Brexit: implications and actions for listed funds

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Listed funds need to consider the impact of the result of the Brexit referendum on their operations. This is a responsibility of both the Board and also the AIFM (if different).

Boards and their managers need to assess the short, medium and longer term potential impacts of Brexit and develop strategies to manage these impacts. The longer term impact of Brexit on listed funds will depend on the terms of the settlement between the UK and the EU which will govern the UK's post-Brexit relationship with the EU. Whilst the terms of Brexit are unclear, which makes long term planning challenging, there are a number of short and medium term actions that listed funds and their Boards should be taking.

This note discusses the potential Brexit impacts on listed funds and the actions that Boards and managers should take. It also sets out the laws and regulations that apply until Brexit, and looks at the range of possible post-Brexit models and their impact on listed funds.

Is Brexit inevitable?

Whilst the referendum result may provide a political mandate for Brexit, its legal status is only advisory and not binding. In addition, it provides no guidance about the form which the UK's future relationship with the EU and the rest of the world should take. The formal process for Brexit would also not start unless and until the UK delivers a notice under Article 50 of the Treaty on European Union. This would trigger a two year transitional period for withdrawal arrangements to be agreed, at the end of which (absent an agreed extension to the process) the UK would automatically leave the EU.

The difficulties inherent in agreeing the withdrawal arrangements in this time frame has already generated intense political discussion about when the UK should issue its Article 50 notice. Until it does so, Brexit is not inevitable; although politically it is highly likely.

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