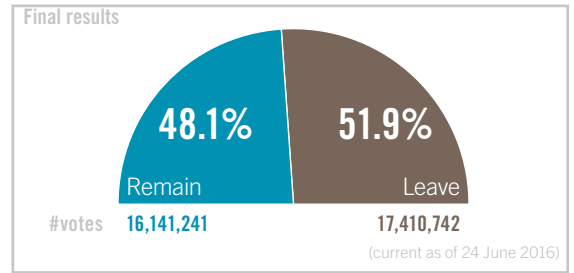


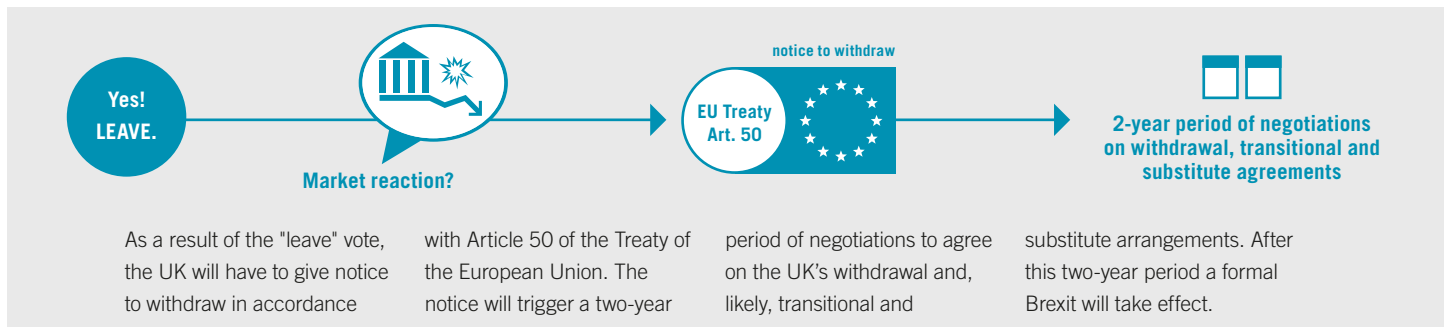
The outcome of the UK referendum on Thursday, 23 June 2016 is that the UK will in time leave the EU. The consequences for businesses and financial markets in the UK, the EU and even globally could be significant. The impact of a "leave" vote will depend on the form that the exit takes. This Q&A addresses some of the questions and uncertainties about a Brexit.

If you have any questions in relation to Brexit, please contact our Brexit team at brexit@debrauw.com or your usual De Brauw contact.



What will happen when the UK leaves the EU?

The referendum is advisory rather than mandatory. This means that from a legal perspective, nothing changes for the time being. The UK remains a member of the EU and continues to be bound by EU law.



What might a Brexit look like?

An obvious Brexit model does not exist and the UK's relationship with the EU and its member states will only become clear after an intensive period of negotiations. However, commonly cited Brexit models include (in decreasing order of integration with the EU)

1. Norwegian model



- Membership of the European Economic Area (EEA) and European Free Trade Association (EFTA)
- Retain access to the single market
- Contribute to the EU budget
- Subject to EU standards and regulation
- Accept authority of the EFTA Court

2. Swiss model

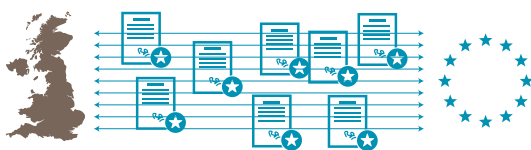


- Join the EFTA and negotiate bilateral agreements governing UK access to the single market on a sector-by-sector basis
- Follow regulation in the sectors covered but would otherwise negotiate free trade agreements (FTAs)

3. Turkish model



- Customs union with the EU
- Limited to trade in industrial and agricultural products and customs union would not apply to services
- Comply with significant portions of the EU trade policy



4. Free Trade Agreements

- Covers treatment of both goods and services
- Differs from Swiss approach – one FTA covers several topics
- It is unprecedented for such FTA to be negotiated in two years' time

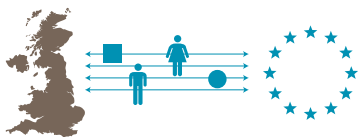


5. World Trade Organisation

- UK would rely on WTO membership as basis for trade relationship with the EU
- Complete exit
- No new agreements with EU or any EU member states

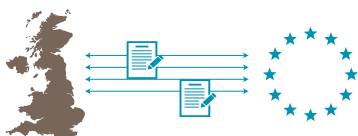
What will Brexit mean for our clients?

Brexit may trigger several potential restrictions for our clients and furthermore may potentially affect the markets on which our clients are active. The scope of these potential effects will depend heavily on the Brexit model and differ from business to business. We list a few of the areas and predicted issues that may arise after Brexit.



Internal Market

- Restricted free movement of goods: Restrictions on imports and exports such as licences, price controls, obligations to appoint a representative in the importing state, type approvals, and national price controls.
- Restricted free movement of workers: Less flexibility in human resourcing if immigration controls are introduced, so that UK nationals could less easily work in the EU or vice versa.



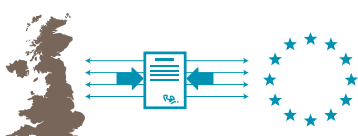
Contracts

- Triggers in M&A, finance and commercial contracts: Although generally unlikely, parties may wish to consider whether in their specific circumstances the (economic) consequences of the "leave" vote may trigger material adverse change, event of default and/or force majeure clauses in their contracts.
- Repeal / amendment of EU employee and consumer protection laws: Employment and consumer protection laws, which may be incorporated by reference in a number of contracts, would likely be repealed or amended. However, any changes will likely not take place immediately but over time.



Dispute resolution

- Restrictions on enforceability of judgments: Extensive EU regulation is in place on enforcement of judgments in member states. After Brexit, the UK will need to replace these regulations, otherwise the UK could face the prospect of its courts' judgments becoming less effective in Europe (and vice versa).



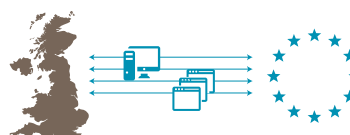
Competition law

- Effect on competition law: EU companies also doing business in the UK may find themselves subject to parallel UK and EU investigations. Competition law is effect-based, and therefore applies to the location where the business is conducted. Mergers, acquisitions and joint ventures that need to be notified to the EU may also need to be notified in the UK. EU filing would not cover the UK. Also, parallel cartel investigations between the EU Commission and the UK authorities would occur.



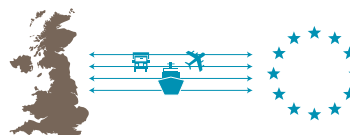
Financial Services

- Territorial effect of regulatory passporting rights could be limited: UK banks, insurers, regulated family offices, investment firms, and other AIFMs and non-bank mortgage lenders would most likely lose access to the EU under MiFID, EMIR and other related EU regulation (and vice versa).
- Restricted ability to invest in alternative investment funds (AIF): UK alternative investment fund managers (AIFMs) would likely qualify as Non-EU AIFMs under current regulation. This would mean that the UK AIFMs could only market AIFs to EU investors under national private placement regimes (and vice versa).



IP and data protection

- Impact on data transfers: the free flow of data between the EU and the UK will not immediately be affected, as the UK will formally remain a member of the EU during the exit negotiations. After the Brexit formally takes effect, the UK is expected to take measures to avoid running the risk of becoming a "third country without an adequate level of data protection" in the eyes of the EU. If the UK would not succeed in this, companies would need to arrange for alternative data transfer mechanisms to lawfully transfer personal data to the UK. Such mechanisms include Binding Corporate Rules or EU model contract clauses.
- Impact on the new Unitary Patent & Unitary Patent Court system: the UK is expected not to ratify the Unitary Patent Court Agreement which UK ratification is – as long as the UK is formally an EU Member State – still needed for the current agreement to take effect. Moreover, it is unlikely that London will remain a section of the Central Division in the UPC system. It is envisaged that the UPC agreement will be renegotiated.
- EU trademarks and design would most likely cease to apply in the UK. Pan-European remedies such as cross-border injunctions could be held to no longer cover the UK.



Export Controls and Trade Sanctions

- Export Controls: Under EU export controls, dual-use items may not leave the EU customs territory without an export authorisation. After the Brexit formally takes effect, exports of dual-use items to the UK will likely require a form of export authorisation.
- Trade Sanctions: European companies having a UK nexus will likely find themselves subject to parallel EU and UK sanctions once the Brexit formally takes effect. This will require companies to adjust their compliance program to address this increasingly complicated set of sanctions measures.