

Private Capital Markets

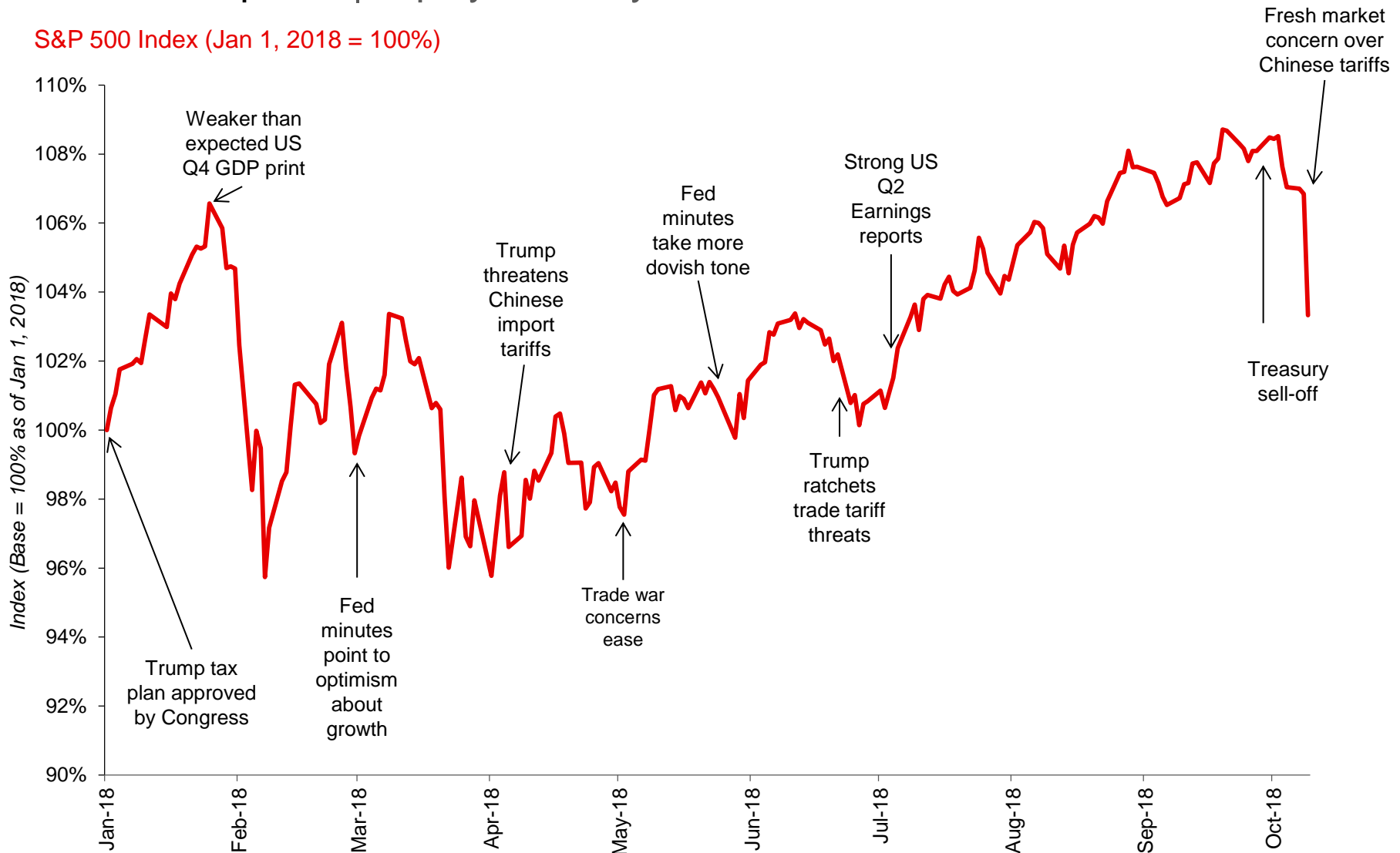
Conrad Owen, Head of Private Capital Markets
MUFG Securities

October 2018

Broader Market Themes

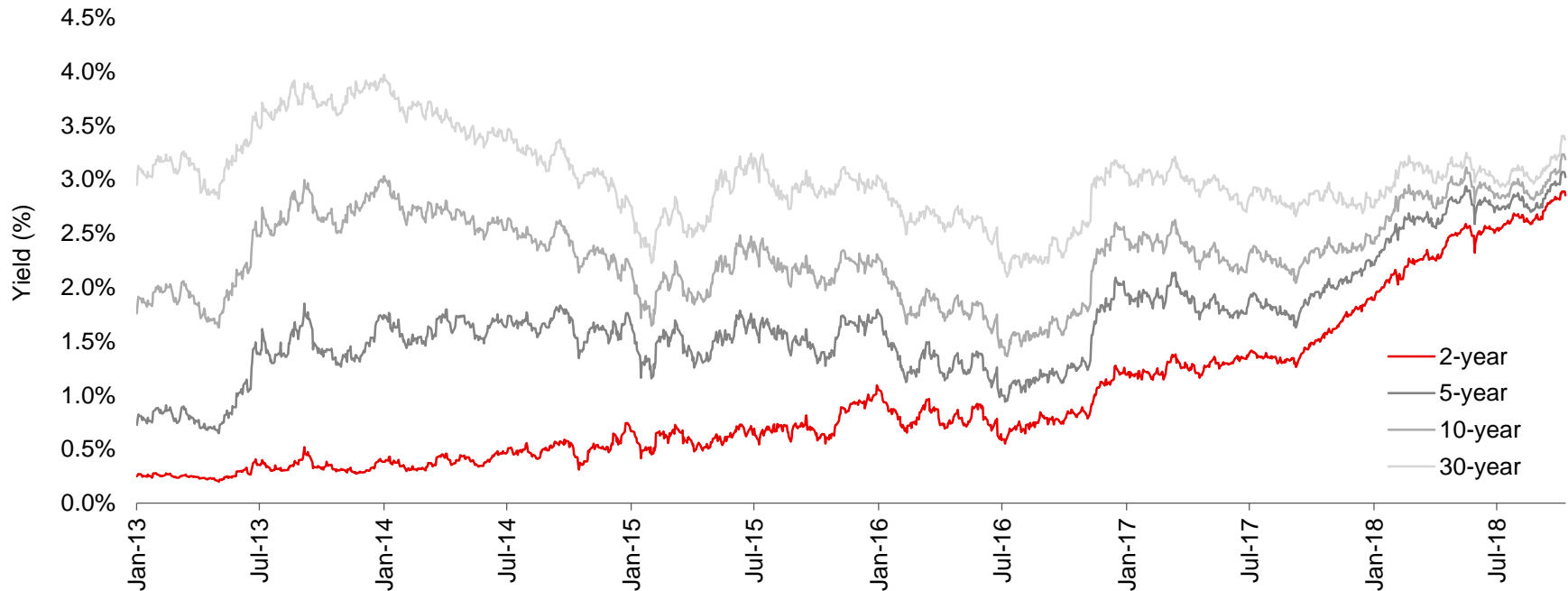
Market Snapshot | Equity Volatility

S&P 500 Index (Jan 1, 2018 = 100%)



Source: MUFG, Bloomberg as of October 10, 2018

Market Snapshot | Flattening Yield Curve



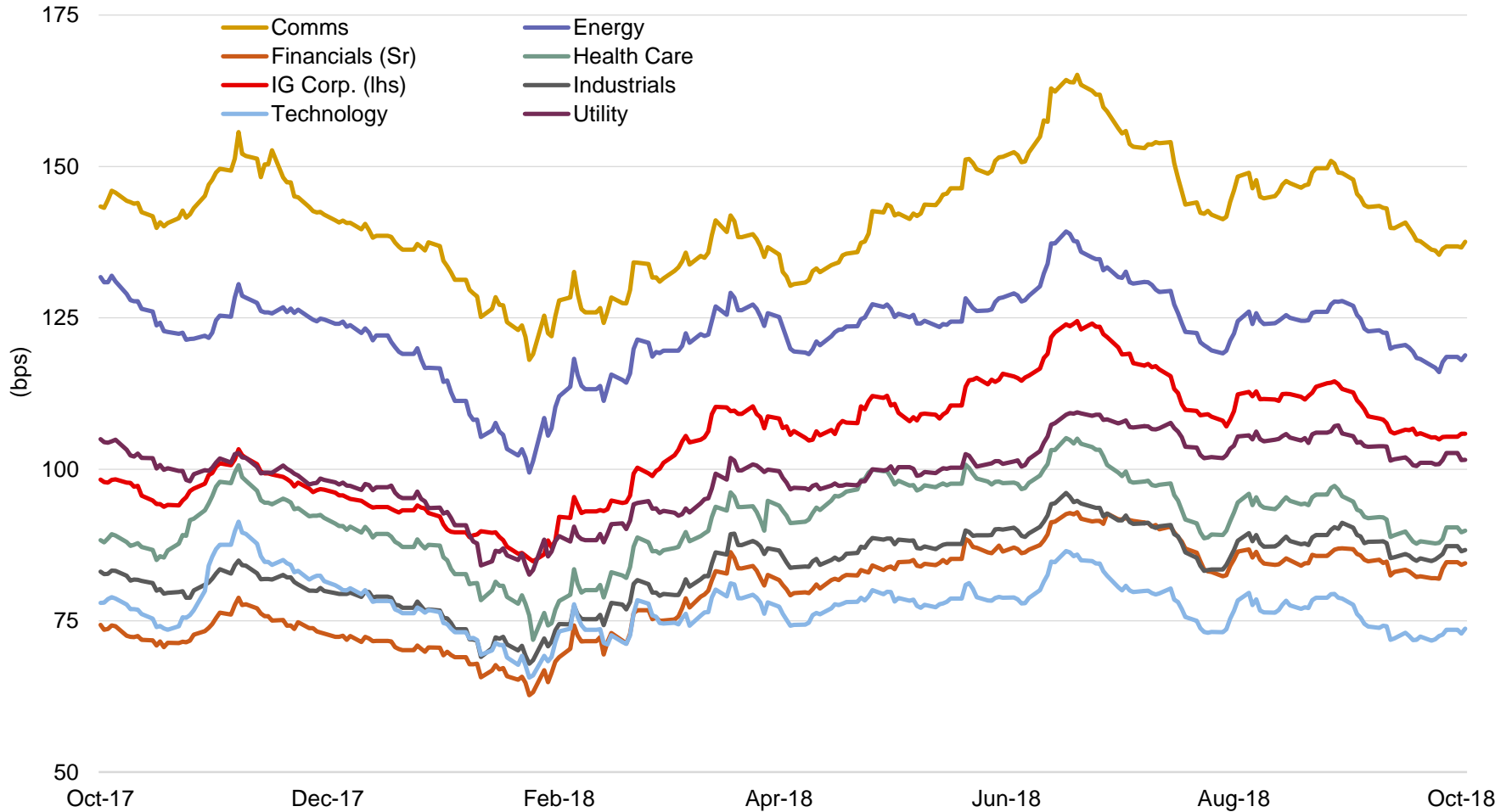
MUFG Rate Forecast

Quarter End	2YR	5YR	10YR	30YR
Q4-2018	2.92%	3.05%	3.15%	3.30%
Q1-2019	2.95%	3.07%	3.12%	3.27%
Q2-2019	3.03%	3.11%	3.18%	3.32%
Q3-2019	3.10%	3.17%	3.23%	3.35%
Q4-2019	3.18%	3.22%	3.29%	3.33%

Source: MUFG, Bloomberg as of October 10, 2018

Market Snapshot | Credit Markets

Credit Spreads have Retreated from Peaks

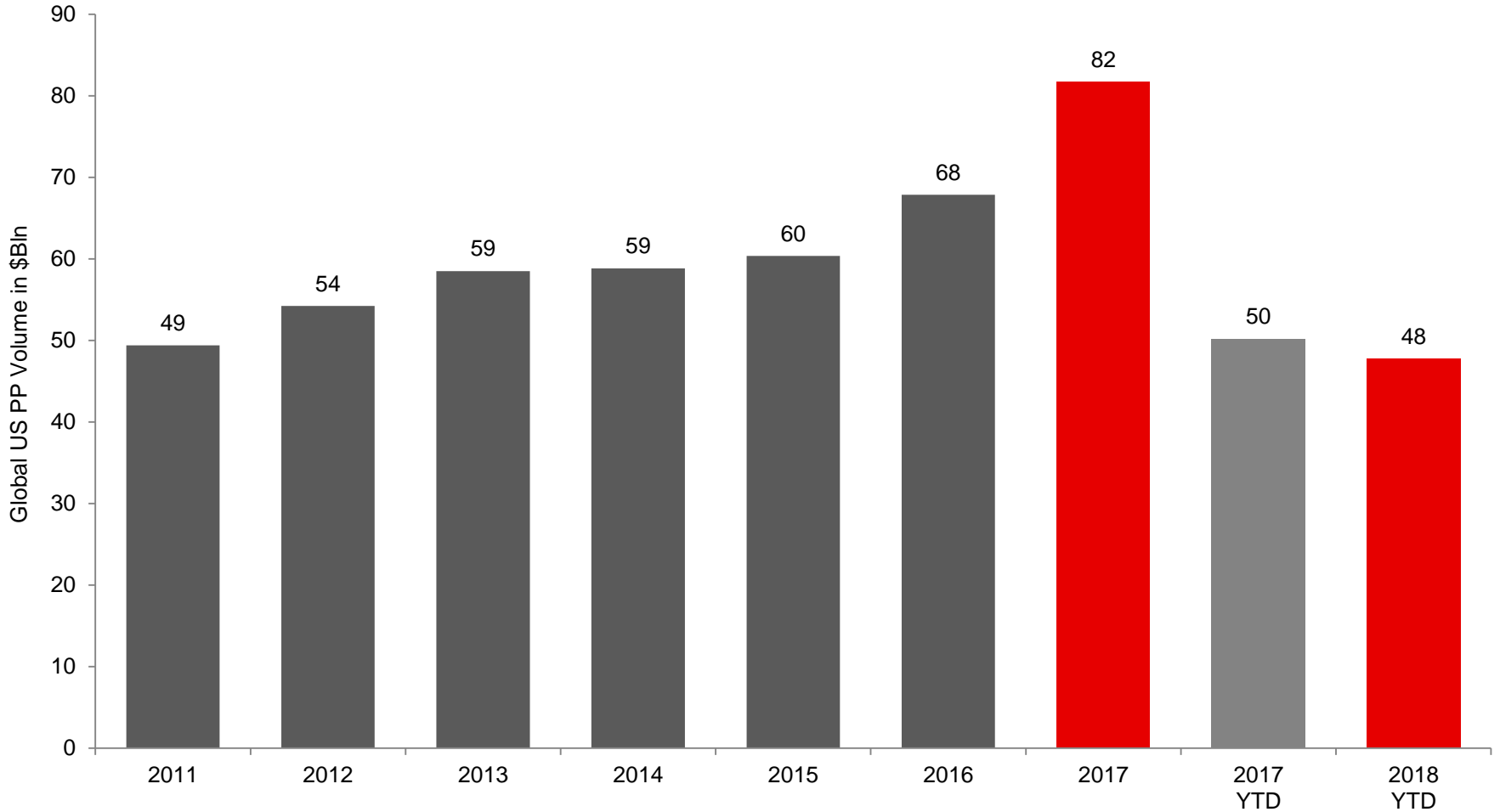


Source: MUFG, Bloomberg as of October 10, 2018

Private Placement Themes

Market Snapshot | Private Placement Volume

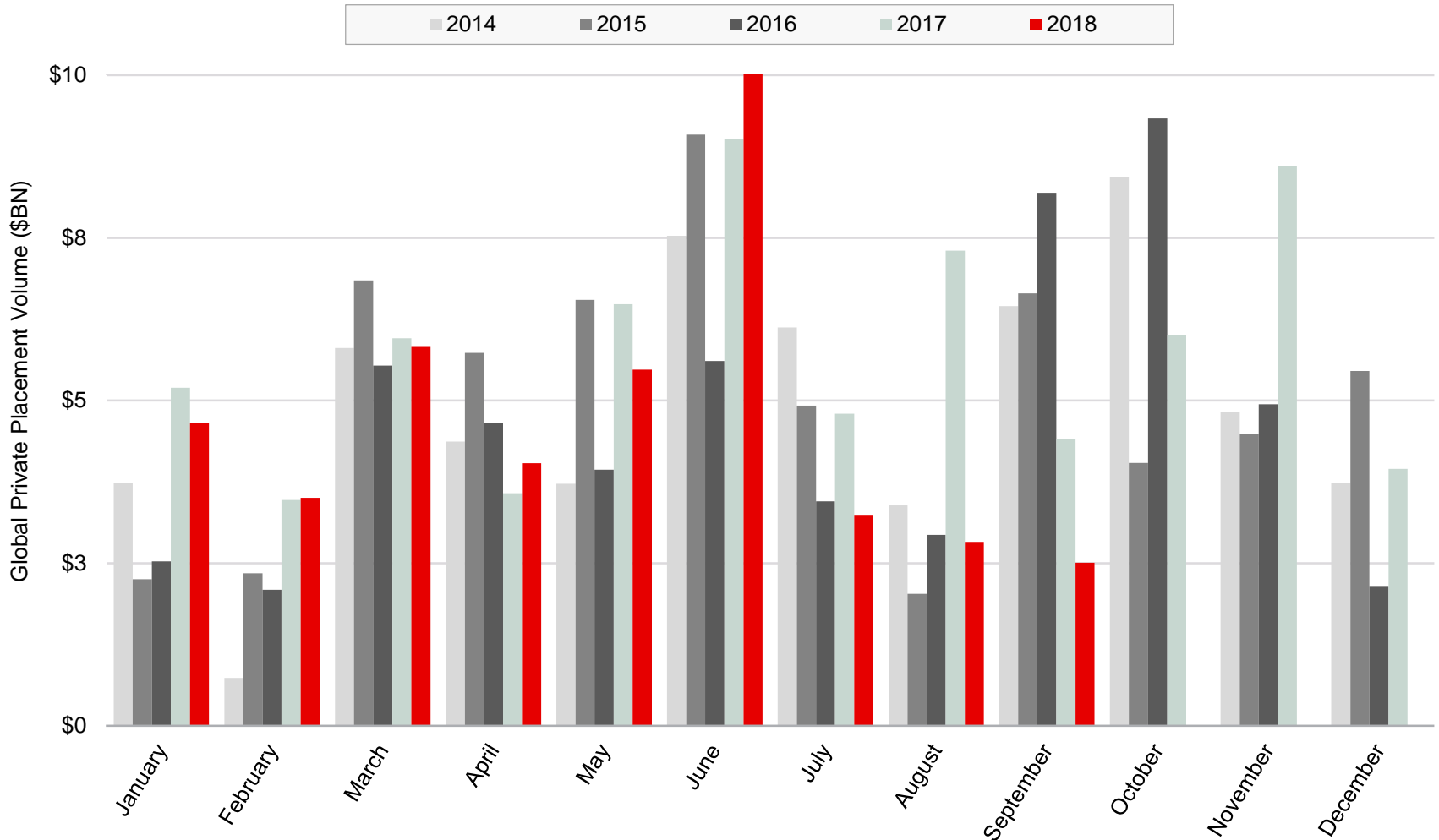
Volumes Are Relatively Flat vs. 2017



Source: MUFG, Private Placement Monitor

Market Snapshot | Private Placement Volume

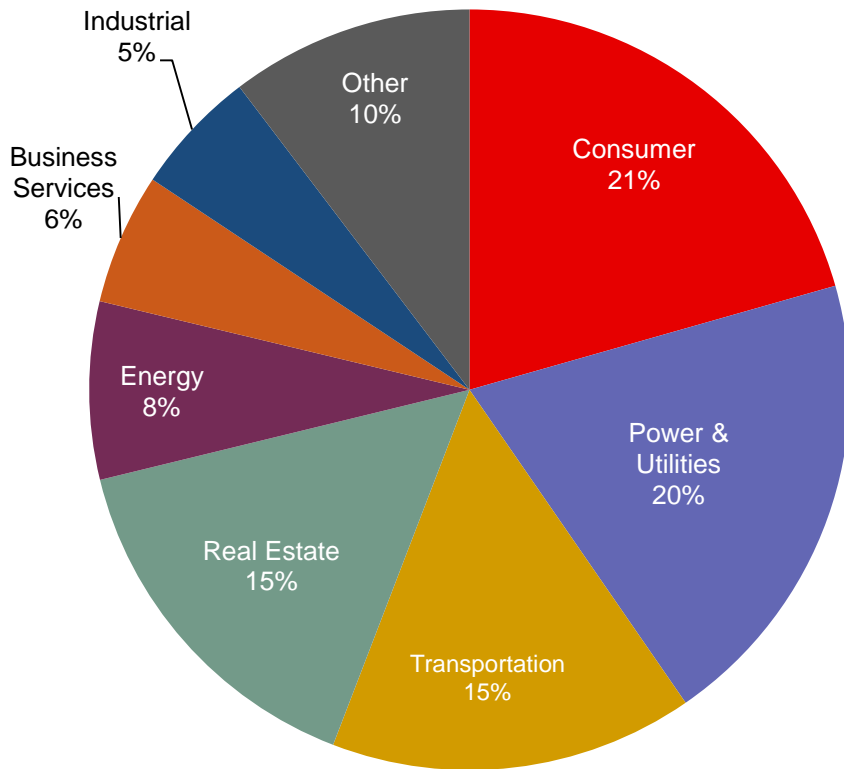
Summer Remains the “Busy” Season for Private Placement Issuance



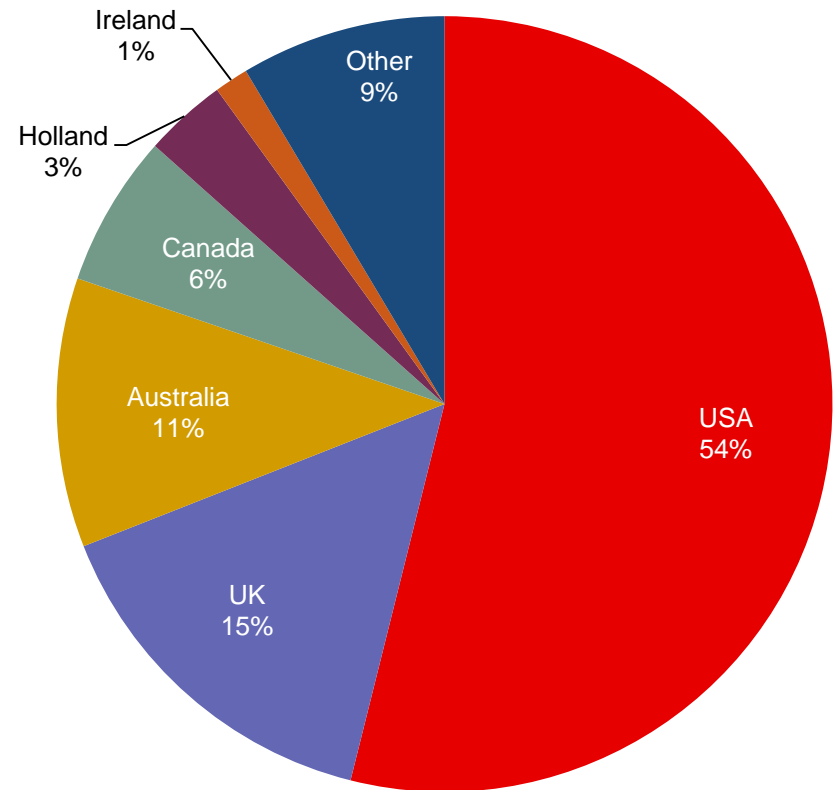
Source: MUFG, Private Placement Monitor

Market Snapshot | Private Placement Volume Breakdown

2018 H1 Volume by Sector



2018 H1 Volume by Country



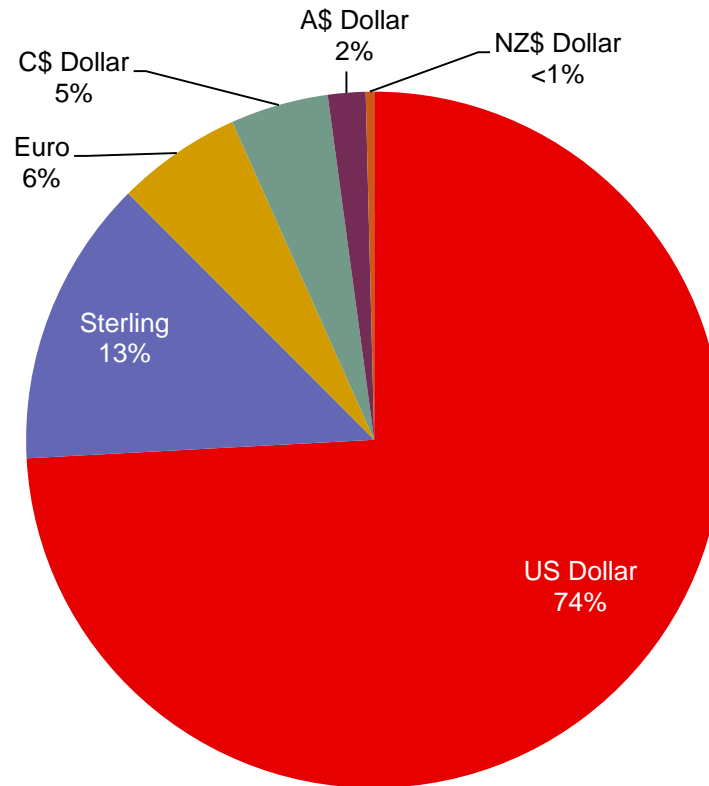
Consumer, Utilities, Transportation, and Real Estate were the largest sectors by volume accounting for 71% of all Private Placement issuance

Cross-border issuance represented 46% of supply in 2018 H1, which is slightly up vs. 42% in 2017

Source: MUFG, Private Placement Monitor

Market Snapshot | Private Placement Volume Breakdown (cont'd.)

2018 H1 Volume by Currency












Foreign-currency denominated transactions accounted for ~26% of H1 2018 volume (primarily across GBP and EUR), up from 24% in 2017

Source: MUFG, Private Placement Monitor

Private Placement Global League Table (First 9 Months 2018)

Dealogic Rankings

Rank	Agent	Amount (MM of \$)	No. of Issues	% Share
1	 Bank of America Merrill Lynch	\$6,113	32	17.7%
2	 MUFG	\$5,039	24	14.6%
3	J.P.Morgan	\$4,817	31	13.9%
4	 citi	\$4,220	21	12.2%
5	 NatWest Markets	\$2,606	17	7.5%
6	 BARCLAYS	\$1,572	11	4.6%
7	 WELLS FARGO SECURITIES	\$1,296	7	3.8%
8	 usbancorp	\$1,215	14	3.5%
9	 LLOYDS BANKING GROUP	\$1,060	12	3.1%
10	 SMBC SUMITOMO MITSUI BANKING CORPORATION	\$799	5	2.3%
Total Market		\$34,534		

Source: MUFG, Dealogic

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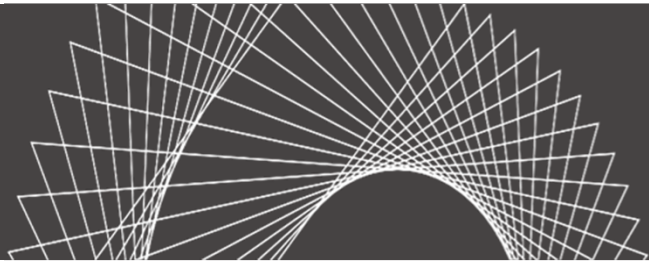
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Brexit: overview and legal impact



Akin Gump
STRAUSS HAUER & FELD

ACIC Conference – 18 October 2018

Sam Brodie

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Introduction

- Summary
- Impact on legal matters
- Outlook

What is Brexit?

- UK is currently a member of the European Union (**EU**):
 - Tariff-free trade between the UK and the EU
 - The single market: free movement of goods, services, people and capital
 - Financial contribution to the EU budget
 - Follow EU laws and regulations
- Brexit is a withdrawal from that membership
- Article 50 of the Treaty on the European Union:
 - Notice to withdraw given on 29 March 2017
 - "Exit Date" is 11pm (UK time) on 29 March 2019 – UK formally leaves the EU

Withdrawal Agreement

- Article 50 requires a **withdrawal agreement** to be signed by the Exit Date
- The withdrawal agreement will set out:
 - financial settlement between the UK and the EU
 - the rights of EU and UK citizens
 - the "backstop" arrangements for the border between the Republic of Ireland and Northern Ireland
 - transitional arrangements until December 2020
- Needs to be approved by the UK Parliament, the European Parliament and the EU Council
- Otherwise there will be a "No Deal" or "hard" Brexit

Transition Period

- If the withdrawal agreement is signed, there will be a transition period from 29 March 2019 to 31 December 2020
- During this period the status quo in relation to the application of EU law in the UK will be maintained
- EU law will continue to have direct effect in the UK
- UK will not be represented or participate in EU institutions
- Purpose:
 - to give governments and businesses plenty of time to get ready for the new UK/EU relationship
 - to agree what that new relationship is

Future Relationship

- Withdrawal agreement expected to contain a **non-legally binding political declaration on the future relationship** between the EU and the UK
- "Brexit" will legally occur on Exit Date, but the terms of the EU/UK relationship will be negotiated, agreed and implemented during the transition period
- The future relationship?
 - Chequers plan
 - Canada plus
 - Norway plus

No deal

- If no withdrawal agreement signed by the Exit Date?
 - Do nothing:
 - Fall back on WTO rules
 - A recipe for chaos?
 - Or a viable and even preferable alternative?
 - The "legal issues" will become immediate
- OR**
- Seek an extension to Article 50: would require the unanimous consent of the EU Council
- If the future relationship is not agreed by December 2020?
 - Seems unlikely if a withdrawal agreement has been agreed
 - An extension to the transition period would require unanimous agreement of the UK and the EU 27 member states

Legal impacts – Withdrawal Act 2018

- The European Union (Withdrawal) Act 2018 – already passed
- Three main components:
 1. "Take back sovereignty" by ending the overriding role of EU law in the UK's legal system
 2. Import into UK law most of the EU law that applies to the UK immediately before Exit Date
 3. Amend the imported EU law to correct inevitable technical deficiencies

Legal impacts – Choice of Law / Jurisdiction

- Post-Brexit, should English law be chosen?
 - Clear, fair and predictable
 - Yet flexible enough to deal with commercial and economic developments
 - Rome I and Rome II
- What about jurisdiction of the English courts?
 - UK has a strong and incorruptible judiciary: highly experienced lawyers, with commercial expertise
 - Cases heard swiftly and efficiently

Legal impacts – Choice of Law / Jurisdiction

- The recognition and enforcement of English judgments in the EU
 - The Brussels I Recast Regulation requires EU courts to enforce UK judgments, and vice versa
 - After the transition period or a "hard" Brexit, Brussels I Recast Regulation will fall away
 - Thereafter, English judgments will be enforceable in other EU countries under the rules each country applies to enforcement of non-EU judgments (as is currently the case for judgments of the NY courts)
- Political will to continue the regime across the EU and the UK
- The EU and the UK will both benefit from the continued reciprocal recognition of judgments
- Even without a future, reciprocal agreement, there are existing conventions and laws in place which provide for mutual recognition

Legal impacts – Insolvency

- EU Insolvency Regulation – currently provides for an automatic and reciprocal framework of rules across the EU relating to insolvency proceedings
- If, post-Brexit, this ceases to be effective or an equivalent regime is not put in place:
 - Insolvency practitioners appointed to UK companies would no longer be **automatically** recognised in the EU
 - Recognition of UK insolvency proceedings in the EU would depend on the private international rules of the relevant EU Member State
- May make UK restructurings and insolvencies less certain in outcome and more dependent on the practices/discretions of courts in individual EU states
- Recognition of UK Schemes of Arrangement may be affected by the loss of the Brussels I Recast Regulation
- But there are solutions...

Legal impacts – Passporting

- Currently UK based and regulated banks and financial firms can provide a range of financial services in the EU; the same applies to EU regulated firms operating in the UK
- These "passporting" rights will be lost following a "hard" Brexit or after the transition period if no equivalent regime is put in place
- This would affect UK/EU banks and financial firms ability to provide financial services in the EU/UK, such as derivatives and insurance contracts
- UK/EU banks and financial firms may need to set up subsidiaries in the EU/UK if they want to continue to provide financial services
- **However**, UK regulator will introduce temporary permissions and regimes to allow EU firms to continue business in the UK for a limited period after Brexit
- Currently no reciprocal "temporary permissions" being proposed by the EU

Legal impacts – Derivatives

- **Contractual Continuity**

- This is not an issue about whether existing derivative contracts will continue to be enforceable post a "hard" Brexit
- The ability to perform important "lifecycle events" under existing derivative contracts because of loss of passporting rights
- These lifecycle events may constitute regulated activities in the EU triggering, in the absence of passporting, a local licence requirement for the relevant UK counterparty
- Creates uncertainty as to how UK counterparties can run off legacy portfolios post a "hard" Brexit
- Certain UK firms have made preparations to novate their existing derivatives to EU affiliates but there are significant practical challenges with this approach

- **Central Counterparties (CCPs)**

- UK CCPs (e.g. LCH and euro-denominated derivatives) no longer able to provide clearing services to EU derivative participants
- EU counterparties may no longer be able to continue as clearing members of UK CCPs and may have to make alternative arrangements to transfer to EU CCPs
- Price volatility and execution costs
- Unprecedented complexity and operational risk if legacy transactions have to be migrated to EU CCPs

Concluding remarks

- **EU dynamic:**

- Negotiations have been protracted and difficult: "nothing is agreed until everything is agreed"
- A recent thawing of positions and rhetoric
- Political will between the UK and EU negotiators to agree a withdrawal agreement; discussions on the future relationship
- Political fatigue

- **Domestic situation:**

- Weak Prime Minister; divided Conservative party
- Slender Conservative party majority; opportunistic Labour party
- But, the fear of another election (the "Corbyn factor") and the spectre of a failed Brexit may be prove helpful

- **Practicalities:**

- Practical realities over political agendas: the stakes seem too high not to agree a withdrawal agreement and other "hard" Brexit contingencies on key issues (e.g. derivative trading; passporting)
- However, a lot has to fall into place in a short period of time for a withdrawal agreement to be agreed; a "no deal" Brexit is the default option

- **Myths debunked:**

- English law will not be upended (although expect legal opinions to change)

Key events: 18 October 2018 - 31 March 2019

Date	Event
18 – 19 October 2018	Meeting of the EU leaders at the European Council in Brussels
18 November 2018	Another European Council summit to finalise a Brexit deal, if that still seems feasible
13 December 2018	Final European Council summit. This is seen as the last chance to finalise a deal
December 2018/January 2019	European and UK Parliaments will vote on the Withdrawal Agreement
21 January 2019	The final date by which the Withdrawal Bill must be presented to Parliament
11 – 14 March 2019	The final date by which the EU Parliament must have voted on the Withdrawal Agreement
21 – 22 March 2019	The final European Council meeting which the UK will attend
29 March 2019	Exit Date