

How prepared is industry for the possibility of a Brexit?

The next structural issue facing the European Union



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Executive summary

White & Case commissioned research to capture a cross-section of views on how senior in-house legal decision makers and senior managers viewed the possibility of a Brexit and what they were doing about it by way of planning and preparation.

It comprised two elements: a White & Case seminar for German bankers in Berlin that included a link to an on-line survey in Germany; then telephone interviews were conducted with companies from the UK, Belgium, France, Germany, Japan, Switzerland and the US in a wide variety of sectors.

The overview

Forty three percent of our telephone respondents stated that their board or management team are 'very' or 'quite concerned' about a Brexit. With less than 10% being 'not at all concerned'. The 43% increases to 52% of respondents who were 'very' or 'quite concerned' from a legal point of view.

There was nonetheless a strong consensus, from a business and economic viewpoint that the UK would be better served staying in the EU. Our on-line survey of German bankers showed more than 9/10 believe first that a Brexit would put at risk the UK's trade with the EU, its largest trading partner, and that second, the UK would become a less attractive place for EU companies to invest in the event of a vote for a Brexit.

Very few respondents identified any benefits of a Brexit in business terms and a far greater number had concerns regarding its effect on the single market and the UK's ability to influence regulation going forward. There was discussion and, in some instances, confusion on the extent to which existing

regulation would apply post Brexit or the UK government would need to start again with its own regime of regulation and standards.

The popular perception that, once outside the EU, the UK would be able to dispense with unwanted regulation and red tape was roundly dismissed by 84% of our respondents, who thought that, like it or not, in or out, the UK would, to a large extent, have to play by Europe's rules. It was recognised that, if companies must adhere to EU rules for business but have different rules and regulations coming into force in the UK, from a regulatory point of view business will become even more complicated than it is today.

However, while significant concerns were expressed, the threat level recorded was lower than anticipated, seemingly because a Brexit was not viewed as an imminent threat.

This view may change once the date of the referendum is announced and if the polls continue to move in the direction of a Brexit.

In part the rationale for inaction is that not only do businesses not know whether there will be a Brexit, they have no idea what a post-Brexit world will look like – would there still be free trade? Would the UK still be forced to subscribe to European standards and regulations etc.? Would MIFID regulations still apply post Brexit in financial services, in effect circumventing a Brexit, or would they no longer apply to UK companies because of a Brexit?



43%

of our telephone respondents stated that their board or management team are 'very' or 'quite concerned' about a Brexit.

Both views on this last point were articulated, underlining the need for greater clarity. To highlight the range of different models which could be negotiated should the UK decide to vote for a Brexit, we have set out some of the options on page 18 of this report.

Around 50% of our respondents admitted that, as this was not yet a priority issue, they were not up to speed on the implications of a Brexit for their industry.

As a result, strategies and planning around a Brexit appear to be thin on the ground. It is on the 'to do' list.

The in-house legal view

The in-house legal respondents see some challenges ahead regarding a Brexit, although there are differences of opinion as to what those challenges will be.

There was more consensus that the key area going forward around a Brexit was regulation. The likely workload around vetting existing contracts is important for some, while for others this is seen as incidental. Data protection is similarly important to some and not to others.

What respondents agree on is that, so far as their boards are concerned, it is not yet a priority. It is still viewed as too far off, despite speculation that the vote could be in the middle of this year. None of the boards of the respondents' companies had yet instructed in-house counsel to prepare scenario plans for the eventuality of a Brexit. Some respondents commented that previous planning around the Scottish referendum and Grexit had come to nothing and that this had possibly fuelled a more cavalier approach to a Brexit: it 'could happen but probably won't'.

In-house counsel do not anticipate employing more staff to address the challenges a Brexit would potentially present, but they do anticipate outsourcing work to their private practice advisers. Law firms are their primary source of information and it is law firms to whom they will turn when they need to develop their Brexit legal strategy.

They also acknowledge that this is likely to require an increase in their legal budget, although views on the quantum vary significantly.

What of the City of London in all this? Its pre-eminence as the financial centre of Europe was seen as a given by respondents. While Frankfurt is waiting in the wings and most respondents thought London might lose some business around the edges, the prevailing view was that regarding care of its people, skills and technology, London's lead was unassailable. Even in the event of a Brexit, the majority of those respondents in the financial services sector said their employers would be staying in London rather than moving to Frankfurt, Dublin or Paris, for example.



Not one board of the companies interviewed had yet instructed in-house counsel to prepare scenario plans for the eventuality of a Brexit



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Introduction

In September last year, Greece was staring down the barrel of a Grexit. The Greek government took the EU to the edge as the country's departure from the euro and the EU looked like a very real prospect. What would the implications be for Greece and the rest of the EU? Respondents told us that scenario plans for a Grexit were hastily put in place.

In the event, a deal was concluded and the immediate crisis has been averted (for now). But coming over the horizon is the prospect of a UK exit from the EU.

Whilst the UK is well known for its Euroscepticism and reluctance to support the goal of 'ever closer union', a Brexit would be a significant event for the EU as well as the UK. The UK's possible departure does not bring with it the threat of bringing down the euro, but it threatens to weaken the club at a time of economic instability, an immigration crisis and the threat of terrorist attacks.

This research study set out to understand what a cross-section of companies thought about a Brexit, whether they were based in the UK, elsewhere in the EU or outside the EU. What are they doing about it or planning to do about it? What are the legal implications in terms of what they think they need to do and how much more they may need to spend?

Our audience comprised general counsels, assistant counsels or senior managers of mostly large companies that are trading internationally and, in many cases, globally. The majority were in the financial services industry, including private equity, asset managers and banks.



A Brexit would be a significant event for the EU as well as the UK.



The UK's possible departure does not bring with it the threat of bringing down the euro, but it threatens to weaken the club at a time of economic instability



Methodology

The project comprised two stages: An online survey and a qualitative, in depth study.

In preparation for a Brexit seminar held by White & Case in Berlin, the first stage was an on-line survey conducted by White & Case in conjunction with the German Banking Association (or Bankenverband). There were 36 responses consisting of members of the association as well as other banks, banking associations and members of the German Parliament and government who had been invited to the seminar.

The second stage was qualitative, involving telephone interviews with 25 senior legal decision makers and other senior managers led by an independent market researcher.

The individuals interviewed were from a cross-section of industries whose businesses all operated in the UK, whether owned in the UK, elsewhere in the EU or beyond the EU. The objective was to uncover how these companies viewed the possibility of a Brexit; and what, if anything, they were doing to prepare from a general management and legal point of view.



Stage 1

The first piece of research involved a short survey, which was sent to members of the German Banking Association who had been invited to a seminar held in Frankfurt.



Stage 2

The second piece of research involved personal telephone interviews with senior legal decision makers and other senior managers.





Results

How German bankers view a Brexit

Each question in the online survey, with one exception, simply asked respondents the extent to which they agreed or disagreed with a statement.

There was a clear majority view that a Brexit would be a commercial, if not a political, mistake.

- 91% completely or broadly agreed that Brexit would “jeopardise Britain’s trade with its major commercial partner [i.e. the EU].”
- 94% completely or broadly agreed that Brexit would make the UK a much less attractive destination for foreign investment.
- 88% completely or broadly agreed that a vote for Brexit would inflict damage on the EU project as a whole.

Despite this, only 29% of respondents thought that their company was likely or very likely to reduce its activities in the UK and move them to Germany or elsewhere because of a Brexit.

Unsurprisingly, almost two thirds voted for Frankfurt as the European financial centre that would benefit most from a Brexit with Dublin coming a distant second.



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There is a clear and consistent view that a Brexit would generally be a bad idea for all concerned. Despite this only 29% of respondents thought that their company was likely or very likely to reduce its activities in the UK



Results

The interviews

Twenty five telephone interviews were conducted with senior legal decision makers and other senior managers at international companies with a view to obtaining their perspective on the impact of a Brexit.

Respondents thought their management teams were less concerned about the general implications of a Brexit than the respondents themselves were about the legal implications. Forty three percent thought their boards or management teams were 'very' or 'quite concerned' about the prospect of a Brexit, while 30% thought they were 'not very' or 'not at all concerned'.

"[The board] are less focused on the UK than the bigger picture in contrast to those of us at the coal face...At the macro level our board will consider this to be just another issue."

"I would be concerned about the rhetoric around a Brexit and free movement of people because I want to be able to hire the best people."

"Our main concern is our engagement letters with our clients and that, as an FCA regulated firm, we are MIFID passported throughout Europe. I don't know how that would work post Brexit; that hasn't been clarified."

Scenario planning in preparation for a Brexit

Having established that a Brexit is not a pressing issue, but is one that concerns almost half of our sample, respondents were asked if their boards or management team had provided scenarios around

which the legal team could build contingency plans. None of the respondents had been given any such instructions and, when asked why, they were clear that this is simply a reflection of the corporate perception that a Brexit is not a clear and present danger.

"My assumption is that in between a vote to leave and an actual Brexit, the mechanics of that would drag on for quite a long time. So scenario planning would be much more after the referendum."

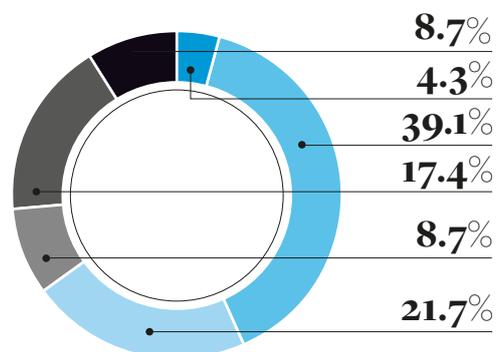
"At the moment a Brexit is still hypothetical and far away."

"I don't think anyone's planning yet because it's too far off. Once we get a referendum date then it will start. It's going to take years getting out of this [if it happens]."

Damage to EU and non-EU companies doing business in the UK

If the prospect of a Brexit was not seen to be immediately threatening, we asked respondents whose businesses are headquartered outside the UK, but who have a UK presence, how much damage a vote in favour of a Brexit would do to their company's attitude to conducting business in the UK. One third think it would do quite a 'lot of damage', but none selected 'serious damage'. Almost half think it would do 'very little damage'.

How concerned is your Board or management team about a Brexit, at this point?



Source: White & Case

"One consideration for multinationals with large UK operations is what flexibility do they have to move business to EU entities? ...Firms that have existing operations in the EU to which UK business can be transitioned would have an advantage."

"I assume our funding costs for doing business in the UK would go up. The easiest thing to do would be to reduce the London branch to 'rep office' level like other offices we have outside the EU."

43%

thought their Board was 'very' or 'quite' concerned about a Brexit

“

My assumption is that in between a vote to leave and an actual Brexit, the mechanics of that would drag on for quite a long time. So scenario planning would be much more after the referendum



Where in the event of a Brexit?

Even with the financial services community's need for free movement of capital around the EU, respondents do not anticipate a wholesale departure from London if there is a vote for a Brexit. Almost 40% of respondents do not know where (or if) their company would move to following a Brexit, of those who did offer an opinion, staying in London was the preferred option and ten points ahead of moving to Frankfurt.

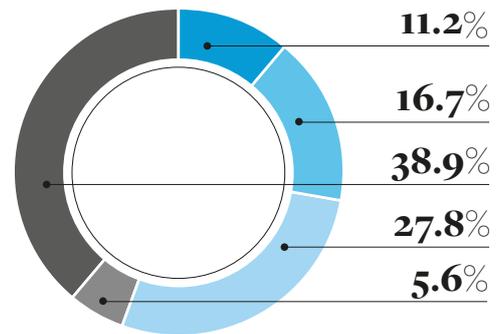
"I'm not sure the impact of a Brexit would be strong enough to turn Frankfurt into the number one. London is so far ahead of Frankfurt, even with that burden [of Brexit], London still has all the people, the technology and the regulation in place. Yes, it would get Frankfurt closer to London, but I don't think Frankfurt would take over from London."

"In London it is expensive to retain and recruit resource and margins are getting thinner, so a Brexit may just tip the scales."

"We're not thinking about relocating. Our Head Office is in London. Much of our business is from within the UK. A lot of that comes from the Government. The British Association of Venture Capitalists has said that understanding the spirit of law should be honoured in terms of tax structuring. We're not about to send someone to set up in Basel."

"If there was a Brexit what's the benefit of moving? London is the financial centre of Europe and if other countries want access to capital or the ability to trade and access investment vehicles then that's run through London. Even if there was a Brexit I can't see the shutters coming down between the UK and the rest of Europe."

In the event of a Brexit, which European financial centre would your organisation most likely move to from London?



Source: White & Case



One consideration for multinationals with large UK operations is what flexibility do they have to move business to EU entities?



If the vote did go in favour of a Brexit, the transition out of the EU would inevitably be prolonged and unlikely to happen before 2020.

"It's hard to know where you'd go in Europe, it's not an attractive place to build your investment banking business. I just don't think that investment would be made in Europe, we'd be more likely to go to Singapore."

The in-house legal view

More respondents are concerned than not regarding a Brexit. Surprisingly, 30% are unconcerned, which seems low given the nature of the issue.

"We are quite concerned but equally, for the moment there are more pressing priorities."

"This is quite a distant issue. We've tried to get a degree of interest but it's difficult to get much focus when you don't know what the post Brexit situation will look like – the relationship with the EU or even with Scotland."

"The financial services sector has been hit by MIFID and all sorts of regulations so Brexit is not high up on my list of concerns. If we leave Europe we'll still have to comply with their regulations so it shouldn't make any difference."

These comments come from in-house counsel considering the legal implications, but are beginning to hint at themes that recur throughout the interviews. Respondents acknowledge that they and other senior managers should be concerned about a Brexit, but add that it is difficult to be concerned about something that is viewed as 'a distant issue'.

For some respondents, the fact that threats such as the Millennium bug, the Scottish referendum on independence and the Grexit issue had come to nothing meant that they favoured a wait and see policy. Various factors were referred to regularly; there is a feeling that the UK is more likely to stay in; the vote is as yet unscheduled; and, finally, if the vote does go in favour of a Brexit, the transition out of the EU would inevitably be prolonged and unlikely to happen before 2020.

In short, the common view is that there is little point in planning for something that may not happen and, even if it did, is something that is likely to be a long way off.

Areas of law to focus on

In the event of a UK vote to leave the EU, respondents with an in-house legal role were asked to rank in order of importance five areas of law that they would be faced with:

- Contract issues in general
- Data protection
- Employment issues
- Environmental
- Regulatory issues

Each respondent put these areas into their preferred rank order. The results were counted and weighted according to rank. Regulatory issues outstripped all others by a significant margin (see chart opposite). Contract issues came second followed by employment, data protection and environmental issues.

The data was also cut to see if there was a difference between those who were concerned about a Brexit and those who were not. The rank order remained the same for both groups.

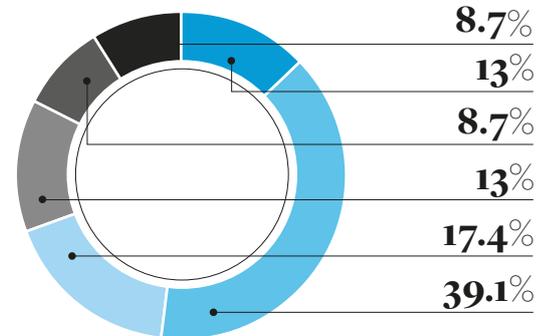
"Because we're concerned with arrangements over suppliers we're purchasing from in Europe, contractual issues are top of the pile."

"The transfer of personal data across jurisdictions is regulated very tightly. Within the EU there are certain freedoms and, if we lose those freedoms, e.g. transferring French employees' salary details to the UK would become a problem."

"We've never had employment law issues with the UK. I would assume the UK would agree some form of sensible data protection agreement with the EU as the UK is not the US! I would assume regulatory issues would be relatively slow moving."

How concerned are you about a Brexit in relation to its legal implications?

- Very concerned
- Quite concerned
- Not very concerned
- Not at all concerned
- Neither concerned nor unconcerned
- Don't know

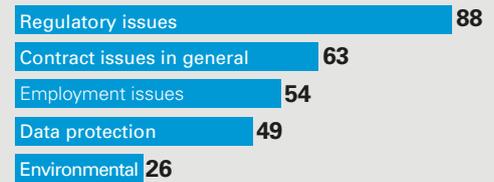


Source: White & Case

Areas of law to focus on

Weighted score

Source: White & Case



This is quite a distant issue. We've tried to get a degree of interest but it's difficult to get much focus when you don't know what the post Brexit situation will look like

43%

of respondents predicted private practice would be the first port of call for creating the legal strategy

Brexit and legal spend

We were interested in direct costs associated with a Brexit which companies anticipated. However, the issue of how much the legal spend might need to increase by in the event of a Brexit is, not unexpectedly, opaque. Given that there is no scenario planning by their organisations and no convincing evidence that there would be a Brexit, this is something respondents have not begun to consider. Almost one third refuse to be drawn on the grounds that any such number would be speculative. Of those who do offer an estimate, the same number think it would be in the 1 – 10% range. The remaining quarter extend between 21% and 60%.

“Yes, it will go up because the data protection issue may become more expensive.”

“We’d need to take on expertise re trade compliance and its implications.”

“It would definitely be costly. If we had to re-register counsel to all these funds under a new umbrella that would be at least a 50% increase in our legal spend. It would be up to external counsel to re-register and [organise] documentation.”

If respondents think they may need to increase their legal spend, even if only temporarily to overcome the hurdles a Brexit would present, it is clear that increasing headcount would not be an option. Only one respondent thinks there may be a need to increase headcount in the legal team, with the balance seeing it as a short term issue that should be outsourced rather than handled in-house.

Developing a Brexit legal strategy

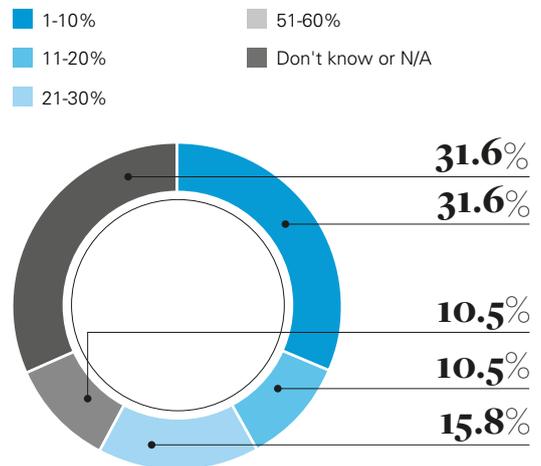
Whilst it is clear that none of our respondents have developed a formal strategy, we asked how respondents would go about creating that legal strategy when the time comes. Private practice would be the first port of call for 43% of respondents, whilst almost the same proportion would draw on internal sources. When we cut the data between those who are concerned and those who are not, there was very little difference in their views on seeking support.

“If you kick the can down the road a bit, then you re-visit it [when] there are some views on what the direction is, what the structures should be...So wait a bit for guidance from external sources would be my view where possible.”

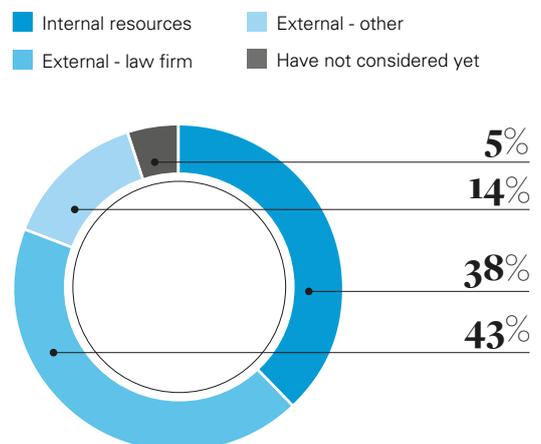
“Wait and see. Just keep up to date...There’s a massive advantage to us doing the same thing [as everybody else]. Nobody wants to be an outlier.”

“There is no evidence anybody has been thinking about that...The banks all have a more systematic approach to looking at non-banking operational risk, but there is no Brexit project team I am aware of [in this bank].”

If there were a vote in favour of a Brexit, what percentage uplift in your legal spend would you anticipate you would require to tackle all the preparation in the run up to the UK leaving the EU?



To whom would you go in constructing a strategy?



Source: White & Case

Contracts and Brexit

In some areas there is considerable agreement despite the diversity of the companies taking part, but when it came to the implications for contracts of a Brexit, there is no consensus. Almost a quarter of respondents think that either all or a majority of their contracts currently require compliance with EU law. However, some respondents think that, in the event there is a Brexit, it would be impossible to include a clause in any contract, relating to the UK, requiring compliance with EU law.

“That’s an interesting question [about changes to contract] I hadn’t considered. I should be considering this. Contracts to do with funds, employees, vendors. Most refer to EU regulation so I would suspect the majority would need to change if there were a Brexit.”

“The first thing is whether the contracts we have in the UK would have any clauses that would force us to get out of the contracts because of the Brexit. We’d have to touch every contract we have in the UK.”

Reducing regulation post Brexit?

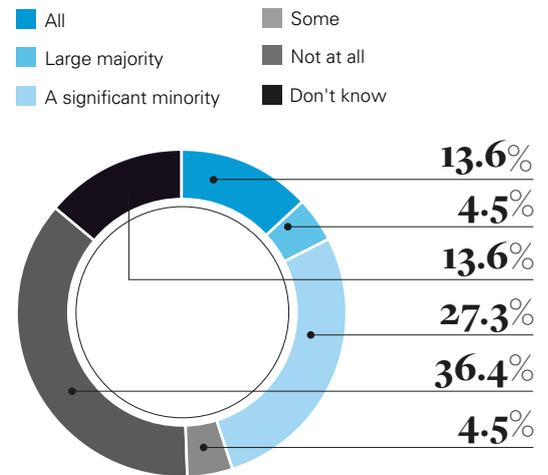
The Eurosceptic argument is that the EU ties all its members down in a sea of red tape and that a Brexit will enable the UK to rid itself of this layer of bureaucracy, enabling its businesses to compete all the more effectively. A clear majority of our respondents disagreed with this: we quoted a comment from Sean McGovern, Lloyds General Counsel and Director of Risk Management to our interviewees; “the idea that regulation in the UK would be easier and less burdensome if we left the EU is fanciful’. Our respondents very much agree, with more than 80% broadly or completely agreeing.

“If we have to comply with UK and EU law this statement makes sense. In the long term I hope it will be easier and less burdensome.”

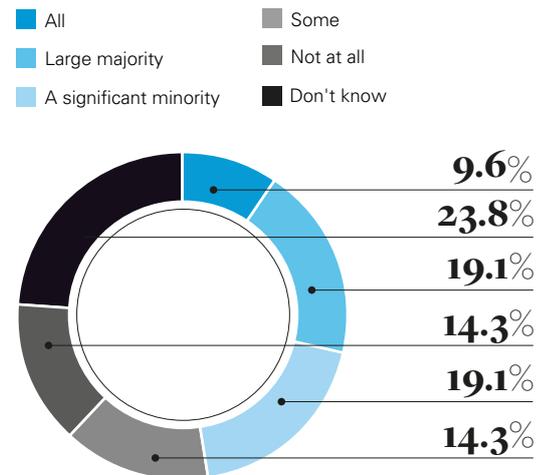
“We’re changing how we do business to ensure we’re EU compliant because EU standards are becoming international standards, whereas the UK standard is not. The area we specialise in and the investment vehicles we run are not easily ‘passportable’ into Europe or other jurisdictions. If you set them up on EU standards, they become more ‘passportable’ beyond Europe.”

“I think the red tape might change colour ever so slightly but not much. If you look at Norway or Switzerland they still have the same regulations in place.”

To what extent do you anticipate all contracts going forward will need to contain provision for a Brexit?



How many of your existing contracts do you think currently specify a requirement to comply with EU law?



Source: White & Case



The first thing is whether the contracts we have in the UK would have any clauses that would force us to get out of the contracts because of the Brexit. We’d have to touch every contract we have in the UK

84%

of respondents agreed with Lloyds GC and Director of Risk Management that EU red tape will not disappear with a Brexit

Free movement of capital

For those working in the financial services industry, there is also strong agreement with the comment from The Economist quoted opposite. In essence free movement of capital is essential and any such restriction, in the event of a Brexit, would necessitate finding ways to ensure that capital could still be moved freely.

“You could simplify, but you’re right you’re still going to need regulation that both trading blocs will recognise. So I have sympathy for the statement but not sure I’d go as far as that.”

“Big international banking groups would put more stuff in Europe. They could do that now but the cluster in London and the expertise here stops them. There’s a barrier to doing it. Of course they’d all threaten to do it but if push came to shove, these things are never as bad as people claim they’re going to be.”

“If you haven’t got complete transparency or no barriers it will have an effect. We’d be outside the tent not inside.”

“If Brexit imposes a barrier to dealing in Europe because it is not a unified market, it will incentivise people to start moving out of the UK.”

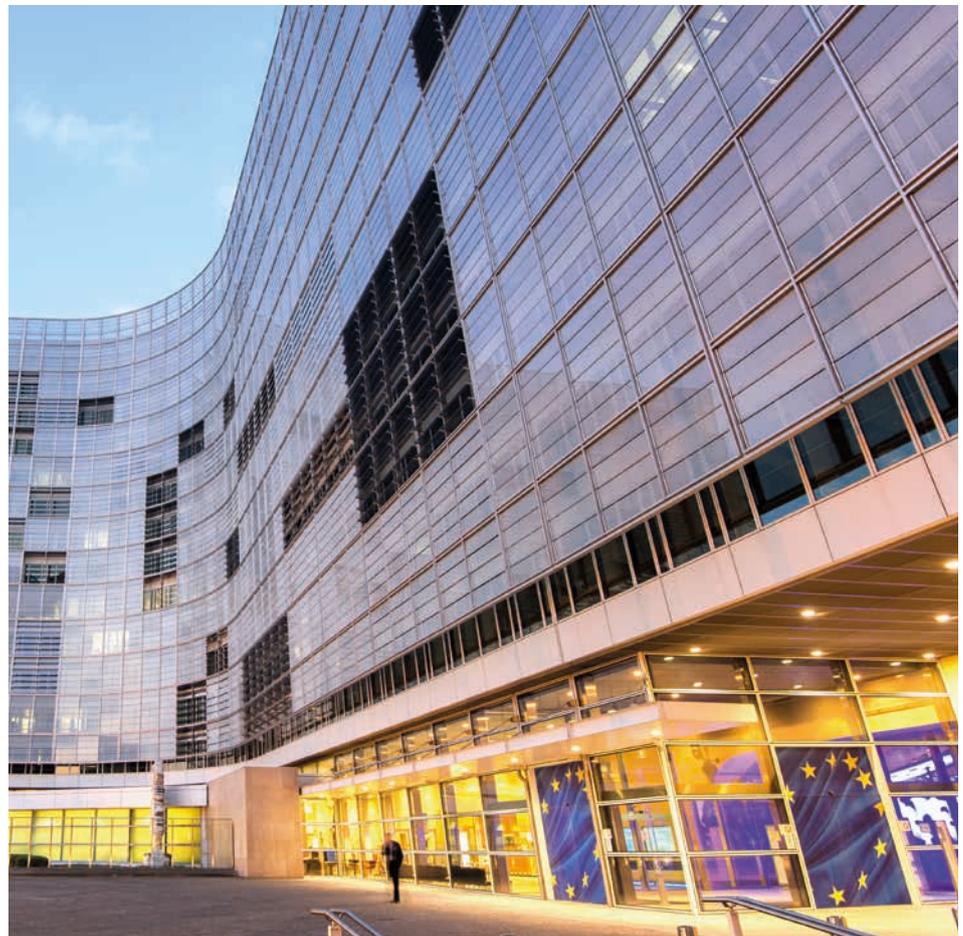
“I agree there would be repercussions for the financial services industry. It would definitely see a reduction in London as a world financial centre.”

“If a multinational has an EU data centre in London that might have to move. London is the hub of their OEICs [Open Ended Investment Companies]. If that got harder to do you might actually move your cross-border fund ops to Luxembourg or Frankfurt...UCITS [Undertakings For The Collective Investment Of Transferable Securities] started back in the 80s or early 90s and we’ve just had version five of that and it’s seen as the high watermark of regulation all over the world.”



If you haven’t got complete transparency or no barriers it will have an effect. We’d be outside the tent not inside.

“If there were hedge funds or other financial services that found it harder to operate because they’re no longer in the EU, big chunks of that would move to the EU.”



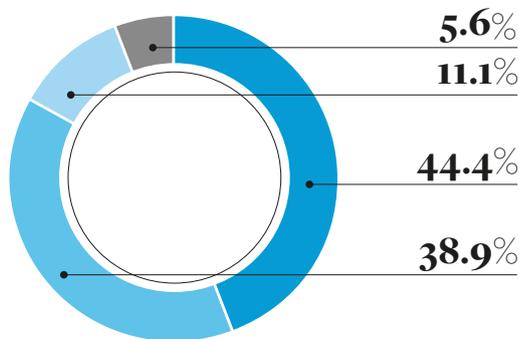
To what extent do you agree with the following statement:



Given the broad integration of wholesale financial services across the single market, it seems clear that if Brexit were to create any barriers to exports of financial services to other parts of the EU, some of that investment would move (out of the EU)

(The Economist, 17 October 2015, 'The reluctant European' p10)

■ Completely agree ■ Neither agree/disagree
■ Broadly agree ■ Don't know



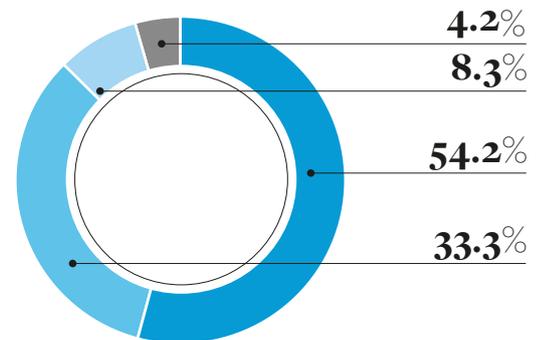
To what extent do you agree with the following statement:



The idea that regulation in the UK would be easier and less burdensome if we left the EU is fanciful

(Sean McGovern, the Lloyd's Director of Risk Management and General Counsel, The Market, Spring 2014).

■ Completely agree ■ Broadly disagree
■ Broadly agree ■ Neither agree/disagree



Possible models for the UK following a Brexit

Whilst the overwhelming message from our survey is that most respondents are adopting a 'wait and see' approach, businesses will have to develop an understanding of the ramifications and implications should the UK vote for a Brexit.

We have outlined below some of the possible models, which could materialise out of the negotiations the UK would have to undertake with the EU.

Brexit with a UK-EU Customs Union

Although the EU is a customs union, it also signs customs union agreements with third parties – notably Turkey – and this is a possible model for the UK following Brexit. In a customs union, duties and other restrictions are eliminated on substantially all trade within the bloc and the parties to the customs union have a common commercial policy, including a common external tariff. The Turkey-EU customs union provides for the elimination of customs duties on industrial goods traded between the EU and Turkey and for a common external tariff for these products. Turkey has also agreed to apply implementing measures that are 'substantially similar' to those of the EU. The EU has also entered into customs union agreements with Andorra and San Marino.

Brexit with a UK-EU Free Trade Agreement

The UK could also enter into a Free Trade Agreement (FTA) with the EU. In an FTA, the parties agree to eliminate or reduce tariffs and quotas on trade between the parties to the FTA, but there is no common commercial policy or common external tariff towards external third parties. The trend in recent years

has been towards more integrated FTAs, which often include provisions on goods, services and intellectual property. The EU has concluded 30 trade agreements around the world, including with Korea, Mexico and Israel. The EU is currently negotiating a major FTA with the United States, the 'Transatlantic Trade and Investment Partnership'.





Brexit with a Norwegian Model

If Britain were to leave the EU, one option would be to adopt the Norwegian model – at least when it comes to accessing the Single Market. Norway is part of the European Economic Area (EEA). Under this regime, Norway has access to the Single Market and – in return – is bound by EU legislation in a number of policy areas dealing with the Single Market. Essential to the Single Market is the realization of the four freedoms and all regulation connected to the four freedoms. All of these apply to Norway as well. However, there is no Norwegian representative with a right to vote in any legislative, executive or judicial body in the EU.

Brexit with a Swiss Model

If the Norwegian Model was not acceptable to the UK, it could take a look at Switzerland's relationship with the EU. This is governed by a number of treaties that deal with free trade and free movement of people. Freedom of services and establishment do not fully apply. In these areas, Switzerland is generally treated as any other World Trade Organisation member with no preferential access to the Single Market. For example, the European passport is only available for companies located in EU/EEA member states; therefore it does not apply to Swiss companies. In order to access the Single Market, Swiss companies need to establish



Norway has access to the Single Market and – in return – is bound by EU legislation in a number of policy areas dealing with the Single Market.

subsidiaries in an EU member state and operate from there. In part, Switzerland unilaterally creates identical regulations to the EU and in so doing strengthens its position in treaty negotiations; the UK could take a similar path.

Non-EU subsidiaries in London

Firms from non-EU countries are only offered limited cross-border access to EU markets on strict conditions. Only EEA membership provides for full access to the Single Market, but it also involves accepting all the relevant EU rules. Currently a lot of non-EU companies enter the Single Market via subsidiaries in London and there is a significant risk that these companies would relocate to an EU member state in the event of a Brexit.



The UK could also enter into a Free Trade Agreement (FTA) with the EU. In an FTA, the parties agree to eliminate or reduce tariffs and quotas on trade between the parties

Conclusions

A 'wait and see' approach is being adopted by many of our respondents despite overall concern about the implications of a Brexit.

There is real concern coming out of our survey around the implications of a Brexit both for the market in general and for individual businesses.

"If the vote in 2016 or 2017 is to leave the EU, the issue will very quickly ascend the priority list and phone lines to private practice lawyers may well be a lot busier."

"Many of our respondents admit they have no more knowledge of the subject than what they have read in the press or from alerts from their legal advisers."

"Brexit is an important issue for business whether the business is based in the UK and trading with Europe, or based inside or outside the EU and trading with the UK."

Whether the respondents are from UK or EU companies, or companies outside the EU, there is a strongly inferred preference or belief that the UK should remain in the EU. To do otherwise is not only seen as counter-productive, but damaging for all parties, wherever they are based.

Whilst it is an important issue, for the time being it is not one that is seen to be too pressing - although there are signs that it is starting to attract more attention. There are too many variables - a referendum where the date is unknown and polls wavering; and, even if there is a Brexit, there is an assumption it would not be before 2020, in which case the feeling is that there is plenty of time to address the implications. As a result, it appears that

little has been done to date.

As those variables gradually convert into known facts, the views and attitudes will no doubt change. Many of our respondents admit they have no more knowledge of the subject than what they have read in the press or from alerts from their legal advisers. This survey, they said, has made them think. A referendum date that could only be a few months away may bring a Brexit into sharper focus if the polls continue to move in the direction of leaving the EU.

In the event of a vote in favour of a Brexit, respondents think that regulatory issues would be the main challenge and, in order to go forward, they would need assistance from their legal advisers, for which they acknowledged budgetary provision would need to be made.

The politics of this process are now very much in play as the British Prime Minister prepares for make or break negotiations at the next European Council meeting on 18/19th February. The ground was laid in December and now the deal must be sealed so that David Cameron can recommend to his electorate that the vote should be in favour of staying in Europe.

For now, in the business world, the discussion appears to be more around the coffee machine than the boardroom table. There is a clear danger, but it is not yet viewed as being present, resulting in a 'wait and see' approach - in effect, our respondents conceded that for the most part they are not prepared. If the vote is to leave the EU, this issue will very quickly ascend the priority list.



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