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# The Connection of Onshore and Offshore Financial Centres in the Private Equity Industry: The Case of Germany

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## Abstract

The private equity industry connects the business locations of acquired companies with the financial centres in which private equity managers are located, as well as with offshore financial centres in which private equity funds are located. Although approximately US\$2.5 trillion in investments is currently being managed through private equity funds, little is known about the income flows of fund investors and of private equity managers. In this presentation, I examine about 150 funds that acquired companies in Germany between 2013 and 2016. Data from Preqin, an information service provider, was used to estimate these two types of income and to reconstruct their respective financial flows. First, both revenue streams were found to be transferred initially to an offshore financial centre. Second, it became clear that the private equity firms could secure a considerable part of the pie by charging management fees and through profit-sharing. Third, for private equity managers, the financial flow is directed to a few specialized financial centres, among which foreign locations (London) compete with domestic locations (Frankfurt and Munich). In light of Brexit, this geography of financial flows, which has been emerging over the years, will be called into question.

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