



## Seeing clearly

### Will Brexit affect your contracts?

Whether or not you are in the Remain or Leave camp, the prospect of the United Kingdom voting to leave the European Union at the referendum to be held on 23 June 2016 raises a number of important issues for businesses.

Although the referendum is only a vote on whether the UK should remain a member of the European Union (and is not a referendum on any aspect of EU law, the model that would be used for an exit or the timetable for exit) it is important to consider whether Brexit may affect any of your contracts.

If the UK votes to leave the EU, it is expected that there will be a two year negotiating window before the UK formally withdraws. Even if the direct impact of Brexit is delayed for that period, contracts may be affected by the uncertainty that a vote to leave would cause. Whilst risks may or may not be exaggerated, there are well publicised concerns that a vote for Brexit may lead to a fall in the value of Sterling or a fluctuation in exchange rates that impact on the operation or pricing of a contract. These may then have a knock on effect on various contractual provisions such as financial covenants, material adverse change clauses, credit rating triggers and termination clauses.

#### Considering the detail

Of particular interest will be contracts where:

- there is dependence on EU trade (including any ability to passport particular regulated businesses throughout Europe) or dependence on EU funding or grants;
- there are pricing mechanisms tailored to take into account particular savings or levels based on EU free movement of goods and people or EU funding or grants;
- the transaction or any clause is dependent on particular territorial EU wide definitions;
- terms can be amended if more strenuous EU law is no longer applicable.

#### How can we help?

At Eversheds our specialist teams of commercial contracts lawyers are advising clients on the implications of Brexit, including:

- Health-check reviews of existing contracts;
- Interpretation of clauses such as termination, force majeure, compliance with law, change control, territorial restrictions, material adverse change and pricing mechanisms;
- Strategic advice for dealing with existing contracts and mitigation strategies;
- Advice on drafting new contracts with Brexit in mind.

#### What happens next?

If you would like to know more please get in touch.



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