



BREXIT SUMMIT EMERGENT THEMES

On Tuesday 22 January 2019 - some 66 days before Brexit, Stevens & Bolton LLP hosted a Brexit Summit. The summit considered the process and some of the key legal issues affecting businesses on a no deal Brexit, with presentations covering Immigration; Commercial Trading Risk; International Arbitration; Intellectual Property; Competition; Regulatory; Employment and Data Privacy law.

There were relatively widespread concerns expressed of anticipated shortages and delays following Brexit.

The event was well attended by many of the firm’s key clients and contacts. Delegates were from a variety of businesses, from global corporates to owner managed businesses, and across many of the UK’s key sectors, from financial services to FMCG.

This note sets out some of the key themes that emerged from the roundtable and Q&A sessions. It is by no means comprehensive or scientific, but is intended to give a snapshot of issues raised by businesses at this phase of withdrawal.

IN SUMMARY:

- Many delegates were of the view that it was difficult to prepare for Brexit as they did not know what to prepare for
- Some delegates had already observed a slowdown in corporate activity and that investment decisions were being put off in light of present uncertainty over Brexit
- There were however also some examples of opportunities arising

We loosely group the themes by category below.

SUPPLY CHAIN

- There were relatively widespread concerns expressed of anticipated shortages and delays following Brexit
- Concerns were leading some businesses to order ahead and stockpile goods
- It was observed that stockpiling had already resulted in an increase in lead times
- Some businesses were adjusting their supply chains to mitigate the risk, for example circumventing the UK

Businesses had taken out additional financing to mitigate the risk of a slowdown.

LABOUR

- There were concerns about shortages of staff, particularly in businesses relying on seasonal migrant labour
- Efforts were being made to support and retain existing EU national employees, but some processes (for example settled status applications) were not without challenges
- There were concerns around loss of talent, and that the UK would be less attractive to EU nationals in future whatever the outcome of the Brexit process
- There were concerns around loss of free movement for businesses with staff located across EU, and concerns that travel generally could become more troublesome

REGULATORY COMPLIANCE

- Some entities had moved HQ to the EU27 from the UK, others were considering bolstering offices in the EU27, however concerns were expressed about whether the infrastructure in particularly popular destinations (for example Dublin) was sufficient to deal with the influx
- There was uncertainty about the legality of offering services in the EU after Brexit, and concerns around a loss of passporting rights for regulated businesses
- Certain delegates were anticipating a move from a UK to an EU approval regime for supplying certain goods after exit

FINANCE AND TAXATION

- Businesses had taken out additional financing to mitigate the risk of a slowdown
- Some businesses were looking at options for hedging, but noted that certain types of hedging (e.g. FX hedging) were very costly
- Double taxation risks after Brexit were a concern
- There was uncertainty about the treatment of VAT

CONTRACTS AND LAW

- A number of entities had used or were using 'Brexit' clauses in contracts to deal with uncertainties
- There were examples of entities opting for foreign (e.g. Swiss) law over English law in contracts
- On occasion steps were taken to avoid cross border contracts e.g. contracts between two UK entities for services in the EU
- Delegates had observed certain examples of entities unsure about the current application of EU law - for example whether public procurement law rules still needed to be complied with in public tenders

TARIFFS AND TRADE

- A number of entities had been contacted by the DIT and had been given an export number
- There was uncertainty about how trading on WTO rules would operate, in particular in relation to tariffs and quotas
- There were concerns that even relatively modest increases in tariffs could significantly erode margins and detrimentally affect trade, and suppliers had been seeking clarification on the tariff's payable for particularly high tariff goods
- There were concerns about the use of .EU domain names

AND FINALLY... SOME POTENTIAL POSITIVES:

- There was hope of a 'Brexit Bounce' when political uncertainty was resolved
- 'Independent' businesses might see some opportunities as established players retreated from certain markets
- Some sectors seeing increased demand – for instance:
 - Counter cyclical businesses
 - Domestic hotel and leisure sector had seen growth
- The relatively weak pound was encouraging inward investment and increase in demand for certain services from UK businesses
- Certain businesses, for example suppliers of IT services on a global basis, thought there would be little or no impact from UK exit

We would be delighted to assist any business with the issues covered in this note. Please contact your usual Stevens & Bolton contact, or one of our Brexit experts below.



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