

Brexit Planning

Introduction

We have set out below how your relationship with Macquarie Capital (Europe) Limited (“MCEL”), Macquarie Bank International Limited (“MBIL”) and Macquarie Bank Limited, London Branch (“MBL LB”) (together, “the UK Macquarie Group”) will be affected by the UK’s withdrawal from the EU (Brexit).

The UK Macquarie Group has been considering alternative arrangements and practical approaches for our clients and our business to deal with the regulatory and operational challenges posed if the UK leaves the EU without a withdrawal agreement or transitional period taking effect (“Hard Brexit”) on 29 March 2019 (the “Brexit Date”). Our priority is to ensure that, irrespective of the outcome of the Brexit negotiations, there is continuity of contract and our services to you, and minimal interruption to our relationship with all our clients.

Our plans

The Capital Requirements regime and the Markets in Financial Instruments Directive cross border passporting regime currently allow the provision of regulated banking and investment services to clients within the 27 remaining EU Member States (the “EU27”).

If the UK and the EU27 successfully negotiate a withdrawal agreement, we may be able to continue to provide services to you on the same basis under the passporting regime until the end of the transition period (currently running until December 2020, unless an extension is agreed). However, as there is still uncertainty about whether an agreement will be approved, we are making plans to ensure that we are able to continue servicing our clients in the EU27 after the Brexit Date.

We are, therefore, expanding our existing operations in key European locations and are seeking authorisation from European regulators for two new licensed entities in Ireland:

- Macquarie Capital (Ireland) Designated Activity Company (“MCI”)¹ – an investment firm which will conduct MCEL’s existing EU27-facing regulated investment services business; and
- MBE Operating Company Designated Activity Company (“MBE”)², a credit institution to conduct MBIL’s EU27-facing regulated lending and investment services business (and certain EU27-facing business of MBL LB).

Subject to regulatory approval, both MCI and MBE will be headquartered in Ireland, with branches in France and Germany; additionally, MCI will have branches in Spain and the Netherlands.

To the extent permitted, we intend to continue to conduct certain EU27-facing lending and investment services business from MCEL and MBL LB going forward. In other cases, such services may continue be conducted from the UK Macquarie Group entities on an interim basis only, pending authorisation of the Irish entities, as explained below.

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What does this mean for you?

If the relevant UK Macquarie Group entity is no longer able to provide services to you after the Brexit Date (which will largely be driven by the jurisdiction in which you are located, the type of entity that you are, and the nature of the business transacted), we will need to migrate your relationship to MBE or MCI. These entities will need to have become authorised in Ireland, and you will need to be onboarded and repapered by them, before you will be able to trade with them.

As noted above, certain existing regulated business (e.g. legacy derivative contracts or loans) may continue from the UK Macquarie Group (albeit in some cases for an interim period, and subject to agreement with you). There are, however, various lifecycle events (e.g. drawdowns, restructurings and extensions of maturity or new credit) in such legacy transactions which may trigger a new licensing requirement in some jurisdictions, and contracts which involve those may, therefore, need to be migrated to MCI or MBE. In these instances, and for other existing business that we agree with you should be migrated, we will facilitate the necessary transfers to MCI and MBE. We may also need to coordinate transfers of some positions for certain products with third parties (such as custodians, agents and CCPs); please note that the transfer of existing derivative positions may result in the loss of the grandfathering provisions for clearing and margining under the European Market Infrastructure Regulation (EMIR).

Going forward, we intend that new regulated business, which we cannot transact with you from the UK Macquarie Group, will be transacted through MCI or MBE, as applicable, once the relevant entity becomes fully operational and licensed, subject to the completion of updated onboarding information.

Once you are onboarded to MCI or MBE, as applicable, we anticipate that we will be able to provide you with access to the UK and EU27 trading venues and CCPs which you use today (although it is possible that your future access to certain CCPs may switch to a clearing model via the membership of another Macquarie Group entity or affiliate).

1. MCI'S Legal Entity Identifier (LEI) is 54900SD59QH0IVT4626.

2. MBE will be renamed to reflect the nature of its credit institution licence once a licence is granted by the European Central Bank and Central Bank of Ireland.

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Macquarie Bank Limited, London Branch is registered in England and Wales Branch No: BR002678 Macquarie Bank Limited London Branch is authorised and regulated by the Financial Conduct Authority. Its firm reference number is 170934. Macquarie Capital (Europe) Limited is authorised and regulated by the Financial Conduct Authority. Its firm reference number is 193905. Macquarie Bank International Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its firm reference number is 471080.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("MBL"), any Macquarie entity referred to in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). That entity's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity, unless noted otherwise.

The way forward

Regardless of which UK Macquarie Group entity you trade with, where we conclude with you that your positions or relationship should be migrated to MBE or MCI we will contact you in the coming months to advise you of this and agree the steps necessary to effect it with as little disruption as possible. We will also let you know if we are able to continue to provide services to you from the UK Macquarie Group on a permanent or interim basis.

If migration is required, we anticipate that a repapering of the regulatory and contractual terms governing our relationship will be needed, in which case:

- our due diligence will establish whether replacement contractual terms will need to be entered into or whether a novation is required, and we will advise you of the recommended approach in due course;
- regardless of the recommended approach, we will endeavour to replicate, as much as possible, your current documentation with us, keeping amendments to the minimum required in order to make the relationship transition as smooth and straightforward as possible; and
- it may also be necessary for us to exchange updated onboarding documentation. Whilst we will endeavour to rely on information we already hold as far as possible, further information or documentation may be needed from you to meet relevant regulatory obligations (for example, in relation to our AML checks).

Who should we contact?

To smooth any required migration process, we would be grateful if you could please provide us, via email to cgmbrexit@macquarie.com, with the name, email address and telephone number of the person(s) to whom we should direct further communications on this matter.

Any comments or questions?

If you have any questions, or if you would like to inform us of your own views or plans, please do not hesitate to contact your Macquarie relationship manager or our Brexit team, also at cgmbrexit@macquarie.com.