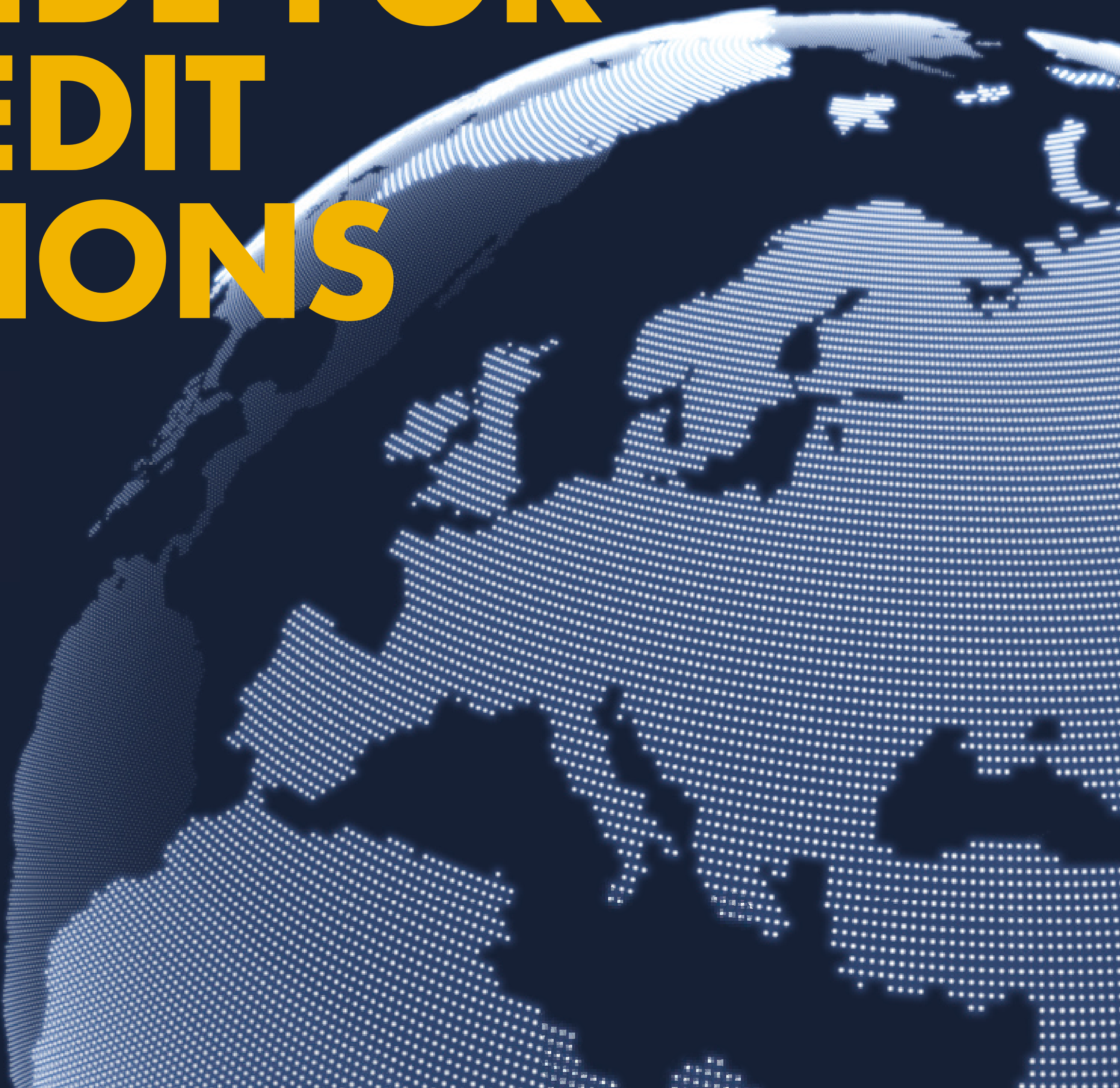
Irish League of Credit Unions
IRELAND

BREXIT:
A PRACTICAL GUIDE FOR CREDIT UNIONS



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1 INTRODUCTION

The Irish League of Credit Unions ("ILCU") is the largest credit union representative body on the island of Ireland. It provides representation, leadership, co-operation, support and development for credit unions in both the Republic of Ireland ("ROI") and Northern Ireland ("NI"). There are currently 342 credit unions affiliated to the ILCU, 250 in the Republic and 92 in Northern Ireland.

"Brexit will be an enormous political and economic development for the island of Ireland. To put it in a credit union perspective, when people lose income, or worse lose their jobs, we are the ultimate and often the only backstop. As an all-island, non-political and community based cooperative movement, we are an essential part of an economic and civic fabric that is going to be sorely tested. Until the facts of Brexit are known, the full consequences are speculative. What is certain is that apart from a few well-placed sectors, much of our economy will be put under the pressure of additional costs and parts of it face very serious disruption.

And there is an even bigger picture. After twenty five years of positive political development on the island and over twenty years since the Good Friday Agreement, the context of common membership of the European Union across the island and all it facilitated politically and economically, will change. Border communities especially will be hit economically. Economic pressure feeds into a shared sense of hope, or the lack of it. That is not to mention enterprises everywhere on the island who depend on cross border trade, and on exports to and imports from Britain."

Charles Murphy, ILCU President, Brexit on the Border Events September 2018

Brexit negotiations are taking place against a backdrop of growing political uncertainty and change that will have significant implications for the future of the island of Ireland. **With so much uncertainty, it might seem prudent to wait and see what happens and not expend valuable resources dealing in hypothetical scenarios. However, none of us can afford to take this approach.**

As an all-island and community based co-operative movement, credit unions are an essential part of the economic fabric of our local communities and **credit unions are uniquely positioned to become localised Brexit knowledge hubs** which are central to the efforts of local communities safeguarding the livelihood of our members against the impact of Brexit.

Two years after the Brexit referendum we are now only too aware of the endless data, updates, news articles and commentary on Brexit. The purpose of this guide is not to reproduce this plethora of information but instead to distil and filter this data and translate it to a credit union context.

Section 2 of this guide sets out the **legal and regulatory perspective** including the current status of the Withdrawal Agreement and negotiations between the EU and UK governments together with guidance issued by the Central Bank of Ireland ("CBI") and the UK regulators, the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") which are relevant to Republic of Ireland ("ROI") and Northern Ireland ("NI") credit unions respectively.

The ILCU wishes to thank all those who gave their time and insights when completing the "ILCU Brexit Survey" and attending the "Brexit on the Border" events in Dundalk and Derry in September 2018. These have been invaluable in informing the approach to this guide and will continue to be utilised in developing further Brexit events for credit unions over the coming months. The findings of the **ILCU Brexit Survey** are set out in section 3 of this guide.

Section 4 of this guide identifies key **Credit Union ("CU") Brexit risks** from the survey relevant to your common bond including your members, your suppliers, local employers and the wider economy. The potential credit union impact of these risks are set out along with no-regret actions that can be taken by your credit union to mitigate these risks.

Section 5 sets out the **Six Point CU Brexit plan** that can be used to plan and respond to Brexit.

Our Brexit Toolbox is attached as an appendix to this guide and includes details of local agencies /government supports for Brexit and scorecards to gauge the exposure of your investments and your suppliers to Brexit.

We hope that you will find this guide to be a valuable resource as your credit union and your membership navigate through the challenges of Brexit. Please get in touch with us with your feedback and e mail us on brexit@creditunion.ie.

2 LEGAL & REGULATORY PERSPECTIVE

LEGAL PERSPECTIVE

On 29 March 2017, the UK government notified the EU by letter in accordance with Article 50 (2) of the Treaty on European Union of its intention to withdraw from the European Union signalling the start of the Brexit negotiations.

Article 50 sets the timeframe for negotiations and exit:

- If the UK and the EU do not conclude a Withdrawal Agreement by 29 March 2019 the UK will leave the EU without an agreement unless the European Council[1] (acting unanimously) and the UK agree to extend the two-year period. It has also recently been confirmed by the European Court of Justice that the UK can unilaterally revoke Article 50[2].
- If the UK and the EU conclude a Withdrawal Agreement by 29 March 2019, the UK will leave the EU on the date specified in the Withdrawal Agreement. The UK and EU both agree that the Withdrawal Agreement will enter into force on the commencement date i.e. 30 March 2019 (subject to some specific provisions which will only apply from the end of the transition period (i.e. after 31 December 2020), such as the "Northern Ireland backstop". However, it is possible for them to agree a later date in the Withdrawal Agreement for the UK's departure from the EU at any time before it is concluded.

On 14 November 2018, the UK government and the EU published the draft agreement on the UK's withdrawal from the EU. The draft Withdrawal Agreement consists of six parts, three protocols and annexes (including the Protocol on Ireland and Northern Ireland). The intention had been that The Withdrawal Agreement and Political Declaration would be put to Parliament on 11 December 2018. At the time of writing, however, and following significant and vocal opposition from all sides of the House of Commons to the Agreement and in particular the "backstop" the Prime Minister cancelled the House of Commons vote on the Withdrawal Agreement, and expressed an intention to seek new assurances from the EU. As such the future of the Withdrawal Agreement is unknown. The Prime Minister has suggested that there will be a vote week commencing 14 January 2019 but as to what this vote will be on is uncertain.

The Withdrawal Agreement, in its current form, provides that if an agreement on the future EU-UK relationship is not applicable by 31 December 2020, a "backstop solution" will apply until such a time as a subsequent agreement is in place. However, the UK government may, before 1 July 2020, request an extension of the transition period.

[1]The European Council is made up of the heads of state or government of all EU countries, the European Commission President and the High Representative for Foreign Affairs & Security Policy.
[2]Case C-621/18 Wightman

In the scenario where the "backstop solution" would apply, this would mean the following in practice:

- There will be a single EU-UK customs territory. This will avoid the need for tariffs, quotas or checks on rules of origin between the EU and the UK.
- The EU and the UK have agreed on a set of measures to ensure that there is a level playing field between the EU and the UK.
- The Union's Customs Code (UCC), which sets out, inter alia, the provisions for releasing products into free circulation within the EU, will continue to apply to Northern Ireland. This will ensure that Northern Irish businesses will not face restrictions when placing products on the EU's Single Market. The UK in respect of Northern Ireland will remain aligned to a limited set of rules that are related to the EU's Single Market and indispensable for avoiding a hard border: legislation on goods, sanitary rules for veterinary controls, rules on agricultural production/ marketing, VAT and excise in respect of goods, and state aid rules.

Political Declaration[3]

The Political Declaration is a statement of intent between the UK and the EU which sets out the framework for the future relationship. It sits alongside the draft text of the Withdrawal Agreement. Although it is not legally binding it will set the direction of the future relationship negotiations, which are expected to begin once the UK has formally left the EU in March 2019. Some of key areas addressed in the Political Declaration are set out below:

- **Goods -** Commitment to an 'as close as possible' trading relationship, with mention of a comprehensive free trade area, deep regulatory and customs cooperation and level playing field.

  Commits to 'build on the single customs territory' in the Northern Ireland backstop, but also mentions using technology and customs facilitations to remove friction.

  Confirms both sides will be 'separate markets' and different entities for animal and plant health. Suggests the UK could 'align with EU rules' in relevant areas and the two sides would explore the possibility of UK cooperation with EU agencies – such as in medicines, chemicals and aviation.
- **Services -** Aims to replicate and build on recent EU free trade agreements.

  Market access and national treatment would be under host state rules. Aims to allow 'temporary entry' for people on business.

  Voluntary regulatory cooperation and "good regulatory practices", with "appropriate arrangements" for mutual recognition of professional qualifications.
- **Data Protection -** The European Commission will start data adequacy assessment for UK as soon as possible after withdrawal, with a view to concluding before end of transition.

Arrangements are to be made for 'appropriate' co-operation between data protection regulators.

A useful Fact Sheet on the Protocol on ROI and NI was issued by the European Commission and is included at Appendix 1 of this guide. In addition, Appendix 2 of this guide includes details of the technical preparedness note issued by the UK Government and the European Commission as well as contingency action plans from the Irish Government and European Commission.

[3]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/758557/22_November_Draft_Political_Declaration_setting_out_the_framework_for_the_future_relationship_between_the_EU_and_the_UK__agreed_at_negotiators__level_and_agreed_in_principle_at_political_level__subject_to_endorsement_by_Leaders.pdf

REGULATORY PERSPECTIVE

Central Bank of Ireland

The Central Bank of Ireland has directly raised the issue of Brexit for Irish credit unions in its "Credit Union News"[4] and its November 2017 Information Seminars which highlighted the following matters:

- Boards and management should consider the potential impacts of Brexit on their particular business in order to ensure that risks are identified and documented and risk mitigation plans put in place. Credit unions must regularly monitor and report any potential Brexit associated risks they identify and that this will be evident in the credit union's risk register. e.g.
  - Identifying members and industries who may be exposed to changes in conditions in the UK market;
  - Stress testing the loan book for potential Brexit impacts; and
  - Assessment of loan provisioning adequacy.
- Credit unions keep themselves briefed on ongoing developments and publications regarding Brexit including those issued by the Central Bank.
- Risk factors
  - Overall negative impact on growth, employment and income could lead to an impact on credit union lending (loan growth and repayment capacity)
  - Regional vulnerabilities;
- Tourist regions, decrease in British tourists if there is a weakening in the sterling exchange rate;
- Border counties; e.g. if members working in NI increased credit risk;
- Rural, if there is a decline in the level of agricultural exports.

Prudential Regulation Authority and Financial Conduct Authority

- The FCA[5] stated that the UK Government's intention is that the same rules and laws will apply after exit as before, as far as possible. The FCA will amend and maintain EU binding technical standards and will amend the FCA Handbook to ensure it is consistent with changes the Government is making to EU law and so it still works effectively when the UK leaves the EU.

[4] Issue 8 – February 2018 https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/credit-unions/communications/credit-union-news/credit-union-news-issue-8---february-2018.pdf and Issue 9- September 2018 https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/credit-union-news/credit-union-news-issue-9---september-2018.pdf?sfvrsn=2

[5] https://www.fca.org.uk/firms/preparing-for-brexit

Data sharing

In respect of data sharing the FCA has stated:

"You need to consider whether your firm transfers personal data between the UK and the EEA.

If the UK leaves the EU without a Withdrawal Agreement the Government has stated that the UK will continue to allow the free flow of data from the UK to the EEA after 29 March 2019. However, the position for transfers of personal data from the EEA to the UK has not been made clear.

We believe that the best solution to this issue is a central one. Timely action by UK and EU authorities is needed fully to mitigate the risks associated with transfers of personal data. However, the EU Commission has stated on 13 November 2018 that an adequacy decision of the UK data protection regime is not part of its contingency planning.

Therefore when contingency planning, you should continue to consider:

- *The extent to which your business is reliant on transfers of personal data (for example because of where your data centres are located);*
- *What risks you may be exposed to if there is no complete central solution to allow transfer of personal data between the EEA and the UK to continue, and what steps you can take to mitigate any risks you may face.*

We want you to plan appropriately for data protection risks, as it can affect your regulated business. However, the Information Commissioner's Office ("ICO") is the regulator for data protection issues in the UK. See the ICO's data protection and Brexit webpages. You should also consider taking legal advice where appropriate if you believe that you might be."

- Firms affected by Brexit should:
  - Work out what changes you might have to make to your business or which additional regulatory permissions you may need to continue to carry it out.
  - Think about any information you will need to give to customers who might be affected by your plans and how you can provide it in a way which is clear, fair and not misleading. For example, explaining clearly to customers where a change in contractual terms might affect them.
  - Consider the implications of a range of possible scenarios including an implementation period.

PRA

On 25 October 2018 the PRA confirmed that, in all but a few areas, UK regulated firms do not need to take action now to implement changes in UK law arising from the UK's withdrawal by March 2019. If the Implementation Period, which has been agreed in principle as part of the UK's Withdrawal Agreement with the EU, takes effect on 29 March 2019, these changes would not take effect until after the end of the Implementation Period. In a scenario in which an Implementation Period is not in place, the PRA expects to exercise the powers that Government has proposed to provide to grant transitional relief to ensure that firms have sufficient time to comply with the changes. The PRA have also published a consultation paper (CP26/18)[6] covering a number of proposals in relation to the UK's withdrawal from the EU, including requirements for credit unions' exposures to EEA institution. This is dealt with further in section 4 of this guide.

No deal scenario

Northern Ireland Audit Office ("NIAO") Report - The UK Border: how prepared is Northern Ireland for exiting the EU?[7]

On 26 October 2018, the NIAO released a report looking at how Northern Ireland's preparedness for Brexit. The Controller/Auditor General stated:

"In the absence of certainty around the policy positions of the UK government in respect of the border, trade, customs, migration and the repatriation of powers from Brussels – all matters reserved to Westminster – Northern Ireland's capacity for comprehensive operational planning is severely constrained. Planning to manage the risks in respect of those areas where powers are devolved to the NI Assembly is ongoing. However in respect of those areas where policy is reserved, Northern Ireland is not well prepared for leaving the EU without a deal."

[6] https://www.bankofengland.co.uk/prudential-regulation/publication/2018/uk-withdrawal-from-the-eu-changes-to-pra-rulebook-and-onshored-bts
[7] https://www.niauditoffice.gov.uk/sites/niao/files/media-files/Final%20Brexit%20Report.pdf

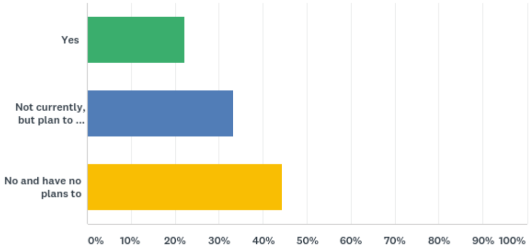
3 SURVEY FINDINGS

In November 2017, the ILCU circulated a survey to its member credit unions to ascertain the impact of Brexit on the credit union movement on the island of Ireland. This survey highlighted some of the key areas that credit unions should consider in assessing the potential risks to the credit union associated with Brexit. These questions considered the following issues:

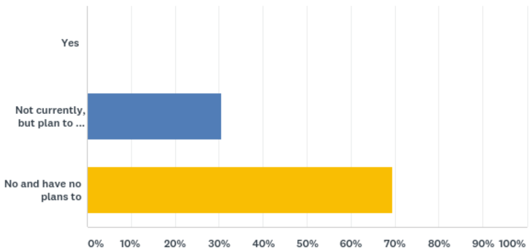
- **EXTENT OF BREXIT KNOWLEDGE AND PREPARATION IN THE CREDIT UNION**
- **WHETHER THE CREDIT UNION HAS CARRIED OUT AN ANALYSIS OF THE POTENTIAL IMPACT ON THE LOCAL ECONOMY (WITHIN THE COMMON BOND)**
- **IF THERE ARE ANY LIKELY IMPACTS AS A RESULT OF CROSS BORDER EMPLOYEES, VOLUNTEERS AND MEMBERS OF THE CREDIT UNION**
- **WHETHER THERE ARE ANY CROSS BORDER SERVICE PROVIDERS AND WHAT ACTIONS SHOULD BE TAKEN IN SUCH SITUATIONS**
- **THE POSSIBLE IMPACT OF FINANCIAL TARIFFS WHICH MAY BE IMPOSED AND CUSTOMS DELAYS WHICH MAY ALSO ARISE PARTICULARLY ON MEMBERS INVOLVED IN THE IMPORT/EXPORT BUSINESS**
- **THE IMPACT ON INVESTMENTS**

Some of the key insights from the survey are highlighted below:

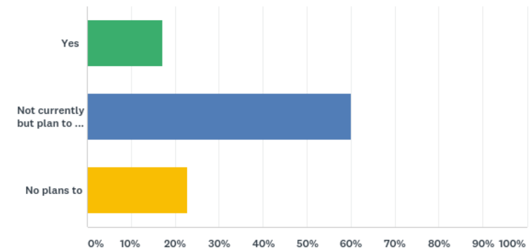
Has an officer on the management team (or committee) been formally assigned responsibility for preparing for Brexit?



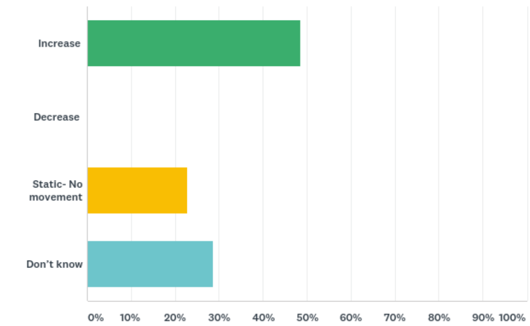
Has your credit union conducted a survey of members to assess the potential impact of Brexit?



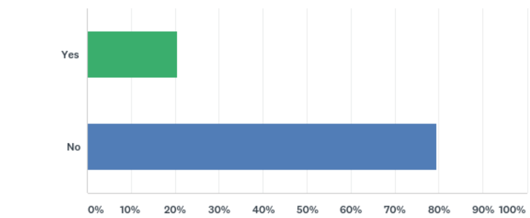
As a result of Brexit have you reviewed your contractual relationships with third parties such as IT providers etc.?



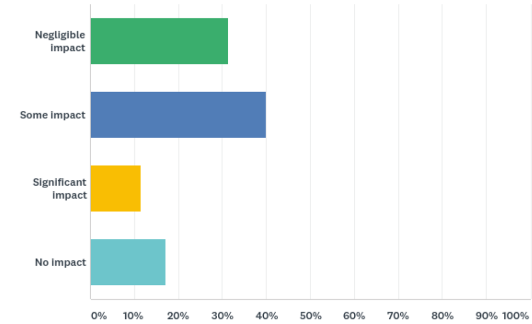
Do you think that Brexit is likely to result in an increase or decrease in price with third parties?



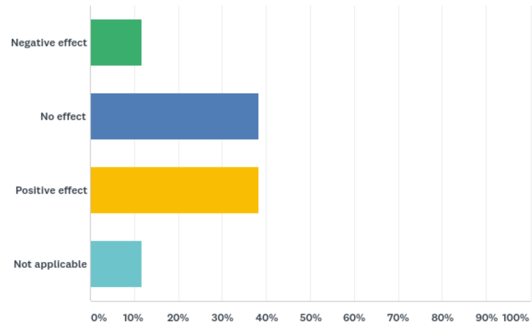
Have you asked your third party provider(s) what steps it is taking to prepare for Brexit?



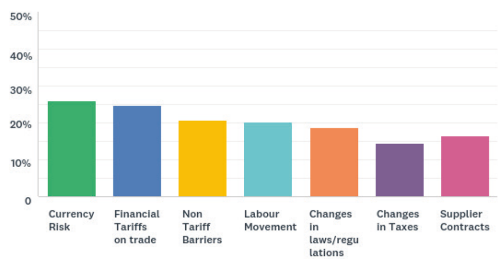
In the context of your own credit unions investments do you consider that Brexit will have an impact on investment counterparty risk and the ability of financial counter-parties to repay the capital amounts of your investments within the terms of the contract?



Brexit may present opportunities to attract Foreign Direct Investment (investment made by a company or individual in one country in business interests in another country (i.e. an american company sets up a business site in ROI or NI)). Please tick the relevant boxes below for the ultimate impact on the credit union and your members:



Please rank the following potential Brexit risks in order of potential impact on your members and your credit unions:



Other key findings from the survey are summarised below:

57% thought that members employed in the import trade would be negatively impacted by Brexit.

50% thought that members employed in the export trade would be negatively impacted by Brexit.

57% thought that members employed as or with local retailers would be negatively impacted by Brexit.

52% thought there would be moderate impact on the Irish economy with 32% believing there would be a serious impact.

21% thought there would be a moderate impact on Northern economy and 70% thought there would be serious impact to the economy of the North.

48% thought that Brexit would bring about more regulation for credit unions in Northern Ireland.

42% responded that it would have negative impact on investment income.

38% responded that it would have a negative impact on demand for borrowing.

54% responded that it would have a negative impact on the financial capacity of members to repay loans.

65% responded that it would lead to an increase in unemployment in Northern Ireland.

50% responded that it would lead to an increase in the reduction in social welfare in Northern Ireland.

62% believed it would it would lead to an increase in bad debts.

4 CU BREXIT RISKS

The ILCU Brexit Survey identified key Brexit risks specific to credit unions and their membership. In this section these risks are outlined in the context of the potential impact on credit unions and actions that credit unions can take to mitigate their impact.

The risks dealt with in this section are not exhaustive. Your credit union should engage with its members and local community to establish the Brexit risks that are most pertinent to your common bond.

Currency Volatility

Since the Brexit referendum result sterling has depreciated by 11% in value compared to the euro. The continued exchange rate volatility impacts exporters, importers and retailers many of whom are key employers of our credit union members. A prolonged period of currency volatility could have implications for the viability of businesses/key employers in our local communities. The weakening of sterling may present an opportunity for NI exporters and ROI importers but it could be a significant challenge for ROI exporters and NI importers.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ The income/employment of credit union members and their loan repayment capacity may be negatively impacted by currency volatility. ▶ Currency volatility reduces member confidence which can supress demand for borrowings putting more pressure on the loan to asset ratio. ▶ Credit unions own cost base may be impacted by supplier contracts which are denominated in a foreign currency.	▶ Engage with members and local employers to assess the exposure of their incomes to currency rate volatility. ▶ Encourage local businesses to engage with agencies such as Enterprise Ireland, Inter-trade Ireland and Local Enterprise Offices who as set out in Brexit Toolbox A of this guide provide financial and consultative support to businesses to navigate Brexit. ▶ Suggest that local businesses use the Enterprise Ireland Sterling impact calculator to understand the impact of movements in the sterling/euro exchange rate on their business. https://www.enterprise-ireland.com/en/UK-Export-Help/Sterling-Impact-Calculator/. ▶ The credit union should compile a list of their own contracts that are exposed to currency fluctuations and estimate the potential impact on the cost base of currency rate fluctuations.

Financial Tariffs

The single market and customs union allows for the unobstructed circulation of goods, services, people and capital between EU members with no internal tariffs or quotas. A cliff edge scenario in the absence of a free trade agreement would mean that World Trade Organisation ("WTO") tariffs would apply to EU-UK trade and would see the introduction of costly, disruptive tariff barriers for trade between UK and Ireland. WTO tariffs, which the EU currently applies to all 3rd countries, vary from 0% on cotton, 11.5% on clothing, 25.6% on sugar and confectionary, to 45% on certain dairy products.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ The traditional membership base for credit unions originating from indigenous industries such as manufacturing and agriculture may be disproportionately affected. The WTO tariffs on these industries would be prohibitive in a No Deal Brexit scenario. ▶ Similar to currency volatility risk discussed above, income of members may decrease resulting in potential loan impairment provisions and a decline in new loans.	▶ Communicate the financial and non- financial supports that are available to importers/ exporters from the Enterprise Ireland, Inter Trade Ireland and Local Enterprise Offices as set out in Brexit Toolbox A of this guide. ▶ Local employers can use the Inter Trade Ireland tariff checker to assess WTO tariffs that may apply to their products and assess the impact on their business models see link below https://intertradeireland.com/brexit/brexit-practical-help/tariff-checker/.

Non-Financial Tariffs

Agreeing a mutually acceptable legal guarantee for avoiding a hard border between ROI and NI— the so-called backstop — remains the key hurdle negotiators must overcome. The EU and UK need to formulate agreed procedures to land goods entering the EU from the UK or goods exported from the EU to the UK. The imposition of crippling non-financial tariffs such as border controls and custom checks would impact key job intensive sectors such as the highly integrated nature of the agri-food industry, with some foodstuffs crossing the border several times in the course of processing.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ The majority of North South trade is carried out by micro, small and medium sized businesses who are key employers in our common bonds. ▶ As above, the potential for decreases in members income with resulting difficulties in members' loan repayment capacity.	▶ Reach out to local employers and your members to assess their risk exposure to border controls. Inter Trade Ireland list advisors who can assist local businesses manage their customs requirements- https://intertradeireland.com/brexit/brexit-practical-help/brexit-service-providers/. ▶ The credit union can continue to monitor further developments in respect of border negotiations.

Movement of Labour

Under the terms of the Withdrawal Agreement, UK nationals living in the EU and EU citizens living in the UK will maintain the entirety of their rights for the transition period and, to a certain extent, after its expiry.

The Common Travel Area ("CTA") allows the free movement of British and Irish citizens between the UK and Ireland. However, the CTA does not provide any rights to travel to the rest of the EU. The Withdrawal Agreement commits to ensuring that all the rights and privileges contained in the CTA between Ireland and the UK are upheld.

The UK government has stated that EU citizens and their families[8] (excluding Irish citizens who will come under the CTA) will be able to apply to the EU Settlement Scheme to continue living in the UK after 30 June 2021, provided they have a minimum of five years residency.

Under the new EU Settlement Scheme, EEA and Swiss nationals who have been resident in the UK for five years by 31 December 2020 will be able to apply for indefinite leave to remain in the UK ("settled status"). Those resident in the UK for less than five years by 31 December 2020 will be able to apply for limited leave to remain in the UK ("pre-settled status").

For more information see the links below:

https://www.gov.uk/government/collections/eu-settlement-scheme-pilot-applicant-information

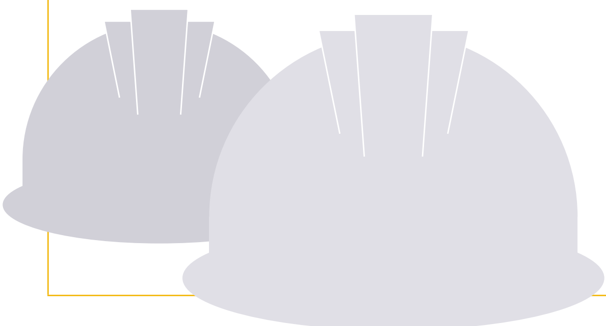
https://www.executiveoffice-ni.gov.uk/articles/eu-settlement-scheme

Employers Toolkit

The Home Office has published an Employers' Toolkit to increase awareness about the EU Settlement Scheme amongst employers. The toolkit will help equip employers with the right tools and information to support EU citizens and it contains resources such as posters and leaflets.

https://www.gov.uk/government/publications/eu-settlement-scheme-employer-toolkit

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ Credit unions have staff resources from a number of jurisdictions.	▶ Are staff covered by the Common Travel Area rules? ▶ Identify who, in the credit union, may be affected by the UK leaving the EU, such as: ▷ workers from other EU countries ▷ workers that are UK nationals but have family members from another EU country - e.g. a spouse or partner ▷ students from another EU country working in your business - e.g. completing a scholarship or student placement ▶ Have they been resident in the UK for more than 5 years? ▶ Do they need any assistance or support to evidence their residency?



[8]https://www.gov.uk/settled-status-eu-citizens-families

Potential Changes in Laws/Regulations

In the event of the Withdrawal Agreement being accepted, the UK will remain fully aligned to EU rules during the transition period. After the transition period, Northern Ireland will stay aligned to rules such as goods standards, agricultural production/marking, veterinary controls and those EU rules which maintain North South cooperation unless and until they are superseded, in whole or in part, by a subsequent agreement.

The impact of potential changes in data protection regulations is considered later in this Guide in Brexit Toolbox D.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ Much of the financial services regulation stems from co-ordinated global initiatives driven in the most part at G20 level, which have come about as a result of the recent financial crisis. As such the process of now unravelling or undoing all of this work is likely to be complex, as well as lengthy and expensive.	▶ Monitor regulatory legal updates from ILCU, CUCC and external stakeholders/regulators. ▶ The ILCU will continue to lobby the UK and Irish governments and regulators so that the credit union movement has the ability and powers to develop a more flexible regulatory regime that not only reflects the specific nature of credit unions in Irish society but reduces the size and complexity of administration, supervision and regulation for credit unions.

Potential Changes in Taxes

Brexit may result in the UK government establishing favourable tax regimes for specific industries that can potentially discriminate against EU corporates in the areas of State Aid, Corporation Tax and VAT. EU corporates are a significant employer for ROI credit union members.

In relation to VAT, a technical notice issued by the UK government in October 2018 states that they the Government will aim to keep VAT procedures as close as possible to what they are now to 'provide continuity and certainty for businesses". However, should the UK leave the EU Customs Union and Single Market, the EU's VAT regime will no longer apply in the UK. Goods moving between the UK and Ireland will then become subject to import VAT.

Unlike the current arrangement, import VAT would be payable upfront at the point of entry. Businesses which are entitled to recover this import VAT will need to wait until they file their bi-monthly VAT return to seek a reclaim. This may take a number of months to recover and cause cash flow issues for businesses, particularly SMEs.

There is a risk of increased pressure on Ireland to concede to closer corporation tax harmonisation. Both Ireland and the UK have traditionally been opposed to closer tax harmonisation. Ireland may now become very isolated on its stance against tax harmonisation within the EU. Increases in the Irish corporation tax rate could detrimentally impact the quantum of multi-national investment in Ireland.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ The NI tax regime post-Brexit incorporating State Aid could increase foreign direct investment in NI thereby boosting employment and incomes. Conversely, the opposite impact could occur in ROI. ▶ The introduction of duties, import VAT and additional administrative burdens could drive up the cost of doing business and impact cash flow and working capital needs of businesses. ▶ Since 1994, NI has benefited from €13 billion of funding from Europe in respect of the NI Peace Programme, the European Regional Development Fund, the European Agricultural Fund and the European Social Fund. Loss of some strands of EU funding would have a significant impact requiring new sources of financial support or abandonment of planned programmes impacting the livelihood of our members.	▶ The outcome of Brexit tax negotiations should be followed closely to identify on a timely basis any potential upside or downside in NI and ROI credit unions respectively. ▶ Significant VAT cash flow impacts may need to be considered when assessing member's ability to pay. How are businesses going to fund these additional working capital requirements? Credit unions applying appropriate credit risk assessments could potentially provide loans to support local businesses with their additional working capital requirements. ▶ The ILCU will continue to lobby the UK government for the continuance of the quantum of funding to NI to preserve rural and agricultural communities. Credit unions should also engage with local politicians.

[8] https://www.gov.uk/settled-status-eu-citizens-families

Investments

The current CBI and PRA guidelines permit credit union to have investments with deposit takers/investment counterparties from the European Economic Area ("EEA"). Post Brexit, the UK may no longer be a member of the EEA. Consequently, the scope of permitted investment counterparties may potentially be reduced post 29 March 2019 if there is no agreed transition period. In the event that transitional arrangements are agreed and put in place prior to 29 March 2019 then it may be possible to retain such deposits.

The PRA published consultation paper (CP26/18) in October 2018 which proposes to restrict NI credit union investments to NI authorised investment counterparties only. Respondents to our ILCU survey on this Consultation Paper while indicating that it was the intention of the majority of EEA providers to use existing UK authorised entities or seek UK authorisations noted that there was significant uncertainties surrounding Brexit and consequently, there was no guaranteed courses of action at this stage. Certain investment counterparties with NI credit union funds have been reluctant to provide any concrete stance as regards their intentions should the UK leave the EU.

The ILCU has advocated to the PRA that the implications of the UK exiting the EU should not place any credit union in a position which in any way would affect their viability or sustainability. We have asked the PRA to offer a proportionate and flexible regulatory approach through a waiver or modification so that NI credit unions can hold impacted investments to maturity to avoid undue loss or penalties.

Investment counterparty risk could also increase as a result of Brexit. Counterparty risk is the probability that the deposit taker/investment provider may default on the contractual obligations with the credit union including repayment of principal and payment of interest. This risk is reflected in credit ratings issued by the recognised rating agencies- Standard & Poor's, Moody's and Fitch. The risk rating scale is reproduced for information in Brexit Toolbox B- Investment Scorecard of this guide.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ Post Brexit, NI credit unions may only be permitted to invest in UK authorised deposit takers/investment counterparties. Similarly, ROI credit unions may only be permitted to invest in non-UK, EEA authorised deposit takers/investment counterparties. ▶ The ILCU has strongly advocated to the CBI and PRA that credit unions should be permitted to hold any such investments to maturity in order to avoid penal loss of interest or penalties.	▶ Credit unions may complete the Investment Scorecard as set out in Brexit Toolbox B of this guide to assess the magnitude of their investment portfolio which could be impacted post Brexit and also any potential increase in investment counterparty risk. Credit unions may need to modify their investment strategy based on this assessment.
▶ The financial stability of investment counterparties may be impacted by uncertainty in the capital markets arising from Brexit.	▶ For example, the business model of UK challenger non high street banks may be reliant on UK mortgage lending and small business banking which could be susceptible to Brexit.

Macro Economy

The impact of the wider economy should also be considered. National demand and positive global economic conditions have seen the ROI and NI economies absorb the impact of Brexit with relatively little pain to date. However, any obstacles to the way the UK currently trades with the EU is likely to generate a reduction in long-term living standards in both jurisdictions which will have a trickle down impact on the membership of our credit unions.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ A decline in the macro economy may result in increased unemployment, increases in taxation, decreases in social welfare, inflation and lack of income growth. ▶ The trickle-down effect could result in decreases in members' income which will potentially impact members' loan repayment capacity and also reduce loan growth.	▶ The credit union can monitor economic performance to identify any trends as they emerge including any related impact on the budgets/strategic plan of the credit union. ▶ Financial Reporting Standard 102 states that an impairment loss may include adverse national or local economic conditions. Consequently, the loan impairment provision should be assessed on a regular basis to reflect any deterioration in members' ability to repay.

[8]https://www.gov.uk/settled-status-eu-citizens-families

Cross Border Supplier Contracts

Credit unions may need to consider the effect of Brexit on their contractual rights and obligations. The most obvious impact is potential additional costs associated with adverse currency movements or also the imposition of trade tariffs. However, the provision of services under a negotiated Free Trade Agreement between the UK and EU may be very different to the single market. For example, the mutual recognition of professional qualifications between jurisdictions such as lawyers and auditors must be negotiated and is not automatic.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ Increased costs of suppliers will negatively impact the credit unions cost base.	▶ Credit unions can compile a register of the credit union’s key cross border suppliers and complete the Supplier Scorecard set out in Brexit Toolkit C of this guide. The credit union budgets can be updated to reflect any potential changes in the cost base.
▶ Inability of key suppliers to provide services to credit unions post Brexit could impact significantly on credit union operational activities.	▶ Credit unions may need to explore options for alternative contract jurisdictions to ensure the same rights and entitlements are maintained post Brexit.

Foreign Direct Investment

ROI will have some key advantages post Brexit including access to English speaking labour and a footprint in the EU. For credit unions the challenge will be how to develop traditional credit union products and services to better meet the needs of a young, highly educated professional workforce generated from this foreign direct investment ("FDI") activity.

Conversely, the ability of the UK government to establish a favourable tax regime and the use of state aid may also potentially attract more investment into NI.

POTENTIAL IMPACT ON CREDIT UNIONS	ACTIONS TO MITIGATE
▶ The FDI will be primarily generated in urban areas with a young professional workplace.	▶ Now is as good a time as any to innovate the credit union business model to provide new products and services that better attract the young professionals employed through FDI.
▶ If pass-porting rights are removed from the UK then financial firms may seek to relocate to Dublin	▶ The increased presence of institutions post Brexit locating in Ireland which were formerly based in the UK could affect local financial service providers including credit unions both in terms of competitive pressure but also the pace of technological change.

[8]https://www.gov.uk/settled-status-eu-citizens-families

5 CU SIX POINT BREXIT PLAN

B – BUILD YOUR BREXIT TASKFORCE

R – REACH OUT TO YOUR MEMBERSHIP

E – EVALUATE YOUR CREDIT UNION'S BREXIT RISKS

X – EXAMINE ACTIONS TO MITIGATE YOUR BREXIT RISKS

I – IDENTIFY OWNERS OF ACTIONS TO MITIGATE YOUR BREXIT RISKS

T – TRACK BREXIT DEVELOPMENTS AND THE IMPACT FOR YOUR CREDIT UNION

BUILD YOUR BREXIT TASKFORCE

Appoint a Brexit Champion within your credit union. Senior sponsorship is essential for your credit union to effectively address Brexit risks. A member of the senior management team of the credit union should be accountable for overseeing your credit union's response to Brexit. This person will be your credit union's "Brexit Champion".

A Brexit Taskforce can be established in your credit union to oversee and assist the work of the Brexit Champion. The Taskforce can incorporate Board members and also comprise a cross section of staff from different functions within the credit union including among others the CEO/Manager and Risk/Compliance Officer.

REACH OUT TO YOUR MEMBERSHIP

Direct engagement with your members and local employers via a credit union forum in your local community is essential to providing a thorough understanding of Brexit risks impacting your common bond. This engagement can filter a clear local signal from the endless noise in respect of Brexit. The credit union can provide a focal point for your local community to come together to discuss the practical considerations in respect of Brexit and how it may be constructively tackled.

EVALUATE YOUR CREDIT UNION'S BREXIT RISKS

The Brexit Taskforce should evaluate your credit union's Brexit risks. Deal in probabilities, not myths. Understand the likely scenarios and size the impact on your credit union business model. The assessment of each Brexit risk should be recorded on a Brexit Risk Register measuring the likelihood that the risk may actually occur and the potential impact on the credit union.

A traffic light system could be used to reflect the significance of the risks:

- HIGH RISK
- MEDIUM RISK
- LOW RISK

The status of Brexit negotiations between the UK and EU may mean the ranking of certain Brexit risks cannot yet be determined. These risks should still be reflected on the Risk Register for completeness and their ranking can be updated as negotiations continue to develop.

The Brexit Risk Register should record the following for each identified risk:

- Risk Description
- Potential Impact
- Likelihood
- Risk Rating
- Actions to Mitigate the risk

EXAMINE ACTIONS TO MITI GATE YOUR BREXIT RISKS

The Brexit Taskforce led by the Brexit Champion can debate and formulate the actions that can be taken to mitigate the impact of the risks. This will include the development of contingency plans of no regret actions which can be taken now and those which may need to be postponed until greater certainty is obtained from the Brexit negotiations.

IDENTIFY OWNERS OF ACTIONS TO MITIGATE YOUR BREXIT RISKS

Actions to mitigate Brexit risks should be assigned to relevant staff in your credit union who will be responsible for owning and implementing the action within the required timeframe. In this regard your Brexit Risk Register should record the following:

- Action Owner Name; and
- Timeline of action to be completed.

TRACK BREXIT DEVELOPMENTS AND THE IMPACT FOR YOUR CREDIT UNION

Your credit union should continue to keep abreast of Brexit negotiations and the resulting impact on your local community and membership. It is essential that the Brexit Risk Register is updated for resulting changes.

The credit union's Brexit Risk Register can be a standing agenda item at each board meeting, The Brexit Champion can present the Risk Register at each meeting and discuss recent developments and the current status of actions to address the Brexit risks identified. In addition, the credit union strategy and budgets can be updated to incorporate the identified Brexit risks.

BREXIT TOOLBOX

BREXIT TOOLBOX A - GOVERNMENT AGENCIES BREXIT SUPPORT

1 ENTERPRISE IRELAND - https://www.enterprise-ireland.com/en/

Enterprise Ireland is the ROI government organisation responsible for the development and growth of Irish enterprises in world markets. They work in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets. Enterprise Ireland has specific Brexit supports available to business engaged in the export markets:

- Brexit Scorecard included in https://prepareforbrexit.virtual-adviser.com/wm/report_readywhich can be circulated to local employers in your common bond to help them assess their Brexit preparation. The tool looks at a company's business operations across 6 areas - Business Strategy, Operations, Innovation, Sales & Marketing, Finance and People and Management. The scorecard is completed online and an action plan for the relevant business is generated.
- A Brexit Be Prepared Grant of up to €5,000 is offered on application to Enterprise Ireland clients who are directly or indirectly exposed to the UK market. The grant is intended to provide support clients to use external resources to undertake a short assignment to determine how the business could respond to the threats and opportunities of Brexit. The grant can be used to cover consultant's fees, travel and expenses for both domestic and international employee travel. Please see link for further details- https://www.prepareforbrexit.com/be-prepared-grant/.

2 LOCAL ENTERPRISE OFFICES - https://www.localenterprise.ie/

There are 31 dedicated teams across the Local Authority network in Ireland which offer a wide range of experience, skills and services to support business to grow and expand. Local Enterprise offices ("LEO") provide a range of Brexit supports to local businesses:

- Brexit Mentoring Programme- This programme is designed to support businesses to identify key areas of exposure because of Brexit and assist them in developing robust strategies to address issues and maximise potential opportunities. Mentors provide businesses with advice and guidance based on their own commercial experience. Further details can be accessed at https://www.localenterprise.ie/Discover-Business-Supports/Brexit-Information/2-Brexit-Mentor-Programme-AW2-.pdf
- Technical assistance for micro exporters- The Technical Assistance for Micro-Exporters ("TAME") grant supports LEO clients to explore and develop new export market opportunities. This scheme is a matched funding opportunity with up to €2,500 available to eligible businesses. Under the scheme costs incurred when investigating, researching and accessing export markets can be part funded. Please see link for further details- https://www.localenterprise.ie/Discover-Business-Supports/Brexit-Information/6-Technical-Assistance-for-Micro-Enterprises-AW2-.pdf.
- The Trading Online Voucher Scheme ("ToV") supports small businesses to develop their online trade capability. This scheme is a matched-funding opportunity with up to €2,500 available to eligible businesses. Please see link- https://www.localenterprise.ie/Discover-Business-Supports/Brexit-Information/7-Trading-Online-Voucher-Scheme-AW2-.pdf.

3 INTER TRADE IRELAND - https://intertradeireland.com/

Inter Trade Ireland is one of the six all-island bodies set up following the Belfast Agreement reporting to the North/South Ministerial Council. Inter Trade Ireland is a Cross-Border Trade and Business Development Body funded by the Department of Business, Enterprise and Innovation ("DBEI") in ROI and the Department for the Economy in NI ("DFE"). Inter Trade Ireland helps SMEs across the island with Business Funding, Intelligence and Contacts. It also has specific Brexit supports available to businesses:

- Brexit Start to Plan Vouchers- these offer financial support up to £2,000/€2,250 towards professional advice in relation to Brexit matters. Applications must be from an SME (250 employees or less) and Turnover < €40M (equivalent). Further details are included in https://intertradeireland.com/brexit/brexit-practical-help/brexit-start-to-plan-vouchers/.
- List of Brexit Service providers including customs expertise, change management, supply chain /logistics advice which could be of assistance to businesses in our common bond are provided in https://intertradeireland.com/brexit/brexit-practical-help/brexit-service-providers/.
- In the event of a no-deal Brexit the tariffs that the EU have registered with the World Trade Organisation ("WTO") would be applied to goods being traded between the UK and the EU. The Tariff Checker included in https://intertradeireland.com/brexit/brexit-practical-help/tariff-checker/enables businesses to find out what WTO tariff would be applicable to their products.

4 INVEST NI

Invest NI is the regional business development agency for Northern Ireland. It has a number of resources to help local businesses including:

- Frequently asked questions (https://www.investni.com/think-ahead/faqs.html)
- Briefings and features (https://www.investni.com/think-ahead/briefings-and-features.html)

5 HMRC CUSTOMS TRAINING AND IT GRANTS SCHEME

- For businesses within your common bond affected by potential changes to completion of customs declaration forms, HMRC has opened a grant programme to help business complete customs declarations, in preparation for the UK leaving the EU.
- Funding can be applied for
- Training that helps employees to complete customs declarations and processes
- IT improvements to help the business complete customs declarations more efficiently
- PricewaterhouseCoopers (PwC) is administering the grants for HMRC.

https://www.nibusinessinfo.co.uk/content/grants-businesses-complete-customs-declarations

https://www.customsintermediarygrant.co.uk/registration/

6 UK GOVERNMENT EU SETTLEMENT SCHEME: EMPLOYER TOOLKIT

- The employer toolkit equips employers with the right tools and information to support EU citizens and their families to apply to the EU Settlement Scheme.

https://www.gov.uk/government/publications/eu-settlement-scheme-employer-toolkit

BREXIT TOOLBOX B - INVESTMENT SCORECARD

	ROI Credit Unions Assessment	NI Credit Unions Assessment	Response/Actions to Mitigate
1	Contact your deposit taker/ investment counterparty and enquire if any of your deposits/investments are with UK authorised providers/ counterparties.	Contact your deposit taker/ investment counterparty and enquire if any of your deposits/ investments are with non UK, EEA authorised providers/ counterparties.	
2	Compile a list of investments/ deposits held by your credit union with UK authorised deposit takers/counterparties noting the quantum of the investment (€) and the remaining months to maturity.	Compile a list of investments/ deposits held by your credit union with non UK, EEA authorised deposit takers/ counterparties noting the quantum of the investment (£) and the remaining months to maturity.	
3	The credit union should confirm if the UK deposit takers/ counterparties listed in 2 above will be seeking authorisation in the EEA for accepting deposits/ investments post Brexit.	The credit union should confirm if the non UK, EEA deposit takers/counterparties listed in 2 above will be seeking authorisation in the UK for accepting deposits/investments post Brexit.	
4	Discuss with your deposit taker/investment counterparty as to whether there are any interest/penalties that you may incur if you are required to divest of any such investments prior to maturity date as a result of Brexit.		
5	Perform an assessment of the counterparty risk of your credit union's investments. If your investment counterparties have a rating by one of the major rating agencies (please see rating scale table reproduced below) such as Standard & Poor's, Moody's and Fitch review the latest rating reports to assess any Brexit impacts. If your investment counterparty does not have a formal credit rating you should engage with your deposit taker or investment counterparty to discuss the business model of the counterparty and potential susceptibility to Brexit risks.		

BREXIT TOOLBOX B - INVESTMENT SCORECARD - Recognised Rating Agencies Credit Rating Scale

	Moody's	S&P	Fitch	Meaning
INVESTMENT GRADE	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	High Grade
	Aa2	AA	AA	
	Aa3	AA–	AA–	
	A1	A+	A+	Upper Medium Grade
	A2	A	A	
	A3	A–	A–	
	Baa1	BBB+	BBB+	Lower Medium Grade
	Baa2	BBB	BBB	
	Baa3	BBB–	BBB–	
JUNK	Ba1	BB+	BB+	Lower Medium Grade
	Ba2	BB	BB	
	Ba3	BB–	BB–	
	B1	B+	B+	Lower Medium Grade
	B2	B	B	
	B3	B–	B–	
	Caa1	CCC+	CCC+	Lower Medium Grade
	Caa2	CCC	CCC	Lower Medium Grade
	Caa3	CCC–	CCC–	Lower Medium Grade
	Ca	CC	CC+	
		C	CC	Lower Medium Grade
			CC–	
	D	D	DDD	

BREXIT TOOLBOX C - SUPPLIER SCORECARD

The credit unions should engage with their suppliers when completing this scorecard.

	Credit Union Assessment	Response/Actions to Mitigate
1	Summarise the commercial objectives of the contract	
2	On a scale of 1 to 5, 5 being extremely important and 1 being not important, how would you rate the importance of this contract to the credit union?	
3	Does the supplier have a presence in the UK or Republic of Ireland?	
4	What is the length of the contract and when does it expire?	
5	Is there any penalty (financial or otherwise) for terminating the contract?	
6	What is the currency of the contract of the contract? Are the impact of currency rate fluctuations borne by the supplier or are they passed onto the credit union?	
7	Does the contract relate to the import of goods? If so are there any provisions regarding EU custom tariffs?	
8	Are there any clauses relating to EU regulatory compliance? If so what regulations are contracted to be complied with?	
9	Does the contract contain a force majeure clause and is it possible that Brexit might be covered under such a clause?	
10	Is the provision of the contract dependent on the free movement of people? If so discuss with the supplier the contingency plans they have post Brexit to ensure the continued performance of the service.	

BREXIT TOOLBOX D - DATA PROTECTION

Transfer of Personal Data between EU member states and UK

The General Data Protection Regulation ("GDPR") 2016/679 came into force throughout Europe on 25 May 2018. In the UK, the GDPR was automatically incorporated into domestic law via the European Communities Act 1972. From 29 March 2019 when the UK is expected to leave the EU, the European Union (Withdrawal) Act 2018 will repeal the European Communities Act 1972 and simultaneously transpose the GDPR onto the statute book, making it domestic legislation in the UK. The Data Protection Act 2018 which sits alongside the GDPR fills in the gaps, exemptions and derogations that each EU member state has.

Credit unions may find it useful to begin posing the following questions in respect of personal data held by them:

To what extent do we use EU or UK based service providers to process our data?

Are adjustments likely to be needed to ensure that data can continue to flow post-Brexit and more specifically in the event of a no deal brexit?

Do those service providers have contingency arrangements in place in the event of a no-deal scenario?

Will there be any cost or fee associated with this change?

POSSIBLE FUTURE SCENARIOS

1. Withdrawal Agreement

Should the Withdrawal Agreement be passed by the UK Parliament, EU law (including data protection law) will continue to apply for the transition period/implementation period in the UK. There is a commitment between the EU and UK to start adequacy proceedings with a view to the EU Commission adopting an adequacy decision for the UK by the end of 2020. An adequacy decision means that transfers of personal data between the EU and the UK will be permitted as if the transfer was taking place within the EU. In the event of there being no adequacy decision at the end of the transition period, Article 71 provides the data of EU citizens processed under the Withdrawal Agreement after the transition period (for example, in relation to the provisions on citizens' rights) will be protected. A parallel provision exists for UK personal data in the EU, which will be given the same protection as is accorded to data obtained from a Member State. Non-UK personal data will therefore need to remain subject to an "essentially equivalent" standard of protection as provided under the GDPR.

2. No deal scenario

In the case of a no deal scenario, as of the withdrawal date, the transfer of personal data to the United Kingdom will become subject to the rules on international transfers under GDPR.

If there is no adequacy decision, then a transfer of data from the EU to the UK may still be made if appropriate safeguards are in place. These safeguards may be provided for by:

- Standard data protection clauses: the Commission has adopted three sets of model clauses which are available on the Commission's website;
- Binding corporate rules: legally binding data protection rules approved by the competent data protection authority which apply within a corporate group;
- Approved Codes of Conduct together with binding and enforceable commitments of the controller or processor in the third country;
- Approved certification mechanisms together with binding and enforceable commitments of the controller or processor in the third country.

In the absence of an "adequacy decision" or of "appropriate safeguards", a transfer or a set of transfers may take place on the basis of so-called "derogations": they allow transfers in specific cases, such as based on consent, for the performance of a contract, for the exercise of legal claims or for important reasons of public interest.

With respect to the transfer of personal data from the UK to the EU, in recognition of the unprecedented degree of alignment between the UK and EU's data protection regimes, the UK would at the point of exit continue to allow the free flow of personal data from the UK to the EU. The UK would keep this under review.

UK Government

On 19 December 2018, the UK government issued a "no deal" note setting out how data protection law would work in the event of a no deal scenario (https://www.gov.uk/government/publications/data-protection-law-eu-exit/amendments-to-uk-data-protection-law-in-the-event-the-uk-leaves-the-eu-without-a-deal-on-29-march-2019)

The EU Withdrawal Act 2018 will effectively retain the GDPR as UK law and give the UK Government the power to make appropriate amendments. Amendments will include, for example, amending references to EU laws and institutions. This has implemented through a draft bill called the "The Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019".

The fundamental data protection principles, obligations on organisations, and rights for individuals will remain the same under UK law.

Data transfers from the UK to the EEA

The UK will recognise all EEA states, EU and EEA institutions and Gibraltar as providing an adequate level of protection for personal data, meaning that data can flow freely from the UK to these jurisdictions. However, the UK will keep this under review.

Data transfers from the UK to countries with adequate protection

The UK will preserve the effect of existing EU adequacy decisions meaning that data can flow freely from the UK to Andorra, Argentina, Canada, Faroe Islands, Guernsey, Israel, Isle of Man, Jersey, New Zealand, Switzerland and Uruguay.

The UK government stated that it will preserve the effect of the existing EU-US Privacy Shield to enable the free flow of data from the UK to organisations on the Privacy Shield List.

Data transfers from the UK to third countries with no adequate protection

EU Standard Contractual Clauses that have been approved by the European Commission will continue to be a legitimate basis for transfers from the UK to third countries. The ICO will get new powers to issue Standard Contractual Clauses for the UK.

Irish Data Protection Commission (DPC)

- On 21 December 2018, the Irish DPC issued an "important message on personal data transfers to and from the UK in event of a 'no deal' Brexit" (https://www.dataprotection.ie/en/news-media/latest-news/dpc-issues-important-message-personal-data-transfers-and-uk-event-no-deal).
- Amongst its guidance it set out the next steps for ROI organisations including credit unions consider when transferring data to the UK, including Northern Ireland:
- Map the personal data being transferred to the UK currently; Determine if the transfers will need to continue beyond 30 March 2019; and if this is the case, then assess the various transfer mechanisms to decide which one best suits the situation and work towards having it in place before 30 March 2019.

APPENDIX 1

EUROPEAN COMMISSION FACT SHEET: ROI & NI PROTOCOL

As part of the Withdrawal Agreement, a single EU-UK customs territory is established from the end of the transition period until the future relationship becomes applicable. Northern Ireland will therefore remain part of the same customs territory as the rest of the UK with no tariffs, quotas, or checks on rules of origin between Northern Ireland and the rest of the UK.

Further information on the specifics on the Protocol on Ireland and Northern Ireland within the Withdrawal Agreement are set out below.

Will Northern Ireland be in a different customs territory to the rest of the United Kingdom?

No. Northern Ireland will form part of the same customs territory as the rest of the UK, which forms a single customs territory with the EU. However, under the backstop and in order to avoid a hard border, Northern Ireland businesses can place products on the EU's internal market without restriction. Placing goods on the internal market that come from outside of Northern Ireland requires that the processes provided for in the Union Customs Code will have to be applied.

Will Northern Ireland remain aligned to the rules and regulations of the EU? Will Northern Ireland have to apply the EU's Customs Code?

In order to avoid a hard border on the island of Ireland, and to ensure that Northern Irish businesses can place products on the EU's Single Market without restriction, it will be necessary for the UK in respect of Northern Ireland to maintain specific regulatory alignment with the EU, as has been agreed between the EU and the UK in the December 2017 Joint Report. This means that Northern Ireland will remain aligned to a limited set of EU rules that are indispensable for avoiding a hard border, namely:

- Legislation on VAT and excise in respect of goods
- Legislation on goods standards
- Sanitary rules for veterinary controls ("SPS rules")
- Rules on agricultural production/marketing
- State aid rules.

The EU's Customs Code will also continue to apply in Northern Ireland within the overall context of the single customs territory between the EU and the UK.

Will Northern Ireland remain part of the UK's VAT area?

Yes, Northern Ireland will remain part of the UK's VAT area, with HMRC remaining responsible for the operation and collection of VAT, and the setting of VAT rates across the UK, in line with the VAT directive. Specifically, the UK will ensure that no business is required to pay VAT upfront when moving goods between Great Britain and Northern Ireland, and that accounting for VAT can continue to be done through postponed accounting and VAT returns. However, to ensure that Northern Ireland continues to be able to operate the EU's VIES system (VAT Information Exchange System) and to share data with Ireland, Northern Ireland will be required to remain aligned to EU VAT rules, but only with respect to goods.

Will there need to be checks between Northern Ireland and Ireland?

There will be no need for checks or controls on goods or persons crossing the border between Northern Ireland and Ireland. There will be no hard border on the island of Ireland. The Common Travel Area can also continue to function. The UK has committed that this will not affect the obligations of Ireland under Union law, in particular with respect to free movement of EU citizens and their family members to, from and within Ireland.

What checks will need to take place on goods entering Northern Ireland from the rest of the UK?

In order to ensure that Northern Irish businesses can place products on the EU's Single Market without restriction – and given the island of Ireland's status as a single epidemiological area – there would be a need for checks on goods travelling from the rest of the UK to Northern Ireland. There would be a need for some compliance checks with EU standards, consistent with risk, to protect consumers, economic traders and businesses in the Single Market. The EU and the UK have agreed to carry out these checks in the least intrusive way possible. The scale and frequency of the checks could be further reduced through future agreements between the EU and the UK. For industrial goods, checks are based on risk assessment, and can mostly take place in the market or at traders' premises by the relevant authorities. Such checks will always be carried out by UK authorities. As for agricultural products, already existing checks at ports and airports will need to continue, but will be increased in scale in order to protect the EU's Single Market, its consumers and animal health.

Will Northern Irish businesses still have unfettered access to the rest of the UK?

Nothing in this Protocol prevents unfettered market access for Northern Ireland products in the rest of the UK. Nothing in this text prevents a product originating from Northern Ireland as being considered as a UK good when placed on the market in the rest of the UK.

Who will be responsible for implementing and applying the backstop in Northern Ireland?

The authorities of the United Kingdom will be responsible for implementing and applying the backstop in Northern Ireland. The EU will have the right to obtain information and request control measures. The UK will facilitate any requests made by EU representatives. The practical arrangements for this will be determined by the Joint Committee, following a proposal from the Specialised Committee. How will certification and product approval work in Northern Ireland? Where existing EU law provides for the possibility for an authority/ body in another Member State to issue product approvals/certificates, this option should be used by Northern Irish businesses if they want to export to the EU27 Member States. On the other hand, Northern Irish businesses can rely on authorisation via UK authorities (for example, in specific areas that require on-site inspections under EU law (veterinary certificates, production sites of pharmaceuticals, slaughterhouses). UK authorities would apply Union law in respect of Northern Ireland, and could decide to make such certificates valid UK-wide. Products from Northern Ireland can continue to be labelled or marketed as UK products throughout the rest of the United Kingdom. Where EU law on goods is concerned, Northern Irish products shall be indicated as "UK(NI)". A relevant example would be regarding ear tags for live animals.

What else does the Protocol contain beyond the "backstop"?

The Protocol on Ireland and Northern Ireland also contains provisions that address a number of other unique circumstances on the island of Ireland, beyond issues related to customs and regulatory matters, most notably:

The Common Travel Area between Ireland and the United Kingdom and its associated rights and privileges will continue to apply in conformity with EU law, in particular on free movement of EU citizens.

The UK will ensure that there will be no diminution of rights, safeguards and equality of opportunity as set out in the Good Friday (Belfast) Agreement 1998, including with regard to EU law on non-discrimination. This commitment will be implemented and monitored through dedicated mechanisms.

The Single Electricity Market will be maintained on the island of Ireland. North-South cooperation will continue, including in the areas of environment, health, agriculture, transport, education and tourism, as well as in the areas of energy, telecommunications, broadcasting, inland fisheries, justice and security, higher education and sport.

Will Irish citizens in Northern Ireland continue to enjoy their rights as EU citizens?

Northern Ireland will no longer be part of the EU, but a great number of people born and raised there will continue to be EU citizens. They will continue to enjoy their rights as Union citizens under the Treaties. Under the Treaty (on the functioning of the European Union) they will in particular continue to enjoy the following rights:
- non-discrimination on the basis of nationality
- move and reside freely within the EU consular protection (help from the embassy or consulate of any other EU country to EU citizens in distress in a country outside the EU where they have no embassy or consulate of their own country) - - petition the European Parliament and complain to the European ombudsman - contact and receive a response from any EU institution in one of the EU's official languages access European Parliament, European Commission and Council documents under certain conditions - access to the EU Civil Service

What will happen to the PEACE and INTERREG programmes?

The EU and the UK are committed to the PEACE and INTERREG funding programmes under the current multi-annual financial framework and to maintaining the current funding proportions for the future programme. The Commission has already proposed the continuation of PEACE and INTERREG for Northern Ireland and the border regions of Ireland beyond 2020 under a single programme PEACE PLUS. It will now be for Member States, with the consent of the European Parliament, to decide on this.

What is North South Cooperation and how will it be protected in the context of the UK's withdrawal?

Cooperation between Ireland and Northern Ireland is a central part of the Good Friday (Belfast) Agreement and is essential for achieving reconciliation on the island of Ireland. In implementing the Protocol, the conditions necessary for continued North-South Cooperation will be maintained in a range of areas including the environment, health, agriculture, transport, education, tourism, energy, telecommunications, broadcasting, inland fisheries, justice and security, higher education and sport. The protocol recognises that, in full respect of Union law, new arrangements building on the provisions of the Good Friday/Belfast Agreement in these and in other areas of North South cooperation, can continue to be made on the island of Ireland. Both parties have recognised that the UK's departure from the EU gives rise to substantial challenges to the maintenance and development of North South Cooperation. In this context, the avoidance of a hard border on the island of Ireland, as provided for in other Articles of this Protocol, is an essential precondition to protecting North South Cooperation.

APPENDIX 2

TECHNICAL/PREPAREDNESS NOTICES IN THE EVENT OF A NO DEAL SCENARIO

The UK Government issued 107 Technical and Preparedness Notices on a variety issues in the event of a no deal scenario. Credit unions should familiarise themselves with these. Some of the more relevant ones for credit unions are set out below.

UK Technical Notices

- Workplace Rights
- Data Protection
- Consumer Rights
- Professional Services including accounting and audits
- Farm payments
- Travelling and transport between the EU and the UK
- Import and Export of various goods
- Banking, insurance and other financial services
- VAT for businesses

For a complete list, please see the link below:

https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal

EU Preparedness notices

- Banking services
- Insurance
- VAT
- Travelling
- Professional qualifications
- Data protection
- Company law

For a complete list, please see the link below:

https://ec.europa.eu/info/brexit/brexitpreparedness/preparedness-notices_en

EU and Irish Government Contingency Action Plans

On 21 December 2018, the EU and Irish Government issued Contingency Action Plans setting out measures including legislatives proposals which would have to be implemented to deal with a "no deal" scenario. Those plans can be found at the links below:

Irish Government

https://merrionstreet.ie/MerrionStreet/en/News-Room/Releases/No_Deal_Brexit_Contingency_Plan.pdf

European Commission

http://europa.eu/rapid/press-release_IP-18-6851_en.htm

IRELAND

Irish League of Credit Unions