

Brexit – Rumours and Realities

What is Brexit?

Brexit refers to a potential British exit from the European Union.

Why could Brexit happen?

The UK government has renegotiated its membership of the EU and given the UK electorate the chance, in a referendum, to choose between the revised membership terms or Brexit.

How soon?

The Brexit referendum date was announced following completion of the UK government's negotiations at the EU summit on 18/19 February. It will take place on 23 June.

Is it important?

Completion of the UK's renegotiations has clarified what a vote to stay "in" will mean.

The precise impact of a vote for Brexit is less certain. It would fundamentally change the UK's relationship with the rest of the EU and the wider world and may also result in significant changes for those doing business in the UK.

Click on the map for our interactive infographic, which will help you assess the potential "Brexit effect".

<http://maps.hoganlovells.com/europe/>



Is it real?

Polls have been mixed but currently suggest the Brexit campaign is gaining ground with some showing it in the lead. Bookmakers' odds, which the Financial Times indicates might be a more reliable measure than polls, give Brexit a 30% chance. Either way it is a real possibility.

What happens if the UK votes for Brexit?

Brexit would not occur immediately.

Article 50 of the Treaty on the European Union envisages a negotiation period leading to exit on a mutually agreed date – the default is two years. The only real precedent is Greenland which left the EU in 1985, almost exactly three years after their exit referendum.

The UK would lose the automatic benefit of access to the EU single market and free trade agreements concluded by the EU. It is expected that the UK would seek to secure access to the EU single market in its exit negotiations, and the UK would also seek to negotiate new bilateral trading arrangements with the rest of the world. Unless and until those came into force, WTO rules will govern the UK's trading relationships. Sectors, such as financial services, which have a significant imbalance of trade with the EU, are thought particularly vulnerable to this process.

Brexit would also bring into question the large amounts of UK law based on EU rules. In each area, the UK would need to decide whether to continue to follow the EU lead or go its own way and risk damaging trade with the EU which is currently based on the adoption of consistent EU wide standards.

How would Brexit impact business?

The impact would vary by sector and would depend on the arrangements which replace the UK's membership. Likely impacts include:

- **Contracts:** the change in scope of territorial definitions and loss of the benefit of enabling regulations such as the “passporting” regime used by financial institutions and insurance companies
- **Trade:** loss of existing free trade agreements and the possibility of facing tariffs and non-tariff barriers
- **Standards:** needing to deal with divergence between EU and UK rules where these start to differ

Industries likely to be most impacted are those where EU regulation is particularly significant, such as financial services and life sciences, as well as industries which are heavily dependent on data, such as insurance companies, or intellectual property, such as media companies.

What happens if the UK stays?

If accepted by other EU members, the revised terms currently proposed by the UK will make changes in four main areas:

- reassurances to Member States (like the UK) who do not use the Euro regarding the impact of steps to deepen the economic and monetary union of countries in the Eurozone;
- commitments that EU will increase efforts to enhance competitiveness;
- a mechanism for a group of national parliaments to block proposed EU legislation on the basis that the issues should be addressed at national level; and
- a potential “emergency brake” in certain circumstances on the payment of state benefits to people moving between EU member states whilst respecting core EU principles of free movement and non-discrimination.



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