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THE UK VOTE TO LEAVE THE EU – IMMEDIATE ISSUES

The UK voted to leave the EU on 23 June. This note sets out the key immediate issues that businesses will face in the coming days.

What changes on day one?

- Nothing, legally. The UK is still an EU member subject to the same rights and obligations. This will not change until actual departure. This may not be for some years.

What is the next step?

- The UK will have to decide how and when to leave the EU. The EU's exit clause is Article 50 of the Treaty on European Union. David Cameron has said that he will not immediately issue the notice to withdraw from the EU under Article 50. Instead, he has said that he will step down as Prime Minister and oversee a leadership election with a view to a new Prime Minister being in place by the Conservative Party Conference in Birmingham on 2-5 October this year. It will then be up to the new Prime Minister to engage Article 50 TEU.
- *Vote Leave* has said there are alternatives to using Article 50, by for example amending the EU treaties, but the details are unclear.

What will be the impact on financial markets?

- The impact on the financial markets in the immediate aftermath may affect the day-to-day treasury operations of companies. Issues include: currency volatility, impact on ratings, counterparty risk, volatility on the major exchanges, interest rate moves, reduced liquidity and pricing changes – see Corporate Treasury update briefing.

What are the key areas of impact and advice in the medium and long term?

- The key risk to financial services is the loss of various **passporting regimes** for corporate (as well as retail) banking, and investment banking under MiFID II and CRDIV.
- Some clients in other sectors also risk losing access to EU **licensing and passporting** regimes after exit. The TV and betting industries are examples.
- **What does it mean for contracts?** Contracts might contain terms that are triggered by a vote to leave the EU or by actual departure. For example illegality, market disruption and material adverse change clauses.
- There are potentially **tax** implications of leaving the EU. For example UK parent companies would in many cases lose their withholding tax exemption on dividends paid by their EU subsidiaries.
- The UK is part of the EU single market and the EU also has 53 **preferential trade agreements** with the rest of the world. The UK will have to negotiate alternative agreements with the EU and these other countries. A disorderly exit would result in the imposition of tariffs on imports, i.e. of components and manufactured goods whether as finished products or within a supply chain.
- New **arrangements for migration** will be required once Brexit occurs and rules relating to the employment of EU and UK nationals currently working in the UK and EU respectively will be an important part of the negotiation.
- There will be implications for **competition**, **Intellectual Property**, **environmental law**, **commercial contracts**, **choice of law / jurisdiction**, **data protection** and **regulation** more generally.

Publications on the impact of a leave vote

Our recent briefings include: **The day after Brexit** – what will happen if Britain votes to leave the EU? (This is a broad cross-sector analysis and a good starting point.);Brexit: What does it mean for **multinationals** (this focuses on business outside the financial services sector);**Corporate Treasury** Update – Brexit: Practical Questions For Corporate Treasurers; The UK referendum – challenges for Europe's **capital markets**: a legal and regulatory assessment; Brexit – assessing the impact on **asset managers**; Brexit: implications for **merger control**; Brexit issues for directors of **private equity** portfolio companies; Brexit: implications for **EU trade mark** holders; Brexit - what will happen to **environmental** and climate change law? Brexit **Insurance** Sector Analysis; The **tax** impact of Brexit.

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