

# **Planning for Brexit – operational impacts on wholesale banking and capital markets in Europe**

28 February 2017

AFME Members' Briefing Call  
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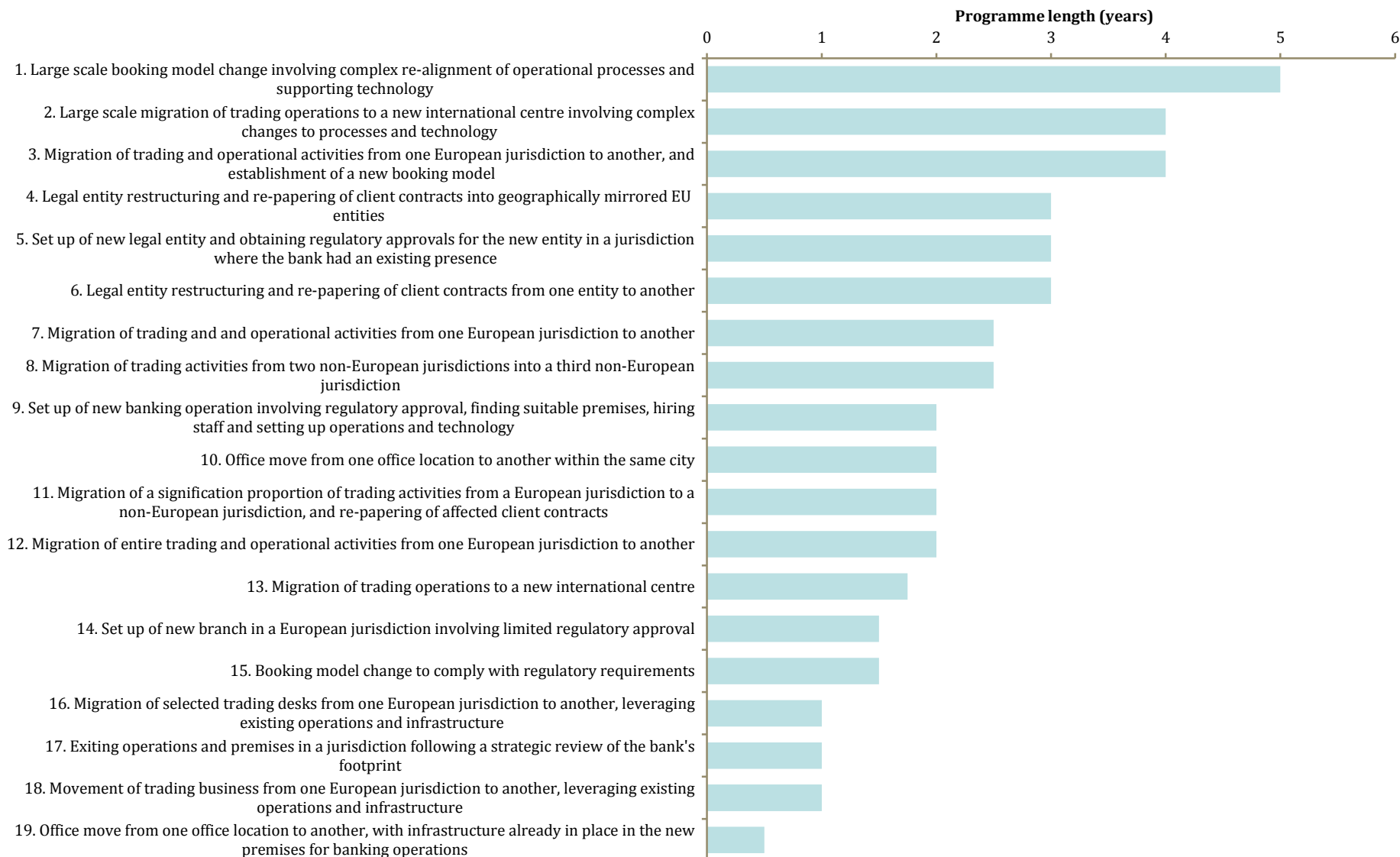
# Aim of the report and contribution from members

- AFME has commissioned a report from PwC, outlining the operational impacts and transformation challenges that Brexit poses to the provision of banking services in the EU.
- The report, 'Planning for Brexit – Operational impacts on wholesale banking and capital markets in Europe' aims to provide policymakers and other industry stakeholders, both in the EU27 and the UK, with a fact-based bottom-up and granular analysis of how these challenges are likely to affect the financial markets industry.
- To inform the study, information was gathered by PwC from 15 banks spanning a range of sizes, activities, origins and legal entity structures. They include EU27 headquartered, UK headquartered and non-EU headquartered banks in broadly even measure.

- Move the dialogue on this topic away from external commentator conjecture to fact-based analysis driven by informed industry practitioners and AFME member firms.
- Provide public authorities with information that will allow them to set policy with an understanding of its operational consequences for the financial markets industry.
- Provide public authorities with a framework that will help them to pose relevant questions in any bi-lateral dialogue with AFME members.
- Allow member firms to disseminate into the public domain information about the operational impact to the industry without having to disclose their own specific plans.
- Demonstrate that political and industry transformation time-scales of Brexit are not compatible for those AFME members that need to relocate.
- To demonstrate that there is risk of industry capacity in Europe contracting in the immediate aftermath of Brexit

- All wholesale and investment banking products offered throughout the EU.
- Impacts to UK and EU27 operational footprints: operations, technology, personnel, premises, suppliers, market infrastructure, licenses, entities, and client interfaces integral to service delivery.
- Complexity, risk and timing of transformation, and maturity of current transition plans.
- Other mandatory initiatives impacted by Brexit transformation.

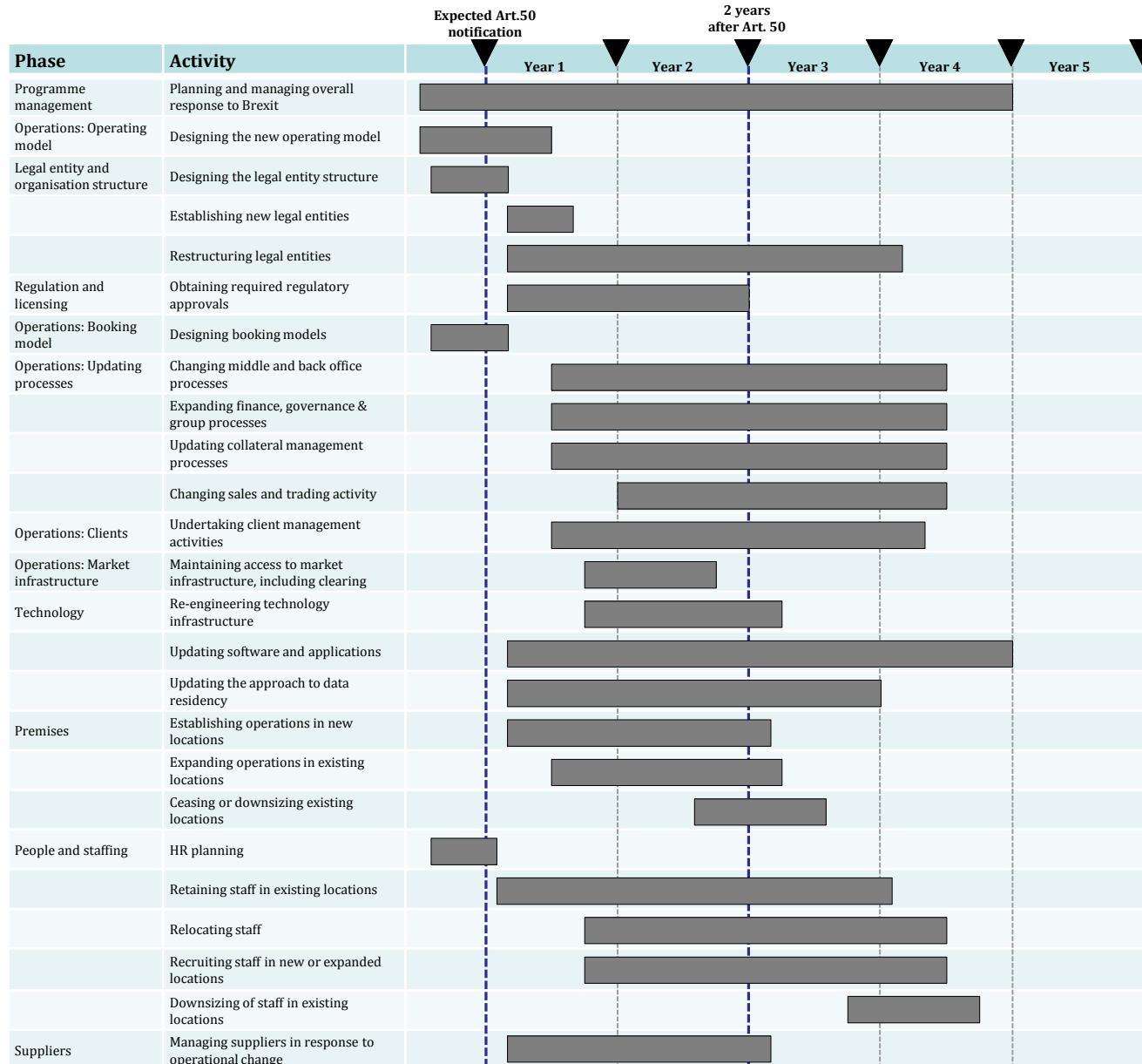
- The Brexit transformation will be highly complex for wholesale banks and contains many interdependent activities. Firms providing a significant proportion of current industry capacity will need to execute transformation programmes which will extend beyond Article 50 timescales and in many cases up to five years; or even longer if the post-Brexit trading relationship between the EU and UK remains unresolved for a protracted period.
- In executing their transformation programmes, banks will be heavily dependent upon timely approval of licenses by their new EU regulators. This represents a critical step in the implementation of new business models and is likely to occur at a time when regulators will see a peak in requests following Article 50 activation.
- Banks are currently proceeding with two-year tactical plans to maintain continuity of service. However, these plans are likely to be sub-optimal for clients and market effectiveness, and will be dependent on reaching agreement about an interim business model that is acceptable to new EU27 regulators and can be put in place before the UK leaves the EU.



Ref	Category	Activity
1	Planning	Planning and managing the overall response to Brexit
2	Legal entity and organisation structure	Designing the legal entity structure
3	Legal entity and organisation structure	Restructuring legal entities
4	Legal entity and organisation structure	Establishing new legal entities
5	Regulation and licensing	Obtaining required regulatory approvals
6	Operations	Designing the new operating model
7	Operations	Designing booking models
8	Operations	Undertaking client management activities
9	Operations	Changing sales and trading activity
10	Operations	Maintaining access to market infrastructure including clearing
11	Operations	Updating collateral management processes
12	Operations	Changing middle- and back-office processes
13	Operations	Expanding finance, governance and other group functions
14	Technology	Re-engineering technology infrastructure
15	Technology	Updating software and applications
16	Technology	Updating the approach to data residency
17	Premises	Establishing operations in new locations
18	Premises	Expanding operations in existing locations
19	Premises	Ceasing or downsizing existing locations
20	People and staffing	HR planning and understanding local employment laws
21	People and staffing	Retaining staff in existing locations
22	People and staffing	Relocating staff
23	People and staffing	Recruiting staff in new or expanded locations
24	People and staffing	Downsizing of staff in existing locations
25	Suppliers	Managing suppliers in response to operational change

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Finance for Europe





In order for the wholesale banking and capital markets industry to support European corporates and continue to help growth across all of Europe, the report recommends that public authorities:

- Clarify with each industry participant as soon as possible the structure of any interim business models that may be deemed acceptable immediately post-Brexit.
- Clarify as soon as possible any future permanent terms for the provision of wholesale banking and capital markets services between the UK and EU post-Brexit.
- Following Brexit and agreement of any new market access arrangements provide an implementation period of at least three years to allow banks to complete their adaptation, and 'grandfather' transactions that are in force at the time that the UK leaves the EU.

# Q&A

The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

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