

June 28, 2016

K&L Gates Brexit Task Force

Clients can contact the firm with questions about the consequences of Brexit by email at brexit@klgates.com

K&L Gates LLP. Global legal counsel across five continents. For more information, visit www.klgates.com.



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BREXIT: Six-Point Action Plan for Asset Managers

- **The vote is in.** On June 23, 2016, by national referendum, a 52% majority of British voters decided the question of whether the United Kingdom (UK) should leave or remain in the European Union (EU). The referendum turnout was 71.8%, with more than 30 million people voting.
- **Uncertainty abounds.** The UK's vote to leave the EU will have significant consequences throughout the UK, the EU, and in the global economy. A high degree of uncertainty exists as political and business leaders recognize that a massive and unpredictable effort is required to negotiate the UK's withdrawal within the 24-month timeline contemplated under Article 50 of the EU's Lisbon Treaty (which has not yet commenced, and may be shortened or extended through negotiation).
- **What should we do now?** We believe that our asset management and fund clients can manage risks associated with the post-Brexit vote environment through a multi-disciplinary risk management and problem-solving approach focused initially on the operational, legal, and regulatory issues we already know will need to be addressed.
 - On the following pages you will find a **Six-Point Summary Action Plan** that outlines steps asset managers and funds should take to manage their Brexit-related legal risks.
 - We have included illustrative estimates of a **Timeline** that asset managers can refer to in developing their own internal post-vote planning.

K&L Gates Brexit Resources:

Hotline: <http://www.klgates.com/brexit/>

Task force: brexit@klgates.com

Financial services-specific materials:

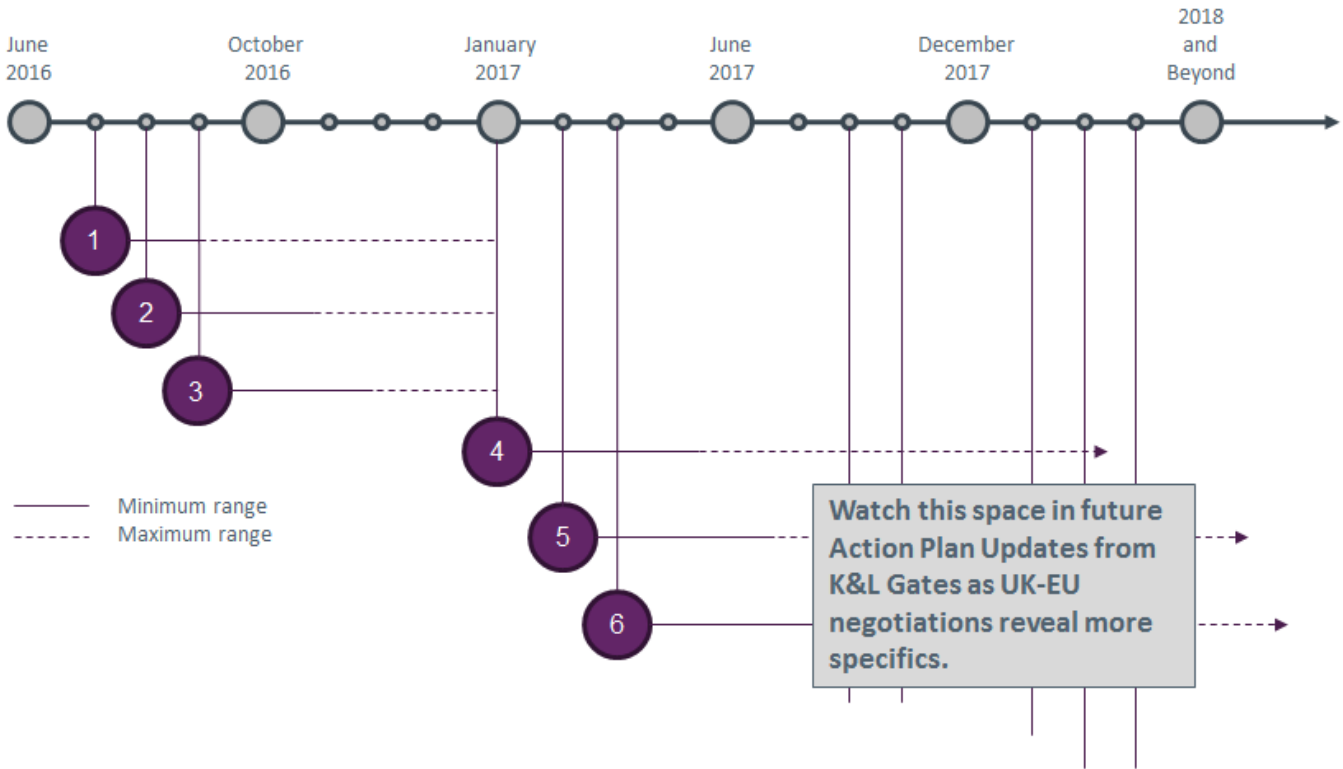
Implications for Financial Services Firms:

<http://www.klgateshub.com/details/?pub=Brexit-Bites-Implications-for-Financial-Services-Firms-04-22-2016>

Implications and Issues for Firms in the Financial Services Sector:

<http://www.klgateshub.com/details/?pub=Brexit-Bites-Implications-and-Issues-for-Firms-in-the-Financial-Services-Sector-04-15-2016>

Brexit Bites: <http://www.klgateshub.com/categorylisting/?series=Brexit%20Series>



ACTION PLAN:

1. **Manage the immediate impact** of the Brexit vote on your business and client accounts.
 - a. Issues include continued unexpected currency volatility, extreme volatility on major exchanges, central bank interest rate moves, and ratings downgrades.
 - b. For firms with a significant international footprint, review and inventory any operational or investment contracts that contain terms triggered by the vote to leave the EU (or by actual departure); for example, material adverse change clauses and other terms triggered by market disruptions.
2. **Identify potential disruptions** to your asset management regulatory licenses, fund distribution strategy and business structure:
 - a. Use K&L Gates HUB as a resource by starting with our [Brexit flow-chart](#), particularly if your firm has adopted a business model based upon “passporting” to conduct EU-wide operations.
 - b. Form a broad working group of senior employees across business lines to consider whether operational, regulatory, tax, and other business structures remain appropriate once the UK moves out of the EU.
 - c. Obtain opinions and analyses from external legal/consulting/ accounting/tax advisers as appropriate, and prepare a draft Action Plan.
3. **Communicate** with employees, clients, fund shareholders and other asset management industry participants.
 - a. Establish internal lines of communication and responsibility, including initiatives to educate senior management about the impact of the UK’s departure from the EU.
 - b. Asset managers may have legal duties to disclose impacts, for example in fund offering documents or filings with the FCA, SEC or other regulators.

- c. Join in with others active in industry associations focused on advocacy work. We are aware of the major industry associations around the world working with their membership and addressing key issues.
 - d. Reassure staff and investors that there is a carefully thoughtout, company-wide framework for handling Brexit-related disruptions.
4. **Develop longer-term strategic responses** to address the disruptions and risks.
 - a. If your business model has been dependent on “passporting” (including for non-EU financial institutions that have established subsidiaries in the UK) consider alternatives such as new regulatory registrations/operations in core EU countries.
 - b. Look for strategic opportunities to enter into joint ventures, strategic partnerships or acquisitions with other firms that have complementary interests or that are faced with similar challenges.
 5. **Consider lobbying governments and regulators** in order to make sure voices are heard in the debate about the withdrawal process and on the related issues. K&L Gates has leading policy groups based out of both Brussels and Washington, D.C., which can be reached via the K&L Gates Brexit task force (brexit@klgates.com).
 6. **Create contingency plans** and/or consider whether existing plans will remain appropriate once the UK moves into a “leave” trajectory, as these programs are likely to be expected by certain regulators.

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