

NAVIGATE THE CHANGE



**BREXIT CONSIDERATIONS
FOR FINANCIAL SERVICES
CHANGE LEADERS**

BREXIT CONSIDERATIONS FOR FINANCIAL SERVICES CHANGE LEADERS

HANDLING CHANGES WITH AGILITY DURING A PERIOD OF UNCERTAINTY

The UK is set to leave the European Union at the end of March 2019 but, the exact consequences of Brexit are still unclear. The high level of ambiguity and tight timelines require an agile approach to be taken within banks and insurers to successfully navigate the challenges and opportunities that Brexit presents.

Despite initial agreements being reached in several areas, the impact of Brexit remains uncertain. No matter your viewpoint, untangling the arrangements between the UK and the European Union is highly complex and the financial services industry often finds itself at the eye of the storm.

The coming negotiations on trade, the customs union and access to financial services markets are critical. In replacement to the current 'passporting' arrangements and relatively free-market access, the EU negotiators have pushed for equivalence arrangements, which would represent limited and revocable market access for UK firms to EU markets. This could restrict London's position as the financial hub of Europe. Whereas, the UK wants a wider trade deal with financial services at its heart. The Government has outlined that this should include special access arrangements, mutual recognition of regulatory regimes, alignment around common market and customer objectives, and monitoring of regulatory divergence.

The UK is scheduled to leave the European Union in less than a year from now, on March 29, 2019 (a few months after the UK banking ringfencing deadline) and the transition period will run until 31st December 2020. The transition period should allow the UK and EU to finalise the arrangements and enable businesses to get ready for the new rules and avoids a cliff-edge change in market arrangements. During this transition period the UK will still have access to EU markets, but cannot vote on EU matters. However, this period is considerably shorter than ringfencing for example.

During this uncertain period and throughout the transition, Change Directors and other Change Leaders will need to manage the immediate requirements that Brexit presents, as well as the wider impact it has across the change portfolio and the wider macro-economic context. Taking an agile approach, with flexible planning and an iterative method to how changes are implemented will help avoid leaving things too late, while allowing for inevitable course corrections along the way.

KEY CONSIDERATIONS:

This paper looks at four macro themes across Brexit and possible impacts and considerations for Change Leaders across financial services:

1. Workforce:

How to retain key talent and deal with potential future restrictions in free labour movement.

2. Passporting:

How to ensure teams who service European clients or deal in European products can continue business and manage the data required to support them.

3. Investments:

How to address the potential budget reductions for change and any implications on capital allocation.

4. Regulation:

How to manage regulatory changes during the transition period and minimise regulatory disruption to the business post-Brexit.

CONSIDERATION 1: WORKFORCE

Potential Impact:

Ease of access to talent and employee mobility will potentially be affected depending on the agreements reached on movement of labour between the UK and the European Union countries. London in particular may see pressure on key skills.

- Define a clear communications strategy to support employees affected by Brexit throughout the change. Most employers are not communicating enough to employees.
- Monitor Government announcements, especially the Migration Advisory Committee recommendations in September and the Home Office white paper expected in October 2018.
- Provide regular updates to your employees who are EU EEA migrants regarding their situation, what your firm is doing and discuss their options (e.g. citizenship, permanent residency, settled status, return). Take a positive approach to make them feel welcomed.
- Conduct a review across the areas with the highest perceived risk of talent loss, to understand impacts and identify retention actions.
- Understand roles and resources to be transferred as part of any early action to prepare for passporting changes.

- Assess operational impacts of Brexit on work.
- Create workforce planning scenarios considering roles, skills and locations in the post-Brexit operating model.
- Develop a talent strategy and initiate changes including retention, sourcing, redeployment, adaptive/extended workforce and augmentation/automation actions.
- Investigate additional forms of sourcing and contractual agreements to handle variable demand during the transition period.
- Communicate a clear value proposition and future for employees remaining in the UK operation.
- Take actions to develop deeper UK based talent pipelines, including university relationships, placement schemes, graduate schemes and apprenticeships.

Immediate Actions

Further Actions

CONSIDERATION 2: PASSPORTING

Potential Impact:

The ability to provide cross-border banking and investment services to customers and counterparties in EU member states may be impacted, depending on the deal that is reached between the EU and the UK.

<ul style="list-style-type: none">• Understand the scope of services and operations that may be impacted by loss of passporting and different trade deal scenarios.• For services that need to be moved, consider the right location for different services and develop a location strategy, including assessment of market connectivity, local talent availability, ease of hiring and how to attract top talent in local markets.• Review requirements for licensing of regulated roles in new locations.• Avoid overcomplicating operations and structures as a result of Brexit.	<ul style="list-style-type: none">• Define the business operating model for any new subsidiaries, including governance, controls, structure and roles, with regulatory requirements embedded into the structure, for example clear segregation to comply with ring fencing.• If setting up new service centres in Europe, consider how to progressively develop their capacity and service maturity, and how to cutover operations and client activity between sites.
---	--

CONSIDERATION 3: INVESTMENTS

Potential Impact:

Global financial services organisations may need to re-think their capital allocation strategy and investment appetite within the UK and Europe, as well as consider potential impacts on the wider change agenda.

<ul style="list-style-type: none">• Assess the change portfolio to reprioritise investments and secure funding for key transformations. Do not let 'the world stop' because of Brexit uncertainty.• Define likely changes and investment requirements for Brexit as the negotiations and transition arrangements evolve and your firm's strategy is clarified.• Allocate resource and funding to start 'no regrets' moves to prepare for Brexit now.• For areas of greater uncertainty adopt an agile approach, understanding potential scenarios and their impacts, progressing early work that has value and leaving space for direction changes.	<ul style="list-style-type: none">• Re-think the approach to capital allocation and investments across all European markets, understanding the role of the UK business.• Evaluate Brexit impacts and dependencies on the wider change portfolio.
--	---

Immediate Actions

Further Actions

CONSIDERATION 4: REGULATION

Impact:

UK regulators and regulations are not set to change dramatically, but over time there may be divergence between EU and UK regulations and the means of implementing these. The governance regime that will monitor such matters is one of the significant issues that, at the time of writing, is still to be negotiated.

<ul style="list-style-type: none">• Understand the current runway of regulatory change for the UK and other European markets.• Understand the process, system, data and service changes that will need to be undertaken as any service operations are moved to different European jurisdictions.	<ul style="list-style-type: none">• Define the operating model to support the new regulations / interlock with ongoing changes / change interventions.• Monitor any regulatory agreements that are reached and the associated impacts on the organisation.
Immediate Actions	Further Actions

IN CONCLUSION (...FOR NOW)

Large scale structural change is nothing new for banks and insurers in the UK. Brexit-related changes will need to be done in parallel with other regulatory, cost and digital initiatives, while continuing to serve clients and growing the business. It is the uncertainty surrounding Brexit and the increasing pace of change for financial services companies that demands an agile and proactive approach to navigating Brexit related changes. Taking an agile change approach, with flexible planning and an iterative approach to how changes are implemented will help avoid leaving things too late, while allowing for inevitable course corrections along the way.

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialised skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 442,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

AUTHORS

For more details on Accenture’s approach to change in the context of Brexit, or to join our Financial Services Change Director Forum, please contact the authors of this report:

Andy Young

Accenture Financial Services Talent & Organisation Lead: Global Agile Organisation Lead
andrew.s.young@accenture.com
@AndyYoungACN

Angela Boulton

angela.boulton@accenture.com

Chloe Smith

chloe.smith@accenture.com

John Watson

john.watson@accenture.com

Julia Voigt

julia.voigt@accenture.com

REFERENCES

1. FT (2017)
[Employers struggle to reassure staff with Brexit anxiety](#)
2. Reuters (2016)
[As Brexit vote looms, U.S. banks review their European commitments](#)
3. International Monetary Fund (2016)
[Financial Stability Challenges in a Low-Growth, Low-Rate Era](#)
4. CBI (2016)
[Innovation Survey 2016](#)
5. GOV.UK (2016)
[CBI annual conference 2016: Prime Minister’s speech](#)
6. HM Government (2017)
[Building our Industrial Strategy – Green Paper](#)