

Brexit: client outreach

Key challenges and
processes to consider



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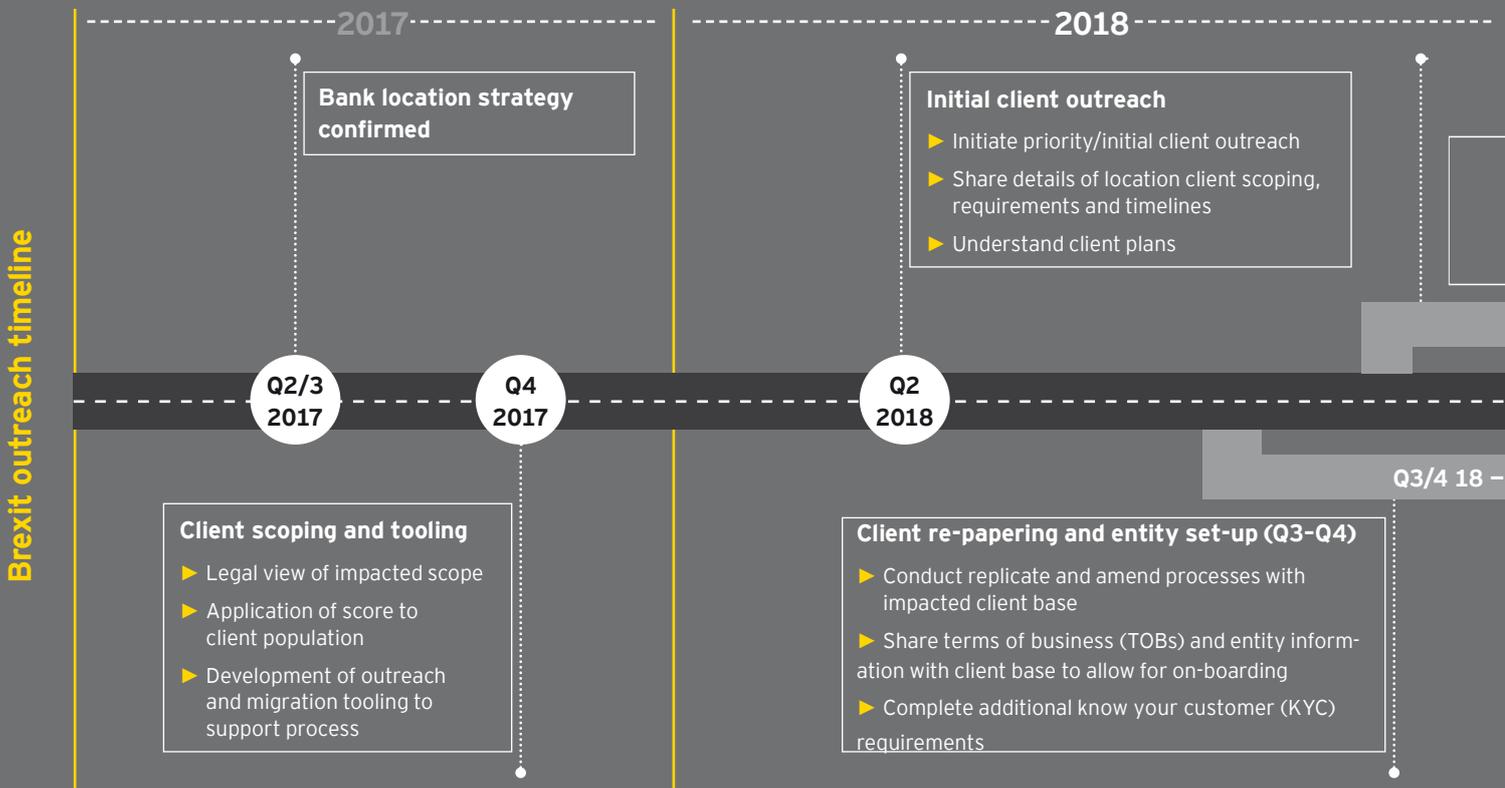
Introduction

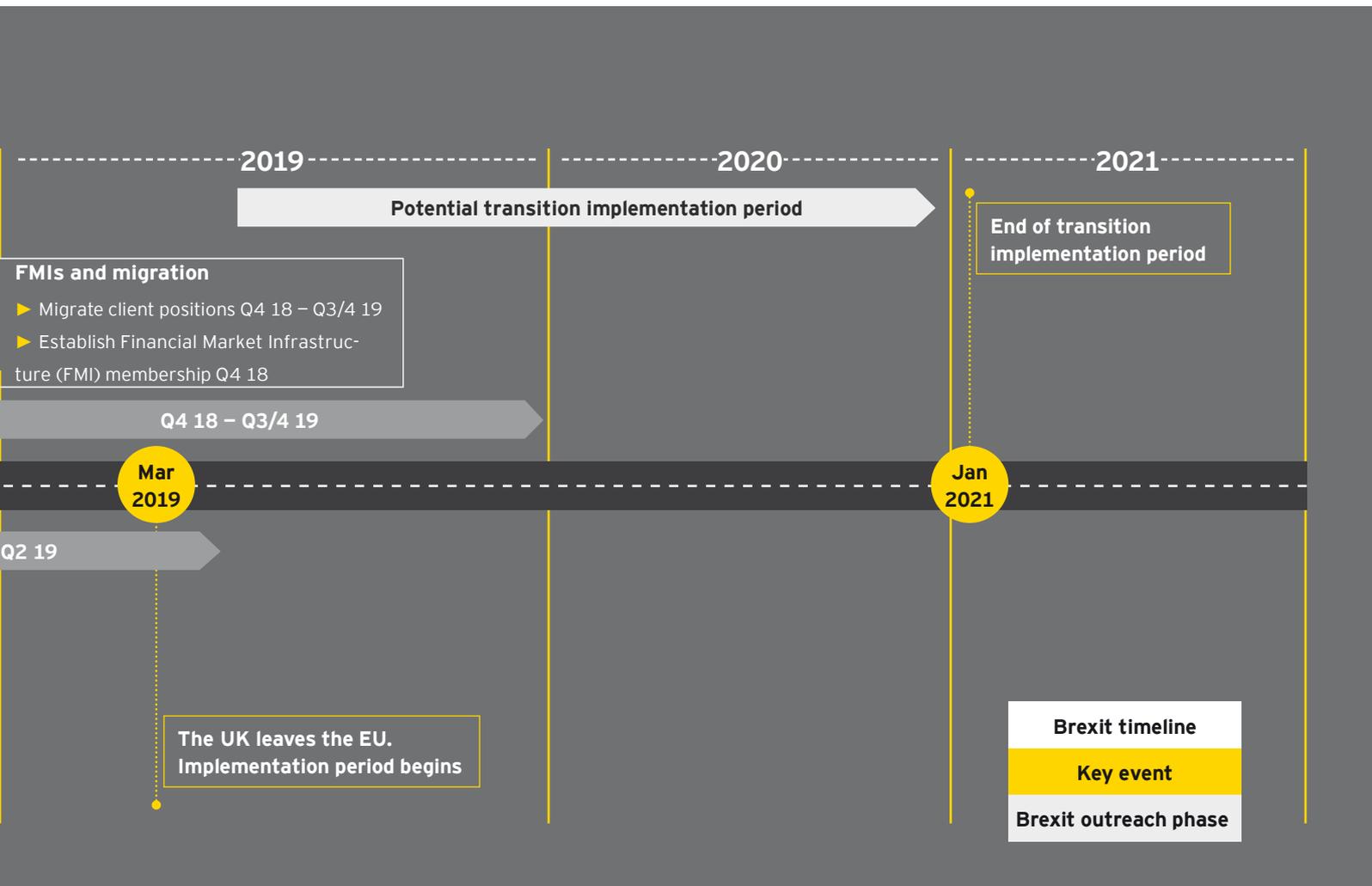
EY clients are facing the difficult task of navigating the Brexit negotiations as well as planning for yet to be confirmed changes to the UK and EU's regulatory and trading relationship. They also have to consider the implications of Brexit on the wider economy, the financial services sector and their customer base. Brexit planning in the industry has been based on a "no-deal Brexit scenario". Consequently, a majority of the UK-incorporated banks with EU operations (both UK and globally headquartered) have developed formal Brexit programs to prepare the bank for continued access to the single market post 29 March 2019.

As of Q1/Q2 2018, we have observed that a majority of UK banks with EU operations have completed an impact assessment of their business, started initial client outreach, and shared details of their EU location, client scoping, requirements and timelines. In Q3/Q4 2018, we expect to see banks to focus on conducting client on-boarding with the impacted client base, including sharing new entity information with the client base to allow for on-boarding. We expect that once on-boarding is complete, banks will start migrating client positions (where backbook is moving) throughout Q4/2019.

We outline the timeline, key priority activities and what client outreach banks should be undertaking in preparation for Brexit.

Indicative industry timeline





Priority activities for Day 1

- ▶ Repapering complete
- ▶ Clients due diligence complete
- ▶ Accounts open
- ▶ Capital posted
- ▶ Positions migrated
- ▶ Cutover has occurred

We currently see five main challenges associated with client outreach

1. Agreeing the account population for migration and educating the business on the requirements. This has been an iterative process during the last quarter
2. Ensuring clients have adequate time to conduct their due diligence prior to March 2019 and therefore new entity information is readily available. On-boarding onto the target entity is dependent on obtaining the necessary data and documentation through the outreach, which can be time intensive, with a high degree of variability by client
3. Repapering of legacy contracts in the timeline available and completing other on-boarding requirements
4. Political uncertainty will require a high degree of client interaction during the outreach process (e.g., responding to queries) which will lengthen the process per client. Managing the influx of client queries from in-scope and out-of-scope clients, especially account/position discrepancies
5. The impact of a transition of timelines, including client appetite and resourcing



A woman with long dark hair, wearing a white long-sleeved shirt, is seated at a wooden desk. Her right hand is resting on a black computer mouse. The background is a dark, out-of-focus office environment. A large yellow rectangular box is overlaid on the right side of the image, containing text.

We see a number of priority activities that will need to be finalized for Day 1 Brexit readiness: repapering of contracts will need to be completed, client due diligence performed, accounts opened and positions migrated as well as capital repositioned. These activities are time-consuming but offer opportunities in liaising with clients.

Why banks are acting now

Time intensive

- ▶ On-boarding onto the target entity is dependent on obtaining the necessary data and documentation through the outreach. This can take several months, with a high degree of variability by client
- ▶ Given the political uncertainty, there is an expectation that there will be high levels of client interaction during the outreach process (e.g., responding to queries or ISDA negotiations) and as such lengthening the process per client

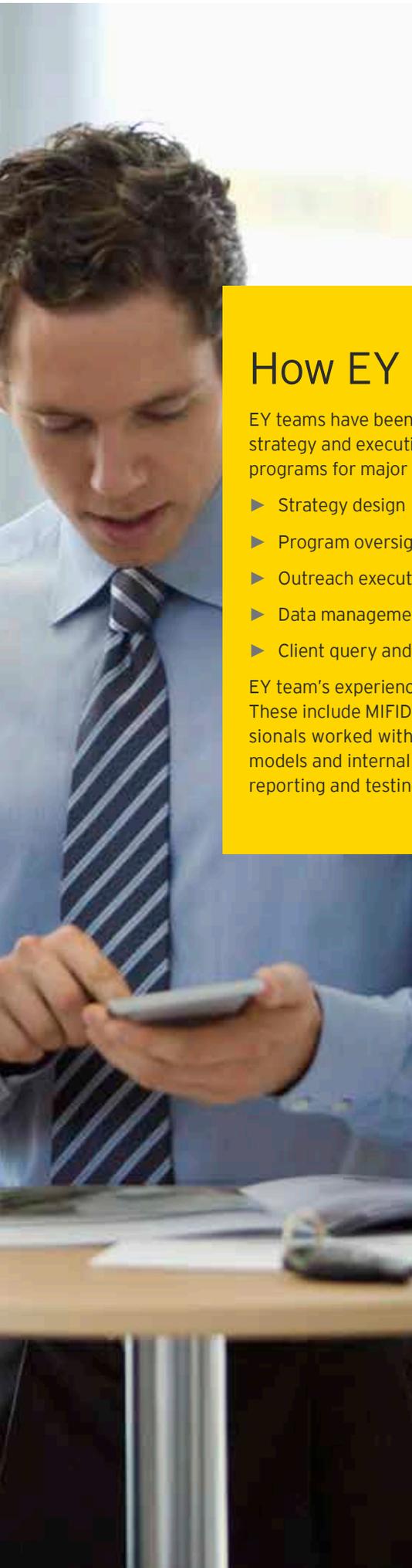
Opportunity to engage clients

- ▶ There is an opportunity to better understand client preferences on how they wish to engage with the new target entity (e.g., product preference migration)
- ▶ It opens a commercially advantageous possibility to discuss products, services, sales and relationship coverage for the client that may change once migrated onto the new entity
- ▶ We believe that clients are unlikely to make the first move and it is therefore critical that banks engage early in order to facilitate a smoother outreach process downstream and ensure clients are on-boarded for trading go-live of the new entity

Market positioning

- ▶ Expectation that others banks will be preparing for a “no-deal” Brexit and reaching out to their clients, and hence firms do not want to be seen as lagging behind peers
- ▶ While many banks do expect there may be some form of transition period, this is seen as providing more time to conclude repapering and migration rather than delaying outreach completely





How EY can help

EY teams have been engaged by a number of large financial services firms to support them in their Brexit strategy and execution. EY professionals have significant experience in supporting global client outreach programs for major financial institutions providing end-to-end support including:

- ▶ Strategy design
- ▶ Program oversight
- ▶ Outreach execution
- ▶ Data management and mapping
- ▶ Client query and escalation management

EY team's experience is built on years of supporting clients with their client outreach programs. These include MIFID II client outreach, assessment and deficiency remediation of static data. The EY professionals worked with a number of global clients on design and broad implementation of KYC target operating models and internal controls testing as part of SOX 404 reporting, management testing of controls for SOC reporting and testing of IT application controls.

Our team



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