

Neil Robson Discusses "Chaperoning" as a Brexit Workaround

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Financial Markets and Funds partner Neil Robson spoke with *Financial News* on compliance challenges surrounding "chaperoning" — a loophole some financial institutions are using to work around the UK/EU divide. Chaperoning involves, for example, a UK fund manager using an EU partner to oversee a transaction they do not have authorization to conduct. Neil warned that the regulators are not likely to let the practice stand. He stated, "Pure chaperoning looks like it's not going to happen. They want to see people with the proper skill set in the jurisdiction." Additionally, he noted, "Any firms where there's a significant amount of UK-based staff that are applying for an EU license we are seeing questions on substance. You can't have people flying in and out. They are just not going to accept that now."

Neil indicated that EU regulators are paying close attention as regards to whether or not the company has "true substance in the bloc or if it's smoke and mirrors," and that they need to "demonstrate they have enough people in the country to do the business activities" that they were authorized to carry out in the bloc. He also noted that European regulators were "being quite rigid" about the size of the financial services staff expected to be employed in the EU by those respective firms. "The message is: If we're going to grant you a license to operate in relevant EU jurisdictions, then it doesn't matter how many people you have got in the UK, you've got to have people here." While the scrutiny largely was placed on London banks, Neil noted that trading firms and asset managers are starting to see that same close inspection of employee numbers in recent weeks. ("[Traders face wake-up call on Brexit workarounds as EU begins clampdown](#)," October 22, 2021)

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CONTACTS

For more information, contact your Katten attorney or any of the following attorneys.



Neil Robson

+44 (0) 20 7776 7666

neil.robson@katten.co.uk

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