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Global Counsel

SEMINAR SUMMARY

WHAT WILL BORIS JOHNSON MEAN FOR BRITAIN, BREXIT AND THE ASSET MANAGEMENT INDUSTRY?

Stephen Adams, Senior Director at Global Counsel started the session by talking through the three poker players at the table: Boris Johnson's new government, the EU27 and the Houses of Parliament. Are any of them bluffing? There's a strong chance that none of them are. If that's the case, then Johnson's first route – a renegotiated Brexit withdrawal agreement without the Irish backstop – will be rejected by the EU. And his second route – unilaterally taking the UK out of the EU without a deal – will be blocked by MPs. That leaves a third option: to go back to the country. A week into the Johnson premiership, the prospect of a general election in the autumn is rising.

Global Counsel's practice lead for financial services, **Adam Terry**, then looked in more detail at what these different outcomes might mean for the sector. A renegotiated deal could mean greater continuity – and possibly a more ambitious end state under a Johnson government than that which the May administration envisaged – though even in the most optimistic scenario it is likely that passporting will no longer be an option. The no-deal scenario would see maximum disruption, with the UK becoming a third country in the EU's eyes overnight. A few interventions on the UK side (and even fewer from the EU) would mitigate some, but far from all, of the risks. A general election might see Article 50 extended and the status quo continue for a while, but it is not an end state in itself – a decision on Brexit would still need to be made. Adam also stressed the need to follow developments on the EU side, where a new political cycle will mean changes to the financial services regulatory landscape – many of which could make life harder for UK-based firms to sell services into Europe.

Adam and **Stephen** were then joined by Carne's **Jeremy Soutter**, CEO Carne Global Fund Managers (UK) Limited and Carne's Global Head of Product, **Des Fullam**, for a panel discussion chaired by Carne Ireland CEO & Chair of Irish Funds **Yvonne Connolly**. The panel focused on some of the more operational impacts of Brexit for asset managers. Des highlighted the differing approaches being taken by the Irish and Luxembourgish regulators, and the trend towards a greater requirement for firms to have well-established "substance" in a jurisdiction to continue operating there. Jeremy warned of the need for firms to rewrite whole sections of legal documentation where references in investment mandates to "the EU" would no longer include the UK. Adam talked through developments on the European side, where the upcoming review of the Alternative Investment Managers Directive (AIFMD) could see policymakers look again at the rules around delegating portfolio and risk management activities to countries outside the EU. Stephen focused on whether a Johnson government might be more "pro-City" than May's



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was, arguing that while the instinct might be to be more favourable to the sector, Johnson and others would be amenable to the argument made by UK regulators that becoming a rule-taker is not a price worth paying for market access.

Finally, the session was opened up to questions from the floor. The panel discussed the EU's recent decision to revoke its equivalence determination for Swiss trading venues, and the implications for the UK – with the risk that these decisions become ever more politicised over time. The discussion also focused on whether the EU might try to reverse what were seen as British “wins” in the Markets in Financial Instruments Directive (MiFID II) as that law is reviewed, and what the future might be for the EU's flagship Capital Markets Union (CMU) initiative as the bloc loses its leading financial centre.

ABOUT CARNE GROUP

Carne Group is the premier global provider of Fund Management Solutions to the asset management industry. Using our industry leading technology platform, CORR, we help some of the world's leading investment managers to revolutionise their due diligence, compliance, risk and operational requirements and provide them with the management information they need to control their business. Carne employs nearly 250 people across 10 global locations and is a governance and substance provider for asset managers with more than \$1 trillion in Assets under Management.

ABOUT GLOBAL COUNSEL

Global Counsel is an advisory firm, working with clients to navigate the critical area between business, politics and policymaking. Global Counsel helps companies and investors across a wide range of sectors anticipate the ways in which politics, regulation and public policymaking create both risk and opportunity – and to develop and implement strategies to meet these challenges.

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