

Brexit: client migration

Minds made for transforming financial services

September 2019

The EY logo is positioned in the bottom right corner of the page. It consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is integrated into the design, extending from the bottom right towards the top left, passing behind the logo.

Building a better working world

Building a better financial services industry

At EY Financial Services, we train and nurture our inclusive teams to develop minds that can transform, shape and innovate financial services. Our professionals come together from different backgrounds and walks of life to apply their skills and insights to ask better questions. It's these better questions that lead to better answers, benefiting our clients, their customers and the wider community. Our minds are made to build a better financial services industry. It's how we play our part in building a better working world.

**Minds made for building
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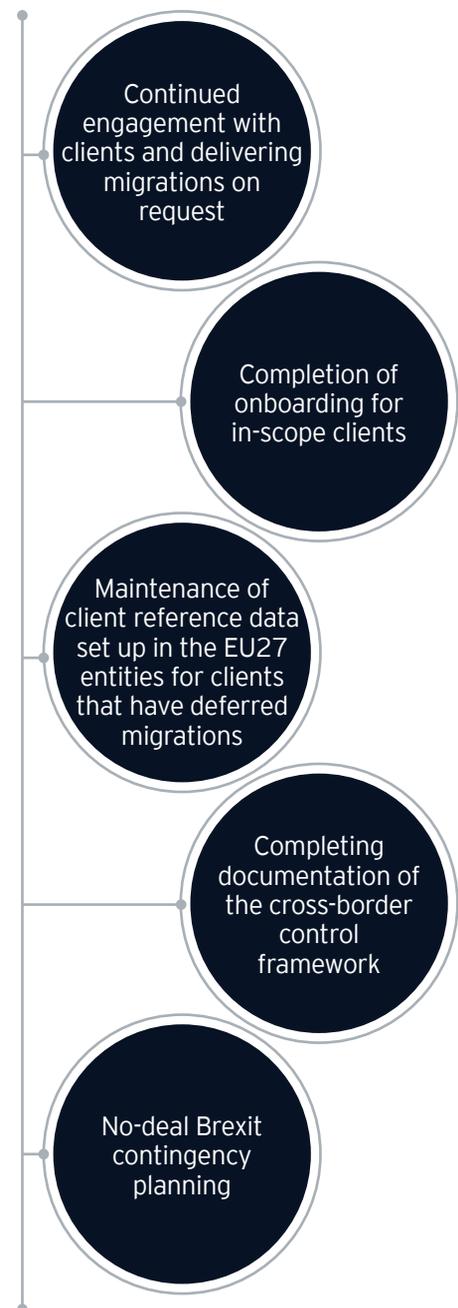
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Brexit uncertainty leaves UK banks with cross-border EU27 clients in difficult positions. With a possible no-deal outcome on 31 October still credible, they need to try to migrate these clients to EU27 entities, even if clients are unwilling to agree to an early migration and wish to wait until the last minute.

While a significant level of client migration happened ahead of the first no-deal deadline on 29 March, it was by no means completed. Migration has continued at lower volumes since April but we would expect this to again pick up ahead of October. Banks should be prepared for this rush, including further regulatory and client scrutiny, as well as preparing their contingency plans for November onwards in a no-deal outcome.

Key activities banks are currently focused on include:



Specific considerations being reviewed as part of these key activities:

1. Client population

- ▶ Establish client data refresh processes, and where possible identify automation opportunities, so that the client data population remains up to date without the need for regular management
- ▶ Build automated reports for distribution, so that in-scope client lists are easily accessible

2. Management Information (MI)

- ▶ Aggregate all data inputs used to produce MI into a centralised data base for automated reporting
- ▶ Automate a central view of client readiness and completion of setup requirements, so that client requests to migrate can be dealt with on demand

3. Client outreach

- ▶ Prioritize clients who are requesting to migrate
- ▶ Re-engage all other clients to reconfirm their migration intentions
- ▶ Maintain clear audit trail of all clients engagement and migration decisions

4. Client reference data

- ▶ Establish client reference data maintenance process for clients set up in the EU27 entities

- ▶ Complete remaining in-flight data set up activities, and address any remaining issues that require remediation
- ▶ Analyse thematic issues around client data quality, governance and architecture and lessons for future client outreach programmes (e.g., Interbank Offered Rate [IBOR], uncleared margin)

5. KYC

- ▶ Establish process to manage KYC profiles for clients who have deferred migration and have also had their KYC profiles grandfathered in the EU27
- ▶ Consider the additional operational costs and risks created as a result of dual entity maintenance of KYC profiles

6. Onboarding

- ▶ Complete onboarding for all remaining clients in the programme pipeline, so that clients are ready to migrate should they request to do so
- ▶ Assess the operational cost of dual entity onboarding and establish cut over date for mobilising (if deemed operationally feasible)
- ▶ Analyse opportunities to enhance client onboarding process efficiency

7. Cross-border controls

- ▶ Complete documentation of the cross-border controls for Brexit, enabling:
 - ▶ Transition to BAU owners
 - ▶ Reactivation closer to the Brexit date
 - ▶ Delivery of any remaining cross-border controls prior to Brexit
- ▶ Update the cut over and communication plans in preparation for the Brexit deadline
- ▶ Review wider cross-border control framework and any enhancements based on lessons from Brexit

8. National regimes

- ▶ Build a control framework that incorporates a national regime flag, so that multiple scenarios of local rule variations can be dealt with in the framework
- ▶ Ensure ongoing monitoring of developments in national temporary and permanent permission regimes, so that these can be reflected in the control design
- ▶ Ensure monitoring of the local requirements and the impact on the business (e.g., conduct or reporting requirements)

Beyond Brexit: Future EU27 Strategy

Faced with increasingly dispersed client relationships, it is critical for banks to have a strong basis to manage, govern and control these clients going forward. As such, there are a number of key considerations for banks as they build out their EU27 centric client strategies.

1. Migrating clients: maintaining and growing the client base in the EU27

- ▶ How will new product and service launches be managed across locations?
- ▶ How will the bank consistently manage client relationships and interaction, across both front and back office, split across multiple jurisdictions?
- ▶ How will the bank maintain tight control of their client cost base (i.e., cross regional view of client revenue and costs)?
- ▶ Are regional staff sufficiently trained on local regulatory requirements, as well as tax impacts, that clients may now be subject to as a result on being contracted in the EU27 entities?

2. Non-migrating clients: establishing a robust cross-border control framework

- ▶ Are reverse solicitation controls clear and understood by the front-line teams? Is further training required?
- ▶ Have product controls been tested? (i.e., lifecycle events?)
- ▶ How will the bank ensure cross-border controls and procedures are Brexit compliant should there be an extended transition period and regular changes to national regimes?

3. New to bank clients: future client strategy and onboarding operating model

- ▶ What is the client strategy for the EU27 entities? Will target clients differ to those traditionally prioritized from London?
- ▶ What governance will be in place to approve new clients requesting to be dual onboarded into the EU27 entities and London?
- ▶ How does dual onboarding impact the onboarding model and associated operating cost?

How EY can help

EY professionals have significant experience in supporting client outreach and migration programs across the globe for major financial institutions providing end-to-end support including:

- ▶ Outreach and migration strategy design
- ▶ Programme oversight
- ▶ Outreach and migration execution
 - ▶ Contract lifecycle management and repapering services/options/approaches/recommendations
- ▶ Client data management and mapping
 - ▶ Client data governance and quality review and enhancement
- ▶ Client query and escalation management
 - ▶ Onboarding process efficiency enhancement
 - ▶ Customer experience design

EY professionals have worked extensively across the largest international banks managing and supporting Brexit implementations. EY teams of migration professionals have multiple credentials providing large scale and complex programmes.

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EY is a leader in shaping the financial services industry

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