

NO-DEAL BREXIT – UK ALTERNATIVE FUND MANAGERS OPERATING IN ITALY

The Italian Government has recently issued Law Decree no. 22 of 25 March 2019 (the “**Decree**”) with the purpose, *inter alia*, of ensuring the security, financial stability and integrity of financial markets in the event of the United Kingdom’s withdrawal from the EU without an agreement with the European Council (so called “**Hard Brexit**”). The Decree entered into force on 26 March 2019 and shall be converted into law by the Italian Parliament within 60 days from the date of its publication. The Italian Parliament may or may not introduce amendments to the Decree when converting it into law. Failing such conversion, the Decree will be retroactively ineffective.

Pursuant to the Decree, in the event of Hard Brexit, the UK alternative investment fund managers operating in Italy (the “**UK AIFMs**”) are required to stop their Italian activities by the date of withdrawal (the “**Brexit Date**”), provided, however, that:

- (i) to the extent necessary to prevent detrimental consequences for investors, UK AIFMs may take the actions necessary for an orderly termination of the existing contractual relationships relating to their Italian activities within a period not exceeding 6 months from the Brexit Date (subject to applicable notice periods);
- (ii) during this six-month period, UK AIFMs may continue to carry out their current Italian activities but will not be allowed to enter into new contracts; and
- (iii) UK AIFMs shall notify investors, other contractual counterparties and the Italian competent authorities of the measures adopted to terminate their Italian activities within 15 days of the entry into force of the Decree (*i.e.* within 10 April 2019).

In practical terms:

- (a) the AIFMD marketing passport will no longer be available to UK AIFMs from the Brexit Date; and
- (b) the MiFID services passport and the AIFMD management passport will continue to be available to UK AIFMs for 6 months after the Brexit Date, subject to the conditions set out above.

The notices under (iii) above shall be given in compliance with the guidelines published by the Bank of Italy and Consob on their websites (the “**Guidelines**”). In particular:

- the notice to the Bank of Italy shall be prepared in accordance with a format published on the Bank of Italy’s website;
- no pre-determined format is imposed for the notice to be sent to investors and other contractual counterparties, however the Guidelines set out certain minimum contents of such notice (impact of Brexit on existing agreements, actions taken to achieve an orderly termination of such agreements, how possible investor claims will be handled, etc.); and
- only UK AIFMs providing MiFID services are required to send a notice to Consob.

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The Investment Funds Department of Legance is available to provide any clarifications, also in respect of any specific situation which may be of interest to you.

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