



Brexit

Overall Commentary

DECISIONPOINT™
— by WNS

Table of Contents

Politics and Brexit: The Road Ahead for U.K. - EU Negotiations	01
How did the U.K. Vote?	02
Timeline of Main Steps Taken in the EU and U.K. Post-referendum, 2016 and Early 2017	03
Government after the Referendum	04
Article 50: What does it Mean?	04
Possible Content of a Withdrawal Agreement	05
The Great Repeal Bill: Why is it Important?	06
Possible Future Framework of the U.K. - EU Relationship	07
▪ Scenario I: Full EU Membership - An Extremely Soft Brexit	08
▪ Scenario II: Full Internal Market Participation, European Economic Area (EEA) and Norway Model - Moderately Soft Brexit	08
▪ Scenario III: Limited Movement of Services, Switzerland Model - Basic Soft Brexit	08
▪ Scenario IV: Free Trade Agreement, Canada Model - Basic Hard Brexit	08
▪ Scenario V: Membership of the Customs Union - Moderately Hard Brexit	08
▪ Scenario VI: No Deal with EU - An Extremely Hard Brexit	08
What does the June 2017 Election Mean For Brexit?	09
Brexit Timeline: Events from March 29, 2017 Till April 2019	11

POLITICS AND BREXIT: THE ROAD AHEAD FOR U.K. - EU NEGOTIATIONS

The referendum held on June 23, 2016 to decide the U.K.'s membership of the European Union (EU) saw the Leave vote win by

51.9 percent to 48.1 percent. The referendum turnout was 71.8 percent, with more than 30 million people voting.¹



1. Article by BBC, Brexit: All you need to know about the UK leaving the EU, June 2017.

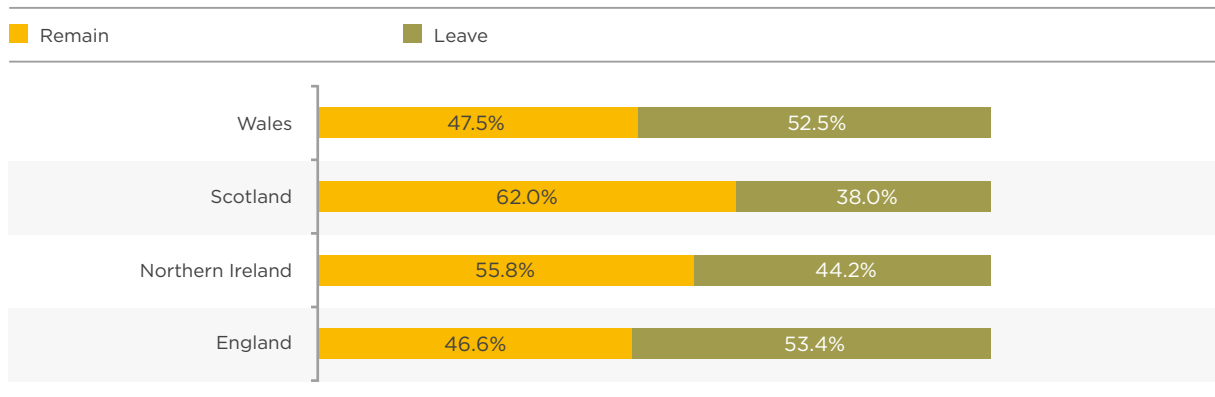
HOW DID THE U.K. VOTE?

Wales voted for Brexit, with Leave getting 52.5 percent of the vote and Remain 47.5 percent. Scotland and Northern Ireland both voted to stay in the EU. Scotland backed

Remain by 62 percent to 38 percent, while 55.8 percent in Northern Ireland voted Remain and 44.2 percent voted Leave.²



Exhibit 1
U.K. Vote Share

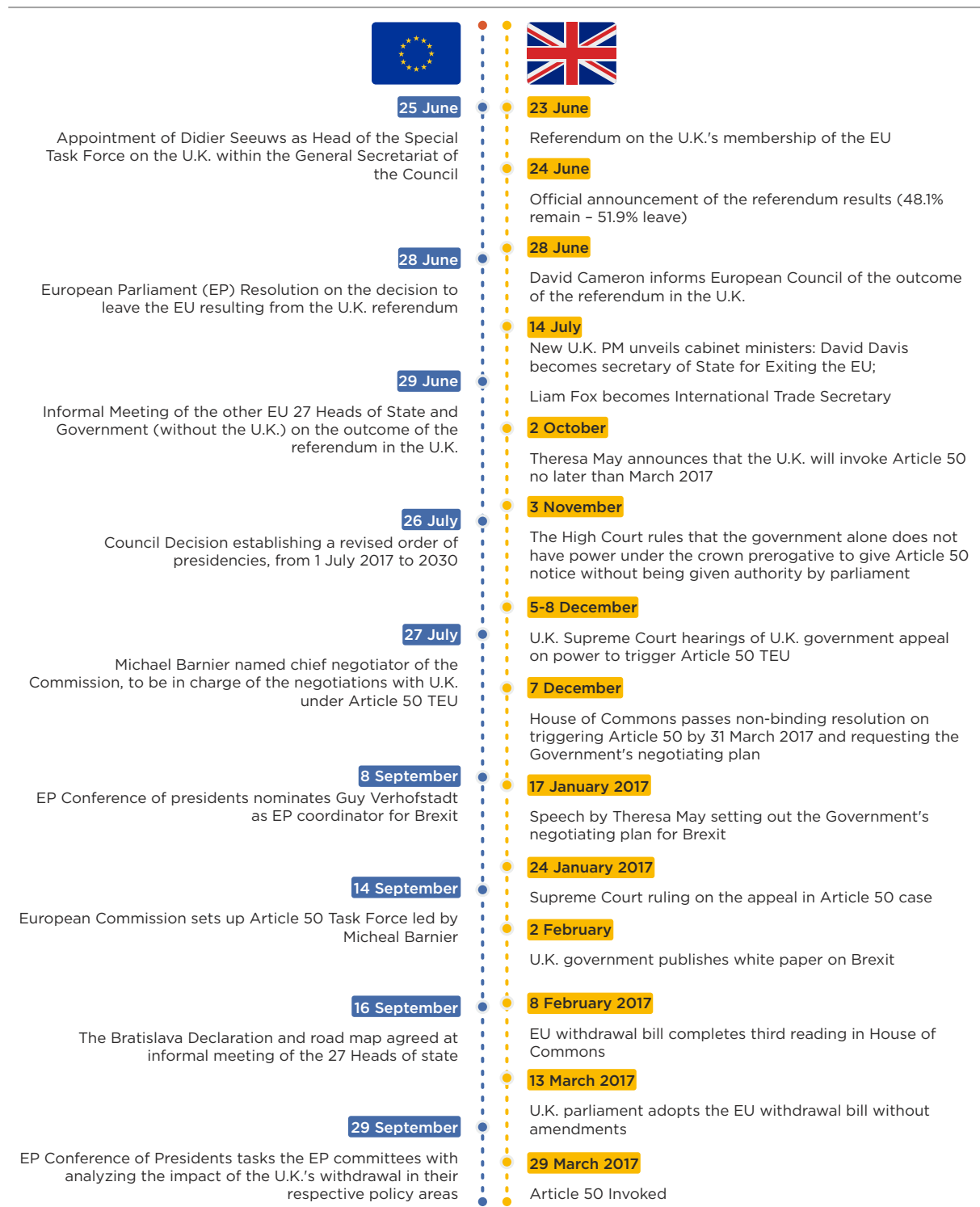


Source: EU Referendum Results, BBC, June 2016

2. Ibid.

Exhibit 2

Timeline of Main Steps Taken in the EU and U.K. Post-referendum, 2016 and Early 2017



Source: European Parliamentary Research Service

GOVERNMENT AFTER THE REFERENDUM

Following the results of the referendum, David Cameron, a supporter of the Remain campaign, resigned and was succeeded by Theresa May, the home secretary in his cabinet. She became the Prime Minister (PM) without a full Conservative leadership contest after her key rivals from the Leave campaign pulled out from the contest.

Following her appointment as PM, May created a new department called 'Department for Exiting the EU', headed by David Davis, which is responsible for overseeing negotiations to leave the EU and establishing the future relationship between the U.K. and the EU.

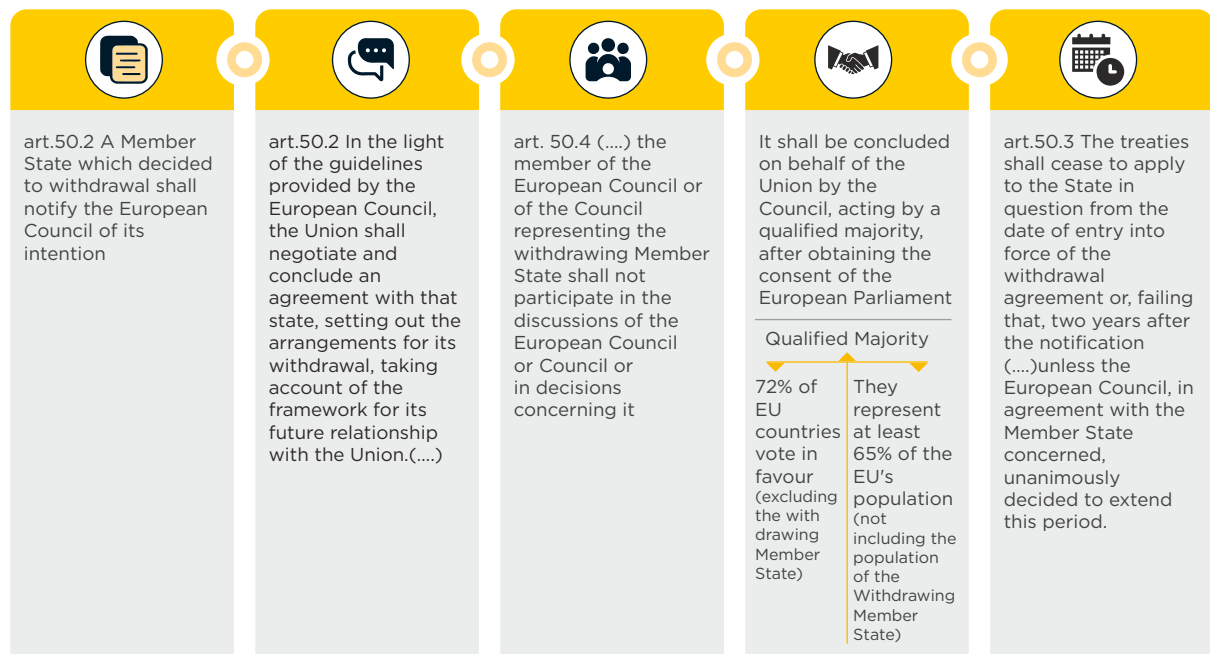
ARTICLE 50: WHAT DOES IT MEAN?

On March 29, 2017, the U.K. government announced it was invoking Article 50 of the Treaty of the EU, which serves as formal notification of its intent to leave the EU. From this day onwards, the U.K. and the EU have two years to negotiate a withdrawal agreement that sets out the arrangements for

how the country will leave the Union, while "taking account of the framework of the future relationship with the Union".³ Once triggered, Article 50 allows for two years of negotiations, which can be extended unanimously by the European Council.

Exhibit 3

What is Article 50?



Source: ...

3. European Parliament, Article 50: How the future of EU-UK relations will be decided, March 2017.

POSSIBLE CONTENT OF A WITHDRAWAL AGREEMENT

Under Article 50(3) TEU, the legal consequence of a withdrawal from the EU is the end of the application of the Treaties and the Protocols thereto in the state concerned from that point on. The rights and obligations deriving from the treaties would therefore extinguish. In addition, agreements between the EU and third countries or international organizations would also cease to apply to the state withdrawing from the EU, and it would thus need to negotiate alternative arrangements. A withdrawal agreement between the U.K. and the EU will have to include phasing-out processes for financial and other related dealings. It is incumbent upon the U.K. to enact new laws to ensure a smooth withdrawal from the EU. However, it must be borne in mind that a neat severing of ties may not be advisable if there were to be future dealings between the two.

The structure and composition of EU institutions will likely change once the withdrawal is effected. U.K. officials will lose their positions and seats in various EU institutions and agencies.⁴

With regard to EU citizenship, the agreement considers EU citizenship as 'additional' to a Member State's nationality (Article 20(1) TFEU) and without a free-standing character. Any contract-based rights would persist so long as the contracts remain valid, although the withdrawal agreement would address such issues in order to gain legal certainty.⁵ In this context, the

agreement could also seek to address the status of the withdrawing state's citizens working for EU institutions.⁶

The composition of the EU institutions could be expected to change as of the day the withdrawal takes effect, with members from the withdrawing state losing their seats in the various institutions and bodies. Taking into account any arrangement made in the agreement between the EU and the withdrawing state with regard to their future relationship, the EU Treaties remain valid for the rest of the Member States and any amendments required as a consequence of the withdrawal would need to be made in accordance with the procedures established by the Union.⁷

4. P Nicolaidis, 'Withdrawal from the European Union: A typology of effects', *Maastricht Journal*, Vol. 20, 2013, pp.209, 218.

5. European Parliament Research Service, Article 50 TEU: Withdrawal of a Member State from the EU, February 2016.

6. O Dörr, 'Commentary to Article 50 TEU', op. cit., para. 29.

7. European Parliament Research Service, Article 50 TEU: Withdrawal of a Member State from the EU..

THE GREAT REPEAL BILL: WHY IS IT IMPORTANT?

A day after triggering Article 50, the U.K. government proposed a new bill titled 'The Great Repeal Bill' on March 30, 2017. The Great Repeal Bill is meant to repeal the European Communities Act 1972 (ECA). It is the ECA that gives legal credence to EU law and establishes it as supreme. The Great Repeal Bill will convert EU law into domestic law the day the U.K. leaves the EU. Time is of the essence here. Any gaps or lacunae in the law that might arise as a result of this move out of the EU will need to be plugged instantly. The bill will ensure that where possible the same laws and rules are brought into effect in the U.K. after its departure from the EU.⁸

The bill has three main objectives:⁹

- To repeal the ECA and return power to U.K. institutions.
- To convert EU law as it stands at the moment of exit into U.K. law, subject to the detail of the proposals set out in the U.K. government's white paper. This will allow businesses to continue operating knowing the rules have not changed significantly overnight, and provide fairness to all individuals. It also ensures that it will be up to the U.K. Parliament to amend, repeal or improve any piece of EU law at the appropriate time once the U.K. leaves the EU.
- To create powers to make secondary legislation: This will enable corrections to be made to the laws that would otherwise no longer operate once the U.K. leaves the EU and will also enable domestic law to reflect the content of any withdrawal agreement under Article 50.

According to EUR-Lex, the EU's legal database, there are currently over 12000 EU regulations in force.¹⁰ In terms of domestic legislation which implements EU law such as directives, research from the House of Commons Library indicates that there have been around 7,900 statutory instruments which have implemented EU legislation. In addition, research from the House of Commons Library indicates that out of 1,302 U.K. Acts between 1980 and 2009, 186 Acts (or 14.3 percent) incorporated a degree of EU influence.¹¹

The Bill was formally introduced in Parliament during the Queen's Speech on June 21, 2017, and will pass through several stages of parliamentary scrutiny before being set into motion. If the bill goes unopposed in both Houses of Parliament, it will come into effect the day the U.K. formally leaves the EU.

8. Department for Exiting the European Union, *Legislating for the United Kingdom's withdrawal from the European Union*, March 2017.

9. *Ibid*

10. *Ibid*.

11. 'How much legislation comes from Europe?', House of Commons Library Research Paper 10/62, 13 October 2010, p. 19.

POSSIBLE FUTURE FRAMEWORK OF THE UK-EU RELATIONSHIP

As the U.K. prepares to leave the EU, several dimensions need to be carefully considered while deciding on the future framework of the U.K.-EU partnership. Much of the debate has been about whether the U.K. can retain its access to the EU single market after Brexit while curbing the freedom of movement of workers from other EU countries and drastically reducing its EU 'membership fee'. Whether this will happen remains to be seen, as curbing the inflow of migrant workers from other EU countries was the primary reason for the Leave vote.

Trade and investment linkages are equally important components of

this framework. For the city of London, for example, authorization to operate in the EU (known as passporting), will be crucial, because any financial intermediary wanting access to the single market will require separate regulatory consent once the U.K. leaves the EU.

Outlined below are six possible ways in which the future U.K.-EU relationship can be framed. How and when one of these options is finalized is dependent upon both the form of U.K.'s negotiations with the EU and its own domestic political structure.



Scenario I: Full EU Membership – An Extremely Soft Brexit

Referred to as the 'softest' form of Brexit, this scenario ensures U.K.'s continued access to the EU single market after its formal departure from the Union. This implies full free movement for goods, people, services and capital between the

EU and U.K., access to formal funding programs of the EU and application of EU rules in the U.K. However, this also means that the U.K. won't be able to make any separate third-party trade deals with other countries.¹²

Scenario II: Full Internal Market Participation, European Economic Area (EEA) and Norway Model – Moderately Soft Brexit

A moderately soft Brexit is similar to the Norway-EU model. It allows the free movement for goods, services, capital and people, substantial financial contributions from Norway and other EEA member countries, application of

EU internal market rules with little or no influence, along with the freedom to enter into third-party engagements with other countries.

Scenario III: Limited Movement of Services, Switzerland Model – Basic Soft Brexit

A basic form of soft Brexit is similar to the Switzerland-EU arrangement. This means non-tariff barriers for goods, access for services, financial contributions, no

influence over EU market rules, free movement for people and freedom to make third-party arrangements with other countries.

Scenario IV: Free Trade Agreement, Canada Model – Basic Hard Brexit

A basic 'Hard Brexit' implies the U.K.'s departure from the single market, with no tariff barriers for goods, limited access for services, no free movement for people, no

financial contributions, no application of EU rules in the U.K. and the freedom to make third-party arrangements with other countries.

Scenario V: Membership of the Customs Union – Moderately Hard Brexit

This means no tariff barriers for goods with an additional common external tariff, no free movement of people, no financial contributions,

no blanket application of EU rules with some limits on ability to make trade deals with third-party agreements.

Scenario VI: No Deal with EU – An Extremely Hard Brexit

Considered as the cleanest form of Brexit, a no-deal scenario will align U.K. to the World Trade Organization (WTO) rules, implying non-discriminatory access for goods relative to other WTO

members, no free movement for people, no financial contributions, no influence of EU rules, with the freedom to make third-party arrangements with other countries.

¹² The UK in a Changing Europe for Political Studies Association of the UK, Brexit and Beyond: How the United Kingdom might leave the European Union.

WHAT DOES THE JUNE 2017 ELECTION MEAN FOR BREXIT?

With the aim to seek a direct mandate for her plan to deliver a smooth British exit, May called a snap election to be held on June 8, 2017. However, her quest for a 'stronger mandate' was thwarted when the voters returned a hung parliament. The Conservatives remained the biggest party, winning 318 seats, with 326 needed to secure a majority, and losing 13 seats since the 2015 election. The Labour Party, led by Jeremy Corbyn, gained 30 seats since the 2015 election, securing a total of 262 seats out of the 650 declared.¹³

May has now sought the support of her new Northern Irish allies, the Democratic Unionist Party (DUP). Founded in 1971 by the late Rev. Ian

Paisley, the Brexit-supporting, pro-Union party will play a major role in the EU exit and the new parliament.

The surprise outcome of the June election and May's subsequent deal with the DUP has pushed the Brexit process into greater uncertainty. With the DUP insisting on a soft Brexit and greater investment in Northern Ireland in return for its support of a minority Conservative government, the road to Brexit can take any direction and form.

Here are a few political scenarios and the form Brexit could take under those based on our previous Brexit scenario analysis.



13. Article by Financial Times, Election results 2017: full list and map, June 12, 2017.

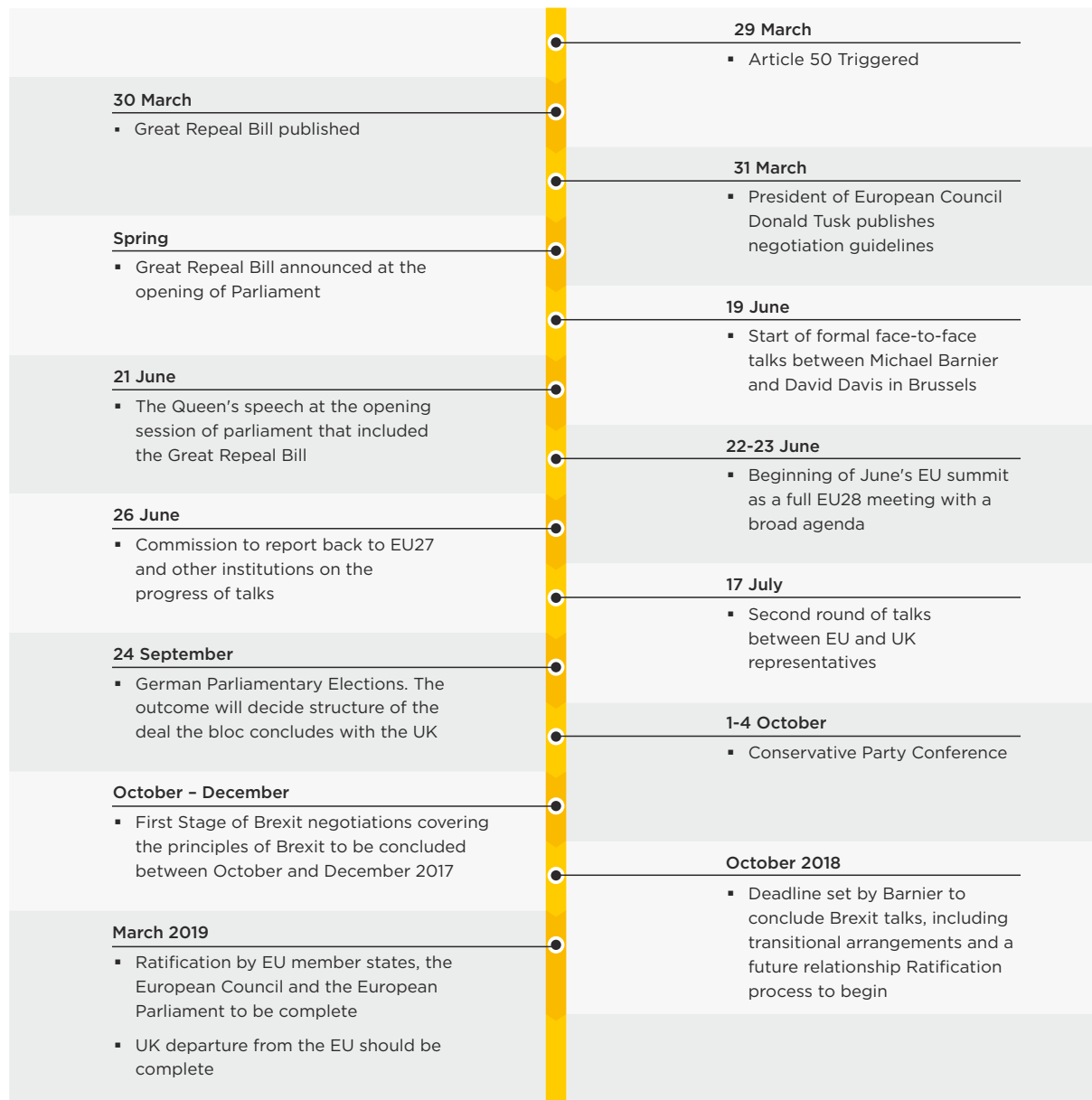
Exhibit 4

Political Scenario	Brexit Scenario	Gainers	Losers
<p>Theresa May manages to stay on as PM till March 2019 with support from DUP</p> <p>The DUP will continue to exert pressure on May for a soft Brexit.</p>	<p>Switzerland Model/Free Trade Agreement – Basic Soft Brexit</p> <p>Tariff-free movement of goods, limited access to services, free movement of people, freedom to engage in third party agreements</p> <p>UK’s new domestic legislation to come into effect.</p> <p>Independence from the European Court of Justice unlikely.</p>	<p>EU manufacturers who could sell to the UK without facing tariffs, such as those in automotive, pharmaceutical and aerospace industries</p>	<p>The Services sector, including Financial Services, would lose “Passports”, which confer the right to sell banking, insurance and other financial services, gaming, architecture and management consultancy services</p>
<p>Theresa May is forced to step down as PM</p> <p>Second General election brings the Conservatives to power under a new leader with parliamentary Majority.</p>	<p>Moderately Hard Brexit</p> <p>Membership of the Customs Union, with non-tariff barrier for goods, no free movement of people, no blanket application of EU rules with limits on ability to make trade deals with third party agreements</p> <p>UK’s new domestic legislation to come into effect</p> <p>Complete Independence from the European Court of Justice</p> <p>Extremely Hard Brexit – No Deal</p> <p>Will align UK to WTO rules with non-discriminatory access for goods relative to WTO members</p>	<p>Britain’s and Europe’s manufacturing sectors</p>	<p>Goods that do not conform to EU regulations and are subject to custom checks, Agriculture, Services Sector</p>
<p>Theresa May is forced to step down as PM</p> <p>Second general election brings the Labour Party to power</p>	<p>Extremely Soft Brexit</p> <p>Continued access to the Single Market</p> <p>Publish EU Rights and Protections Bill to ensure no detrimental change to worker’s rights, equality law, consumer rights or environmental protection</p>	<p>Financial Services to continue to sell using “passports”, food manufacturers, construction companies</p>	<p>Supporters of the “Leave” stand and those who wanted UK to take back control” from Brussels</p> <p>People in trades competing with European labour would face relatively unchecked EU immigration</p>

Source: The UK in a changing Europe, The Manifestos Uncovered; WNS DecisionPoint™ Analysis.

Exhibit 5

Brexit Timeline: Events from March 29, 2017 till April 2019



Source: House of Commons Library, Brexit Timeline: events leading to the UK's exit from the European Union; Financial Times, June 14, 2017

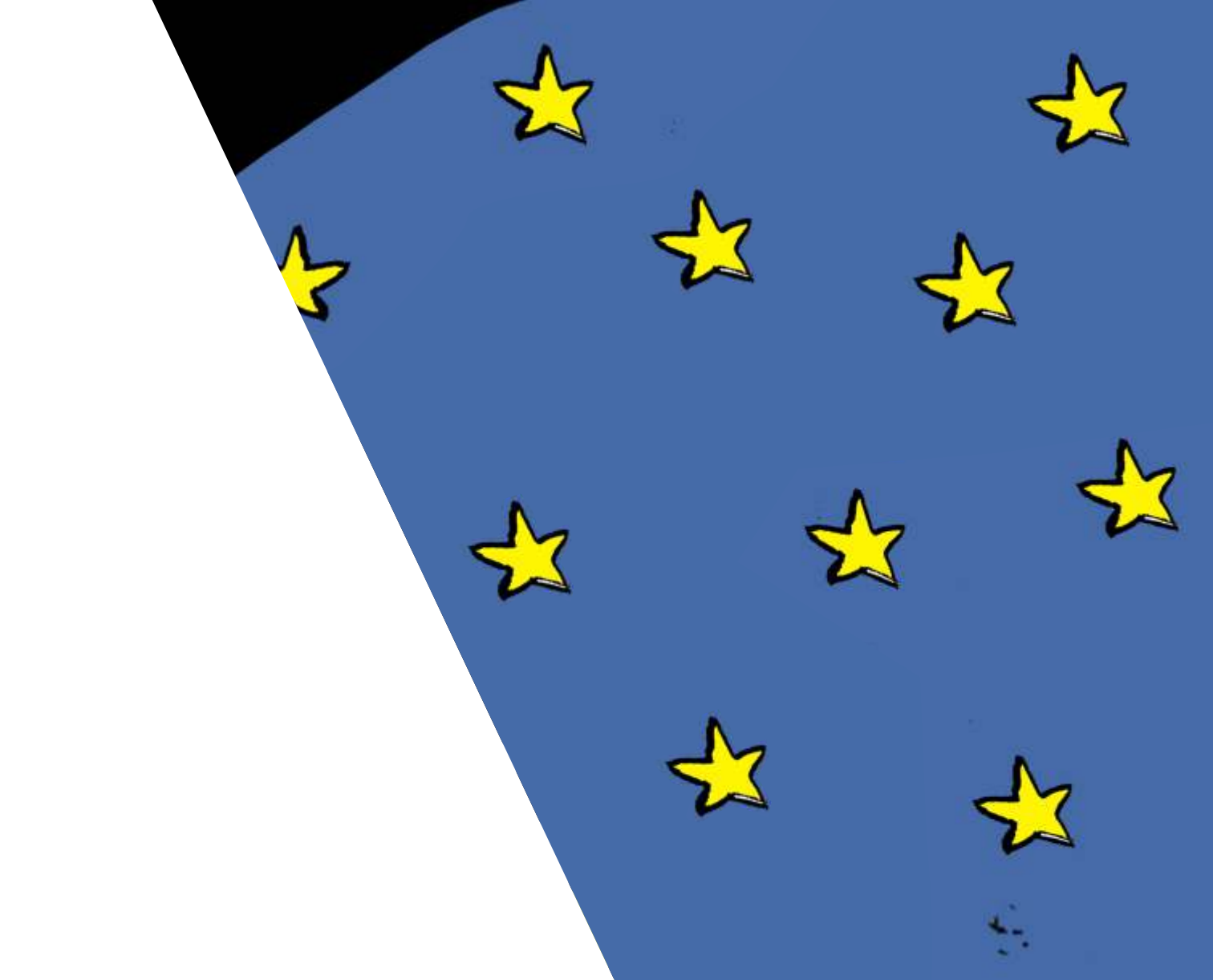
About

Making key decisions that improve business performance requires more than simple insights. It takes deep data discovery and a keen problem solving approach to think beyond the obvious. As a business leader, you ought to have access to information most relevant to you that helps you anticipate potential business headwinds and craft strategies which can turn challenges into opportunities finally leading to favorable business outcomes.

WNS DecisionPoint™, a one-of-its kind thought leadership platform tracks industry segments served by WNS and presents thought-provoking original perspectives based on rigorous data analysis and custom research studies. Coupling empirical data analysis with practical ideas around the application of analytics, disruptive technologies, next-gen customer experience, process transformation and business model innovation, WNS aims to arm you with decision support frameworks based on 'points of fact.' Drawing on our experience from working with 200+ clients around the world in key industry verticals, and knowledge collaboration with carefully selected partners including Knowledge@Wharton, each research asset comes up with actionable insights with the goal of bringing the future forward.

Copyright notice and disclaimer:

All materials and software published on or used here are protected by copyright, and are owned or controlled by or licensed to WNS (Holdings) Limited (WNS), or the party listed as the provider of the materials. UNAUTHORIZED COPYING, REPRODUCTION, REPUBLISHING, UPLOADING, POSTING, TRANSMITTING OR DUPLICATING OF ANY OF THE MATERIAL IS PROHIBITED. You may use it for personal, noncommercial and informational purposes, provided that the documents are not modified and provided you include the following copyright notice in such downloaded materials: © Copyright 2016 WNS (Holdings) Limited. All rights reserved. Some of the information contained herein is extracted from various publications and publicly available information of other companies on their website or other resources, and WNS makes no representation as to the accuracy or completeness of the information. WNS makes no representation that all information relating to these companies/WNS and its businesses has been included.



DECISIONPOINT™

— by WNS

A credible insights hub for companies looking to transform their strategies and operations by aligning with today's realities and tomorrow's disruptions.

Email: perspectives@wnsdecisionpoint.com
Website: wnsdecisionpoint.com



@WNSDecisionPt



WNS DecisionPoint



WNS