

INFORMATION ON THE IMPLICATIONS OF THE BREXIT

April 2019

Dear Clients,

As we are tracing the major developments on Britain's path to Brexit, we would like to inform you as follows:

On 8 April 2019, British MPs passed a new law aimed at preventing the UK from crashing out of the European Union on 12 April 2019 (UK's exit date) with no deal by obliging the government to ask EU leaders for a delay.

The law has been rushed through both chambers of the bicameral Parliament over the past week and was opposed by the government, which has said it could limit its room for negotiation with the European Union. The law was passed on the initiative of MPs, subverting the normal order in which Parliament debates and passes government-proposed legislation.

Under the law, the government now must put forward a motion in Parliament on 9 April setting out the delay that it will request at an emergency EU summit scheduled for 10 April 2019. MPs will be allowed to vote on this and make their own suggestions as to the length of the delay.

The law allows the government to seek any extension from 22 May onwards. Prime Minister Theresa May has asked for a delay until 30 June, but ultimately this is up to the EU's 27 leaders and it could be longer.

The Day of Poll Order sets the date for the European Parliamentary Elections (Appointed Day of Poll) to take place in the UK on May 23, but the government intends to leave the EU before that date so that the UK does not need to participate.

EU27 leaders at special meeting of the European Council (Art.50) which took place on the 11 April 2019 agreed to extend Brexit date under Article 50 until 31 October 2019. UK will have to hold European Parliament elections if it is still a member of the EU between 23 and 26 May 2019. If the UK fails to hold the elections, it will leave the EU on 1 June 2019.

The European Securities and Markets Authority (ESMA) informed that, following the European Council's decision on 11 April 2019 extending Article 50(3), its published measures and actions, including public statements, issued on the basis of a possible no-deal Brexit scenario on 29 March 2019, subsequently updated to read 12 April 2019, should now be read as referring to the new potential no-deal Brexit date of 31 October 2019, unless the European Council decides otherwise.

Before European Council's decision was made on the 11 April 2019 ESMA informed that the termination/authorisation date for UK entries in ESMA databases submitted before Brexit, in particular financial instruments, authorised entities, prospectuses and others, was set to 12 April 2019 (now this date is changed to 31 October 2019). Therefore the UK's financial instruments market will be treated as a non-EU country market as of 13 April 2019 (now this date is changed to 1 November 2019). However, this does not apply to the participants of the UK's financial market in respect of which the ESMA has adopted the recognition decision. The ESMA has announced that, in the event of a no-deal Brexit, Euroclear UK and Ireland Limited operating as the Central Securities Depository (CSD) and three central counterparties (CCPs) established in the United Kingdom (LCH Limited, ICE Clear Europe Limited and LME Clear Limited) will be recognized to provide their services in the European Union (EU).

For more information about implications of Brexit on the EU financial markets, please visit ESMA's website: <https://www.esma.europa.eu/>

In addition please see European Commission's Questions and Answers: the consequences of the United Kingdom leaving the European Union without a ratified Withdrawal Agreement (no deal Brexit) published at: https://ec.europa.eu/info/sites/info/files/contingency-qanda_en.pdf

February 2019

Dear Customers,

JSC Baltic International Bank (Bank) continues to monitor the BREXIT process and keep you informed about current events.

Since on 15 January 2019 the British Parliament voted to reject the Brexit deal, on 30 March 2019 at 1:00 am Latvian time, the United Kingdom will leave the European Union (EU) and become a third country or a non-EU country.

This means that there would be no transition period, and the UK-EU relations will be governed by the rules of the World Trade Organisation to which both the UK and the EU are parties. Cooperation with the UK will be based on the same conditions as with the United States, China or Russia.

As for interbank payments, the key factor for future EU-UK cooperation is whether the United Kingdom will remain in the Single Euro Payments Area (SEPA) under which interbank payments are made on equal terms. SEPA currently includes all EU member states as well as Iceland, Liechtenstein, Norway, Switzerland and Monaco.

If the UK withdraws from SEPA, interbank payments in euro will become slower and more expensive, but this will not affect payments in British pounds (GBP). However, payments with payment cards issued in the EU can rise in price in the UK and online stores.

Particular caution should be exercised when making investment decisions regarding FIs issued in the UK that are registered with the UK Central Securities Depository (for instance, securities issued by Irish issuers) listed on British trading venues or denominated in pounds sterling.

For more information, please visit:

— https://www.em.gov.lv/lv/eiropas_savieniba/brexit/biezak_uzdotie_jautajumi/ (the Ministry of Economics of the Republic of Latvia, 'FAQs on BREXIT' in Latvian)

December 2018

Dear Clients,

At Baltic International Bank, we are keeping a close eye on the Brexit process.

The information provided herein is of paramount importance for our clients who transact their business or who have incorporated or established their companies in the United Kingdom (UK).

According to the information published on the website of the Ministry of Economic of the Republic of Latvia, EU law will cease to apply to the UK from **30 March 2019**, 00:00h (CET) or 1:00 am, local time in Latvia. The UK will then become a third country. Currently, the UK continues negotiating with the EU on the terms of the UK's withdrawal and on the framework for the future EU-UK relationship. Stakeholders, as well as national and EU authorities, therefore need to prepare for two possible main scenarios:

1. **If the Withdrawal Agreement is ratified** before 30 March 2019, EU law will cease to apply to and in the UK on 1 January 2021, i.e. after a transition period of 21 months.
2. **If the Withdrawal Agreement is not ratified** before 30 March 2019, there will be no transition period and EU law will cease to apply to and in the UK as of 30 March 2019. This is referred to as the "no deal" or "cliff-edge" scenario. In its post-Brexit status, the United Kingdom will become a 'third country' towards the rest of the EU countries and will have the same legal standing as the USA, China or Russia. Without a deal, World Trade Organization (WTO) rules will govern relations (including the new trading relationship) between the European Union and the United Kingdom. The both parties are WTO members.

The UK Parliament has not yet approved a 600-page legally binding treaty that covers so-called 'divorce' issues. **MPs will vote on the Withdrawal Agreement in mid-January.** However, there is a substantial discord and disunity within the parliamentary caucus over the Withdrawal Agreement. Preparing for a no-deal Brexit is now an operational priority for the UK Government. The Government has also unveiled and published its post-Brexit immigration plan.

If the UK leaves the bloc without a withdrawal agreement (a so called 'hard exit'), then considerable repercussions and implications can arise on 30 March. The Latvian citizens and companies that transact business with the UK should seriously prepare for dealing with the immediate consequences of the UK leaving the EU in March. A no-deal Brexit can cause enormous problems (delays in delivery of critical goods, delays caused by physical customs, problems with different permits and licences that may turn out to be invalid). Travellers may face significant hurdles after a no-deal Brexit.

A no-deal Brexit will affect transactions in financial instruments. Financial instruments admitted to trading on the UK regulated markets (but not admitted to trading on other markets in the EU Member States) and currently treated as non-complex financial instruments for the purposes of the appropriateness requirements (commonly referred to dealing in financial instruments as the 'appropriateness test') will no longer be treated as non-complex financial instruments. Therefore, dealing in such financial instruments will be impossible without testing the client's appropriateness. Where the appropriateness test applies, a firm must ask its client to provide information about their expertise, knowledge and experience relevant to the specific type of financial instrument, product, or service in question, so that the firm can assess whether the financial instrument, product or service is appropriate for the client. The EU will probably treat UK regulated markets as third-country regulated markets. A no-deal Brexit will also affect financial instruments issued in the UK. Other implications of Brexit will emerge and affect transactions in financial instruments. **Please exercise vigilance and particular caution when making your investment decisions in respect of financial instruments issued in the UK, listed (quoted) on UK-based trading venues or denominated in pounds sterling (GBP).**

For more information, please visit:

- https://www.em.gov.lv/lv/eiropas_savieniba/brexit/ (the Ministry of Economics of the Republic of Latvia)
- <https://publications.europa.eu/en/publication-detail/-/publication/911242b6-af69-11e8-99ee-01aa75ed71a1/language-en/format-PDF> (EU publications)
- <https://www.esma.europa.eu/press-news/esma-news/esma-tells-firms-provide-clients-information-implications-brexit> (ESMA publications)