
Press release

AFME commissions PwC to analyse operational impact of Brexit for EU banking industry

2 February 2017

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 analysis of how these challenges are likely to affect the financial services industry.

To inform the study, information was gathered by PwC from previous case studies and 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.

Key findings of the report include:

- 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 three years after Brexit has been completed; 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.

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

- 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.

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About AFME:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.
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