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Brexit File

No. 4

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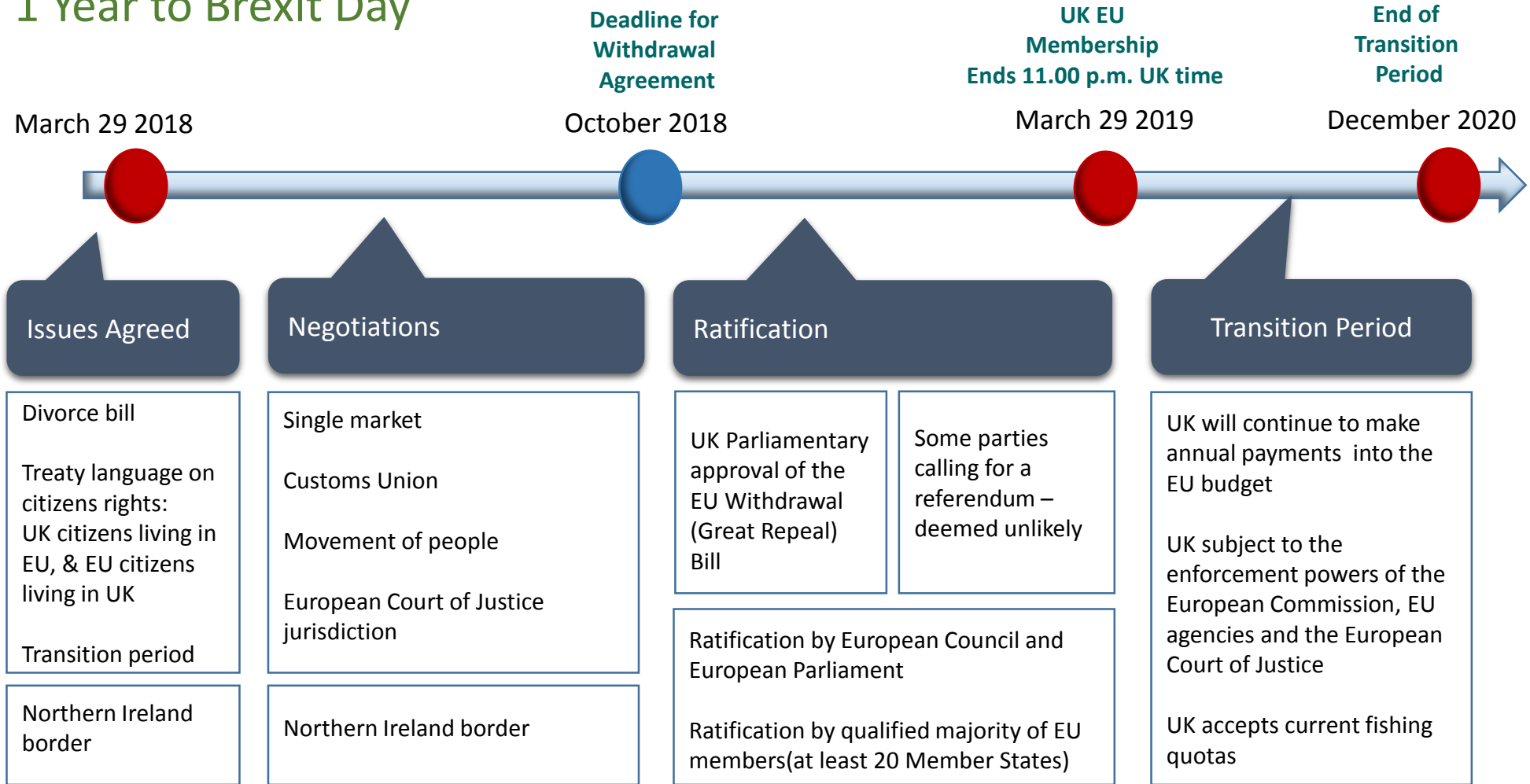
See previous files:

January 2018

June 2017

September 2016

1 Year to Brexit Day



Primary Items for Negotiation	Background	UK perspective	EU perspective
<p>Divorce bill</p>	<p>UK not legally obliged to pay anything, but this would threaten a post-Brexit trade deal. Costs include:</p> <ul style="list-style-type: none"> Outstanding EU budget commitments Pension payments to EU officials Cost of relocating EBA and EMA 	<p>A figure of £35bn to £39bn estimated</p> <p>The National Audit Office (NAO) will assess the assumptions and methodologies applied</p> <p>The exact amount will not be known for many years because it depends on future pensions and development projects</p>	<p>Annual contributions by the UK to the EU budget will stop when it leaves the EU after the end of the transition period in December 2020</p> <p>About half the bill will be paid during the transition phase</p> <p>EU budget has to fill the €10-€14bn gap left by the UK's departure</p>
<p>Rights of EXISTING EU and UK citizens (rights protected for residence, work, social security and health)</p>	<p>The rights of EU citizens in the UK – and UK citizens in the EU – to live, work and study will remain the same, and they will retain the right to family reunification, healthcare and social security.</p>	<p>UK citizens who not exercise rights to work, study or reside in the EU will not enjoy free movement rights outside of the UK</p>	<p>Wants no discrimination based on nationality</p> <p>Status of people arriving during the 21 months of the transition period yet to be agreed.</p>
<p>Northern Ireland Border</p>	<p>Both sides are committed to keeping a free flow of people and goods over the Irish border without returning to checkpoints</p> <p>Finding a practical solution is difficult</p>	<p>UK government prefers a customs agreement that allows for as much frictionless trade with the EU as possible, mitigating the need for border checks. Labour wants a formal customs union with the EU</p> <p>Brexit Committee are unable to identify any border solution currently in operation across the globe that would enable physical infrastructure to be avoided when rules and tariffs diverge</p> <p>Ireland and EU require a backstop solution to ensure that there is no hard border on the island of Ireland. The UK has accepted the need for a backstop to be written into the Brexit withdrawal agreement.</p>	

Key Items for Negotiation

Primary Items for Negotiation	Background	UK objectives	EU objectives
Access to single (internal) market	Ensures the “four freedoms”: free movement of goods, services, capital and labour	Theresa May “We are leaving the single market. Life is going to be different. In certain ways, our access to each other’s markets will be less than it is now” (March 2018)	The EU wants the power to be able to cut the UK’s access to the EU’s single market during the post-Brexit transition if it violates agreed rules
Access to customs union (agreement not to impose tariffs)	<ul style="list-style-type: none"> • EU member states trade freely with each other without customs checks • EU member states all charge the same import duties to countries outside the EU • EU member states have limited freedom to strike their own trade deals 	<p>Theresa May rejects a customs union with the EU.</p> <p>Some form of free trade agreement.</p> <p>Under a free trade area no tariffs, taxes or quotas are charged within the area but members are free to strike their own external trade deals</p>	<p>No sweetheart deal</p> <p>Without a Customs Union in place, all UK-EU trade would require customs clearance and would have to operate under World Trade Organisation rules</p>
European Law	The European Court of Justice is the highest court in the European Union in matters of European Union law and interprets and enforces the rules of the single market and settling disputes between member.	The European Union (Withdrawal) Bill will end the primacy of EU law in the UK and incorporate all EU legislation into UK law in one lump, after which the government will decide over a period of time which parts to keep, change or remove	Britain will have to apply EU rules allowing the free movement of people and be subject to European Court judgments during the transition period

EU Passport

Is a legal mechanism that permits **financial services companies** based and regulated in one country of the EU and authorised under one of the EU's single market directives, to do business in other member states purely on the basis of their home state authorisation.

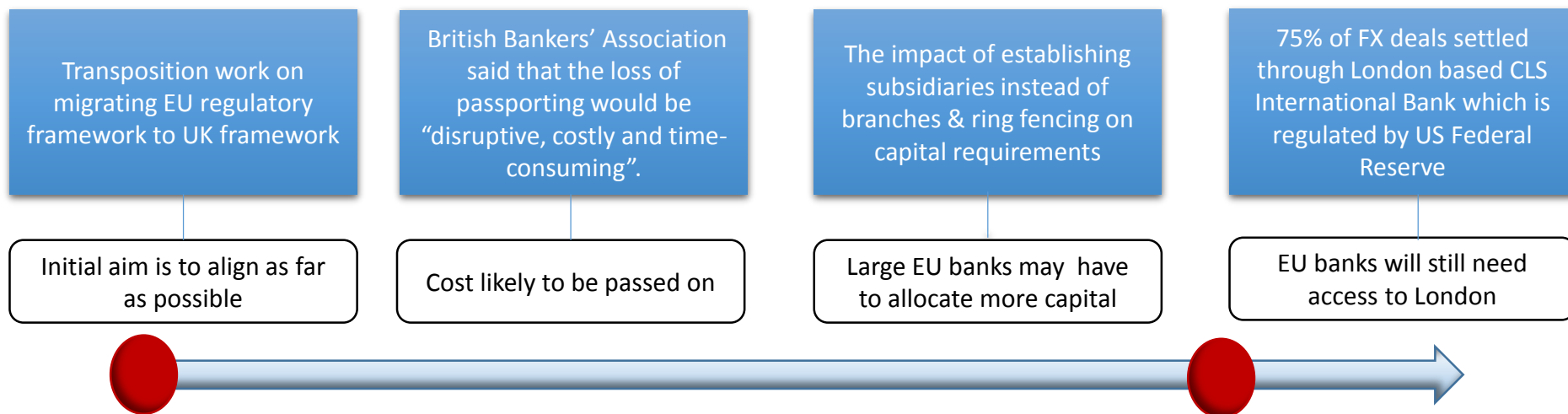
British banks will lose "passporting rights" to do business in the European Union after Brexit.

Equivalence

When assessing the operational rights or treatment of foreign banks in the EU the EU assesses whether the standards of regulation and supervision in a bank's home market are 'equivalent' to those of the EU.

Equivalence is at the EU's discretion

Comments & Facts:



EU rejected the City of London's proposal to strike a post-Brexit free-trade deal on financial services

Key Treasury Questions

GBP value and volatility?

Impact on cash pool structures located in London?

What will be the impact on financial markets?

Will passporting effect services provided by any relationship bank?

Availability of expert resources?

WHT on inter-company loans under new trade agreement?

Action Plan

Short Term	Medium Term	Long Term
Risk Review	Planning	Response
Cash flows	Financing	Regulation
Liquidity	- Availability	- EMIR
FX	- Pricing	Capital Markets Union
Interest rates	- Terms & conditions	Taxation
Banking	- EIB debt	- WHT on interest and dividends
Contract terms	Location of bank accounts	- VAT
Covenants	Cash management structures	- Customs/excise duties
Investment	Pensions	Organisation
Economic growth		- Availability of resources
Set-up an internal/external Brexit expert group		

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