

BREXIT

A survey conducted during an ACT webinar in July 2020 indicated that preparation for the end of the Brexit 'transition period' at 31 December 2020 was considered a lower priority than COVID-19 responses, LIBOR transition and "business as usual" activities. Currently, as we publish this newsletter, the UK and EU authorities have not yet concluded a comprehensive Free Trade Agreement (FTA) to be effective 1 January 2021. So, with less than 3 months to go, businesses need urgently to re-visit their Brexit contingency planning, if they have not yet done so.

Some of the recent comments that we have been hearing most frequently from treasurers on Brexit are:

- (i) It's uncertain which scenario to prepare for – will there be another last-minute deal?
- (ii) Their principal concern (greater than for treasury activities) is the potential impact of no FTA on their underlying commercial activities, such as the imposition of new obstacles to the free movement of freight (and in some cases their staff too); and
- (iii) COVID-19 might have had an adverse impact on their prior preparations – perhaps affecting supply chains and/or running down previous buffers of funding and goods.

It seems that larger/multinational corporate treasury departments typically have taken contingency steps with their counter-party banks, amending their financial contracts where necessary, but the lack of "equivalence" determinations by the EU, except for the temporary recognition of UK central clearing of derivatives, may yet cause unexpected problems for financial services; for example, recent media reports have highlighted that some UK banks have been closing the UK accounts of British citizens living or working long-term in EU countries.

The pace of Brexit news is likely to escalate sharply over the next few weeks. We will continue to update the ACT Brexit website with useful links, but the following official websites may be useful reference points in respect of Brexit developments affecting financial services:

FCA: <https://www.fca.org.uk/brexit>

Bank of England: <https://www.bankofengland.co.uk/eu-withdrawal>

This site also includes a link to the recently (18 September 2020) updated Regulatory Initiatives Forum Grid, a useful overview of forthcoming regulations.

<https://www.fca.org.uk/publication/corporate/regulatory-intitatives-grid-september-2020.pdf>

UK Government: <https://www.gov.uk/transition>

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