

# Brexit At a Glance: Preparing for the ‘New Normal’



## GLOBAL CONSIDERATIONS

- ▶ Many U.S. corporations use the U.K. as a strategic gateway to gain access, through affiliates, to one of the largest single markets in the world for U.S. exports of goods and services.
- ▶ The U.K. is one of the key overseas investment locations in terms of foreign affiliate sales, assets held, employees, R&D and marketing spend.
- ▶ Other countries could follow the U.K.’s lead and hold similar referendums on their terms of membership of the EU, while Britain’s exit could open trade negotiations with countries outside the EU.
- ▶ While treaty obligations require EU member states to exit within two years of Article 50 being triggered, it is estimated that the process of setting up and negotiating new trade and related agreements with the U.S. and other countries could take much longer, leading to many years of economic instability.

The U.K., the world’s fifth largest economy, has voted, in a popular referendum, to leave the EU. The process of the U.K. leaving the EU will take time. Business and trade will continue and develop as the world adapts to the changes that will take place in the coming months and years. It’s important to consider how this British Exit (Brexit), and the post-exit relationship models, could affect your business.



## ROADMAP: EXIT ROUTE

The process of leaving the EU formally commenced on 29 March 2017, when the U.K. notified the European Council of its intent to withdraw from the EU under Article 50 of the Treaty on European Union. ▶ Notification to invoke Article started the two-year interim period allowed for the U.K. to negotiate its withdrawal. ▶ If no agreement is concluded within two years from that notification, then the U.K.’s membership will end automatically unless the European Council and the U.K. decide jointly to extend this period (the Interim Period).

## TRADE MATTERS

Tariffs on goods imported into the U.K. from the EU and exported from the U.K. to EU member states will stay the same for the Interim Period.

Tariffs on goods produced in the U.K. will still be covered under the Customs Union rates negotiated by the EU for the Interim Period.

The U.K. will have options to negotiate some form of continued preferential duty treatment with the EU, and will likely negotiate to comply with EU product standards and regulations.

Initial decrease in the value of the pound may spur growth in trade outside the EU creating new trading opportunities for the U.K. and closer ties with the U.S. and Asian economies.

## POTENTIAL U.K. AND EU RELATIONSHIP MODELS AND BUSINESS IMPLICATIONS

### MODEL

### IMPACT LEVEL FOR BUSINESSES

#### EUROPEAN ECONOMIC AREA AGREEMENT

Least impact for businesses; competition law, consumer protection, and environmental policy regulations and legislation unlikely to change

#### MULTIPLE BILATERAL ACCORDS

Flexibility could impact U.K. businesses' burdensome regulations and/or laws advantageously

#### CUSTOMS UNION

Greater cost impacts for exporting goods and services to EU and meeting two sets of regulations if exporting to the EU; tighter immigration controls could limit access to EU labor

For further details on potential relationship models view [this chart](#).

## KEY SECTORS AFFECTED BY BREXIT-RELATED LEGAL & COMPLIANCE ISSUES

### Corporate

The impact of EU law on mergers and acquisitions in the U.K. is relatively limited, but the rules facilitating cross-border mergers of private companies within the EEA would be unavailable to the U.K. post-Brexit, unless it negotiates membership in the EEA (sometimes referred to as the "Norwegian model").

### Commercial/ Intellectual Property

Brexit will not affect the current European patent system administered by the European Patent Office (EPO); applicants will continue to be able to obtain patent protection in the U.K. by filing a European patent application at the EPO. The U.K. will not be able to participate in the potentially new European Unitary Patent System.

### Employment/ Immigration

The main laws that govern the employment relationship in the U.K. are likely to remain in place. For planning purposes however, employers will need to know the nationalities of their employees working in the U.K. and the EU, and how long they've been residing and working there.

### Financial Services

The consequences to the financial services industry will depend largely on the agreement reached with the rest of the EU. Once Brexit occurs, firms authorized in the U.K. will not be able to use the EU 'passport' system to operate in the EU, and U.K. Alternative Investment Fund Managers will become 'third-country firms' for AIFMD purposes.

### Litigation

London will likely remain the dispute resolution center of choice for most countries outside the Americas; however, Brexit will present challenges to areas of litigation that are particularly influenced by European Community law.

### Real Estate

Real estate transactions and obligations in the U.K. are primarily governed by national, not EU-derived legislation. The property industry and U.K. real estate market as a whole may be affected by general economic instability, but should remain an attractive prospect for real estate investment because of London's global city status.

Get more information on the U.K. Brexit referendum and potential business implications [here](#)

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