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Commercial

Britain has voted for “Brexit”—What will happen now?

In a public Referendum held on 23rd June 2016, the United Kingdom voted to leave the European Union. The consequences of this vote will involve setting in motion certain procedures under the Treaty on European Union (Lisbon Treaty). Prime Minister David Cameron has resigned and the UK will invoke Article 50 of the Lisbon Treaty which is the formal notification of Britain’s intention to withdraw its membership.



Activation of Article 50 is the first step in the departure process and this will begin exit negotiations. The aim of Article 50 is to arrive at a withdrawal agreement with the 27 other remaining EU Member States within a two-year period. During this negotiation period the UK will continue to be a member of the EU and subject to its laws.

The purpose of the withdrawal agreement will be to set out provisions for the future relationship between the UK and the EU and possibly terms for the transitional application of certain EU rules. Importantly these include rights that devolve from EU law including for nationality and citizenship and the movement of people across borders. Laws on the financial services regulations applicable to the City of London will also need to be reviewed. After the two-year period has expired, the treaties for EU membership will automatically cease to apply to the UK. Each of the 27 Member States is to have a veto power over the exit terms under negotiation as well as national parliamentary ratification powers. This means that any one of the Member States has the ability to stall or prevent the process from reaching a conclusion.

Great Britain is likely to create a new Ministry for Brexit department to carry out the negotiations. During this extended period if the United Kingdom leaves the European Economic Area (EEA) this will likely involve the negotiation of bilateral trade deals. The UK will need to determine new terms for trading with the EU, including tariffs and customs barriers, and for the movement of people. Additionally, the EU laws which have been transposed into UK law will need to be reviewed and amended or revoked. This will entail separating out UK statutes and regulations from the EU framework which is a labour and time-intensive process. All Acts of Parliament that have wholly or partially implemented EU Directives or Regulations will need to be examined as well as transitional arrangements, secondary legislation and guidance issued by various UK government departments.

The precise implications of Brexit for the UK corporate landscape are not known with certainty at this time. However, as the UK general corporate law or Companies Act has been enacted largely at a domestic level rather than from EU directives there probably will not be very many significant changes. These changes are likely to be limited to provisions on accounts, disclosures of information about the company to the public and shareholder rights which have evolved from EU laws. In comparison, there will not be significant changes to the company registration and filing requirements. In fact, companies starting businesses in Great Britain may discover that the existing laws are less stringent and the requirements less onerous than in Continental Europe. The changes that will affect UK corporate laws should mostly involve listed companies or fundraisings for securities issuances to investors.

For further information on the potential impact of Brexit on your business in the United Kingdom, please contact 3HR Commercial Law department at carol.kilgore@3hracs.com.

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