

ICMA's approach to Brexit

Following the agreement reached between the EU27 and the UK on 17 October 2019 and the re-election of the Conservative Government in the UK on 12 December, the UK is expected to leave the EU on 31 January 2020, once the agreement has been ratified by Parliament in the UK and the European Parliament. The EU Single Market will become two separate markets when passporting rights cease at the end of the transition period at the end of 2020.

By historic standards, this transition period of just under one year is a very short interval in which to negotiate and ratify a trade agreement between the EU27 and the UK. There would be an opportunity for the EU27 and the UK to agree by June 2020 to extend the transition period for a further two years until the end of 2022. But the Conservative Government ruled out this option in its election manifesto and is writing this commitment into law. So there is a risk that the UK will leave at the end of the transition period without a trade deal, or with a basic trade deal which does not sufficiently cover financial services.

ICMA's approach to Brexit has been to focus on its potential impact on international capital markets, particularly the need to address and avoid cliff-edge risks which arise when passporting rights between the EU27 and the UK cease; and the scope for regulatory equivalence between the EU27 and the UK after Brexit. A detailed assessment of both these issues was included in the ICMA Quarterly Report for the Fourth Quarter of 2019 under the heading, *Brexit: Can Capital Market Fragmentation Be Avoided?*

In addition:

- (i) ICMA is not lobbying for any particular financial centre; ICMA's members are based in London, the EU27 and more broadly;
- (ii) ICMA has been discussing capital market preparations for Brexit with members through its main ICMA Market Practice and Regulatory Policy Committees and reporting to the ICMA Board;
- (iii) ICMA is keeping in contact with the authorities in the UK, the EU27 and the euro area;
- (iv) ICMA is cooperating with other trade associations by sharing information, wherever possible;
- (v) ICMA is keeping members up-to-date on Brexit by giving them regular assessments through the ICMA Quarterly Report and conference calls;
- (vi) ICMA has posted on its website for members an ICMA Brexit FAQ, focusing on ICMA's own documentation; and is monitoring the need to update its documentation and standard language; and
- (vii) ICMA is keeping its Brexit webpage up-to-date, both with its own work, and also with electronic links to key documents published by the authorities in the EU27 and the UK, and with links to the webpages of law firms and others.

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