

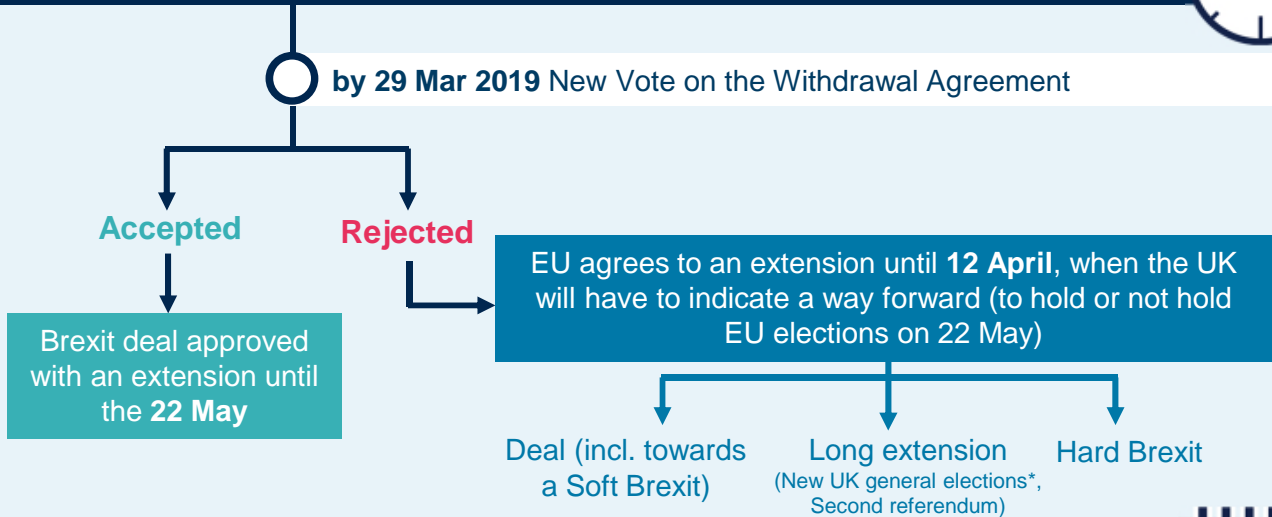


### Recent Brexit events

- 25 Nov 2018** EU/UK agreement on a Brexit deal (UK PM Teresa May's deal)
- 15 Jan 2019** First House of Commons rejection of May's deal
- 12 Mar 2019** Second rejection of May's deal (despite some last minute reassurance on the Irish backstop from the EU)
- 13 Mar 2019** Rejection of a "no deal" Brexit by the House of Commons
- 14 Mar 2019** Approval by the House of Commons to request an extension
- 21 Mar 2019** EU Summit – Agreement on two scenarios for a possible extension



### Brexit countdown, the new cliff-edge is 12 April



### Brexit calendar: key dates to watch

- 12 April** New deadline
- 18 April** EU Parliament dissolved (no possibility to ratify a deal by 2 July when the new one begins)
- 23-26 May** European Parliament elections

Notes: source BBC. \*General elections: the PM does not have the power to call a general election, but can ask MPs to vote for an early election under the terms of the Fixed Term Parliaments Act. Two-thirds of all MPs would need to support an early election. The earliest date for the election would be 25 working days later, but it could be after that: it's up to the prime minister to decide the precise date. Second Referendum: Calling a referendum is a complex and lengthy process, experts at University College London's Constitution Unit suggest that the minimum time for all of the required steps above is about 22 weeks.

# BREXIT UPDATE

Uncertainty remains, with all options still on the table



## Scenarios ahead and related probabilities



### SCENARIO 1

Deal by 29 March

- **Rationale:** 'Hard' Brexiteers may prefer to approve a deal if the alternative is the risk of a long extension and participation in May EU elections. Some opposition parties' MPs may also approve the deal or abstain.
- **UK leaves the EU and enters a transition period**, retaining its access to the European Single Market at least until the end of 2020.
- **There will be an extension to 22 May** for the EU parliament to ratify the withdrawal agreement and the UK Parliament to pass the necessary laws to leave the EU.

### SCENARIO 2

Short extension decided by 12 April and deal approved by 22 May

- Reaching the new deadline of 12 April without a deal, **the UK asks for an extension of Article 50 to 22 May** (i.e. the UK does not participate in the EU elections in May).
- The **option of a long extension will automatically become impossible** and may force both parties to reach an agreement to avoid a no-deal exit.
- MPs could consider new options (e.g. Norway + customs union) that may require changes to the political declaration while remaining compatible with the Withdrawal Agreement and acceptable by the EU.

Market relief

20%

30%

Probabilities

Markets pressure may persist until the deadline

### SCENARIO 3

Long extension (at least to end-2019) decided by 12 April

- **In case the deal is still not approved (with PM Theresa May probably leaving)** as the new deadline of 12 April approaches, the UK could ask for a longer extension to seek new elections or a second referendum.
- **UK would take part in the EU Parliamentary election** in May (23-26).

Uncertainty approaching the new deadline (12 April), followed by market relief if a long extension is secured

30%

20%

### SCENARIO 4

No deal

- **The UK exits the EU without (or with only a very limited) transition regime.**
- **Many sub-scenarios:** an outright "default" to a WTO regime is a risk, but mitigation measures ("managed no-deal" and "deals under no-deal"), may be agreed.
- Negative impact on EU GDP growth with differences across countries (Ireland would be the worst hit, followed by countries well integrated in international supply chains).
- Extreme uncertainty concerning the Irish border issue.

Not fully priced-in by the market, negative for EU equities and GBP

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