



Brexit and Financial Services

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*Brexit – where are we now and
what next*

Andrew Gray – Head of Brexit
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Brexit – where are we now and what next

- Current developments and potential impacts
- Firms Day 1 / Day 2 planning
- Cliff Edge Risks
- Risk mitigation steps in the UK and EU
- Current view on UK and EU regulators

How should businesses prepare longer term?

After any transition period, there will be new realities: there are key '*no regret*' decisions which can be taken now, to put businesses in the best position to adjust to possible new realities after Brexit

Think **customers / supply chain** – how are they preparing?

Consider **government programmes** – eg 'trusted trader' scheme & customs warehousing

Know your **people** - support those affected and plan strategically for new circumstances

Understand **data** - storage, handling, sufficiency and quality

8 longer term '*no regret*' decisions for the post Brexit period

Enable **systems** to capture more data and deal with new requirements

Understand **3rd parties** – eg regulators, logistics, banks, and JV partners

Review **contract** provisions – eg jurisdiction, IP, pricing, *force majeure*

Plan to be agile – embed 'Brexit as Usual' into strategy, operations and investments

Key findings - Brexit: Day 2 Planning Survey for Major Banks

Programme Risks

Firms are looking at a range of secondary programme risks, including

- Clients halting migration of trades / repapering (93% of respondents)
- EU entities being sub-scale / unprofitable (67% of respondents)
- A lack of liquidity developing in the EU27 impeding meeting ECB expectations (67% of respondents)

Planning & Forecasting

Continued political uncertainty is preventing changes to forecasts and scenarios

- The vast majority of firms (c.85%) perceive the political situation as too uncertain to consider changing macro-economic forecasts for the EU or UK
- Accordingly, the same 85% of firms are not considering any changes to their Brexit Day 2 scenarios
- Most firms still consider a Hard Brexit as their baseline scenario for Day 2

Client & Staff migrations

Clients are pushing back on migration. Firm own hiring plans are consequently either on pause or implementing tactical solutions (i.e. secondments)

- Only 14% of respondents have fully completed client / trade migrations to EU27 entities
- The remainder (86%) are either pausing migration or are facing delays, with average completeness levels running at c40%
- Whilst most firms' (92%) are not planning any changes to their FTE hiring numbers, only 15% have completed planned hiring
- 9% of firms have paused hiring whilst 31% of firms are now looking at using secondments to fill vacancies rather than rely on local talent.

Market developments

Liquidity and client preferences have yet to develop for EU27 venues...

- Only 12% of firms have registered a clear preference for using EU27 FMI from EU clients
- Taking Rates Swaps as an example, 90% of firms view EUR swaps as likely (or highly likely) to develop EU27 venue liquidity but this figure drops to 40% for other currencies.
- Regulation, as opposed to client preferences, is considered the key driver for EU27 developments



Any questions?

Future webinars and events

2019 Webinars

- 30 October 2019, Implementing SMCR for December 9 Go Live
- 14 November 2019, IBOR reform for UK businesses: preparing yourself for 2020
- 18 November 2019, Embed Climate Change related financial risks

2020 Webinars

- 21 January 2020, CASS Audits - What you need to Know
- 28 January 2020, Ethical use of Big Data
- 13 February 2020, LIBOR transition: what banks, insurers and investment managers need to do

Further information regarding 2019 Financial Services Faculty webinars and events can be found at **[icaew.com/fsfevents](https://www.icaew.com/fsfevents)**

Thank you for attending

Please take the time to fill out our short survey

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