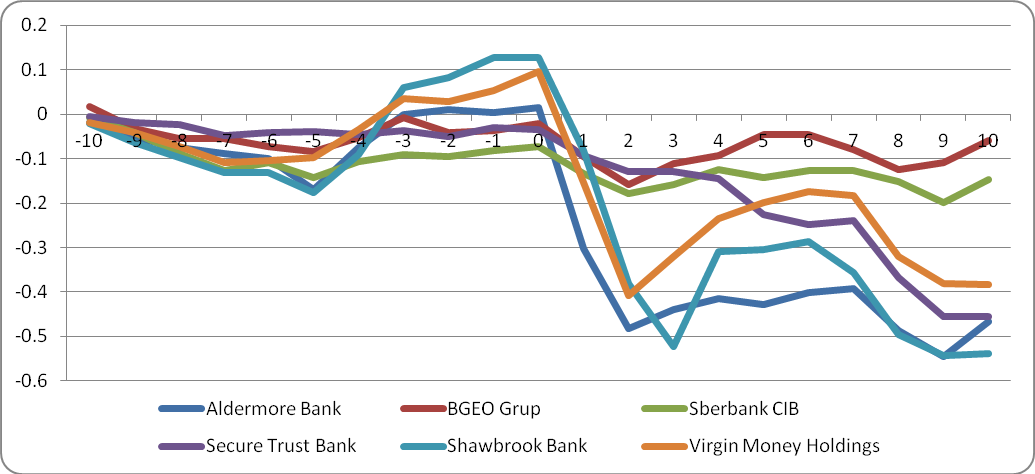
The regulation scene will be changed totally in the next years. As of not long ago, United Kingdom was acting under European Union, all the transactions made with the partner countries being regulated by this. From the financial area perspective, under these conditions the outside action will confront a dropdown. MIFID (Markets in Financial Instruments Directive) is the most essential bit of legislation regards the banking and investment activity, being a passport for the outside banks. The direst outcome imaginable of the 'missing passport' might be the movement or the end of numerous United Kingdom and abroad branches or central command. On the off chance that for the remainder of the segments this will infer a cost increment, for the financial business the lawful ideal to give administrations is in question. An ongoing proclamation of the CEO of the British Bankers' Association has expressed that the estimation of the exchanges including United Kingdom banks and the nations from EU27 is ascending at 1,1 trillion pounds. Contemplating that the financial system is viewed as the greatest export industry, the outcomes of a leave situation will be merciless. The bits of gossip are stating that the littler banks are now hoping to migrate until the finish of 2016, the greater ones delay it for the principal quarter of 2017.

***Graph 1 – CAR value of the Top 5 banks***



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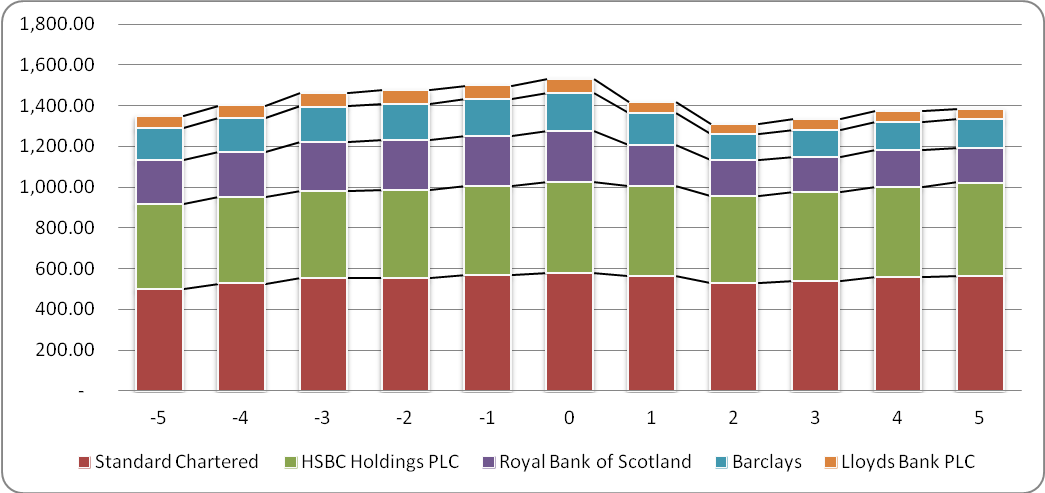
***Sources:***<http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf>

 ***Graph 2 – CAR value of the others banks from the sample***

***Sources:***<http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf>

In regard of the stock conduct, after the referendum results, the prices have fallen altogether. The greatest drop has been doled out to Aldermore, with 47% (205.7 GBP versus 139.8 GBP) and Virgin Money Holdings with 33% (364.4 GBP versus 273.8 GBP). These two are generally new banks, whose movement is centered around mortgage loaning and little organizations' financial services. The annualized lodging prices have developed at 8% in July, the strains available beginning to increment. Regardless of whether the applications for a mortgage credit have ascended with 3%, the complete number of endorsements has diminished with around 20%. Shawbrook Bank and Secure Trust are another SME arranged banks, being very influenced by the BREXIT circumstance. Because of the absence of liquidity, increment loaning action, measure and focused on customers, the littler banks will encounter troublesome occasions. The banks with an extremely groundbreaking mortgage loaning center will be in danger in the next months, for the most part because of the ascending of the lodging prices and joblessness.

***Graph 3 – Stock prices in the pre and post event window of the Top 5 banks***



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***Sources:***<http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf>

The other way is HSBC Holding and Standard Chartered. These have appeared littlest estimations of the abnormal and cumulative abnormal returns, implying that the occasion did not have a similar effect on their action as in different cases. HSBC Holdings Plc is the greatest bank from United Kingdom, with in excess of 2,000 billion USD. Standard Chartered Plc is on the fifth position, with just 725 billion USD. Mulling over that the two foundations are very much promoted, with numerous branches and workplaces everywhere throughout the word, giving broad business lines, they figured out how to relieve the negative impacts. Besides, these two have the most costly offer prices from their class. The size, the age, the customers portion or the decent variety of the financial services are affecting the size and the time allotment of the banks recuperation.

On account of the other three substantial banks, prices have declined with roughly 20%. The CAR estimations have pursued a similar pattern, diminishing in the initial three days. The online life in the post occasion period was proposing that the choice may not be endorsed in Parliament. Alongside the Prime Minister renunciation and the consolation of the political and financial authorities have balanced negative impacts activated on the 23rd of June. As it very well may be found in Graph 1, 2 and 4, in the initial 10 days after the declaration, there is a variance of the irregular and aggregate strange returns, mirroring the market players' endeavors to adjust and assimilate the news.

Another result of the BREXIT choice which significantly affected the stock market too was the sterling decrease with over 6%. The drop is greater than the GBP tumble from 1992 (4.3%), EURO tumble from 2008 (2.75%) and USD tumble from 1973 (4.8%). In the following months, the money will be extremely touchy to all the political change, affecting the market execution. Besides, the productivity of the financial framework is connected with the general national economy. Thinking about that the genuine figures given by Thomson Reuters are recommending an abatement in the national pointers, because of the interconnection with all de segments, the financial systems development will lessen. The occasions after Brexit vote resembles a domino, one outcome prompting another. The transient actualities have demonstrated this situation, the national authorities doing all that they can to mellow the change to a non-EU part.

***Table 5 – Average returns on the pre and post event window***

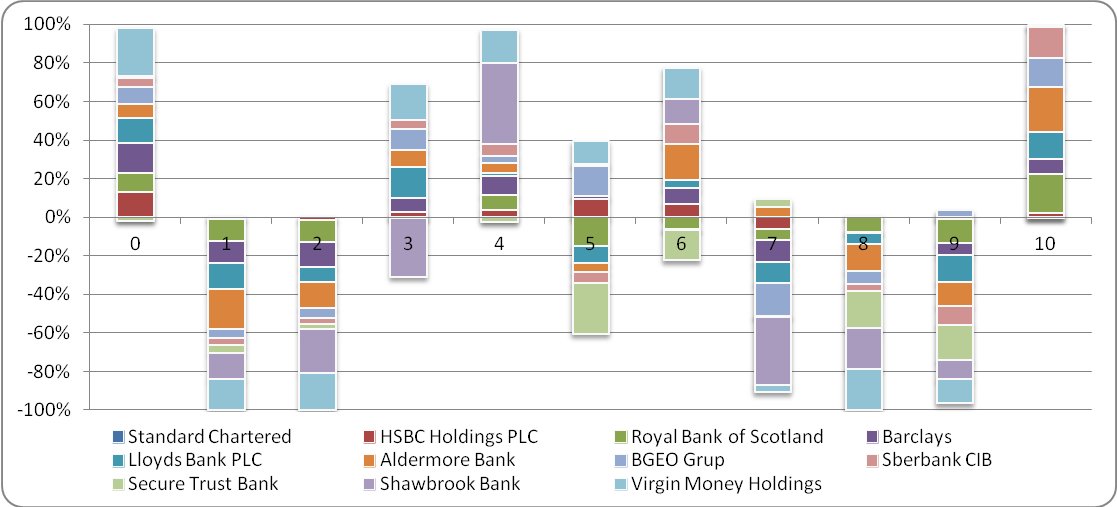
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Average returns on -10 window** | **Average returns on +10 window** | **Variation (%)** | **Price variation % (day 1 vs**  **day 0)** |
| **Standard Chartered** | ~0.001925 | ~0.001784 | - 0.01% | -3% |
| **HSBC Holdings**  **PLC** | ~0.000546 | ~0.002298 | 0.28% | -1% |
| **Royal Bank of Scotland** | ~0.009464 | ~0.041839 | -  5.13% | -22% |
| **Barclays** | ~0.002840 | ~0.027990 | -  3.08% | -21% |
| **Lloyds Bank PLC** | ~0.001670 | ~0.033383 | - 3.51% | -27% |
| **Aldermore Bank** | ~0.003049 | ~0.050363 | -  4.73% | -47% |
| **BGEO Grup** | ~0.002180 | ~0.000387 | -  0.26% | -7% |
| **Sberbank CIB** | ~0.000860 | ~0.001227 | - 0.21% | -5% |
| **Secure Trust Bank** | ~0.003609 | ~0.051403 | - 4.78% | -6% |
| **Shawbrook Bank** | ~0.012421 | ~0.067321 | -  7.97% | -27% |
| **Virgin Money Holdings** | ~0.005101 | ~0.048344 | -  5.34% | -33% |

***Sources:***<http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf>

As can be found in Table 5, with the exception of HSBC Holding PLC which had a positive variety of 0.28%, every one of the organizations have recorded a lessening on their day-by-day returns. The way that Lloyds, Royal Bank of Scotland, Barclays or Aldermore have critical percent of government impact, being gathered in the United Kingdom has widen the negative impacts. Alongside HSBC, Standard Chartered is another bank whose home market isn't United Kingdom, moderating the greatness of the declaration. (Hong Kong for HSBC; India and Africa for Standard Chartered).

The fourth Graph is exhibiting the estimations of the strange returns in the initial ten days after the submission. The pattern isn't consistent, the varieties showing the market response. Indeed, even the FTSE100 file has been influenced by the BREXIT news, price diminishing with 1%. Thinking about that it is framed by the greatest 100 organizations, with most of the organizations abroad, utilizing USD or EUR as money, the light vacillation has been normal.

***Graph 4 – Abnormal returns in post – event window***



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***Sources:***<http://www.jopafl.com/uploads/issue11/BREXIT_IMPLICATIONS_OVER_THE_ENGLAND_BANKING_SYSTEM_AN_EVENT_STUDY_APPROACH.pdf>

According to BBA official statement, the loaning market has assimilated the news on an exceptionally hopeful and unforeseen way. The mortgages and consumer loans have stay steady in the June-July period at 3% and 6%. The figures are not mitigating the open concerns with respect to this subject on account of the extremely brief time allotment. The real impacts on the borrowing sector will be estimated following a couple of months, for the most part because of the perplexing procedure of endorsement and reserve assignation.

In the next month, The Bank of England has endeavored to keep up the interest rate at a consistent value, restarting the program 'quantitative easing' through which additional funds are making to the economy by bonds obtaining. In the last Financial Stability report, the center issues are spoken to by hazard minimization, complementing the 100% contribution in the recuperation procedure of United Kingdom economy. The principle financial viewpoints will be the capital and liquidity cradles, utilized for the moderation of the business sectors stun and an administrative structure arranged to hazard and risk compression.

Regarding the M&A market, the falling of the GBP has made everything less expensive for the outsiders' acquirers. The genuine impacts will be evaluated after the second from last quarter however. The absence of the business certainty has been improved by the disarray and flightiness of the market. There are still a great deal of bits of gossip and situations identified with the following timeframe: the likelihood of the Scottish autonomy, the activating of the Articles 50 of the Lisbon arrangement, the pullback of the banking passports, the political strains, or the world pressures. The occasion can be viewed as a point of reference in the financial history of the world, the United Kingdom confronting one of the greatest difficulties from the most recent hundreds of years.

For a long time the United Kingdom has been an essential financial center for Europe, being engaged with most of the retail and corporate business zones. Contrasted with France or Germany who have contributed to the European financial scene with 9%, the United Kingdom involvement has been twofold.

The fundamental goal of the investigation was to decide the effect of BREXIT declaration over the financial framework. Regardless of whether most of the England residents have been in accordance with the nations leave, the occasion had activated negative impacts over the economic functionality and strength. The occasion think about has concentrated on 11 banks, all recorded on the London Stock Exchange. In post occasion window, the irregular and combined unusual returns values have dropped fundamentally, implying that there has been no addition for the market. The decline of the stock prices and the market developments are affirming the outcomes. On present moment, the difficulties have been considerable; the genuine test will be however toward the finish of the dealings. The little banks will rather be increasingly influenced by the monetary changes, particularly the ones that center around the mortgage loaning little and medium enterprises' financial services.

Given the measure of time, just the momentary impacts have been recognized. Without a doubt, the vulnerability in the England economy will be raised for the years to come, influencing the financial specialists' conduct on worldwide scale. BREXIT was the trigger of a foundational stun, which will reach out over an extensive stretch of time. The government officials state that the arrangement will proceed until 2018, however this is the most ideal situation. With Greenland, which is far away less perplexing as United Kingdom, the mediation took three years. Notwithstanding, this procedure is vital for the prosperity of United Kingdom economic, political and social condition, evaluating their usefulness as a non-individual from European Union. In any case, the important role of advisor, leader or dynamic member on the global markets will stay entirely solid notwithstanding the present vulnerability. The genuine test for United Kingdom was not the recuperation following the choice day; the genuine test will come after the leaving EU day, when all the legitimate and financial prerequisites will be set up.

**3.2 New approach to financial services industry**

Regardless relatively solid United Kingdom economic performance there has been much pessimism in the financial services sector as the possibilities of a 'hard Brexit' have moved becoming clearer. Immediately after the vote to leave the CBI found that positive thinking among Britain's financial services firms had turned out to be progressively negative for the third continuous quarter in the three months to September, denoting the longest decay since the financial crisis in 2009. This was regardless of authority government statistics recommending that the economy had in certainty developed by 0.6 percent in the quick three months following the 23 June Brexit vote. Similarly, The International Monetary Fund (IMF) has really raised its gauge for the United Kingdom's financial development this year, following a superior than anticipated financial execution since the Brexit vote. The IMF says it currently anticipates that the United Kingdom should develop by 1.5% this year, contrasted and the 1.1% it was formerly estimating. But, the 2018 conjecture was downsized, from 1.7% to 1.4%. These solid development figures caused Andrew Haldane – The Bank of England's main financial analyst – to openly express that his calling expected to adjust to recover the trust of the open having neglected to anticipate the 2008 financial accident and having misconstrued the effect of the Brexit vote. In opposite to all this, in a speak given to the London School of Economics, Bank of England senator Mark Carney cautioned that up-to-now solid shopper spending would before long be tempered by rising prices from the more fragile pound. He likewise sounded a cautionary note on the increase in family unit obligation. These perceptions have driven the Bank of England to forecast that growth will low in 2017 as higher inflation burdens buyer spending. Amidst this indefiniteness, what was clear was the thought that until the EU and United Kingdom have agreed the precise nature of their post-Brexit relationship, it would be exceptionally hard to evaluate with any conviction the total effect on the financial services sector.

Theresa May's declaration that Britain will leave the single market and the customs association may begin to make the image clearer. On seventeenth January 2017, Theresa May declared her twelve point plan sketching out her arranging terms over how she wishes to see Britain leave the single market and the traditions association, and will therefore have the capacity to arrange its very own trade accords with outsider economies. She needs a complete unhindered commerce understanding (FTA) in view of the one as of late marked between the EU and Canada and needs to accomplish this in no longer than the two years allowed by Article 50, demonstrating that there will be no formal transitional period. It appears that Theresa May is wagering on non-participation being awful for Europe, maybe far more detestable, which echoes late remarks from Mark Carney that the dangers to financial steadiness of a hard Brexit truly lie with the nations staying in the European Union, not with Britain which is leaving. Crucially, her declaration gives financial services firms a portion of the sureness they have needed since June 23rd – those on a very basic level dependent on mainland supply chains or the EU "passport" for financial services will currently positively need to make possibility arrangements given that the United Kingdom won't try to remain some portion of the European Economic Area. Two of the biggest investment banks in the City of London and two American banks have along these lines immediately expressed that Theresa May's discourse implies that some staff will need to move to another country when the United Kingdom leaves the EU. Clearly, everything still lays on the kind of arrangement the United Kingdom inevitably winds up with after discussions inside the United Kingdom and exchanges are over with the EU. As far as it matters for its, the EU is as of now focusing on that it will be no sucker. For example, the European Union's Brexit mediator Michel Barnier as of late focused on that the EU will request "special vigilance" before giving British financial firms a chance to get to the alliance on account of the huge hazard London could posture to the EU's fiscal stability.

Factors that affect the Financial Services Industry. The accompanying variables apply to all financial services firms, including investment banks. Later on, we see explicit components influencing assets supervisors and insurance agencies. Pass porting far-fetched to remain a possibility for United Kingdom banks looking for access to the single market. London is viewed as a passage point to the EU's single market in financial services. A total exit from the EU would imply that the United Kingdom would not be involved with EU single market Directives and accordingly lose the capacity to passport under them. There could be a time of noteworthy disarray as abroad financial services firms that utilize a London auxiliary would need to choose how to rebuild themselves and choose the amount of their activity to move somewhere else in the EU. Crucially, comparability arrangements as of now exist in the enactment that covers numerous financial services exercises. A game plan ought to enable US and Swiss banks to continue working from London bases. Yet, there is additionally an innate pressure between the need to keep United Kingdom regulation comprehensively steady with EU rules, so as to protect identicalness, and the way that the City considers the principle favorable position of Brexit to be the chance to set its very own tenets. The United Kingdom would need to concur ahead of time how identicalness would be surveyed, so as to keep a sensible level of adaptability and dodge a circumstance in which Brussels could always take steps to drop the arrangement.

On a regulatory dimension, no passporting would mean much change for financial services. If passporting into the EU from the United Kingdom isn't permitted following Brexit, a United Kingdom or non-EU financial services working in the United Kingdom may need to set up a completely approved branch or subsidiary in the EU—on the off chance that it doesn't as of now have one—so as to get to European markets. This situation could similarly apply to an European bank with an activity in the United Kingdom, which may need to "upgrade" its United Kingdom task with extra capital.

“Hard” Brexit liable to mean some financial services employments are moved to somewhere else in Europe. If passporting is probably not going to be kept up then numerous financial services firms will look to move some staff from London. Immediately after the Leave crusade won in June a few banks cautioned that Brexit would undermine the rationale of basing such a significant number of staff in the United Kingdom. Banks will most likely be unable to postpone moving of a portion of their activities to the rest of the EU part states – regardless of whether the administration were to report a progress period past the two years subsequent to activating article 50. Result of the time it takes to get authorization from controllers and putting in new supervisory crews. Bank of England authorities have even cautioned there could be an effect on the more extensive EU. Sir Jon Cunliffe, representative senator, has said economies over the EU could miss out and that activities may move to New York, as opposed to another financial center in Europe.

A confinement on free development of labour may influence attracting the best ability. Theresa May seems to have commented the referendum outcome as a desire from the British individuals to check migration – "Brexit must mean control of the quantity of individuals who come to Britain from Europe" – it ought normal that movement guidelines will be fundamentally tightened when the United Kingdom in the end takes off of the EU. This could imply that the financial services area may never again be in a situation to pull in ability from crosswise over Europe. Nearly 11 percent of the City's 360,000 laborers originate from somewhere else in the EU, as indicated by the most recent census.

Foreign Exchange Trading. If there is one action that the City of London commands it is foreign exchange trading. Investigators are part over precisely how imperiled London's position is since the nation has decided on Brexit — the City had been prevailing for a considerable length of time before the formation of the EU. Nevertheless, its mantle as the prime spot in which to trade the euro ($2tn multi day market) looks under risk. The European Central Bank has effectively endeavored to ban clearing houses outside the Eurozone from taking care of the euro yet was overruled by the EU's most elevated court. Without participation, the outcome may not be so good next time and other associated exchanging action could well follow.

Data-sharing. Data will likewise be a basic consideration. Contingent upon the terms of exit, it may be important to set up a particular information sharing understanding, much the same as the EU-US Privacy Shield that was propelled in 2016. In the event that an understanding can't be made in regards to the United Kingdom, the EU may square information streams, which would create huge difficulties for financial services.

MiFID II and MiFIR regulation. The FCA has reported that MiFID II and MiFIR guidelines which will apply from January 3, 2018 ought not be disregarded by financial services feeling that the enactment won't matter outside of the EU. Firstly, there is each opportunity that MiFID II/MiFIR will become effective while the United Kingdom is yet arranging its leave courses of action and this is considerably almost certain given Theresa May's exacting multiyear exchange period timetable. Second, a significant number of the arrangements in MiFID II and MiFIR were a piece of the global administrative change plan that the G20 sought after the 2008 financial crisis.

Thirdly, if the United Kingdom isn't to be a piece of the single market and rather attempt and accomplish 'third nation' status, as delighted in by the USA, at that point adherence to MiFID II and MiFIR will be critical as it will be required for 'identicalness' of the United Kingdom administrative regime. More as of late, the FCA reaffirmed its position with CEO Andrew Bailey pronouncing that Brexit ought not be the 'driver' of United Kingdom financial regulation.

Banking Capital. Whatever arrangement of regulation the United Kingdom looks to arrange it merits recalling that it will keep on being an individual from various global standard setting bodies, the G20, the Basel Committee on Banking Supervision and the Financial Stability Board.

Specific Issues for Asset Managers. For the United Kingdom asset management industry the effect of an all-out exit would be critical on the premise that few fund vehicles, for example, UCITS and European Long Term Investment Funds must be domiciled in the EU and overseen by an EU-based administration company. What is unquestionably clear at that point is that the segment is probably going to confront extensive European exchanges with the EU for the future dispensation of United Kingdom assets crosswise over Europe. Law office Dechert had expressed that it trusts the proceeded with accomplishment of the area may rely upon the achievement of dealings and the precise idea of the understanding that is come to over identicalness and access to the single market.

Explicit Issues for Insurance Companies. The affect that leaving the EU will have on the assurance business will change contingent upon the sort of assurance business endorsed and, critically, the technique for distributing the produce to market. General assurers, who have a vast retail client base, are probably going to depend all the more intensely on the EU identification for cross-border transactions. For other more specialist assurance organizations, the United Kingdom's withdrawal from the EU will probably be less significant. Lloyd's has discharged an announcement expressing that just 4% of its worldwide gross composed premium ("GWP") is in danger with the UK outside the EU single market. The EEA as it were represents 11% of Lloyd's all out GWP and practically 50% of this is reinsurance. The loss of the EU visa will probably not fundamentally affect unadulterated reinsurance business. Despite this present, Lloyd's of London wound up one of the primary significant City organizations to affirm that it will move a piece of its tasks to continent in response to the UK's vote to leave the EU. 'In March, it affirmed this arrangement by declaring that it wanted to open a Brussels office by the center of 2018, which would enable it to keep guaranteeing protection approaches from each of the 27 EU and three EEA states after the UK leaves the association. Inga Beale, the Lloyd's CEO, clarified that since it required investment to set up another organization and numerous business protection approaches were recharged toward the beginning of January, Lloyd's needed to act currently to guarantee its Brussels auxiliary was ready for action by the center of next year. Insurers themselves will likewise be hoping to set up bases in territory Europe in an offer to battle the potential loss of passporting rights. For example, AIG has announced its aims to move a few activities to Luxembourg. More will unavoidably pursue and a few occupations will without a doubt be moved from the UK regardless of whether the greater part of back up plans are playing down this plausibility at the moment. Similarly, European protection firms at present holding an inbound branch identification should apply to the PRA for authorization so as to keep exchanging the UK, if a concurrence on passporting isn't concurred preceding Brexit. European firms will in this way be looking to UK specialists to limit interruption in the domestic and global insurance markets and provide a solution for this problem well in advance.

Negotiating with the EU on Free Movement of Labour. With a few bankers warning that London could bit by bit lose its position as the sole financial capital of Europe and real banks declaring work movements, Paris has propelled an offhanded promoting effort went for poaching business from London. "Tired of the fog? Try the Frogs! Choose Paris La Defense" adverts have been set up at Heathrow Airport and the London train station of the Eurostar, displaying the French capital's business locale. The French government has just presented additional assessment concessions for ostracizes in the expectation Paris could benefit from Brexit, however specialists state different focuses with increasingly adaptable work and duty rules are probably going to be greater beneficiaries. In political terms, Angel Merkel has recently alluded to a status to talk about the parameters of the free development of individuals in the EU, recommending there might be some space for move on the issue in Brexit talks. These comments were made at a gathering of the German bosses' affiliation BDA. Following Theresa May's declaration that the UK would pursue a hard Brexit, Jean-Claude Juncker, the European Commission president, said that the EU was “not in a hostile mood” towards Britain, yet anticipated an a “very, very, very difficult” exchange with Britain as a third nation outside Europe. At the core of the arrangement will be the means by which far the EU will empower Theresa May to square her interest for an "intense and goal-oriented organized commerce understanding" with her refusal to acknowledge the free development of EU laborers and the ward of EU courts. On the other hand it appears Mrs. May well have the negotiating concession of an improved exchanging and work development concurrence with the US to depend on as her association with President Trump grows quickly. It appears a piece of her more extensive dealings with Mr. Trump rotate round approaches to investigate manners by which it is simpler for US residents to work in the UK and bad habit versa.

**4. VALUE OF BREXIT FOR REGIONAL FINANCIAL INTEGRATION IN FORMER SOVIET AREA**

**4.1** **BREXIT role as the precedent for post-Soviet countries and Eastern**

**Partnership**

In this chapter We will explore some negative and positive effects of Brexit's on post-Soviet countries' influence. What is the Eastern Partnership and how will this process effect to the East Partnership?. Some post Soviet countries and Baltic countries also wanted to join the European Union. Brexit will weaken the European Union and such ideas will weaken the desire to join the post-Soviet countries, which they want to join the European Union, and again can they integrate into other sides? Can some economic associations created by post-Soviet countries again have a say in the world economy? Will UK increase investments in post-soviet countries after Brexit? What will be the impact of the Brexit process on the Azerbaijani economy and how Brexit will affect Azerbaijan - Europe and Azerbaijan - UK relations. This chapter will focus on the above-mentioned ideas. Basically, this section will explore how Brexit will affect on Azerbaijan.

The Eastern Partnership is an activity that manages the European Union's relations with Azerbaijan, Georgia, Belarus, Moldova, Armenia and Ukraine inside a system. Successive EU developments have brought Azerbaijan, Armenia, Georgia, Belarus Ukraine and Moldova closer to the EU and, along these lines, their security, steadiness and flourishing progressively endless supply of the EU and the other way around. A joint affirmation marked in Prague in May 2009 built up an Eastern Partnership (EaP) and set forward solid thoughts for upgrading the EU's association with the locale, incorporating into the field of home issues. This organization imagines the execution of vast scale ventures and projects on financial improvement, usage of affiliated procedures (formal understandings marked independently between every EU Eastern Partnership), progression of visa approach and the foundation of unhindered commerce zones. Inside this system, there is a joint responsibility to convey unmistakable outcomes for residents over the locale. In help of an additional outcomes arranged methodology towards the Eastern Partnership, the European Commission and European External Action Service recognized 20 key expectations for 2020. This yearning work plan was supported at the Eastern Partnership Summit, which occurred in Brussels in November 2017. These responsibilities by the EU, its Member States and the six Partner nations cover the four fundamental fields of the Eastern Partnership:

Stronger Economy - economic development and market opportunities;

Stronger Governance - strengthening institutions and good governance;

Stronger Connectivity - connectivity, energy efficiency, environment and climate change;

Stronger Society - mobility and individuals to-individuals contacts.

An organized commitment with a more extensive scope of common society associations, advances sexual orientation uniformity and non-separation, just as more clear and customized key interchanges are additionally being sought after as overall zones. He in general system managing relations between the EU and its six Eastern Partners is given by the pertinent reciprocal understandings.

Notwithstanding any very late show, the United Kingdom will stop to be an individual from the European Union on October 31, 2019. Brexit speaks to a major test to the European Union, which will lose its second greatest economy and a basic security on-screen character. It likewise suggests a genuine conversation starter about the fate of the EU itself. It has demonstrated that the course of movement for EU states isn't fated; nations can leave just as join the coalition; and "ever-closer Union" isn't inescapable. In addition, the worries that drove the UK to leave the EU – over migration, sway and vote based control – are not interesting to British voters.

It is broadly accepted that Brexit is terrible news for Eastern Partnership nations (Azerbaijan, Georgia, Belarus, Moldova, Ukraine and Armenia). On a money related dimension, the UK's withdrawal implies the EU will leave a €94 billion opening in the following planning round for 2021-27 (the Multiannual Financial Framework, MFF), conceivably diminishing the assets accessible for outside commitment. Nonetheless, the EU Commission's recommendations for the MFF have prescribed taking care of these expenses through slices to the Common Agricultural Policy and the Cohesion Funds for existing individuals. Spending on outer activity, security and safeguard is set to ascend under the Commission's proposition. Under the plans, the spending limit for the Neighborhood Development and International Cooperation Instrument will ascend by 30% at current prices (or around 20% in genuine terms).

Beyond financial considerations, the dangers presented by Brexit for Eastern Partnership nations are still uncertain. A great deal relies upon what is concurred, or not, between the EU and the UK the due date lapses in October. It looks progressively likely that the UK will go over the bluff of a "no arrangement" Brexit and leaves the EU without a concurrence on transitional plans to another exchanging and legitimate relationship. Both the UK and EU need to stay away from a precipice edge Brexit, yet the idea of the withdrawal procedure implies it turns into the default if an understanding isn't endorsed by October 31, 2019. In mid-September, a board of specialists reviewed by the UK in a Changing Europe activity put the danger of No Brexit at around half, yet it looks practically certain now as the due date looms.

The legitimate and administrative vacuum emerging from a disordered "No Deal" Brexit would perpetrate genuine harm on the UK economy. All the more significantly for Eastern Partnership nations, it could prompt a breakdown in ordinary discretionary relations between the UK and EU. In the midst of budgetary change and common recrimination, popular assessment and political talk in the UK could take a strongly patriot turn. Nobody truly realizes to what extent a No Deal Brexit could be supported, however the potential for it to incur long-standing harm on UK-EU relations is high, undermining the potential for continuous vital and remote strategy participation in the short to medium-term.

A breakdown in relations between the UK and the EU is obviously not in light of a legitimate concern for the Eastern Partnership nations. It is now generally contended that the EU's inner issues abandon it with little transmission capacity to seek after further commitment with its eastern neighbors. Until now, the EU has been strikingly fruitful at keeping up an aggregate position on Brexit and compartmentalizing the arrangements inside an unmistakably portrayed procedure. This solidarity and cognizance would probably self-destruct on account of a disorderly Brexit. For some, EU states, future relations with the UK would all of a sudden become the essential major outside strategy concern and the disparate remote approach places of the part states would almost certainly go to the fore.

That is the direst outcome imaginable. On the off chance that an arrangement can be hauled out of the cap ultimately the suggestions for the EU's eastern neighbors is less clear. The Eastern Partnership nations have customarily seen the UK as a significant discretionary and security accomplice, and a profitable backer for Euro-Atlantic joining in both Brussels and Washington. For instance, even as it has been getting ready to leave the EU, the UK has been presenting the defense for further amplification of the Union in the Western Balkans to fortify local security and political participation.

The UK has customarily gone about as a significant scaffold between the EU and the US, keeping the US occupied with European issues as its vital center moves always towards the Pacific. Once more, it has kept on doing this as it leaves the EU. Toward the beginning of October, the Wall Street Journal announced that Theresa May has secretly awed Angela Merkel by putting forth the defense to Donald Trump about the significance of NATO.

The UK's withdrawal from the EU could move the perceived leverage and interests in the alliance toward a path which won't support Eastern Partnership nations. Notwithstanding, there are a few purposes behind hopefulness. To begin with, given that after Brexit the UK won't pull up a chair at the table in Brussels for most between legislative discourses, the UK is probably going to twofold down on its job as a key security supplier in Europe to hold impact. Connecting with and supporting the EU's neighborhood arrangements would be an incredible method to keep up trust and impact inside the EU and more extensive Europe. Furthermore, given the present territory of UK-Russia relations, the UK has an immediate enthusiasm for seeking after this. Second, unrealistic as it might sound, Brexit may display an open door for the EU to reframe its more extensive methodology towards the Eastern Partnership nations. The key issue of the Eastern Partnership is that it utilizes a contingency toolbox connected in the past to pre-increase states without offering any sensible prospect of enrollment. In the meantime, in developing itself as the overwhelming regulating power in the area, it sentences those outside the alliance to fringe status. On the off chance that the UK can prevail as a prosperous, serene and vote based state outside the EU (yet without a doubt with close exchange and security binds to it), this will break the EU's true imposing business model on being European. This could open the path to another institutional engineering in Europe, keeping away from the danger of key and institutional float.

England's departure won't be a lose-lose situation yet will mean a fundamental economic misfortune for both the EU and the UK. Financial resources at the transfer of the EU will reduce, in this manner the Union should reexamine the size of financial help to the EaP nations. The rest of the 27 nations will be increasingly mindful if not niggardly in burning through cash for such projects, and sometime EU advancement collaboration instruments for the EaP will be returned to and reexamined, albeit most likely not towards an expansion.

For the Eastern Partners this couldn't just have ideological however essentially money related results: In Eastern Europe, the greatest gifts for political and economic advancement come from the European Neighborhood Instrument. From 2010 to 2013, collaboration was encouraged by about 2.5 Billion Euro. 730 Million Euro were given in 2014, 15.4 Billion altogether for the European Neighborhood Instrument covering the Eastern and southern Mediterranean Partnership from 2014 to 2020.

Western Balkans after Brexit: EU or Russia?Britain's decision to leave the EU did not change the policies of the Western Balkan countries seeking to join the EU in the short term, but increased the likelihood of making a choice in the long run. The UK's decision to leave the EU (Brexit) raised the possibility that the Western Balkan countries seeking to join the EU might have to choose between Russia and the EU in the long run. Finally, after Croatia became a member of the EU in 2013, Montenegro, Serbia, Macedonia, Bosnia and Herzegovina, Kosovo and Macedonia are currently in the process of membership. While the Brexit decision, which has created a shock in the international arena and caused tremendous tremors in the global financial markets, will continue to be discussed in different ways, in the short and long term, on the EU. "gave the messages. Serbia, which continues accession talks, Prime Minister Aleksandar Vucic stressed that no referendum will be held for EU membership, adding that the priority of the new government program would be EU membership. Vucic, who does not respect the calls of the extreme right-wing groups in the country to "return to the EU, return to Russia", said that the priority of the government would be EU membership, and those who want to change it should win the election to be made 4 years later. On the other hand, similar messages came from Montenegro, which is the most successful country in the Western Balkans' EU accession process. Montenegrin Prime Minister Milo Djukanovic, who opened 22 chapters in accession talks, stressed that his country will not give up its EU membership bid.

EU target will not be abandoned**.** Djukanovic said that they respect the UK decision, "But our government will adhere to its goals in domestic and foreign policy. One of these objectives is EU membership. "A similar response followed Brexit in Bosnia and Herzegovina, which has lagged behind Serbia and Montenegro in the EU accession process. The head of the Council of Ministers, Denis Zvizdic, quoted Brexit as saying that Britain will continue to be an important partner for Bosnia and Herzegovina, adding that one of the primary goals of Bosnia and Herzegovina in foreign policy will remain EU membership. Underlining that Britain is one of the biggest supporters of Bosnia and Herzegovina's EU membership process, Zvizdic stressed that nothing will be the same in the sense that Britain is one of the most important countries of the world in terms of geopolitical and economic terms. Many people, when leaving a strong state EU, can still question why many countries are trying to enter the Union, Zvizdic said, close to 80 percent of Bosnia-Herzegovina supports EU membership and continues to see the EU as one of the most stable organizations in the world. Kosovo Prime Minister Isa Mustafa stressed that despite the United Kingdom's decision to leave the EU, his country will not return to the EU. Macedonian President Gyorge Ivanov expressed his concern with Brexit as Macedonians wanted to be part of the big European family. The EU is prepared to take two decisions at the same time and is not accustomed to Ivanov said, "When the crisis in Greece was focused on their rescue. When the crisis in Ukraine began, Greece was forgotten. The refugee crisis began, Ukraine was forgotten. Security threats were forgotten when the refugees were forgotten. Now Brexit busy with this. This is disturbing our citizens, "he said.

Continue with the EU or return to Russia?Although leaders expressed their commitment to the EU in their statements, Brexit may adversely affect the EU accession process in the long term. While Britain's withdrawal from the EU leads to shocks within the EU and "Unity is falling", many political analysts argue that the crisis caused by Brexit in the EU cannot be solved in the short term and the impact will last long. Therefore, it is stated that the EU cannot give enough importance to the enlargement process while it is engaged in its internal affairs and that the membership processes of the Western Balkan countries may be extended. On the other hand, after Russia's heavy sanctions after the Ukraine crisis, Russia has been able to increase its influence in the Balkans after Brexit, which has turned off a strategic player in the Union, and focused on its internal issues. It will also be difficult to prevent the effect of the comments. Brexit, Russia's European Union with one of the biggest targets of the breakdown of the block that the realization of the experts, because of the current crisis, the expansion process will be frozen for a long time, so the former Soviet countries such as Ukraine, Moldova and Georgia, as well as the Western Balkan countries negative from this process that it will be affected. The prospects of the countries of the region, which are expected to turn back to solve Europe's own internal problems, are considered to be one of the most important impacts of Brexit in the region.

The EU's response is important**.** On the other hand, the EU's response to Brexit will affect the destiny of the countries in the region in the long term. Corina Stratulat, a Balkan expert at the European Policy Center (EPC), points out that after Brexit, the EU has two options: convergence and divergence from each other before the EU. He argued that the option of retreat could mean to enlarge the enlargement process completely and therefore negatively affect their country. American Balkan expert Daniel Serwer said that considering the Balkans, Brexit is only good news for Russia and it will help Russia to increase its influence in the region. Put forward. As a result, it is unlikely that Brexit will have an impact on the balance of the region in the short term, given the statements of the leaders of the Balkan countries, but the steps taken by Brussels to overcome the crisis will determine the EU perspective of the Western Balkans.

Brexit effect to Russia's economy. Contrary to broad discernment that it would be a shelter, Britain's exit from the European Union could cast the Russian economy into harried waters. Though Russia has been called one of Brexit's imaginable recipients, Britain's looming exit from the European Union (EU) presents extensively a bigger number of dangers for the Russian economy than advantages. Specialists trust that Russia's economy is undermined by the fall in oil price as a result of the decrease in world trade, while Russian organizations could delist their stocks from the London Stock Exchange, which would diminish their value. A quick aftermath of Brexit could be that the government could delay the sale of shares in Rosneft, Russia's biggest oil organization. At the same time, it is additionally conceivable that the EU will diminish its anti-RF sanctions, since Britain was a steady advocate of prolonging them.

Fall in oil prices. After the Brexit results were proclaimed, the price of raw petroleum fell by in excess of 6 percent to $47.77 per barrel. "Market members are expecting a discernible decrease in the interest for rough because of the lull of the biggest European economies, the burst of economic ties and unsteadiness on the currency market," clarified Timur Nigmatullin, financial researcher at Finam Holdings. England's exit from the EU will prompt a decrease of trade. Russia, similar to other people, feels Brexit heat. "Today the nation [UK] pursues trade guidelines set up by the EU," noted Igor Kupalov, counselor to RF's Permanent Representative to the UN and other universal associations in Geneva. "Therefore, if it exit to the EU it should decide new trade guidelines inside the WTO." "On the off chance that the UK leaves the European Union, it has no agreements, a clean sheet, no guidelines on tariffs or taxes," Keith Rockwell, chief for the WTO's Information and External Relations Division, said at a gathering with Russian writers in Geneva.

Organizations leaving the London Stock Exchange. Russia's biggest organizations as a rule trade their shares on the London Stock Exchange. "After Brexit, series of organizations will delist their stocks," trusts Nigmatullin. Rosneft, Russia's biggest oil organization could be one such organization. In 2016 the administration chose to sell 19 percent of Rosneft shares. Purchasers dependably center around an organization's public value. Presently, Rosneft could either delay the deal or even forsake the stock trade. In a meeting with Bloomberg, German Gref, leader of Russia's biggest state-claimed Sberbank, said the estimation of Russian organizations could fall by 10 percent. Other than Rosneft, the administration additionally plans to sell offers of the Alrosa precious stone organization, which likewise trade on the London Stock Exchange. The diminishing of records .After the British choice outcomes were announced, trade on the Moscow Stock Exchange on June 24 opened with lower cites. For instance, the IRTS record, which is essential for the Russian market, fell by more than five percent. Sberbank's offers alone, in the run-up to the Brexit, fell by 10 percent and could fall by another 10 percent, said Gref. "In the course of the following 2-3 weeks every single Russian organization will lose 5-10 percent of their value," he said. "This is the reason there is anything but a solitary individual in the Russian government that would respect the UK's exit from the EU.”Post sanctions, will Russia incorporate into the Western world? Gref trusts it is to Russia's greatest advantage to safeguard the solidarity of the EU as trade accomplice.

Conceivable relaxing of authorizations .The main positive result of Brexit for the Russian economy could be a conceivable debilitating of against Russian approvals. England had reliably spoken for safeguarding sanctions against Russia, presented in 2014 in the fallout of the Ukrainian emergency, albeit some different nations – essentially France and Italy – have communicated a gentler position. After Britain's exit from the EU, sanctions against Russia could be decreased, Sergei Sobyanin the Mayor of Moscow proposed on Twitter. "Without UK nobody in the EU will so vigorously guard sanctions against Russia," he composed. Philip Hammond, Britain's Secretary for Foreign and Commonwealth Affairs approached EU nations to keep up the counter Russian authorizations. In spite of the fact that in his words, the UK's exit could hypothetically mean the conditioning of the sanctions. There is, obviously, no certification that expulsion of approvals would positively affect Russia's economy.

**4.2 İmpact of Brexit over UK-Azerbaijan relationship, and economy of Azerbaijan**

In a important referendum hung on 23rd of June, 51.9%% of British natives casted a ballot to leave EU. Not surprisingly, financial markets of both Britain and different nations quickly felt effects of this political occasion. While the Brexit cleaned almost $2 trillion off world markets, pound sterling experienced noteworthy drop against dollar, diving down to $1.33 from $1.50 pursuing the referendum. Investors around the globe are currently swinging to US dollar, Japanese yen, Chinese Renminbi and gold, which are a lot more secure than euro and pound. In such a domain, it is pivotal to examine prompt effects of Brexit on Azerbaijan who is experiencing troublesome economic period, and predict potential outcomes.

The startling consequences of 2016 summer's UK Brexit referendum fundamentally affected the impression of Azerbaijan about their nation's future collaboration with the EU. England is a noteworthy investor in Azerbaijan and has assumed the role of Baku's EU champion. London has been the transcendent defender of Baku initiatives from within the EU, in addition to other things advocating for the Baku-Ceyhan gas pipeline to Turkey and Europe just as a few other huge projects. England's energy interests in Azerbaijan have permitted Baku, thus, to more promote its own interests to EU individuals and acquire genius Azerbaijani resolutions or statements from the EU on the Nagorno-Karabakh (NK) issue. Clearly, Britain's choice to leave the EU does not imply that Baku will stop coordinating with Brussels. Be that as it may, London's nonattendance as a noteworthy player and supporter will make it troublesome for Azerbaijan to get a similar dimension of EU support on a scope of activities. What are the Brexit's potential negative economic repercussions on Azerbaijan throughout the following couple of years?

Azerbaijan-United Kingdom relationship. Built up in mid 1990s, the common connection between Azerbaijan and United Kingdom has grown altogether after some time. A critical number of two-sided understandings have been marked and parliamentary collaboration has been set up. There are likewise now vast numbers of Azerbaijanis and Britains traveling in among of and working in these nations. English companies assume a significant role in the economy of Azerbaijan. UK is the second biggest investor in Azerbaijan's non-oil area, including up to 16% of entire foreign investment portfolio in this division. There are additionally in excess of 540 organizations built up because of UK investment in Azerbaijan. In oil part, British oil company BP is the main foreign organization and contributes to Azerbaijani economy immensely. Complete value of Great Britain exports to Azerbaijan in 2014 came to about £730 million (in excess of 1.6 billion manats). English investment in Azerbaijan added up to $153.3 million in 2014.Main exports of the Great Britain to Azerbaijan incorporate services (for example law firms and audit) and just as oil and gas-related equipment, engineering. Regarding individuals, in excess of 33,000 British natives came to Azerbaijan in 2014 (DSK), and almost 7,000 British residents work here (GOV.UK).In 2014, UK investment in Azerbaijan added up to $153.3 million and UK exports to Azerbaijan were worth about $1.2 billion. In the course of recent years, the UK has put about $25 billion in Azerbaijan. In addition, UK property market is alluring for Azerbaijan customers, for example, SOFAZ who has made investment in a property market in London. It is fair to say that the number of UK companies in Azerbaijan will not diminish nor will trade turnover plunge if Brexit happens. United Kingdom investments may growth to Azerbaijan if the Great Britain loses ground in other European Union markets. So despite the fact that it is exceptionally impossible that Brexit will influence economic relations and trade with Azerbaijan, the issue is it might prompt diminishing enthusiasm from the EU, especially concerning the larger, long-standing European activity of actualizing an East-West transportation hallway. Over the previous decade, Baku has put billions of dollars into trading infrastructure and transportation design to position itself as a lucrative link among the South Caucasus, Central Asia, and Europe. Mindful that its hydrocarbon saves are finish, Azerbaijan has endeavored to enhance its economy and be to a greater extent a multi-reason center point, unquestionably with the EU as a key hub. In the area, Azerbaijan is viewed as a key domain for some, integration projects. It is at present at the focal point of three major integration initiatives—the EU, the Eurasian Economic Union, and the recently created Chinese “One Belt One Road.” Baku stuck a great deal of expectation on the East-West corridor as a way to amalgamate with the large European Union market. Toward the beginning of August 2015, for instance, the first container along the course arrived from China in record time at the recently built Baku International Sea Trade Port. The container traveled more than 4,000 kilometers and reached Baku in only 6 days. This incident signaled a novel era in territorial transport links. Azerbaijan, China and Kazakhstan were the important actors realized the project. It demonstrated China that load can achieve Europe a lot quicker through the "Silk Road" course than via ocean or through Russia. Both Azerbaijan and Kazakhstan sought to lure Chinese projectors into utilizing their infrastructure for the export of Chinese products. Azerbaijan specialists evaluated that by 2020 around 300,000-400,000 holders could be transported by means of this course—acquiring billions in benefits. Be that as it may, the EU's investment is the most significant connection in this condition. Or then again Baku, it will be very hard to campaign for gas and other transportation ventures going to Europe if London is missing from EU organizations.

EU is a significant trade accomplice for Azerbaijan as the estimation of Azerbaijan's outside trade turnover with EU part states added up to $9.7 billion in 2015. As a market with almost 500 million buyers (bigger than US market), European Union is world's biggest single market with straightforward principles and regulations. According to European Union Commission's measurements, European Union keeps on being Azerbaijan's greatest export and import market. In this way, while 48.3 % of Azerbaijan's exports are gotten by EU, the merchandise imported from EU to Azerbaijan establishes 27.7% of all out import portfolio. All value of European Union investments in Azerbaijan remained at somewhat more than €8 billion of every 2014. As far as structure of exports and imports, while Azerbaijan exports mainly mineral fuels, transport equipment, machinery, chemicals, food and live animals, European Union’s exportation portfolio consists of technological products, manufacturing goods and chemicals. These statistics clearly demonstrate the importance of EU for Azerbaijan who significantly depends on European Union and other countries for its manufacturing and technological products. In when euro loses its value and the continent faces unclear future (at any rate in present moment), it is probably going to hamper trade between these two gatherings because of potential issues EU-based organizations may face and Azerbaijani investors' choice to avoid putting resources into unpredictable EU and purchasing debilitating euro. For the most part, the debilitating euro will almost certain reason economic slowdown in the entire continent, which can decrease buyer spending and along these lines, benefits for businesses. In spite of the fact that it is too soon to appraise the level of log jam, Dutch bank ING trust that we can watch decrease of Eurozone GDP development by somewhere in the range of 0.01 and 0.03 rate focuses each year. If such slowdown happens, it can contrarily influence European organizations managing Azerbaijan in light of the fact that those organizations will liable to make littler benefits than before because of diminished consumer request.

Be that as it may, as effectively noted, debilitating euro and stronger dollar can rise investment inflows into European Union from Azerbaijan because stronger dollar will expand acquiring intensity of SOFAZ and different elements from Azerbaijan who need to put resources into European Union. Thus, European Union-Azerbaijan trade can make increases out of Brexit.

Potential advantages for Azerbaijan. Brexit be that as it may, isn't just loaded with negative ramifications for Azerbaijan. That is, there are sure potential advantages that can be gained by Azerbaijani organizations and people. For this reason, it is also worth looking at the effect of Brexit for our country businesses and tourists, just as students who have connections or are planning to set one with UK. The drop in pound's value will profit Azerbaijanis since it has turned out to be less expensive to purchase pound, in this way, making it less costly to live and complete a business in UK. Brexit likewise prompted the drop in property costs, especially in London and south of England, which will make it less expensive to lease or buy properties there. Regardless of these negative ramifications for Azerbaijan, it is imperative to hold up under at the top of the priority list the way that things could change strikingly in long haul. As a matter of first importance, the British government is in discussions with European Union so as to approach the single European Union market. Furthermore, when the panic among investors is gone and the future becomes more certain, investments into Azerbaijan by UK companies can proceed. These two elements are significant provided that they emerge, pound can recover a portion of its lost value and UK-EU relations can be recovered some degree, which would have effect on worldwide commodity prices as well.

Azerbaijan's tourism industry sector may likewise profit by this political event. Namely, the Eurozone tourists who used to head out to UK without breaking a sweat are probably going to encounter certain challenges with visiting UK because of visa techniques and expanded expense of getting visa. Azerbaijan, then again, has as of late decreased visa charge by multiple times ($20 starting at now) and made it faster to acquire electronic visa (3 days of holding up time in total). Thus, more travelers from Europe can be pulled in to Azerbaijan in current conditions, yet issues in finding shabby flights and immature nature of the travel industry in numerous pieces of the nation can cause issues.

At long last, however not important in volume in respect to others, British export are not insignificant for Azerbaijan. Because of diminished estimation of pound, those exports will likewise turn out to be moderately less expensive, consequently, ending up progressively reasonable for Azerbaijani purchasers. Be that as it may, since most of those exports are oil and gas-related hardware and innovation gear, this decrease in value is probably not going to influence the greater part of nearby clients.

Taking everything into account, it may be too early to evaluate the impacts of Brexit on Azerbaijan and UK-Azerbaijan trade connections. Actually, it is essential to shoulder as a top priority that the current riotous circumstance in financial markets and economy is incompletely a result of psychological factors. After the referendum, both European Union and UK have wound up in a startling circumstance, which caught them rather unprepared. In this manner, nonetheless, when things settle down, some of current issues might be solved. One needs to remember the way that neither UK nor Azerbaijan had a place with Schengen visa zone and Eurozone, and Azerbaijan-United Kingdom relationships were worked without mediation of European Union implies that the impacts of Brexit on Azerbaijan won't be as extreme as it is felt in European Union nations.

Brexit will affect to SOFAZ. Because asset of SOFAZ consists of different currency, gold and property which some property are in UK and European area .Brexit will impact these assets value. That is why SOFAZ will must manage well these assets and set well most suitable portfolio. How will SOFAZ manage its assets? I will write about it in conclusion and recommendation section.

**5. Conclusion and Recommendation**

As result of the research, we have seen that Brexit is a challenging process, and Brecht will have a great impact on the many economic process. The British government knew that this process would be a difficult process before the process began. In the meantime, the British government Brexit created the Brexit’s ministry to manage the process. Even the minister of Brexit could not manages this process and resigned. 14 ministers resigned from their authorities of minister according Brexit, even these ministers were included in the prime minister, while the current Prime Minister said that Teresa May was ready to resign if Brexit was settled. Because the parliament does not agree with the Prime Minister's opinion on the Brexit. The Prime Minister has proposed such a proposal. UK Parliament does not want to accept agreement Brexit, and if this happens Hard Brexit will inevitable. The Result of the Hard Brexit impact on the global financial system and the economy will be great. Even Hard Brexit maybe cause of new economic and financial crises. As we know, Brexit will cause of budget of European Union will be reduced. The European Union has demanded approximately $ 60 billion from UK to compensate for this financial decrease. The UK Government does not want to pay that money. As it is seen in the study, the Brexit process has had a bad effect on the euro and pound. As the outcome of Brexit's referendum was announced, the pound's rate dropped dramatically. This referendum has had a bad impact on the financial markets and the stock market. BREXIT will reduce the financing of the European Union and thus maybe weaken trade in the European Union. İf Hard Brexit will happens in October 2019. This will can weaken trade between the UK and the European Union and the reduce in the world economy growth.

In general, Soft Brexit can bring better results for the UK and the European Union. Thus, the trade and financial relations between the UK and the European Union maybe not weaken. As a result, the economy of the world, the UK's financial system and economy and the economy and financial system of the European Union maybe less damaged from this process. Generally, in my opinion Soft Brexit will be less danger than Hard Brexit for world economy. Generally, in my opinion Soft Brexit will be less danger than Hard Brexit for world economy. According to now conditions, Hard Brexit's probability of occurrence is greater than Soft Brexit's probability of occurrence. Thus, The British Parliament didn't accept with agreed Brexit, that is why the Brexit process was extended to 31 October 2019. Whereas, the UK should had to exit the EU on March 31 2019. It is clear from this issue, UK's Government wants Soft Brexit but UK's Parliament is against it. Also UK's Parliament tries to avoid from Hard Brexit. Because they can't estimate results of Hard Brexit exactly. Some UK Parliament's members said: UK's Government must stop Brexit process or must be new referendum for exit from EU. Namely, UK doesn’t have to exit from EU.

The influence of Brexit's Post-Soviet's countries is inevitable. First of all, European Union financial support for the Eastern Partnership countries will be weakened. Because the budget of the European Union will be reduced. The wish of the Balkan countries to join the European Union can be diminished. Even in the future there is the prospect of the collapse of this alliance. UK is one of the key members of the European Union funding. How strong will the EU be without the UK? This question raises a big question. İn my opinion, agreed Brexit is better choice for economy of UK and European Union. Otherwise, exchange rate of euro and pound will fall according to ratio exchange rate of dollar and this falling cause economy and trade of UK and EU maybe diminish.

How does Brexit affect to Azerbaijan? There are Brexit positive and negative impacts to our country's economy. Brexit will negative impact our Eastern Partnership. I have mentioned above about this. On the other hand, Brexit will little impact relationship of UK and Azerbaijan. Because the economic relations between the UK and Azerbaijan are based on special agreements. Even UK maybe decrease investment to EU and UK can increase foreign investment to Azerbaijan’s economy. However, if Brexit will weaken the economy of our main trading partner - the European region, it can have a negative impact on the Azerbaijani economy. Brexit will negative impact to "One Belt and One Road" which a project of China is important for our country and our President. Because the road transport in the part of this project in Azerbaijan mainly goods will be carry from China to Europe. If Europe's purchase power will decrease, these carried goods’ volume will diminish. That is why Azerbaijan's revenue which revenue from this project maybe fall.

On the other hand, Brexit maybe affects SOFAZ’s assets. Thus, SOFAZ’s assets lost approximately 450-600 million dollars after Brexit’s referendum. As we know, SOFAZ is main reserve fund of our country. This fund is important for future our generations. For this reason, Asset managers of this fund should closely monitor Brexit process.

SOFAZ’s assets currencies consist of 55% us dollar, 33.3% euro, 5% pound, 6.7% other currencies for first quarter 2019. Note: 7.4% of us dollar form gold investment. Besides, SOFAZ has real estates in European area and UK. If Brexit will weaken economy of EU and UK and it maybe causes price of real estate reduce which these real estate is UK and EU. SOFAZ’s assets managers should take into consideration this reduce. Besides SOFAZ’s managers should well manage reserves of currencies and gold. SOFAZ will optimal set its asset portfolio. Thus, UK will final decide in 31 October 2019 about Brexit process and this decision will impacts on gold price and currencies rates.

In my opinion, SOFAZ should decrease sizes of euro and pound in its asset’s portfolio and SOFAZ should change these currencies to dollar or other stronger currencies for example, I think Yuan Renminbi is stronger in world now. Because in 2016 Brexit referendum’s results increase value of dollar again these currencies (euro and pound).

Finally, I hope, Brexit process will not shake world’s economy and this process will not causes crisis in economy of EU because EU is main trader partner of our country. Because this crisis will weaken economy of world. Also maybe Brexit will create new economy crisis in world. Maybe this decrease or crisis will cause fall amount of produce in EU. If EU’s produce will diminish, this decrease of produce will cause fall oil price because the countries' demand for oil will decline. If oil price fall, this falling will creates bad consequences for our country.

We will see how Brexit process final in 31 October 2019.But results of Brexit process will impact on world economy and mainly EU’s economy longtime. I hope. If these longtime impacts will happen, this longtime impact will not bad impacts for world economy and Azerbaijan’s economy.

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