



How ABN AMRO Bank N.V. is planning for Brexit

Dear Client,

With discussions about a Brexit deal ahead of the next European Council meeting (mid-November 2018) intensifying, we would like to inform you of our own preparation for the UK's withdrawal from the European Union in March 2019.

ABN AMRO is well placed to support you as the UK exits the EU, despite ongoing uncertainty around the regulatory and political environment post-Brexit. As a European bank, headquartered in Amsterdam with a primary focus on the Netherlands and with selective operations internationally in chosen areas of expertise, we have the resources and infrastructure in place to ensure the continuity of our services in Europe and beyond, whatever the outcome of the EU/UK negotiations.

Given our current set-up with all of our core capabilities in the Netherlands, we do not need to create any new legal entities to continue carrying out banking activities in the EU single Market. Irrespective of the outcome of the Brexit negotiations, ABN AMRO remains committed to minimising any potential disruption for you, our client, our activities and our staff. We have the capacity to adjust quickly as the Brexit negotiations reach the final stages and as circumstances dictate.

Currently there is no need for you to take any action with respect to our plans. We do recognize the current state of talks gives rise to numerous questions. In relation to the services we offer, we have established an informative hand-out we believe could be of value to you. As we get more clarity on progress of the negotiations and potential impact on our operations, we will update our communication.

With this letter we would like to take the opportunity to affirm our commitment to you and to developing solutions in line with your evolving needs as the UK prepares for an exit from the EU.

Yours sincerely,

Hugo Peek
CEO EMEA
Corporate & Institutional Banking

Vincent Goedegebuure
CEO Global Markets
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The facts –what you need to know¹

ABN AMRO N.V. Amsterdam is the global booking hub for Global Markets. Corporate & Institutional Banking (CIB) and all business originated in the UK is booked here.² There will be no change of legal entity, no additional KYC, and our product offering will remain the same. There may, however, be things that affect you directly rather than because of us yielding regulatory, tax, operational and financial implications which you may wish to consider.

Main issues

- ▶ **Loss of passporting rights.** Post-Brexit, we expect to lose our existing passporting rights and can no longer conduct regulated business in the UK without the appropriate local authorisations. Our focus has been to secure these authorisations from the UK regulators so as to continue to provide financial services to our client base post-Brexit. To that end, we have prepared and submitted an application for a third country branch licence for ABN AMRO Bank N.V. in the UK. This will allow us to continue providing services from our UK Branch and also to UK clients from our head office in Amsterdam. We have also prepared contingency plans which have been submitted to the UK regulators and the ECB to ensure that we are well prepared if the UK and EU fail to agree a withdrawal agreement.
- ▶ **Mutual recognition.** From the start, the preferred outcome for the UK government was to establish a system of 'mutual recognition', whereby both parties would agree to maintain comparable rules and respect each other's findings as binding in their own territory. For the financial sector, this would have meant the establishment of a bilateral body that would jointly agree on the objectives. This option no longer seems to be on the table.
- ▶ **Equivalence.** This provides a relatively straightforward way of facilitating cross-border business. In relation to particular financial services or products the EU can determine that the regulatory and supervisory framework in a particular jurisdiction is equivalent to that of the EU. If this is the case, financial institutions from this jurisdiction are permitted to conduct cross-border business. Given that UK and the EU start from a position of full regulatory convergence, this could provide the means by which firms established in the UK could operate cross-border, post-Brexit. The UK government's 'Chequers Proposal' acknowledges that equivalence is likely to be the foundation of future UK-EU financial services agreements, with the UK seeking full regulatory equivalence for the financial services industry and an expansion of the EU's current equivalence regime to cover a fuller range of financial services than present.
- ▶ **UK Temporary Permission Regime (TPR).** The UK Government has announced that, if necessary, it will introduce a temporary permissions regime for inbound passporting EEA firms and funds. If there is no bilaterally agreed transition period and the passporting regime falls away when the UK leaves the EU in March 2019, this temporary permissions regime will allow EEA firms to continue to operate in the UK for up to three years whilst they obtain permanent UK licences.

¹ Excludes ABN AMRO Clearing Bank

² As part of our Commercial Banking business, our International Desk also accepts deposits in the UK.

ABN AMRO's approach

Our Approach

- ▶ We will maintain Amsterdam, our head office, as the global booking hub for the majority of Corporate and Institutional Banking activities, including all of our UK Business.
- ▶ ABN AMRO is applying to the PRA and FCA for authorisation as a "third country branch" in the UK. This will grant us a temporary permission until the UK regulators are able to assess our application for a permanent licence.

Why

- ▶ Post-Brexit, we expect to lose our existing passporting rights and we can no longer conduct regulated business in the UK without the appropriate UK authorisations.

Engagement

- ▶ Where we see cause of concern we will contact clients pro-actively.
- ▶ For specific queries, please contact your ABN AMRO relationship manager who will engage with the appropriate subject matter expert and come back to you.

Impact

- ▶ We do not contract with clients or book any products in our UK Branch therefore there will be no change in your contractual counterparty.
- ▶ Booking models will remain the same and most bookings will continue to be booked in the Netherlands.
- ▶ Contract continuity is closely linked to current financial services passporting rights falling away and securing the necessary authorisations from the UK regulators to continue to provide financial services in the UK. Because we are a Dutch bank and we provide all services out of the Netherlands we will continue to benefit from our passport within the EEA. We also expect to be able to continue to perform all our contracts with UK counterparties thanks to the UK temporary permissions regime.
- ▶ The GDPR permits transferring personal data to non-EEA countries if the European Commission has decided that the country ensures an adequate level of protection for personal data or if other appropriate measures are in place. We already have Binding Corporate Rules within ABN AMRO which incorporate appropriate safeguards and permit us to transfer personal data within our Group. In the event that the Commission does not decide the UK offers adequate protection we will put in place contractual measures in relation to our suppliers that are located or store personal data outside the EEA to ensure any personal data relating to clients or their employees are appropriately protected.

How will our relationship change?

Products

- ▶ There will be no change to the current product offering to you.
- ▶ ABN AMRO will continue to provide our services from one unified platform to our global client-base from within the EU, on the whole, under the same agreements and governing law as currently in place with our clients.

Contractual Terms

- ▶ Contract continuity is closely linked to current financial services passporting rights falling away and securing the necessary authorisations from the UK regulators to continue to provide financial services in the UK. An analysis is ongoing as to how risks to contract continuity can be mitigated completely, or whether some repapering may be necessary.
- ▶ ABN AMRO reaffirms the statement as expressed by ISDA concerning a period of 21 months of no change, after post Brexit.

Legal Entity

- ▶ The UK branch is a branch of ABN AMRO with its head office in Amsterdam.
- ▶ Your counterparty is and will remain ABN AMRO. This represents no change from the counterparty that you transact with today.

Clearing

- ▶ ABN AMRO at present operates out of an EEA entity and already provides execution and clearing access to EU and international exchanges and Central Counterparties (“CCPs”).
- ▶ While the situation for EEA entities accessing UK exchanges and CCPs remains uncertain we are implementing contingency plans to ensure continued execution and clearing access.

Credit and Market Risk

- ▶ There is no change in credit and market risk.
- ▶ Your credit risk currently is to ABN AMRO and will remain so.
- ▶ No new credit approvals will be required as the legal entity has not changed. This does not apply in case you change your legal entity (eg. by moving to an EU subsidiary/affiliate).

KYC

- ▶ No additional KYC requirements. As a client you are already onboarded with ABN AMRO and there will be no additional KYC requirements for the foreseeable future. Should you want us to onboard any new entity the usual requirements will apply.