

## Now the Hard Part: The Landscape post Brexit and the U.S. Elections

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## OVERVIEW

- The UK / EU landscape
- A look forward to the U.S. elections

## THE UK / EU LANDSCAPE

- The UK's EU referendum
- Triggering Brexit
- Future models
- Impact on UK and EU political process
- Impact on UK and EU legislation
- Sounding from the other side of the Channel
- What can be done?





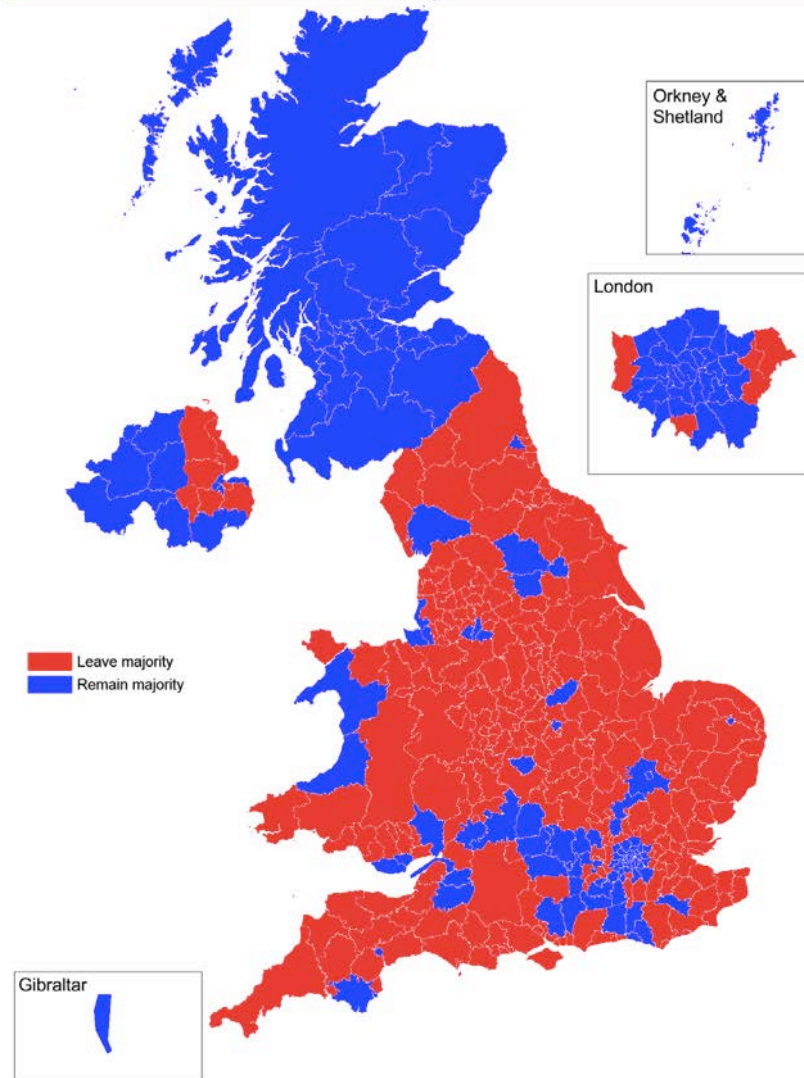
# The UK's EU Referendum



# UK REFERENDUM RESULTS

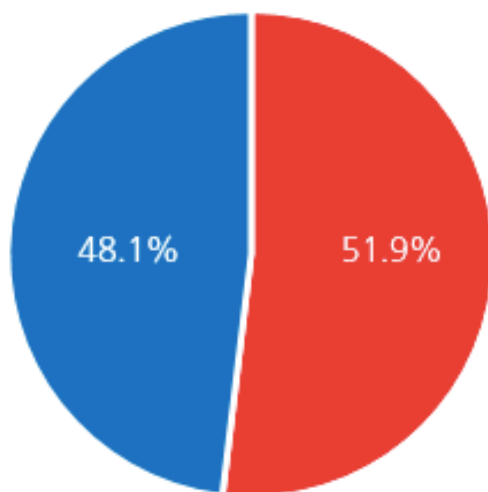
- 72.2% Turnout
- Higher than at the 2015 General Election (66.2%) but lower than turnout at the 2014 Scottish independence referendum (84.6%)
- 17.4 million votes for 'Leave' (51.9%).
- 16.1 million votes for 'Remain' (48.1%).

Majority leave/majority remain, by counting area

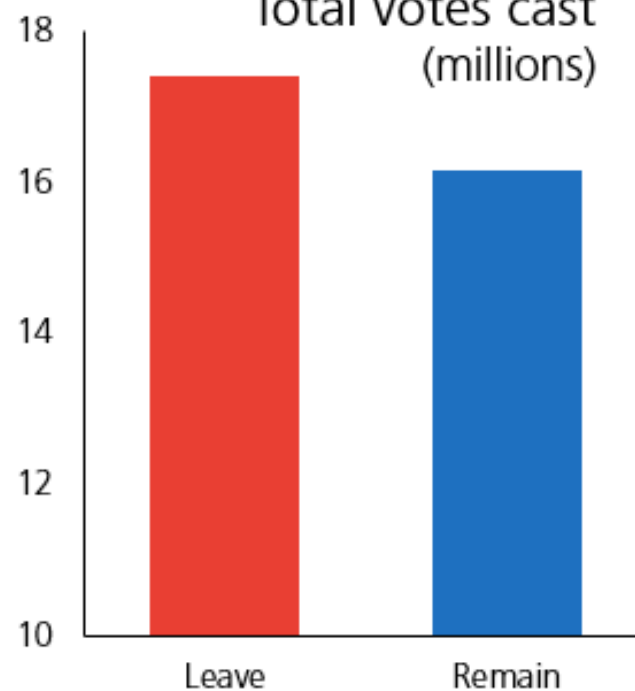


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National vote share



■ Leave ■ Remain

Total votes cast  
(millions)

	Leave	Remain
England	53.4%	46.6%
Wales	52.5%	47.5%
Scotland	38.0%	62.0%
Northern Ireland	44.2%	55.8%



# Triggering BREXIT

## HOW DOES THE UK EXIT?

- Article 50 of the Lisbon Treaty
- When triggered?
- New Brexit task force being created under Oliver Letwin MP
- Oliver Robbins appointed as the Permanent Secretary to the new team
- EU split roles for exit (EC) and continued access (Council)
  - Didier Seeuws, former chief of staff to former European council president Herman Van Rompuy
  - Martin Selmayr, current EC president Juncker's chief of staff





# ARTICLE 50 PROCESS

- Art 50 of the Treaty on European Union (TEU).
- Notification in the hands of the UK.
  - Does it require an Act of Parliament?
  - Can it be deemed?
- Two year period for withdrawal to be negotiated and take effect.
- Negotiations between the UK and the European Commission, as EU negotiator, based on guidelines issued by the European Council and in accordance with article 218(3) of the Treaty on the Functioning of the European Union (TFEU).
- Can be extended by agreement of all EU member states.
- If no extension, UK automatically ceases to be a member of the EU at the end of two years.



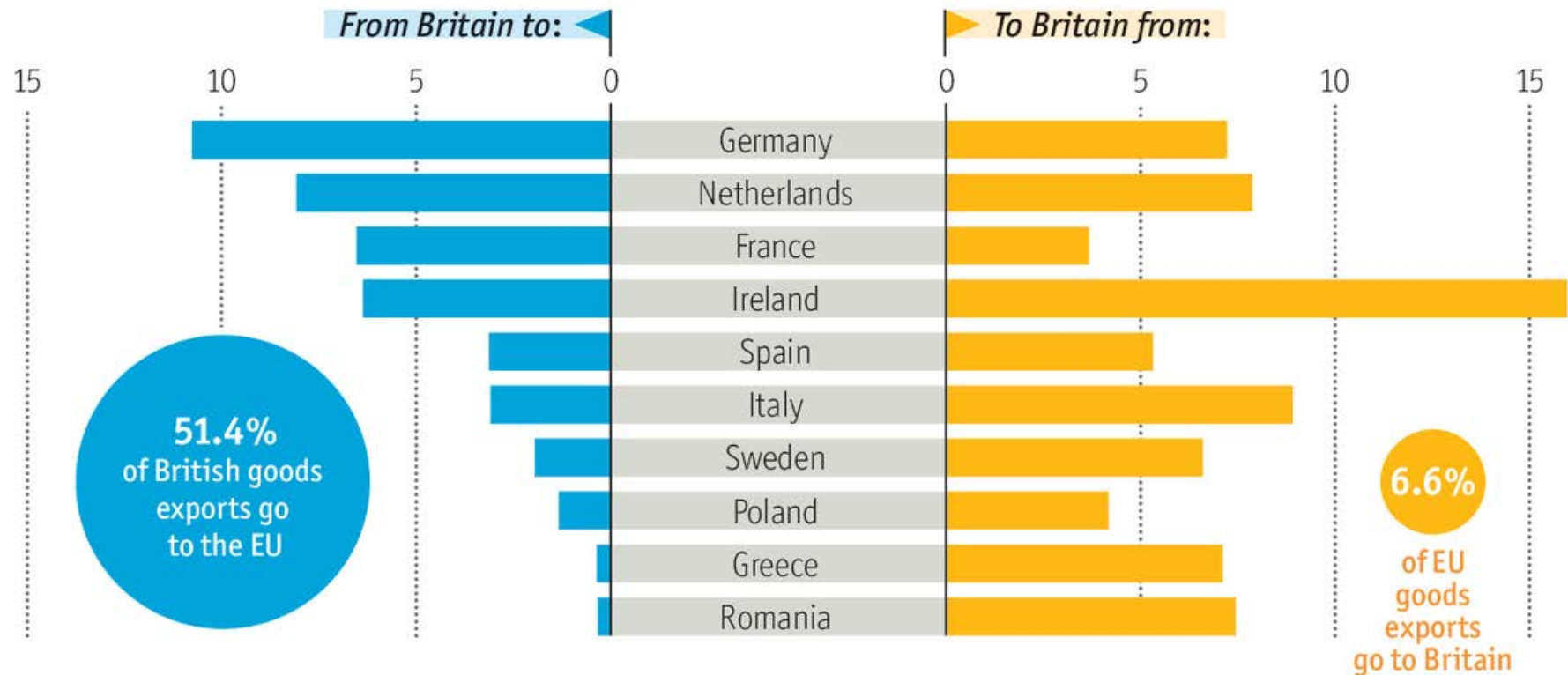
# Future Models

## MAIN IMPACT AREAS

- Trade
- Political
- Regulatory

## They need each other

Exports of goods between Britain and EU, 2014, % of national totals



Source: IMF Direction of Trade Statistics

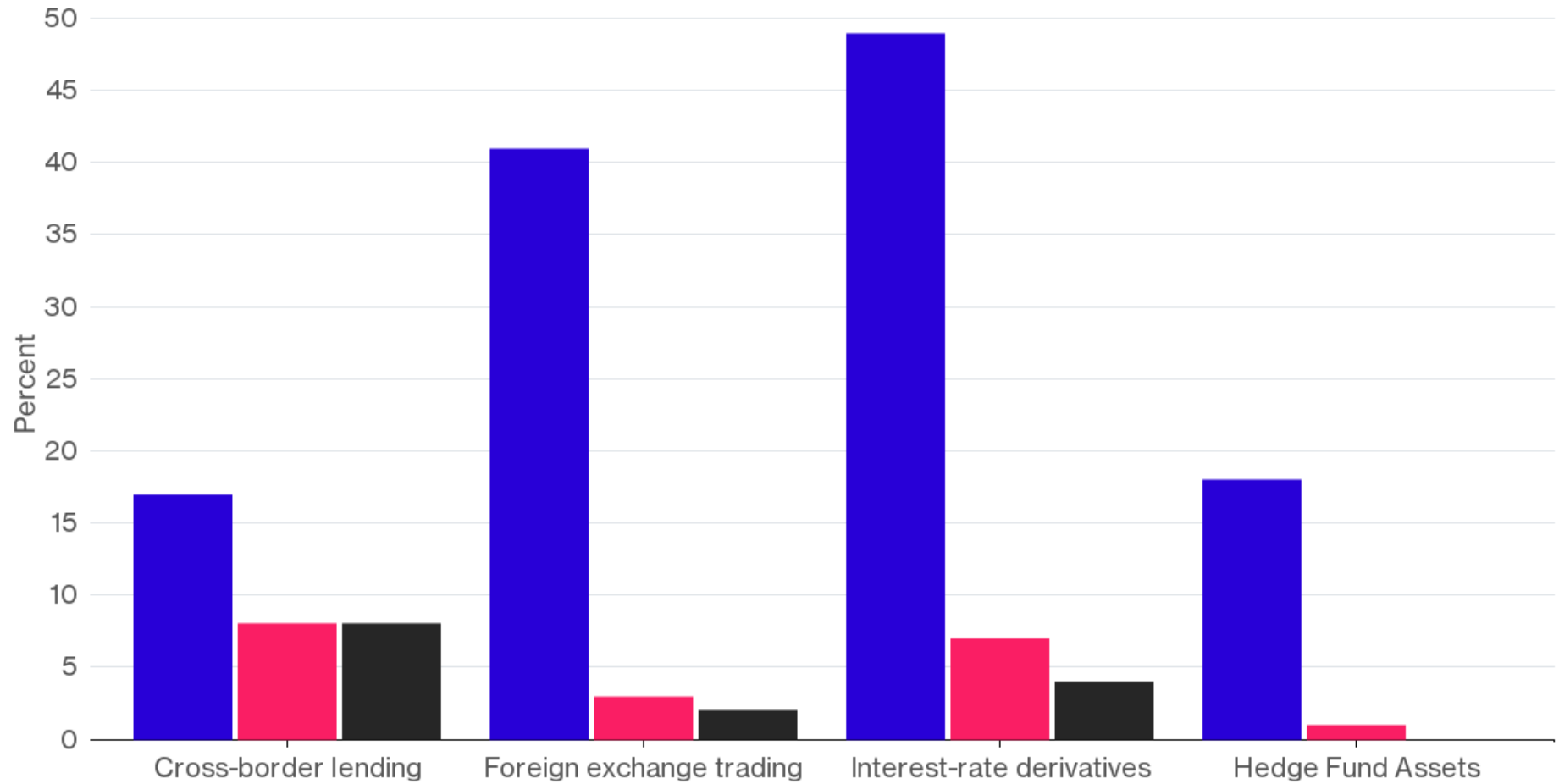
Economist.com



# Leadership Position

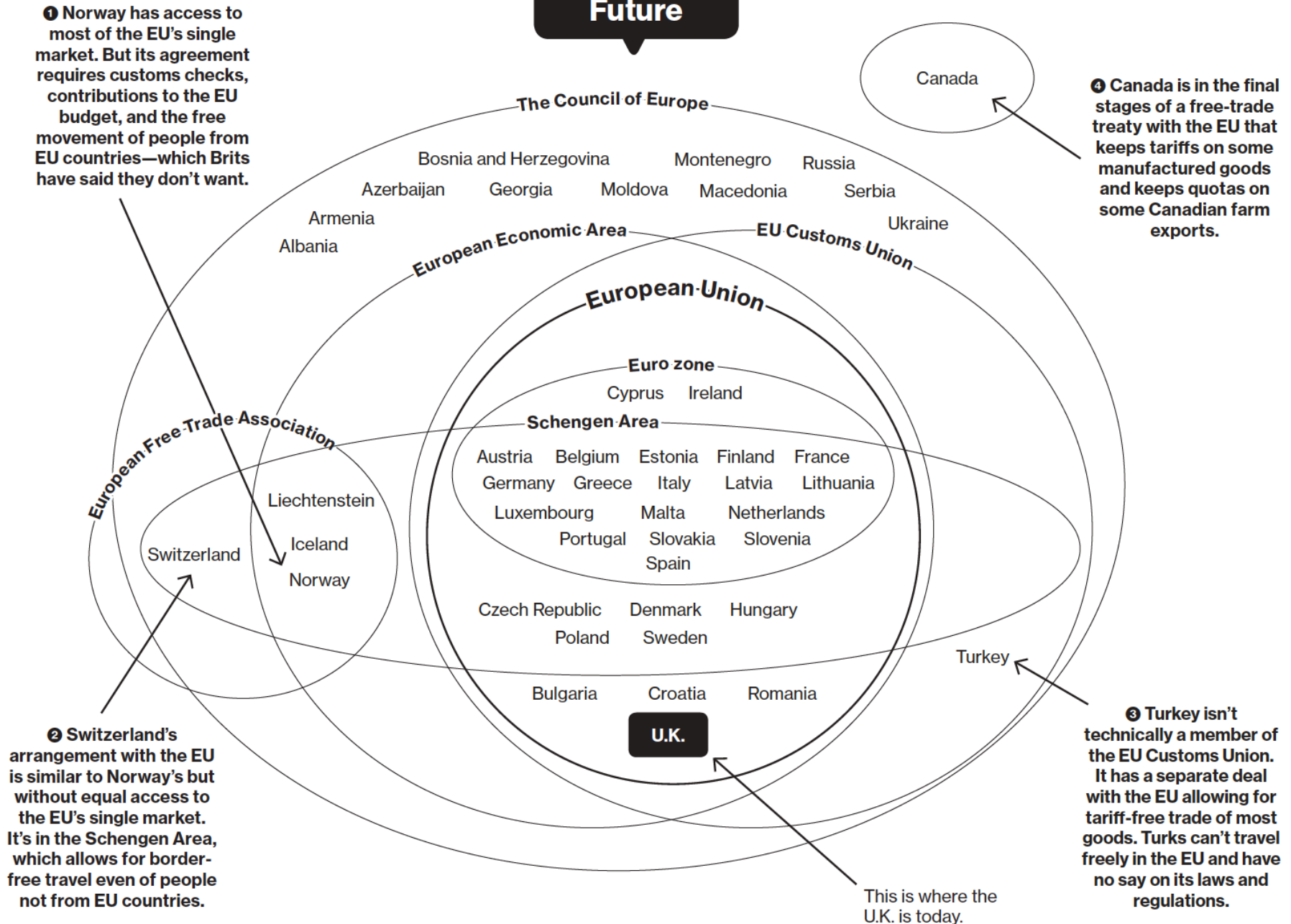
U.K. Share of Global Markets

UK France Germany
































# Four Models for Britain's Future

Source: Bloomberg BusinessWeek



## How Could the UK's Relationship With the EU Change?

The UK already opts out from parts of the EU. If it leaves, its future could look like Norway, Switzerland, or Turkey, nonmembers with partial participation in the EU.

	 FULL PARTICIPATION  PARTIAL PARTICIPATION <small>Indicates a negotiated special arrangement.</small>	 SINGLE MARKET	 FREE MOVEMENT OF PEOPLE	 CONTRIBUTE TO EU BUDGET	 VOTE ON EU LAW	 EUROZONE	 "EVER CLOSER UNION"
 STANDARD EU*							
 CURRENT UK MEMBERSHIP							
<b>POTENTIAL POST-BREXIT SCENARIOS</b>							
 EUROPEAN ECONOMIC AREA (NORWAY)							
 BILATERAL DEAL (SWITZERLAND)							
 CUSTOMS UNION (TURKEY)							

COUNCIL on  
FOREIGN  
RELATIONS

\*Except for the UK Sources: UK Government, *The Economist* Credits: James McBride, David Foster



# Impact on UK and EU Political Process





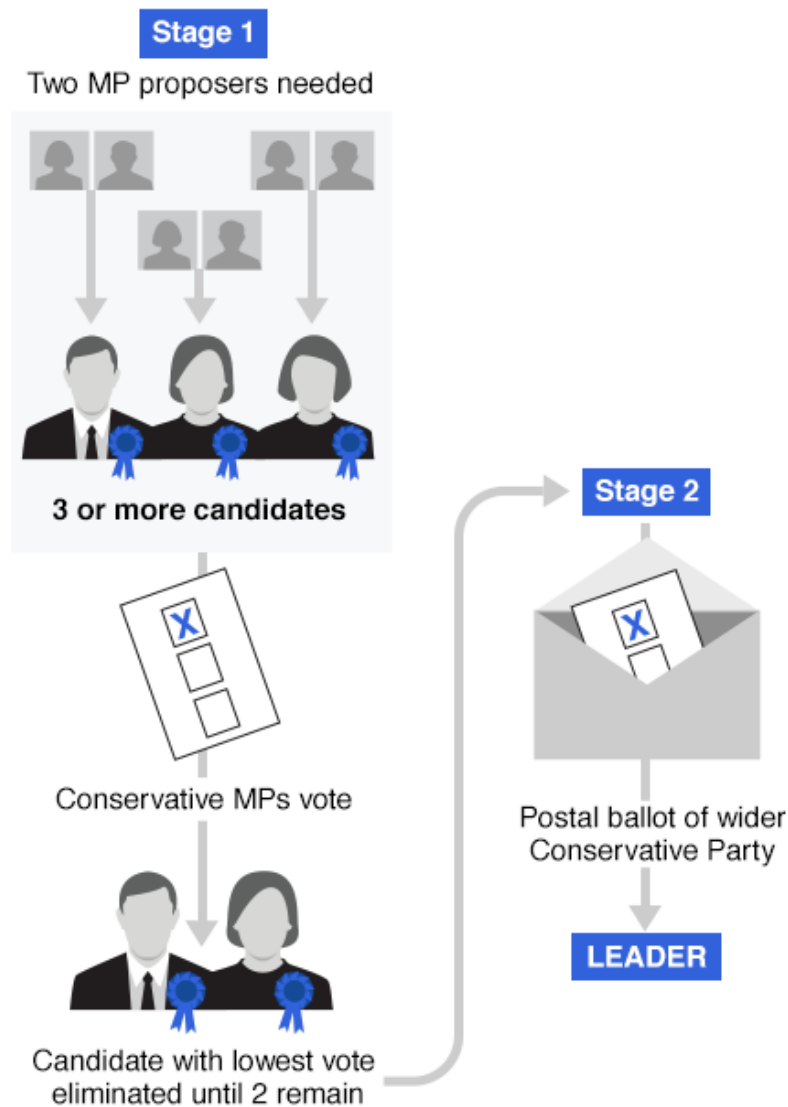
## PM'S RESIGNATION

- Conservative Party leadership contest
  - Runners and Riders
  - Process
  - Transition



# The Conservative Leadership Contenders

## Electing a Conservative party leader



Source: Westminsteradvisers

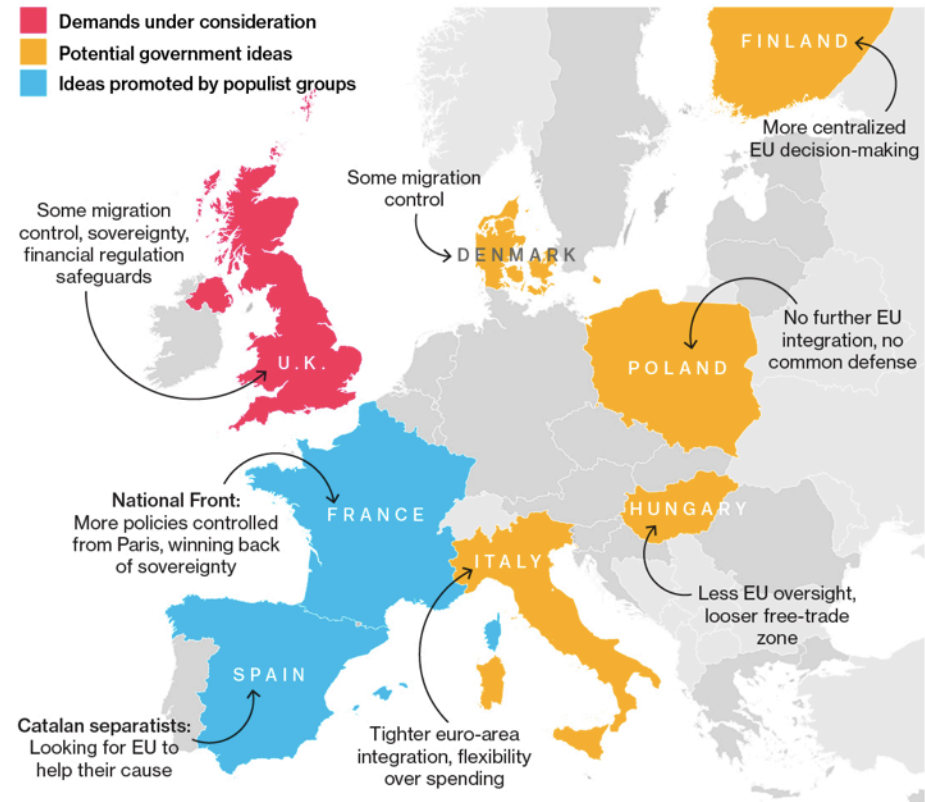
BBC

## FURTHER COMPLICATIONS

- The Labour Party
- Future of the UK / Scotland, NI etc
- Others to follow?

### Brexit Bandwagon

As U.K. Prime Minister David Cameron presses governments to accept his proposed EU overhaul, some of his fellow leaders may be mulling their own pet projects.



Source: Bloomberg reporting

Bloomberg



The background of the slide is a composite image. The top half features a bokeh effect of out-of-focus lights in yellow, orange, and blue. The bottom half shows a close-up of server racks with numerous small, glowing lights in blue, green, and yellow, creating a digital or technological atmosphere.

# Impact on EU / UK Legislation

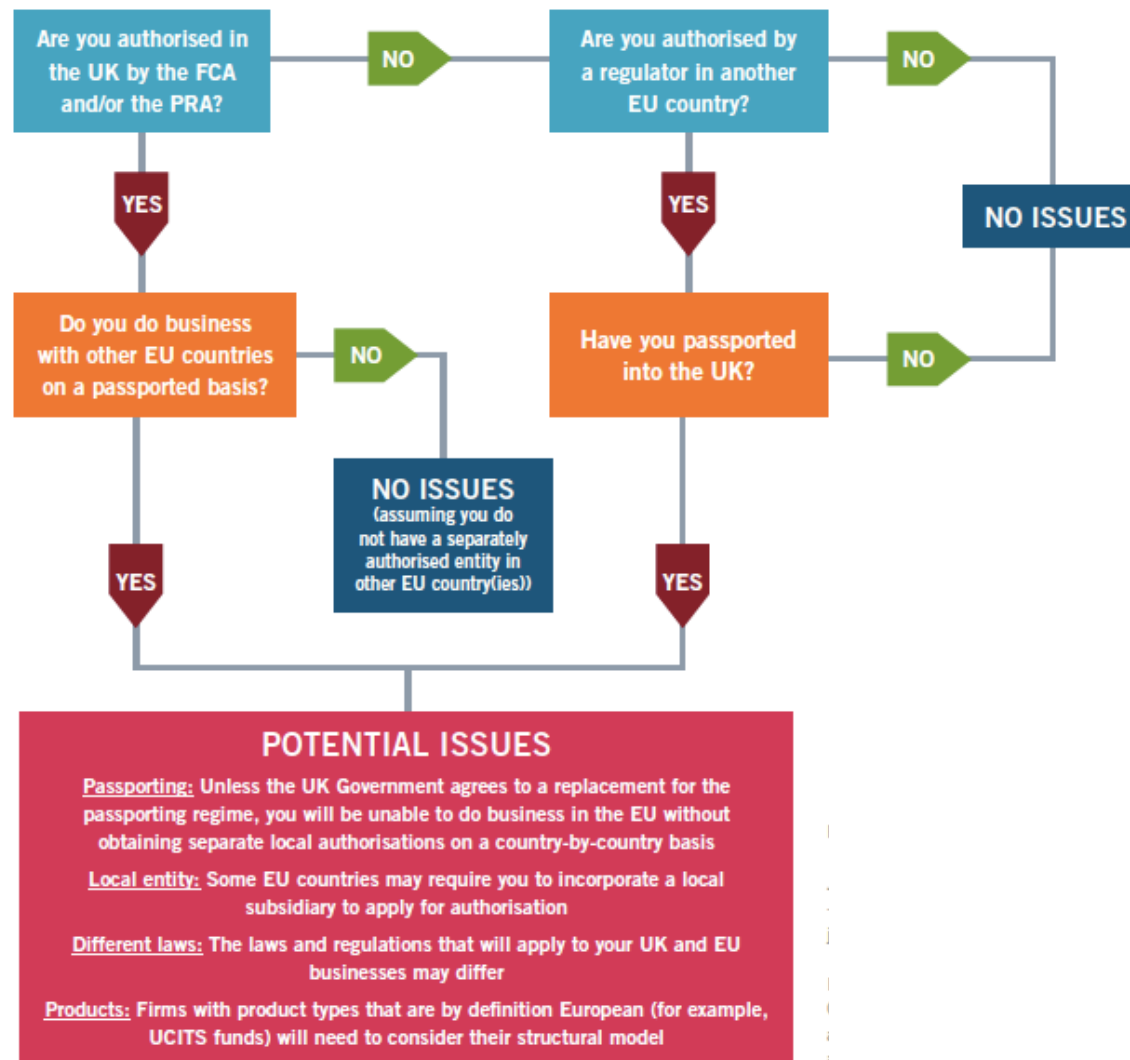
# IMMEDIATE AND MEDIUM TERM UK IMPACT

- FCA statement 24.06.16
- BoE statement 5.07.16
- New government priorities
- New budget post reshuffle?
- Continuity of legislative provisions
  - Single market access / EEA model
  - Equivalence
  - Grandfathering
- Art 70 Vienna Convention on Law of Treaties
  - Acquired rights on withdrawal from treaty
  - States not persons!
- Choice of law
- Staff and Employment
- Data Protection
- Availability of passporting
  - MiFID
  - UCITS
  - AIFMD status

# IMPACT ON EU INITIATIVES

- *Acquis communautaire*
  - EU Directives
  - EU Regulations
  - European Courts
- ESMA expectations
- Capital Markets Union
- Eurozone initiatives
- Policy influence
  - Resignation of Lord Hill
  - Other Commission task forces
  - Input of UK MEPs
- International standards
  - G20 / OECD Commitments
  - IOSCO
  - BCBS

## Preparing for Brexit: Implications and Issues for Firms in the Financial Services Sector







# A sounding from the other side of the Channel

# A SOUNDING FROM THE OTHER SIDE OF THE CHANNEL (GERMANY)



## VOICES IN THE POLITICAL ARENA

A "return to the national fortress of nationalism" is the wrong answer to the current challenges. "In my eyes it is grossly negligent to make people believe that problems such as terror, crisis' in neighbor states or the management of migration could sustainably be solved with national answers", says Walther Steinmeier\* (*FAZ*, 13 May 2016)



## WHAT THE GERMAN INDUSTRY SAYS

"The large majority of the German industry agrees that a BREXIT would have fatal implications... It is about **lots of money** and **many jobs**." (*Süddeutsche Zeitung*, 18 May 2016)



## AND THE WINNER IS...\*

- 70% of Banks and Financial Service Providers believe that **Frankfurt** would be the big winner of a BREXIT\*\*
- The move of 20,000 bankers is realistic\*\*\* - a huge push for a city like Frankfurt with a workforce of only 60,000 people in the financial industry (i.e. app. 10% of the workforce).



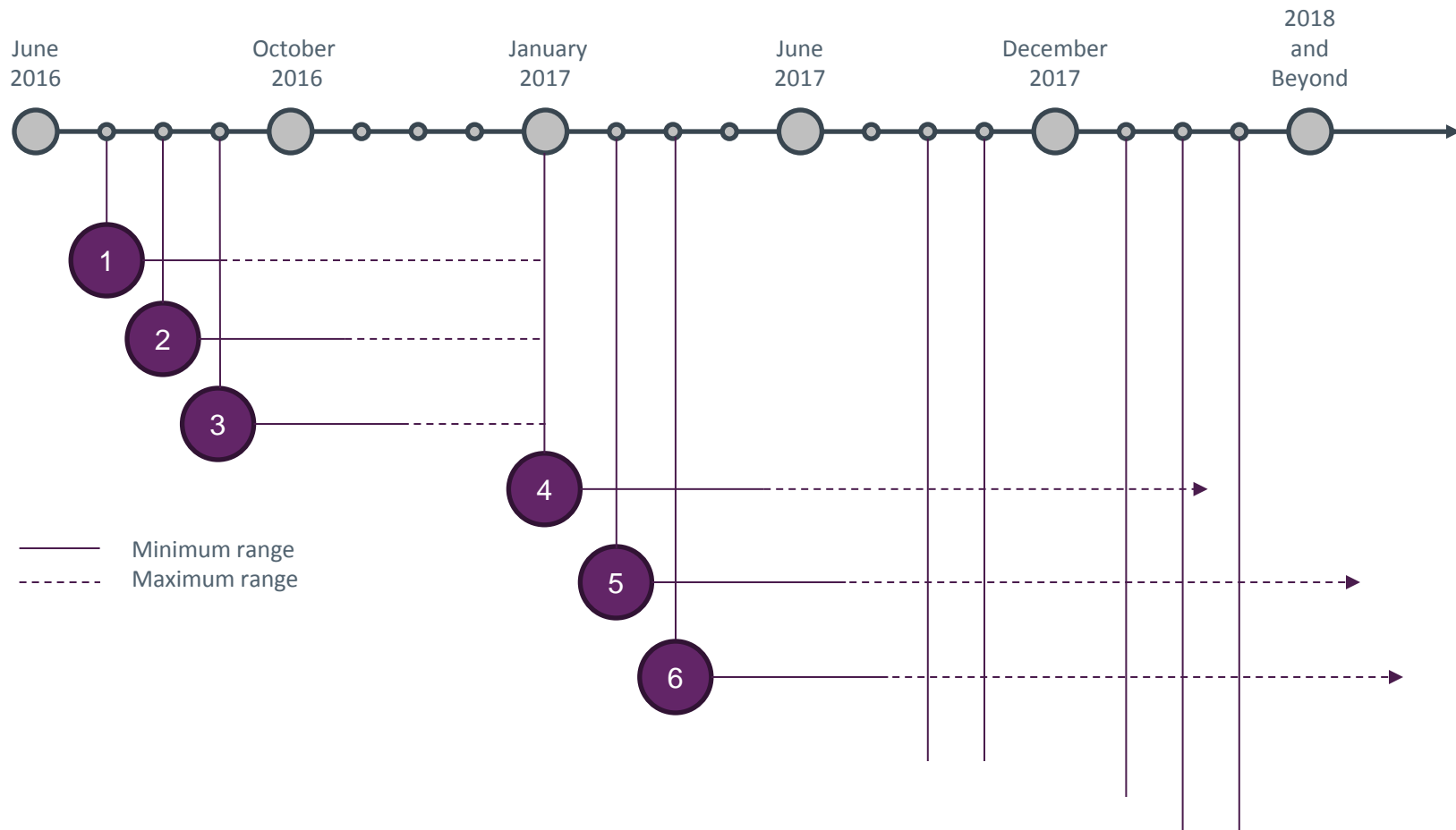


What can be done?



## SIX-POINT ACTION PLAN

1. Manage the immediate impact of the Brexit vote on your business and client accounts.
2. Identify potential disruptions to your asset management regulatory licenses, fund distribution strategy and business structure:
3. Communicate with employees, clients, fund shareholders and other asset management industry participants.
4. Develop longer-term strategic responses to address the disruptions and risks.
5. Consider lobbying governments and regulators in order to make sure voices are heard in the debate about the withdrawal process and on the related issues.
6. Create contingency plans and/or consider whether existing plans will remain appropriate once the UK moves into a “leave” trajectory, as these programs are likely to be expected by certain regulators.





## HOW SHOULD THE INDUSTRY RESPOND?

- Raise awareness with EU/Eurozone of the importance of the UK as a partner outside of the EU.
- Build coalitions of stakeholders throughout the EU to communicate the importance of a balanced deal with the UK and to reinforce the above.
- Promote a set of policies to improve the UK's competitive position (for example, tax, skilled migration, targeted removal of regulations etc).
- Propose solutions and options that remove uncertainty – what is realistically achievable?
- UK debate should recognise the very real concerns of Eurozone leaders of the risk of contagion from the Brexit result.
- The negotiations will be a multi-party process with no one party able to leverage its position.
- Work with industry trade groups.
- Get involved with the UK's Brexit task force.

## ADDITIONAL BREXIT RESOURCES

To fully prepare clients for the legal and business implications now that Britain has decided to exit from the EU, K&L Gates has launched a global client support initiative—a dedicated team of multidisciplinary lawyers, a 24-hour hotline reachable by e-mailing:

[Brexite@klgates.com](mailto:Brexite@klgates.com)

Or go to our dedicated website page:

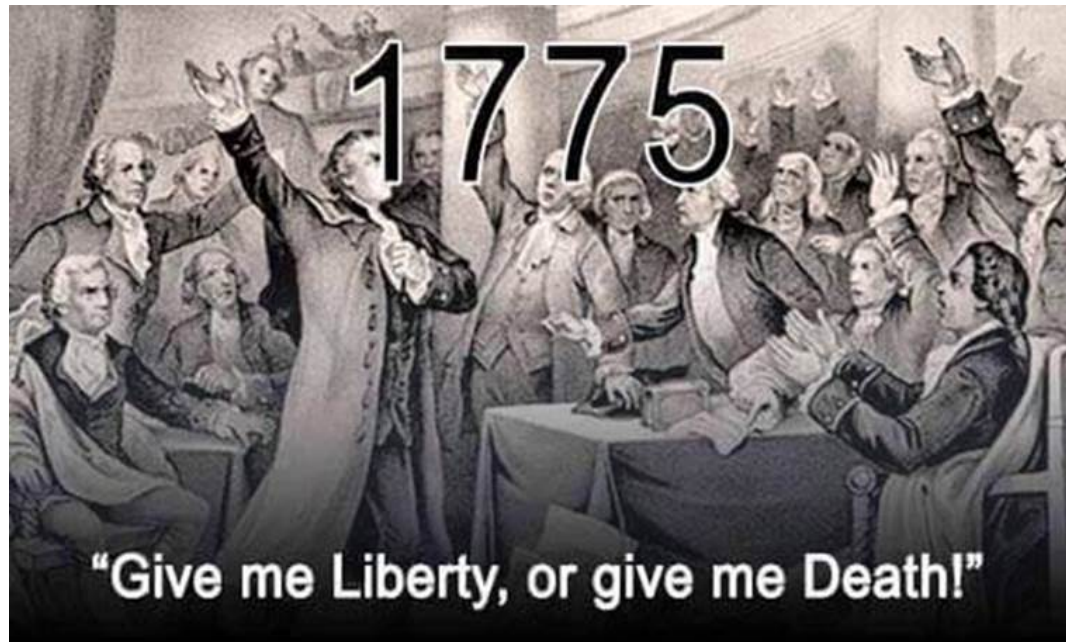
[www.klgates.com/brexit/](http://www.klgates.com/brexit/)



# U.S. Elections 2016









# U.S. Presidential Candidates

## Hillary Rodham Clinton

Presumptive Democratic Party Nominee



## Donald J. Trump

Presumptive Republican Party Nominee



# Senate Banking Committee

## Republican

Mike Crapo (R-ID)



## Democrat

Sherrod Brown (D-OH)



# House Financial Services Committee

## Republican

Jeb Hensarling (R-TX)



## Democrat

Maxine Waters (D-CA)



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