



Regulatory Newsflash

A vote to leave the EU: Considerations for financial services firms

The UK has voted to leave the European Union (EU). Uncertainty in financial markets and among the business community is understandably very high. Today, there are many more unknowns than knowns – especially about how financial services firms operating in the UK will access and trade with the EU's Single Market in future.

But, at least for the time being, some things are certain. From a purely regulatory perspective, today is much the same as yesterday:

- The UK remains a member of the EU, and is unlikely to be in a position to leave for at least another two years following an exit process set out in the Treaty on European Union (TEU).
- EU law continues to apply up to the point the UK leaves the EU.
- UK firms will continue to benefit from the same market access they currently have until a formal exit occurs.

This is the calm amid what is otherwise a very turbulent short-term outlook. The immediate political, market and economic events over the next few weeks and months will be difficult to predict or control. In this highly uncertain environment, we expect the short-term focus for firms to be on managing the financial impacts and communicating with a broad range of stakeholders, both internal and external.

This is the first in a series of notes which we will publish as the process of the UK's exit from the EU unfolds.

Planning considerations for financial services firms

Below are six steps that we believe are critical for firms to consider now that the UK has voted to leave the EU. [You can read our extended analysis of these and other relevant issues here.](#)

1. Be ready to respond at very short notice to information requests from supervisors, both in the UK and elsewhere, about the impact of market volatility on balance sheets and customers/ counterparties.
2. Broaden and deepen scenario analysis and contingency planning.
3. Develop well considered and consistent communications to internal and external stakeholders.
4. Consider how future strategies might be affected, positively or negatively, by the terms of the UK's exit from the EU.
5. Begin to work through detailed plans and timelines for any relocation strategies that may need to be invoked.
6. Consider the appetite for buying "insurance" against possible outcomes that could seriously undermine a firm's business model.

Dealing with an uncertain outlook

For some financial services firms, particularly those which use the UK as a hub to passport or provide services on a cross-border basis into other EU Member States, the terms of access which the UK negotiates to the Single Market will be fundamental to their future strategy and business models. For many of these firms, "waiting and seeing" until the outlook becomes clear will be untenable, given the lengthy lead times associated with moving substantial blocks of business and potentially people.

These firms face a period of decision-making under significant uncertainty. To operate successfully in this environment will require meticulous planning, including scenario analysis and contingency planning, the identification of triggers to activate elements of those plans, and, in some cases, taking early decisions to secure maximum flexibility and optionality for the future.

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