

Brexit FAQs – Last updated 5th November 2020

As the UK prepares to leave the EU, firms are required to provide their clients with information regarding the potential impact on the current services being supplied.

As per ESMA guidance, we have an obligation to “provide clear information to clients whose contracts and services may be affected” by the UK’s withdrawal from the European Union.

At present, all FAQ’s have been assessed and answered on the basis that there is a no-deal ‘Hard Brexit’ on the 31st December 2020.

A. Impact Assessment

Is there any material impact on your core services to UK clients?

In respect of our UK based clients, we do not envisage there being any significant impact or restrictions on the core services we provide across Execution, Corporate Brokerage & Research, or Business Services.

Will you still provide execution capabilities across the existing markets currently offered?

In the event of a no-deal or ‘Hard Brexit’, we may no longer be able to trade through our direct memberships of any EU27 markets including MTFs. As a contingency therefore, we are also trading on these venues indirectly via a panel of banks and brokers in parallel, giving us full business continuity. We envisage that our direct access to and memberships of UK regulated markets and MTFs will remain unaffected.

We are still awaiting further clarity in terms of the potential impact a Hard Brexit, and our lack of direct EU venue memberships, might have on our Market Making exemptions under the Short Selling Regulation, and we are investigating a range of options in relation to this.

Will there be any impact on your settlement capabilities?

We manage our own settlement in UK markets, and use the services of global custodians across other EU markets and US markets. We do not currently envisage there being any impact on our settlement capabilities.

Which clients will be impacted, if any? What about Equiduct clients?

Winterflood Securities Limited

The Atrium Building, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2GA

T+44 (0)20 3100 0000 F +44 (0)20 7623 9482 enquiries@winterflood.com STX 75419/75420 www.winterflood.com

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Any clients conducting direct business with us under an EU27 legal entity would no longer be able to trade directly with us in a 'Hard Brexit' scenario, unless their local National Competent Authority (NCA) and local laws permit it.

At present, we have arrangements in place which permit us to continue servicing existing clients based in Ireland, Belgium and Denmark, from 1st January 2021, in the event of a no-deal 'Hard Brexit' scenario.

It is expected that clients who currently trade indirectly with us on the Equiduct Exchange but facing a Central Counterparty, will no longer be able to trade with us, as we will no longer be able to remain a registered market maker on Equiduct, unless permission has been granted by BaFin.

What about Reverse Solicitation or the FCA's Temporary Permissions Regime (TPR)?

The TPR permits EU27 firms to continue 'passporting' their services into the UK during a transition period, but will not apply to UK firms, such as WINS, seeking to passport their services out of the UK and into EU27 markets – this will be at the discretion of the local NCA of each EU27 nation.

Our current understanding is that Reverse Solicitation may be available on an ad-hoc basis in some countries for one-off events where an EU27 firm needed to use the services of a specialist UK investment firm and hence a new trading relationship is required. We are currently seeking clarity on whether Reverse Solicitation can also be used for existing/established trading relationships.

What about trading and settling Irish securities?

On 1st March 2019 the European Securities and Markets Authority (ESMA) announced that, in the event of a no-deal 'Hard Brexit' they would recognise Euroclear UK & Ireland (Crest) as a third-country CSD in accordance with Article 25 of the EU CSD Regulation.

This ensures that we will be able to continue our Irish securities trading and settlement services until 30th March 2021 in a no-deal 'Hard Brexit' scenario. Thereafter, the Irish securities will have been migrated to Euroclear Bank as its Issuer CSD. Please follow the link in section E for further information.

B. Action Plan

How will you continue to provide execution services in EU27 markets?

Winterflood will continue to offer principal liquidity and execution services to UK firms in EU27 listed securities, continuing to report trades 'On-Exchange' to the London Stock Exchange as we do now.

To mitigate the risk of no longer being able to access certain EU markets directly ourselves, we have invoked a contingency plan which allows us to also trade indirectly via a panel of banks and brokers as we do in other markets where we have no direct membership at present e.g. US and Canadian markets.

We are still awaiting further clarity in terms of the potential impact a Hard Brexit, and our lack of direct EU venue memberships, might have on our Market Making exemptions under the Short Selling Regulation, and we are investigating a range of options in relation to this.

What other actions are you taking, if any?

At present, given the lack of clarity regarding the UK's withdrawal from the EU, all efforts are focused on maintaining our services in a 'Hard Brexit' scenario.

We continue to monitor for any further relevant TPR-style arrangements between the EU27 Nations and Third Countries including the UK and will communicate with impacted clients accordingly, when and if greater certainty is achieved.

C. Corporate Structure

Do you envisage there being any changes to the current Corporate Structure of Winterflood?

Winterflood is a single UK legal entity with no legal entities established in any other EU27 countries, and we currently have no plans to create any. Our Legal Entity Identifier remains the same - **8BRUP6VIDX3PIG2R0745**

D. Legal Contracts

Do you plan to make any changes to existing legal agreements or other contractual arrangements?

We may make changes to our existing client terms of business to clarify how our UK contracts will be constructed, adjudicated and enforced in a post Brexit world, although we currently anticipate that these changes will be largely interpretative in nature.

For any EU clients, amendments may also be required to reflect any changes to how the services will be performed or that we may require to assist us in the transfer of any personal data between the UK and EU and/or to reflect any relevant local legal or regulatory obligations.

Where terms are in place with EU27 parties however, and under a 'Hard Brexit' with the absence of suitable TPR style relief or equivalence, we would cease to provide services and such terms/contracts would cease due to our inability to provide the service in compliance with applicable law.

E. Useful Resources

For further information, please see the following dedicated micro-sites:

<https://www.fca.org.uk/brexit>

<https://www.fca.org.uk/firms/preparing-for-brexit/uk-participants-wholesale-markets>

<https://www.esma.europa.eu/search/site/brexit>

<https://www.gov.uk/government/brexit>

<https://www.bankofengland.co.uk/eu-withdrawal>

<https://www.euroclear.com/about/en/regulatorylandscape/Brexit/Irish-corporate-securities-migration-update.html>

F. Contact Information

If you have any specific questions regarding the impact of Brexit on your relationship with Winterflood, please contact us on the following email address: Brexit@Winterflood.Com

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