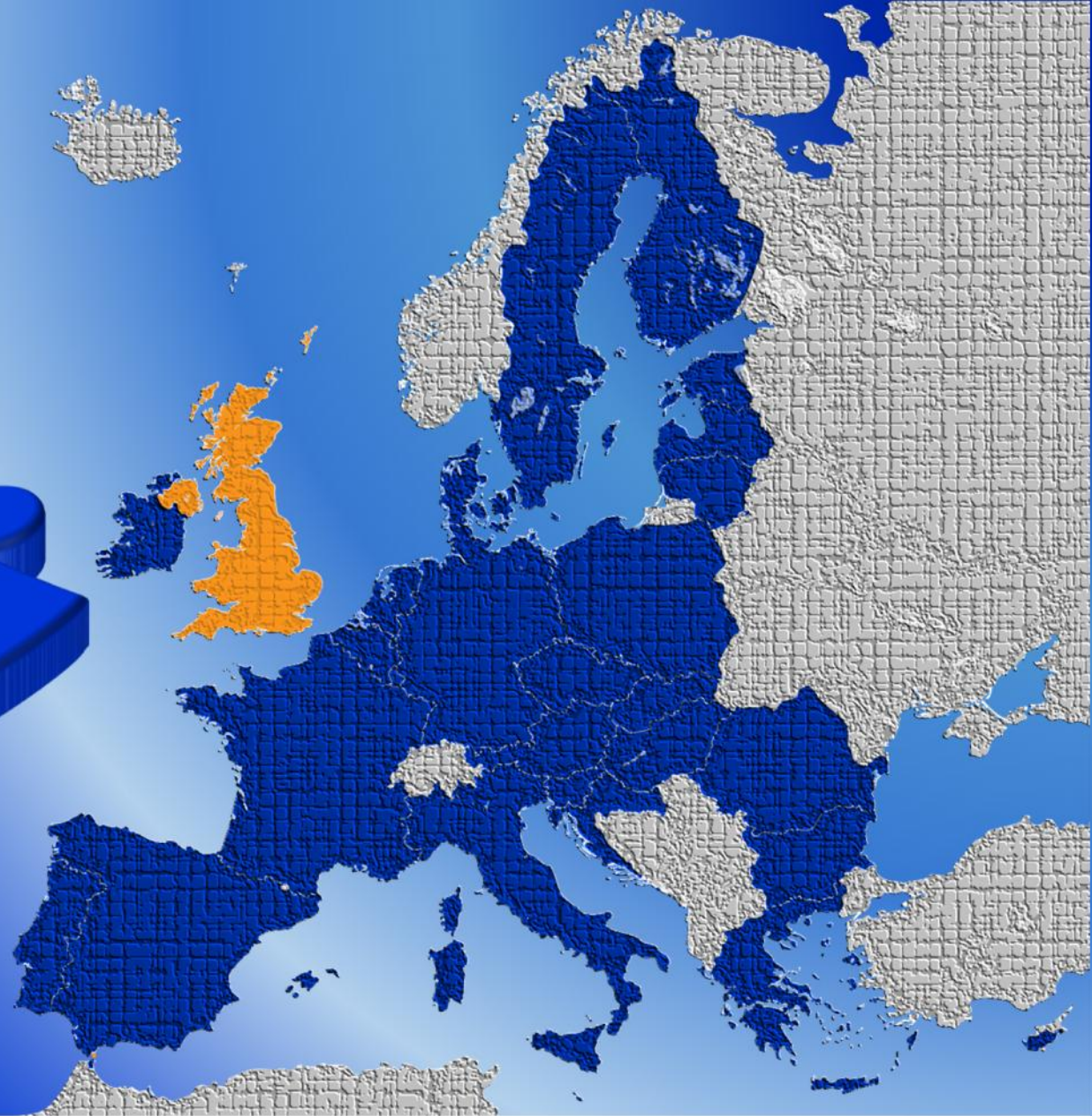


BREXIT



About Bruneau Joseph

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He has also served in various legal, regulatory and executive roles, including serving as a board director of INTL FCStone in Ireland. His experience encompasses a range of sectors, including asset management, capital markets, banking, M&As, futures and OTC derivatives trading.

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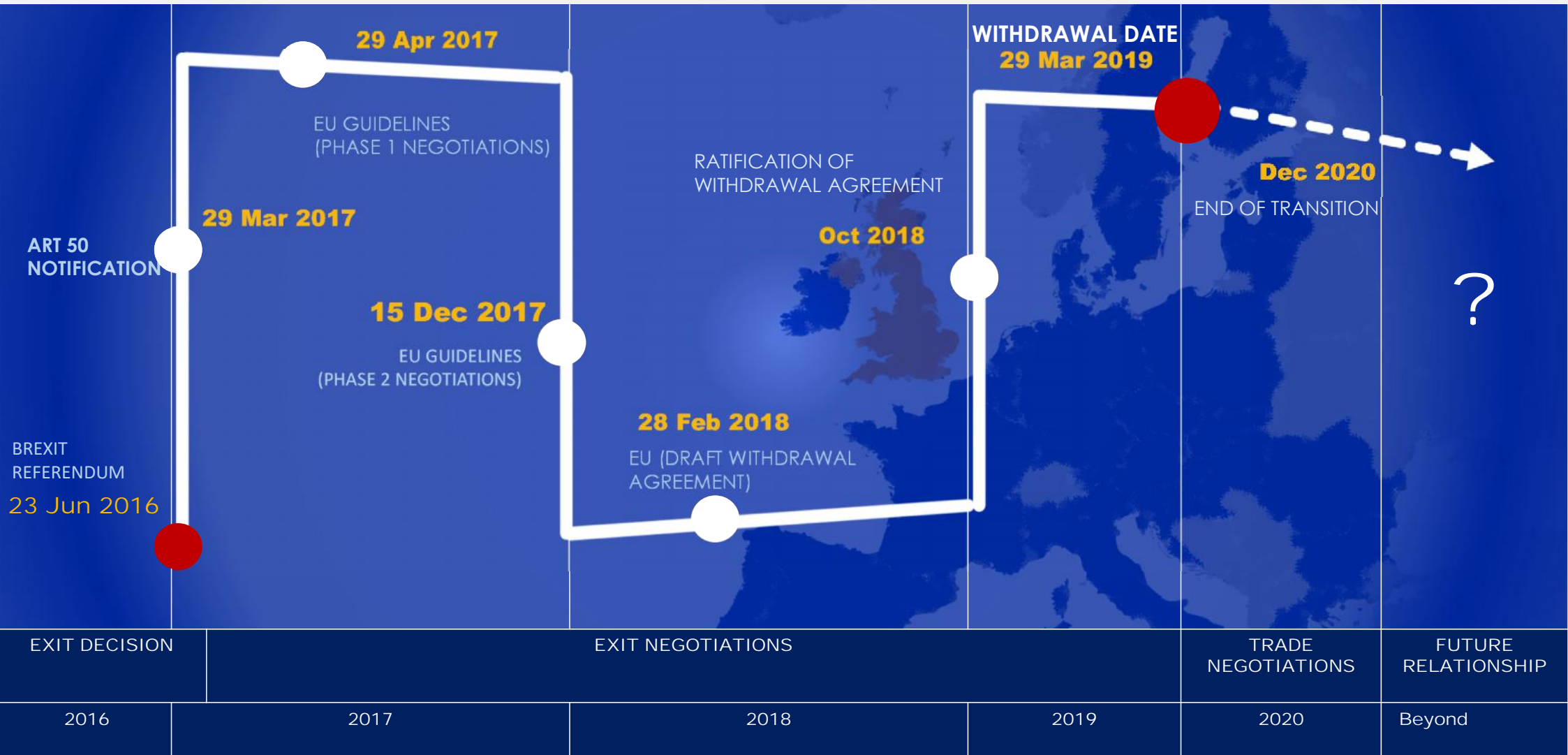
His area of specialisation is European and international regulations, with particular focus on MiFID II, CRD/CRR, EMIR, Basel standards and IOSCO standards, AML laws, UCITS and AIFMD.



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BREXIT TIMELINE

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FRAMEWORK FOR BREXIT NEGOTIATIONS

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ART 50 GUIDELINES (29 APRIL 2017)

Guidelines on Framework for Negotiations

Four freedoms of the Single Market are indivisible.
No "cherry picking"

Phased negotiation rounds:

- First Phase: Orderly Withdrawal Agreement
- Transition Agreement
- Second Phase: Framework for Future Relationship



JOINT REPORT (8 DEC 2017)

Report on progress made during Phase 1

- protecting rights of EU citizens in the UK and UK citizens in the EU
- framework for addressing the unique circumstances in Northern Ireland.
- the financial settlement



GUIDELINES FOR PHASE 2 (15 DECEMBER 2017)

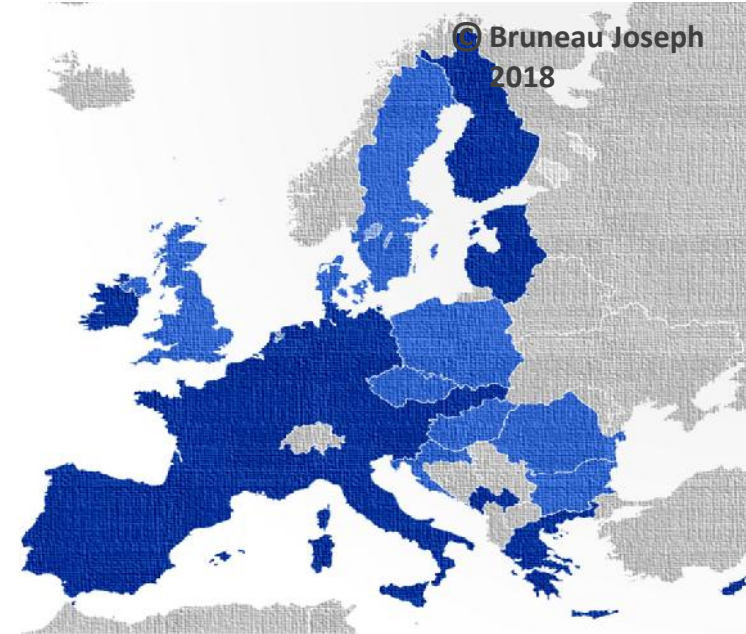
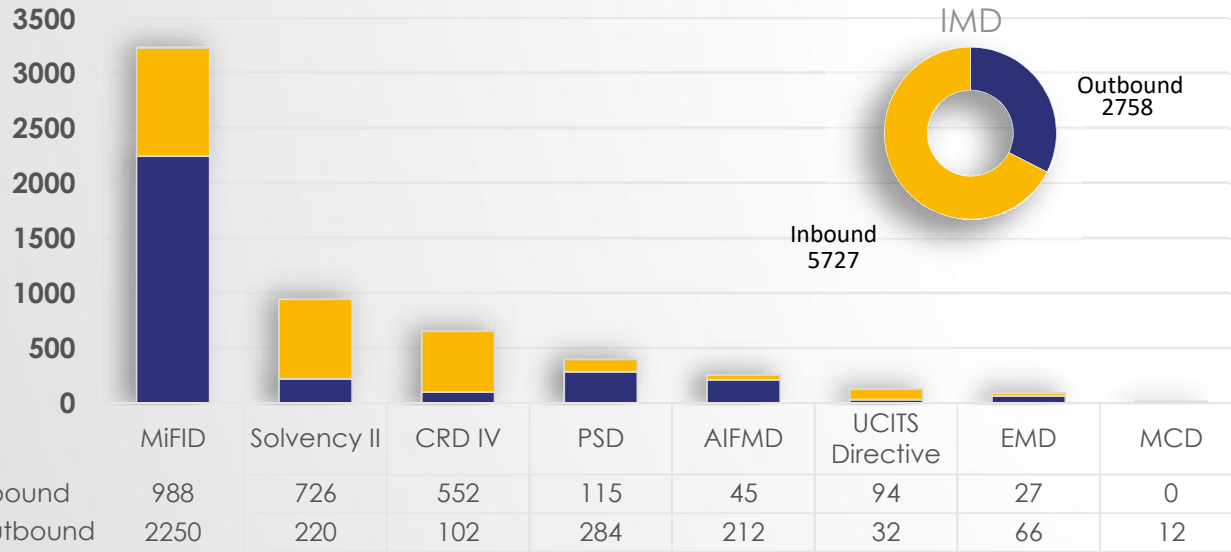
- Sufficient progress made to move to Phase 2
- Future relationship can only be finalised and concluded once the UK has become a third country
- EU ready to engage in preliminary and preparatory discussions on the framework for the future relationship
- Such an understanding should be elaborated in a political declaration accompanying and referred to in the Withdrawal Agreement



23 Jun 2016	UK	Brexit Referendum
29 Mar 2017	UK	UK notified EU Council of its decision to leave EU (Art 50 TEU)
29 Apr 2017	European Council	Art 50 Guidelines (Framework for Negotiations)
8 Dec 2017	EU/UK Negotiators	Joint report (on progress made during Phase 1)
15 Dec 2017	European Council	Guidelines for Phase 2 of Brexit negotiations
28 Feb 2018	EU Commission	Draft Withdrawal Agreement
Oct 2018	UK, EU Council, Parliament	Ratification of Withdrawal Agreement
29 Mar 2019	UK	Withdrawal date
31 Dec 2020	UK	End of Transition period

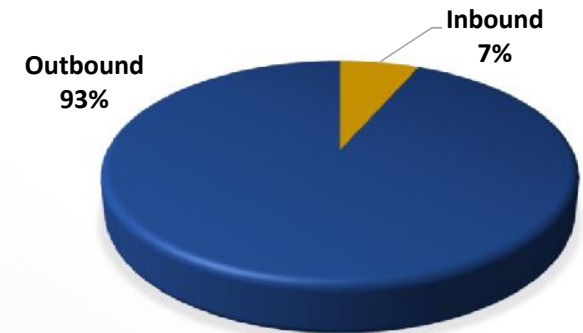
UK: EEA PASSPORT

Number of firms
(with at least one passport)

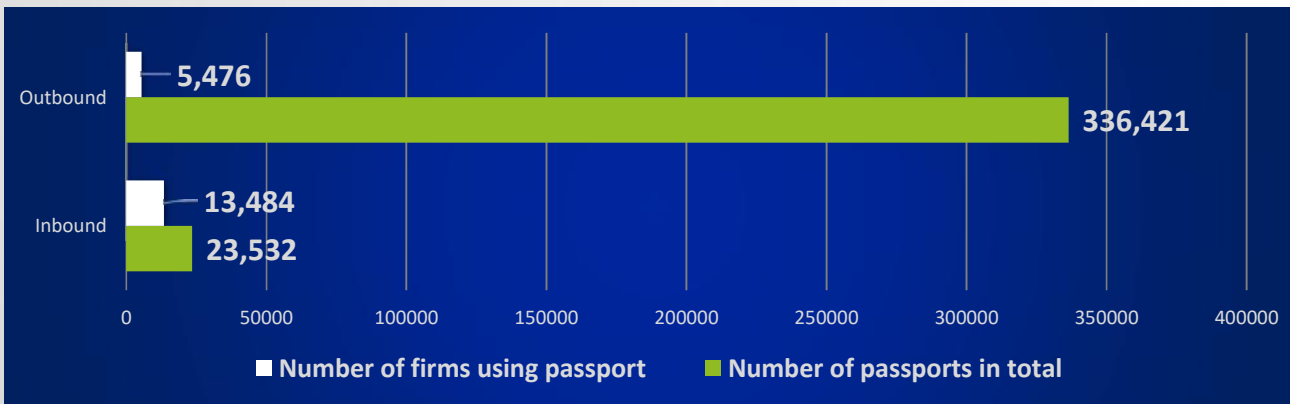


359,953

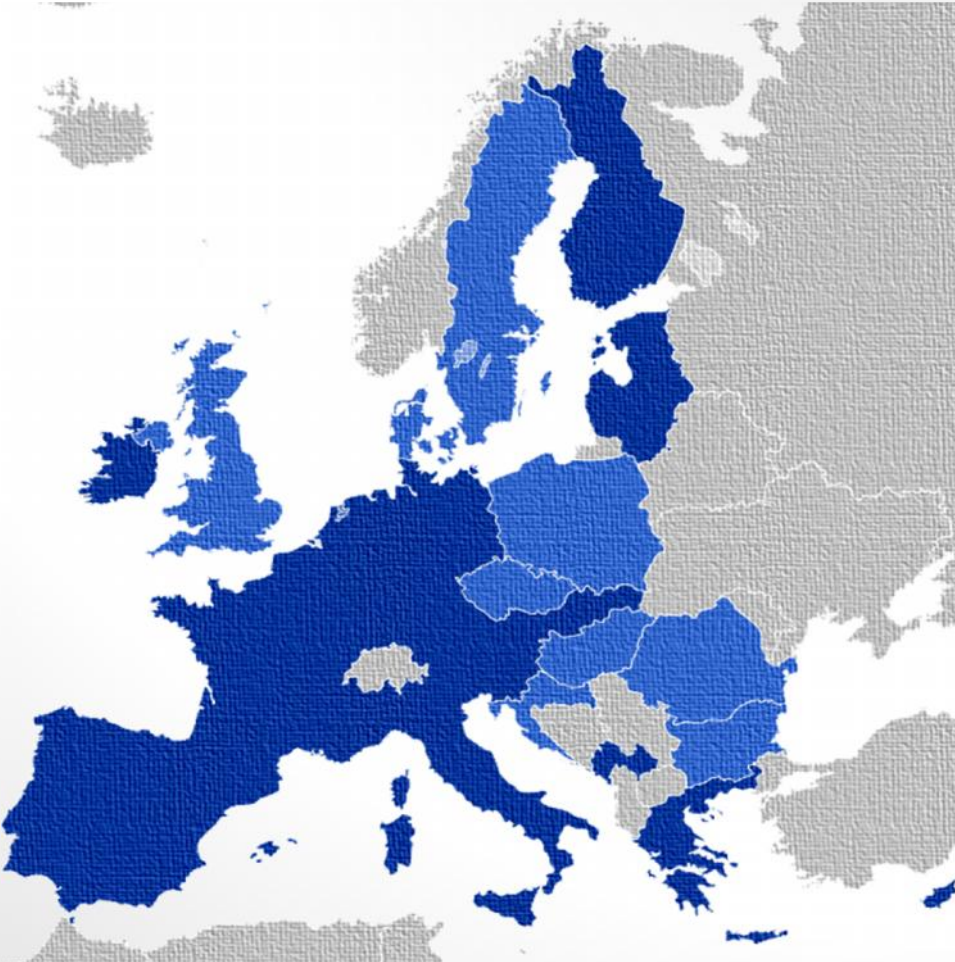
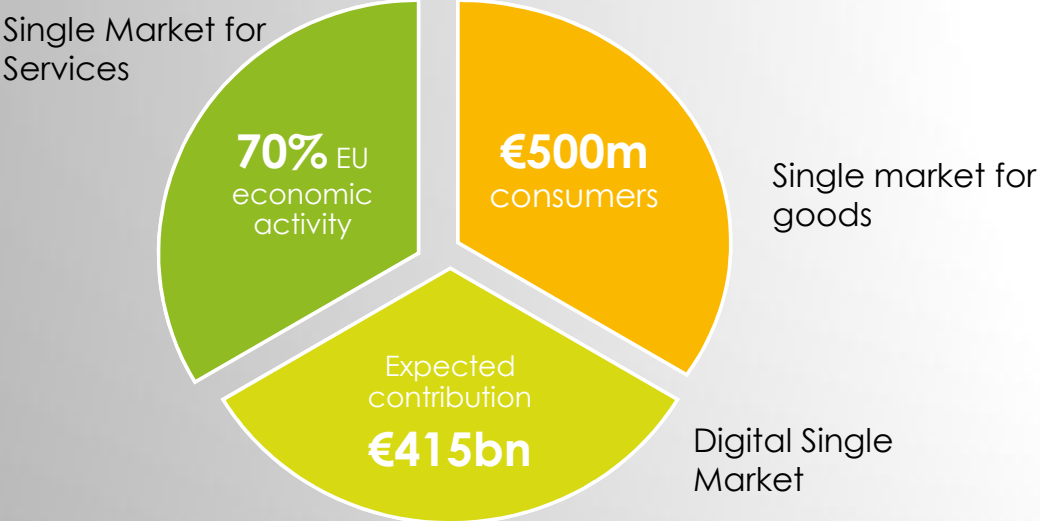
TOTAL NUMBER OF PASSPORTS



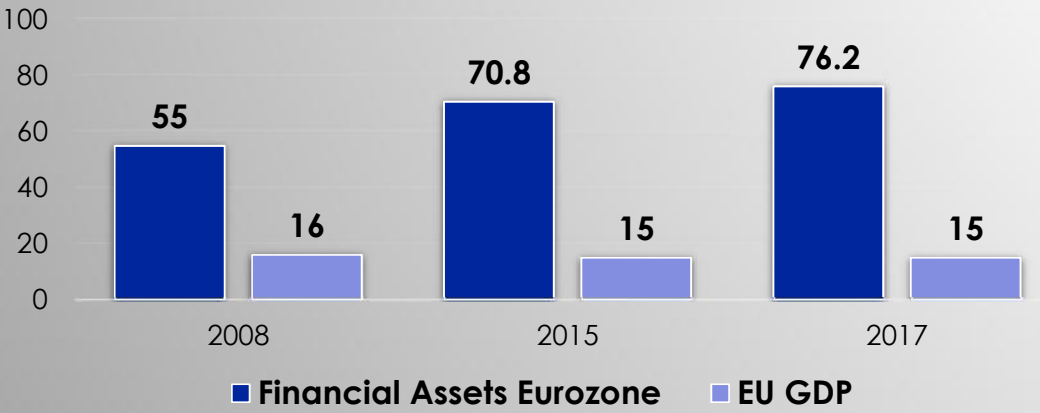
Source:
FCA letter to House of Commons Treasury Committee (Aug 2016)



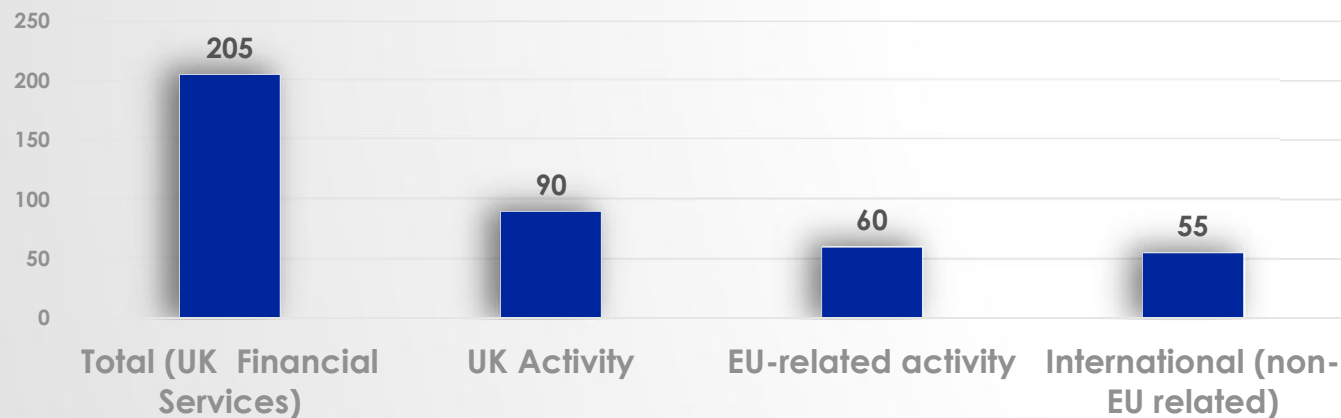
EU Internal Market



SIZE OF EUROZONE FINANCIAL SECTOR (€ TRILLION)

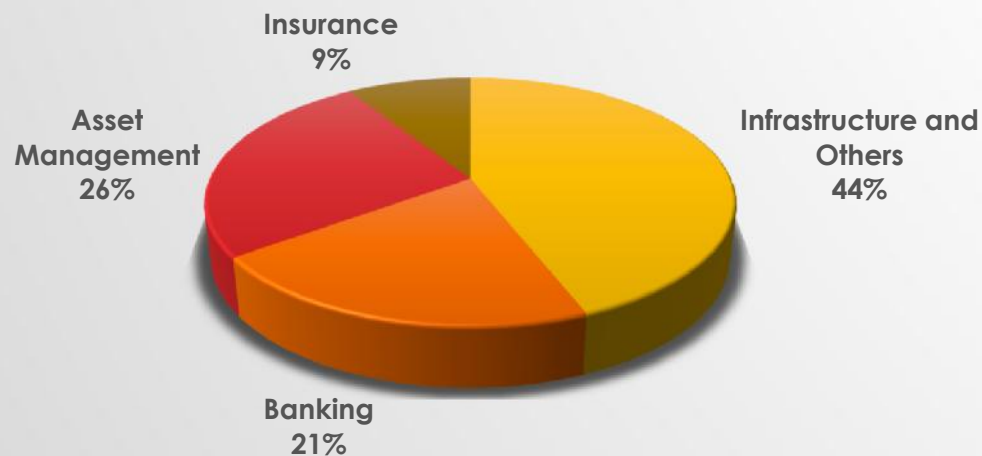


UK Financial Services Sector (Revenues in GBP billion)

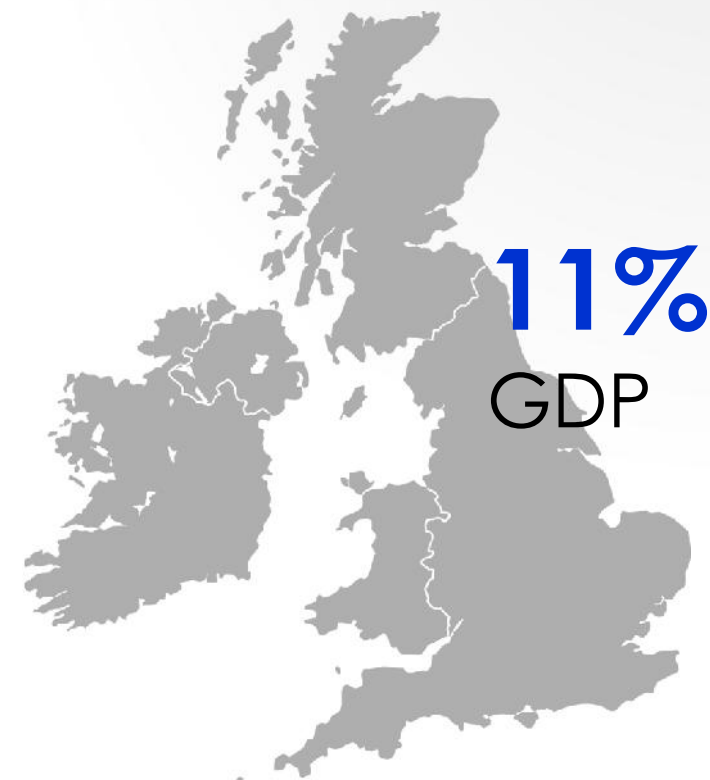


205 billion
revenues

Breakdown of EU-related activities in UK by sector



60 billion
Revenues from
EU-related activities



Source:
IPOL Directorate-General for Internal Policies (European Parliament) (2016)
Based on figures provided by TheCityUK, LSE, New Financial, Oliver Wyman

7.7 trillion

AUM

1.8 trillion

Interest Rate Derivatives

(daily averages of gross notional amount)

REST OF EU

22%



UK

78%

European capital markets and investment banking revenues

Source: IPOL Directorate-General for Internal Policies (European Parliament) (2016)

Wholesale banking and trading activities (USD)



UK MARKET SHARE IN EU

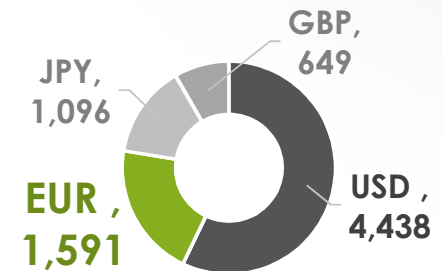
3.7 trillion

Wholesale banking assets

70% of 1.5 trillion

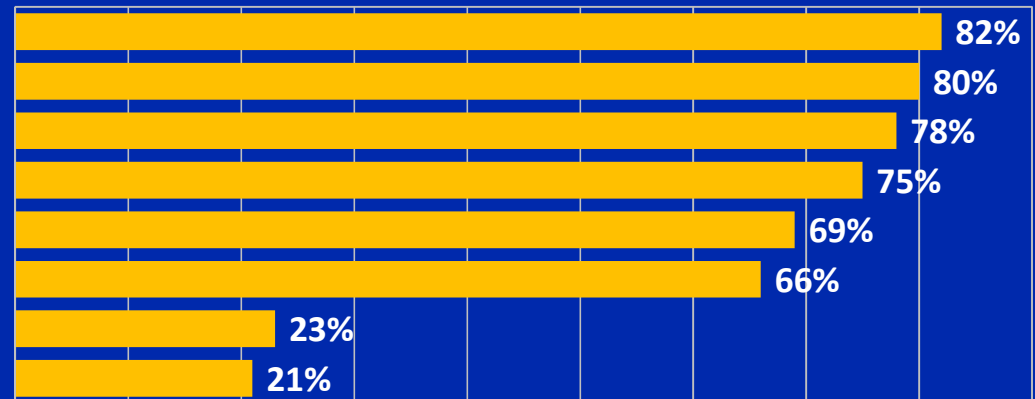
Euro FX trading

(daily averages of gross notional amount)



Sources: BIS: Triennial Survey (2017)
PWC (BIS, Bruegel, EBA, WFE, ECB)

- Interest Rate Derivatives trading in EU
- EMEA revenues (of US investment banks) generated in the UK
- FX trading in the EU
- MiFID-authorized firms based in the UK
- Euro currency trading in the EU
- Primary issuance by EU corporates facilitated by UK-based banks
- Equity outstanding in the EU
- Debt outstanding in the EU

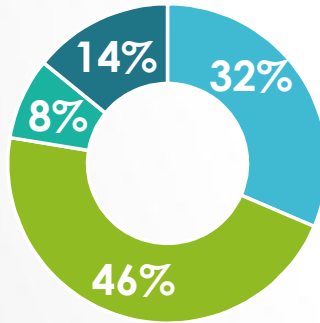


Banking Assets (£ billion)

3.7 trillion
Wholesale banking assets

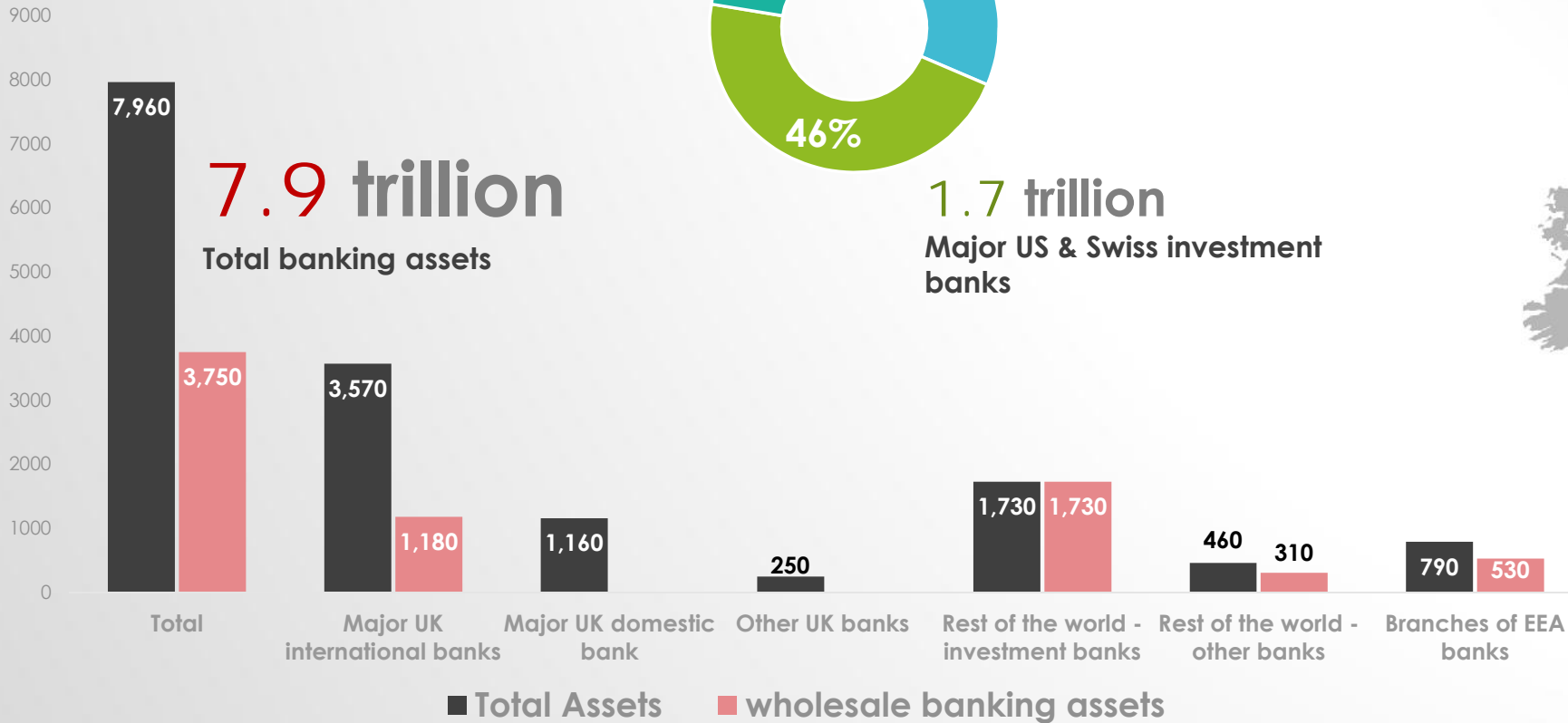


- Major UK international banks
- Rest of the world - investment banks
- Rest of the world - other banks
- Branches of EEA banks



1.1 trillion
Major UK international banks

1.7 trillion
Major US & Swiss investment banks



7.9 trillion
Total banking assets

Sources: IPOL Directorate-General for Internal Policies (European Parliament) (2016), Bruegel (2017)

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LCH Ltd

69%

Euro-denominated transactions

1.8 trillion

Interest Rate Derivatives
(daily averages of gross notional amount)

70% of 1.5 trillion

Euro FX trading
(daily averages of gross notional amount)

212 billion

Variation margin

SIZE: MARGIN FOR INTEREST RATE SWAPS AND CREDIT DEFAULT SWAPS

	Average VM per participants	Total estimated VM	Share
CME (ceased clearing)	2,537,251,501	30,769,771,169	11.8%
Eurex Clearing	922,498,602	3,098,739,425	1.2%
ICE Clear Credit	84,286,582	5,225,768,108	2.0%
ICE Clear Europe	63,194,419	4,044,442,795	1.6%
JCCC	79,377,178	4,683,253,503	1.8%
LCH SA	10,481,568	670,820,352	0.3%
LCH Ltd	3,316,337,500	212,245,600,000	81.4%
OTC Clearing HK	634,213	37,418,577	0.0%

ISDA Margin Survey, September 2017

Derivatives and Market Infrastructure



ECB: LOCATION POLICY
CLEARING OUTSIDE EUROZONE

2011

Eurosystem Oversight Policy Framework (EOPF)

ECB: large-scale offshore CCPs must be fully incorporated in the euro area

2015

Annulment of EOPF (European Court of Justice)

ECB has no competence for the oversight of securities settlement under TFEU

2019

BREXIT ??

7.7 trillion

UK AUM

Asset Management UK



36%

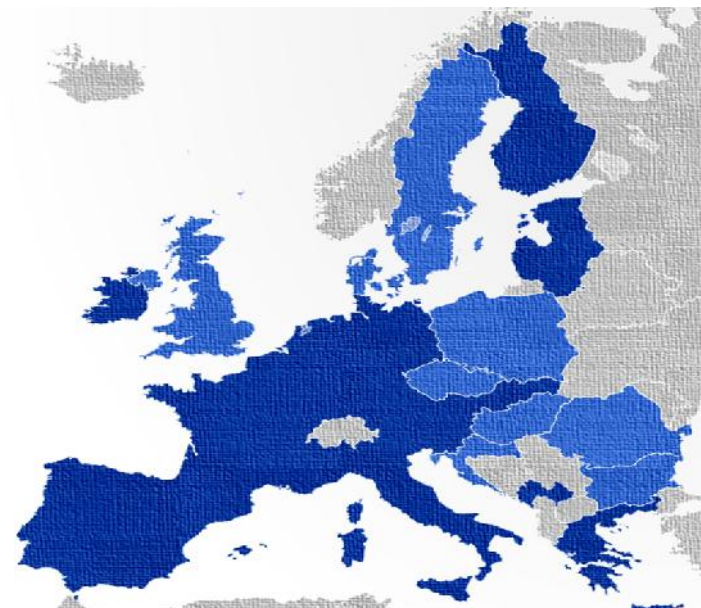
market share of AUM in Europe

1.3 trillion

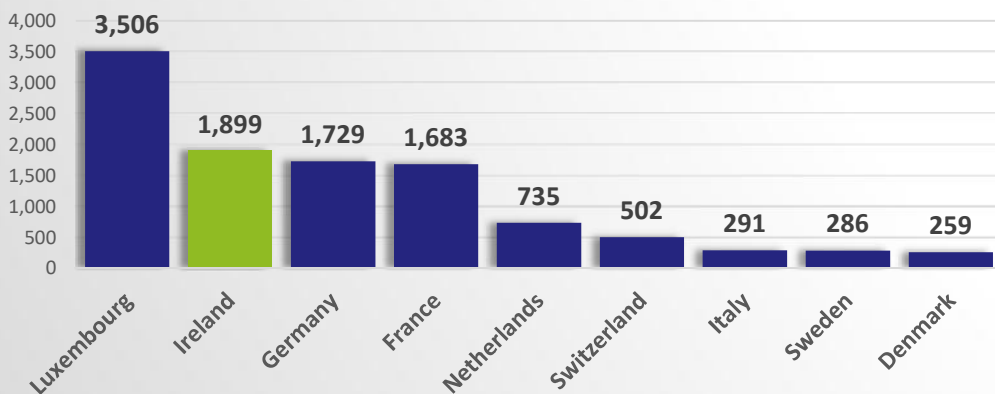
FUNDS MANAGED BY UK FOR EEA CLIENTS
Source: UK ASSET MANAGEMENT INDUSTRY

602 billion

FUNDS DOMICILED IN IRELAND MANAGED BY UK
Source: Lipper, IFIA, 2015



Investment Funds Assets by country of domicile



EFAMA, Asset Management Report 2017

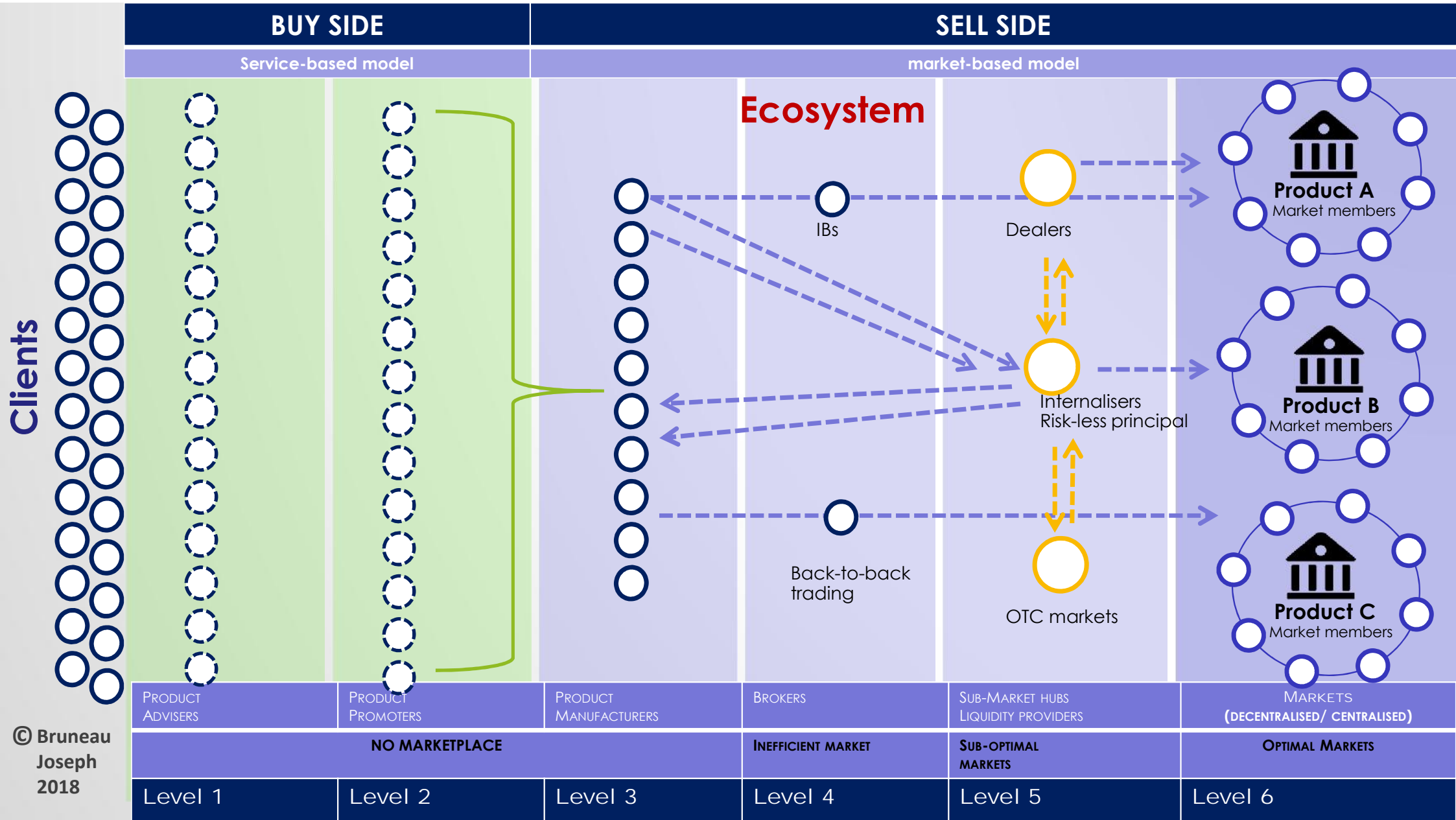
AUM in Europe

	Net assets (€ billion)	Market share
UK	7,791	36%
France	3,787	18%
Germany	2,026	9%
Switzerland	1,466	7%
Netherlands	1,244	6%
Italy	1,156	5%
Denmark	367	2%
Belgium	279	1%
Austria	104	1%
other	3,249	15%

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Marketplace Theory: Summary

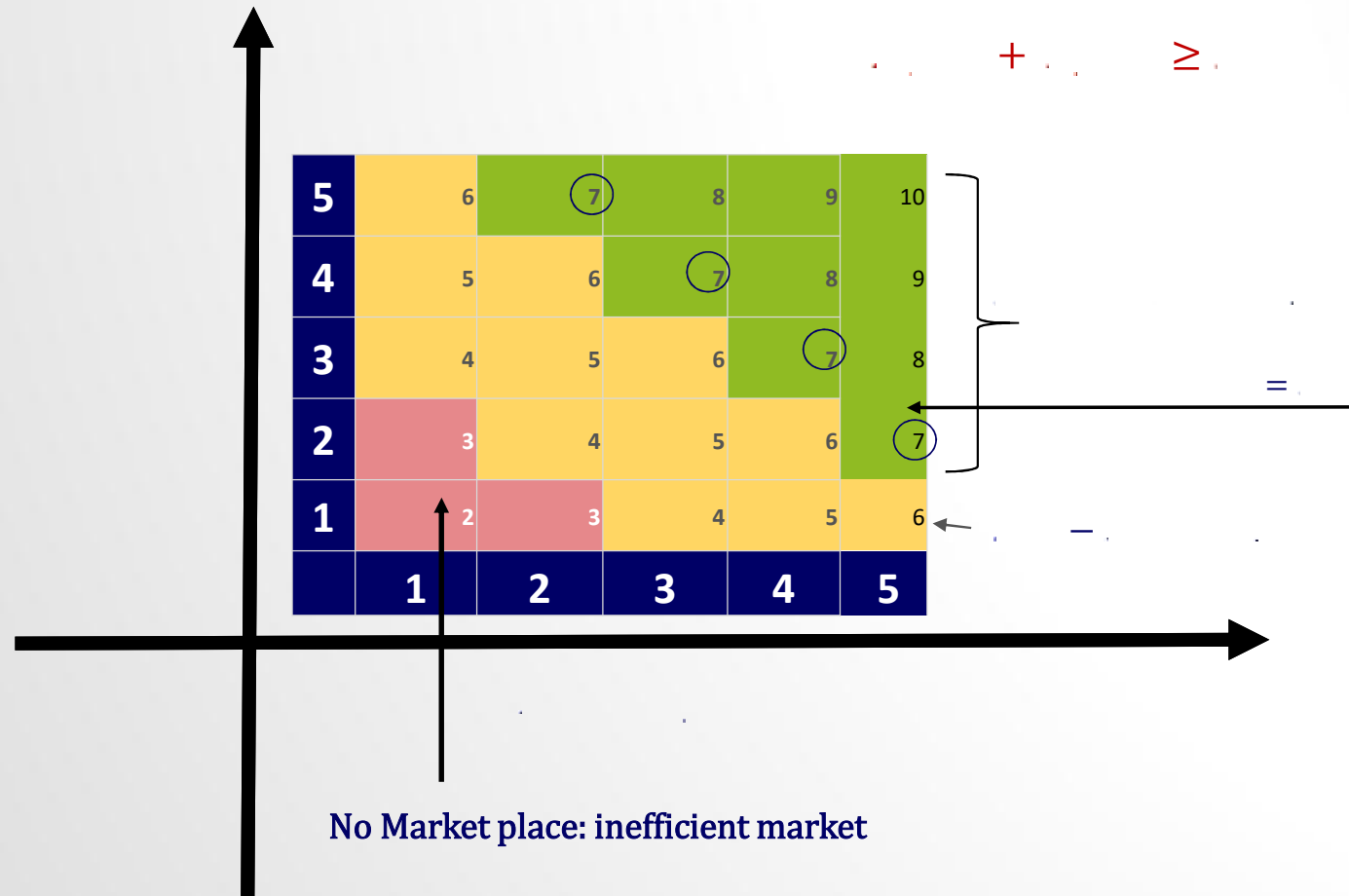
- UK is a global market place for many sectors
 - It has created markets and hubs for many products:
 - Equity, Derivatives, Fixed Income, Commodities
 - Ireland will only be able to take full advantage of Brexit relocation opportunities, if it moves from a service-based model to a market-based model (to fill any market gaps)
 - Key characteristics of market place (M):
 - Active Participants (buyers and sellers), liquidity, products, access to market infrastructure
 - An effective market place is one where (M) is optimal
- In some sectors (like the multi-billion derivatives and repo markets), other countries like France and Germany have an advantage because they have market infrastructure (like clearing), in which major participants already have memberships
 - In the absence of market infrastructure, MiFIR 'open access' regime will present opportunities for Ireland.
 - While market infrastructure providers in France and Germany will want to maintain status quo, Ireland can position itself as a hub for UK firms (as third country firms post-brexit) seeking to take advantage of MiFIR open access opportunities.
 - This can be one of the key 'pull factors' for relocation from UK.



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MARKET PLACE THEORY

Key considerations in developing a marketplace for relocated trading activities, following Brexit



Product liquidity score

1	2	3	4	5
%	%	%	%	%

Market size/activity score

1	2	3	4	5
%	%	%	%	%

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