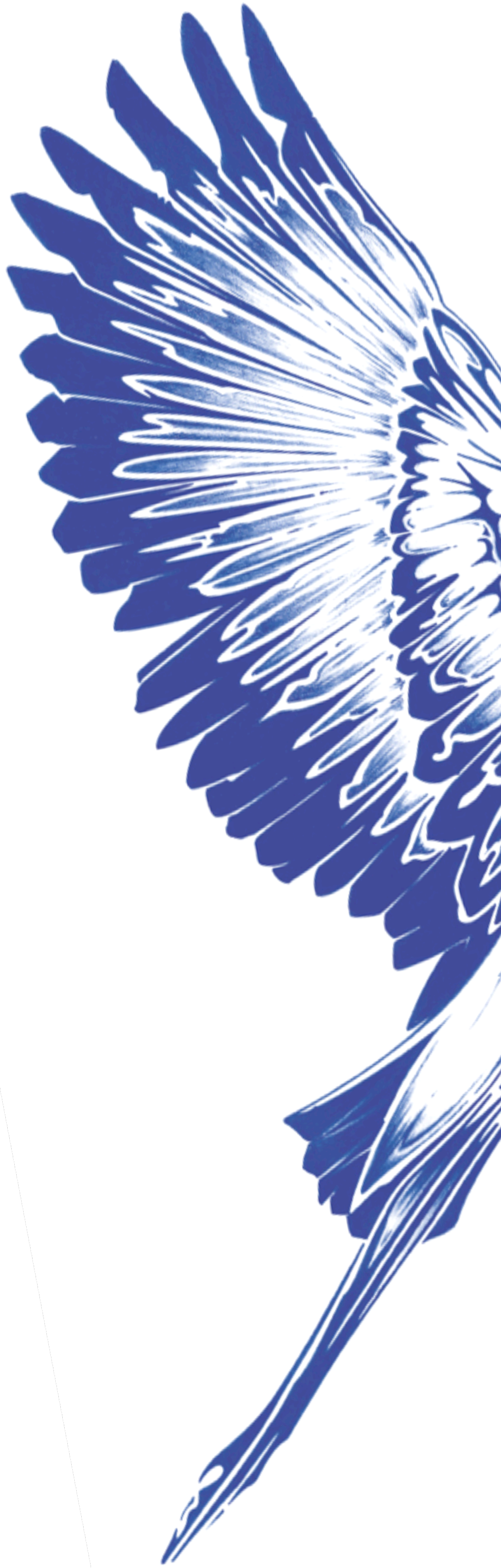
CLEVELAND & CO

External in-house counsel

BREXIT IMPACTS AND IMPLEMENTATION



WE PROVIDE SPECIALIST, FORWARD THINKING ADVICE IN THE FIELD OF INVESTMENT MANAGEMENT AND FINANCIAL SERVICES.

BREXIT

On 29 March 2017, the United Kingdom (the "**UK**") submitted the notification of its intention to withdraw from the European Union (the "**EU**") pursuant to Article 50 of the Treaty on European Union. The recently updated draft withdrawal agreement states that a transitional period will run from 29 March 2019 to 31 December 2020. This means that, EU primary and secondary law will continue to apply in the UK until 31 December 2020 but after which it will cease to have effect in the UK (the "**withdrawal date**"). The UK will then become a 'third country' (subject to any other agreed arrangement in the meantime).

"in view of the considerable uncertainties, in particular concerning the content of a possible withdrawal agreement, stakeholders, including managers of investment funds and investors are reminded of legal repercussions which need to be considered when the United Kingdom becomes a third country"

European Commission, Directorate General for Financial Stability, Financial Services and Capital Markets Union

Although there is still over two years to go until the withdrawal date, it is becoming increasingly important for firms to ensure that they are in the best position to manage the effects of a post-Brexit era. Although the UK's position on leaving the EU is not yet finalised, firms should start planning for the changes ahead. Such a transition often involves the expenditure of numerous resources and could be very time consuming depending on the nature of the firm and the services it offers. Cleveland & Co has been preparing to help firms consider the options available to them, how to implement any precautionary measures and most importantly protect the interests of your business and your clients.

KEY AREAS OF IMPACT

Brexit will have an impact on a number of areas, including:

- Passport rights
- Pre/post trade transparency
- IP rights
- Fees and charges disclosure
- Trading venues/central counterparties
- Outsourcing
- Delegation
- Dealing commission
- IMA reporting obligations
- Private placement
- Financial products e.g. derivatives
- Commercial contracts
- Suitability
- Wholesale markets
- Algorithmic trading
- Best execution
- Liens over custodied assets
- Asset management
- Trade repositories and reporting
- Product governance
- Conflicts of interest
- Banking and payment services
- Investor protection
- High-frequency trading
- Recordings of communication

WHO WILL BE AFFECTED

The abovementioned areas that may be affected will be applicable to a wide range of financial services firms across the investment management and financial services industry. Firms which will primarily be affected include investment firms based the UK and those who must currently adhere to any of the following EU directives: CRD IV, MiFID II, AIFMD, UCITS IV, Solvency II, EMIR, MiFIR, SFTR and SFD that will be impacted by Brexit (depending on the outcome which remains to be seen). If you fall within any of these categories, or if you are unsure whether you will be affected by the changes, please get in touch.

HOW WE CAN HELP

We offer a variety of legal services to our clients to help them adapt to legal and regulatory changes such as Brexit as smoothly as possible. Our services range from light touch advice to full implementation. We will offer legal advice on how Brexit could impact your firm; and full and practical implementation of any of the steps you may wish to take (e.g. updating outsourcing/delegation arrangements, reviewing your intellectual property protections and licenses and reviewing and updating any impacted contracts, etc.). Cleveland & Co, your specialist outsourced legal team, are here to help.

ABOUT US

External in-house counsel is an alternative solution to using external counsel or hiring internally or engaging a contractor. Cleveland & Co external in-house counsel is your specialist outsourced legal team. We deal with the general day-to-day legal issues of in-house counsel but provide access to the specialty skills and resources of having external counsel. We work just like any other in-house counsel, using internal documentation, liaising directly with all relevant business people (including front office, middle and back office, business development, finance, risk, compliance and legal) and escalating matters to the head of the department as part of the client's usual process. Our expertise and previous in-house experience allow us to: understand the commercial realities and needs of our clients; and work with a cross section of industry professionals, from portfolio managers through to CEOs, in EMEA, Asia Pacific and North America. We provide all legal, commercial, practical and strategic advice across a full range of business lines specific to investment management and financial services. For further information please see:

www.cleveland-co.com/about-us/

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