

Brexit: The UK referendum on EU membership

When will the referendum happen?

The Prime Minister, David Cameron has said there will be a referendum by the end of 2017. The likely date is June or September 2016. French and German general elections in 2017 also make 2016 preferable.

What's the question?

"Should the United Kingdom remain a member of the European Union or leave the European Union?" (EU Referendum Bill, currently going through parliament.)

What is the renegotiation process?

David Cameron promised renegotiation and a referendum in a speech in January 2013. The Chancellor, George Osborne is leading the UK renegotiation. A final agreement is likely at the European Council in December or March.

What does the UK want?

David Cameron set out the UK's objectives in his letter to Donald Tusk, the President of the European Council on 10 November 2015. In summary those objectives are:

- 1. Economic governance.** Recognise that the EU has more than one currency. This can probably be done without treaty change. We do not want a new opt-out or veto over what the eurozone does.
- 2. Competitiveness.** A target to cut the regulatory burden on business. A consolidation of the EU's competitiveness initiatives.
- 3. Sovereignty.** Disapply "ever closer union" to the UK in a "formal, legally-binding and irreversible way." This will require treaty change or a protocol to the treaties. A red card procedure for EU national parliaments.



- 4. Immigration.** A four year waiting period for EU member state citizens to claim in-work benefits. An end to the practice of sending child benefit overseas.

How likely is he to get what he wants?

David Cameron is likely to secure an agreement which addresses many, if not most, of his objectives. The most problematic area is migration, as it potentially gives rise to direct or indirect discrimination.

What would an agreement look like?

The UK is likely to ask for a legally binding "protocol" to be added to the treaties, the Danish did it in 1992 and the Irish in 2009. Treaty change is unlikely given the requirement for unanimity.

What if David Cameron wins?

The UK stays in the EU.

What if he loses?

The UK leaves the EU. A "no" vote would not lead to an immediate change in the UK's access to the internal market. The UK would start negotiations to leave under Article 50 of the Treaty on European Union, which once activated, would start a two year countdown, extendable by mutual agreement. If the UK were not able to have reached an agreement by the deadline, it would automatically leave the EU. Negotiations would likely be lengthy.

It is possible that the UK's post-Brexit relationship with the EU could maintain many of the current benefits and market access, but that would entail maintaining Norway-style ongoing equivalence to the

relevant EU rules. This is unlikely. Brexit may mean non-tariff barriers, rules of origin and requirements to set up separately regulated and funded subsidiaries on the continent for any UK-based businesses wanting to do business in the EU.

What is the risk of Brexit?

There is a material risk of Brexit. City analysts put the risk anywhere between 10% and 35%.

Issues to consider

- Businesses should carry out scenario and contingency planning on the possible effects of Brexit.
- Planning transactions to mitigate likely market and currency volatility in the run up to the referendum.
- Brexit is likely to have implications for contracts, employee relations, data protection, IP, financial markets, competition law and M&A, tax, passporting and other areas.
- Brexit is not likely to have an immediate negative impact but there is a risk of substantial negative impacts in the medium to long term, depending on the post-Brexit settlement.
- Financial or other support given by businesses to those campaigning to remain in, or leave the EU, could be covered by rules on political expenditure.

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