

## Issue 2: Lex et Brexit — The Law and Brexit

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- News and calendar
- Clearing of euro-denominated securities
- The UK's anti-money laundering regime

Since the first edition of Lex et Brexit was published two weeks ago, we now have a new UK Government in place, with a new Prime Minister and a new “Secretary of State for Exiting the European Union”. The shape of the UK's future relationship with the EU, or even the key objectives of the new UK Government in the Brexit negotiations, remain unclear.

In this second edition, we have addressed one of the more controversial areas of Brexit aftermath: whether London's position as a key center for the clearing of euro-denominated securities and derivatives can be maintained. Although the attempt by the European Central Bank to impose a eurozone “location policy” failed in the EU courts last year, we conclude that Brexit materially increases the possibility that substantial volumes of clearing activity will move out of London, which may be a contributing factor towards a gradual migration of broker-dealer and derivatives trading activity out of the UK.

We then examine the impact of Brexit on the development of anti-money laundering legislation in the EU. Although there will be concerns about divergence in the anti-money laundering regimes of the UK and the EU over the longer term, in the short term we expect the UK to maintain and develop a system which is substantially the same as that operating in the remaining EU member states.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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