Part VII Transfer
Summary
December 2018
Part VII Transfer Summary

Please note that this document is a high level summary of the Part VII business transfer intended to provide you with general background to the Part VII and how it fits into Barclays’ Brexit strategy. As it is a summary, it is by definition incomplete and you should read this document together with the materials made available on the Barclays website https://home.barclays/who-we-are/our-strategy/preparing-for-brexit/

Overview of Part VII Transfer

• Our intention is to expand our existing subsidiary, Barclays Bank Ireland (BBI), to become the legal entity serving European clients should Brexit result in a loss of relevant passports for Barclays Bank PLC (BBPLC).
• As of 9 October 2018, we have received all such necessary permission, with the exception of the authorisation to hold client assets, which we expect to receive in November 2018.
• Barclays expects to use a number of legal mechanisms to transfer contracts to BBI, including: (i) a Part VII banking business transfer (a “Part VII”); (ii) novations; (iii) transfers under existing contractual rights to transfer to affiliates; (iv) amendments to product terms and conditions; or (v) new documentation.
• This information deck contains information on the Part VII Transfer only. Information on other transfer methods will be provided in separate materials in due course.

What is a Part VII Banking Business Transfer?

• A Part VII provides a court-approved mechanism to transfer existing clients and move the related business, client relationships and associated contracts from the current Barclays counterparty (i.e., BBPLC, Barclays Capital Securities Limited (BCSL)) to BBI via court order rather than by requiring individual contract novations. Customer protection is ensured through regulatory and court scrutiny.
• Execution of a Part VII is currently only available to licensed banks authorised to take deposits in the UK and not institutions which primarily operate as broker/dealers.
• There is flexibility within the Part VII process to tailor it to meet the needs of different clients. Under the Part VII process, Barclays intends to duplicate certain overarching contracts (e.g., ISDA master agreements) to BBI and also preserve the ability of existing positions, in some instances, to be retained in BBPLC (subject to relevant legal triggers) and also to build in flexibility on the timing of transfers (within certain legal constraints). For more information, please see “Annex 1 – Part VII Transfers – Existing Positions and Contract Transfer Period (Markets Clients)”.

Part VII vs. European Spin-Off / Merger Transactions

• In many European jurisdictions (e.g., Germany, Italy, Spain, France and Portugal), businesses or parts of businesses can be transferred by a spin off/merger mechanism which has the effect of an universal succession – where all the assets, liabilities, employees, etc. related to the business or to the relevant part of the business are transferred as one to the new owner.
• In the UK, however, there is no general legal right to effect a transfer of all of a business in this manner; instead, assets / contracts require individual transfer (e.g., by novation) or a court sanctioned transfer scheme such as a Part VII Transfer which has a similar effect to universal succession in that it can transfer a complete banking business.
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What Contracts Are In Scope? What Contracts Are Out Of Scope?

- Where appropriate, Barclays is using the Part VII for contracts governed by English law, as well as contracts governed by German, French, Spanish and Italian law.
- The Part VII includes: (i) certain contracts related to the investment banking and markets businesses (i.e., derivative contracts - ISDAs, secured funding contracts-GMRAs/GMSLAs (and ancillary and related documents), Terms of Business); (ii) contracts for Corporate Bank products (i.e., cash management agreements, letters of credit) subject to booking location.
- The Part VII is not being used for: (i) contracts governed by Portuguese, Dutch and New York law; (ii) Banking and Corporate Bank loans, which will primarily be effected through existing contractual rights to transfer; (iii) Corporate Bank products booked to certain BBPLC branches (e.g., to the German and Portuguese branches) and (iv) certain investment banking related contracts not involving trading positions (e.g., investment banking and M&A mandate letters, non disclosure agreements (NDAs), and transactional documents related to equity and debt capital markets products (e.g., Euro commercial paper programmes (ECPs), medium term note programmes (MTNs), bond and share offerings).

Key Benefits Of The Part VII Transfer.

- No need for new documentation - existing contracts will be transferred to and/or replicated with BBI without the need for “re-papering”.
- Efficiencies can be achieved by using a Part VII mechanism to enable the legal transfer whilst minimising the document execution burden for Barclays and clients. It is expected that the Part VII will:
  - Ensure the continuity of legal contracts and continued effectiveness of related security in the UK;
  - Provide for necessary amendments to contractual terms to ensure that the transferred or duplicated contracts continue to operate effectively - such amendments will be limited to those changes which support the migration to BBI (e.g., to address the new jurisdiction and/or regulatory regime); and
  - Not trigger clearing/margin requirements for contracts benefiting from the EMIR grandfathering regime.
- Timing flexibility – as the Part VII will result in the necessary agreements between clients and Barclays being duplicated for BBI, the exact timing of position transfer can be tailored to meet the needs of clients, as well as respond to ongoing political and regulatory developments (subject to certain legal constraints). For a general summary of the mechanics of duplicating in-scope BBPLC contracts to BBI, see “Annex 1 - Part VII Transfers – Existing Positions and Contract Transfer Period (Markets Clients)”. 
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Court Process

• A Part VII court process generally involves at least two hearings before an English court which in practice are scheduled over a period of at least three months:
  I. a “Directions Hearing” - Barclays will submit a scheme document setting out the proposed transfers (the “Scheme”) and proposals for public notifications; and
  II. a “Sanction Hearing” - Barclays will ask the court to approve the Scheme (and the court would consider any objections raised by stakeholders or the public).

• A Part VII application to the court includes submission of a Scheme and a supporting Witness Statement. These documents are subject to extensive review and discussion with the UK regulators before being submitted to the court. The Scheme Document defines the scope and terms of the transfer and includes details of any necessary contractual amendments.

• Barclays will also produce an explanatory statement summarising the Scheme (the “Scheme Summary”) regarding the proposed transfer. Following the Directions Hearing, the Scheme and the Summary of the Scheme will become publically available and clients will have an opportunity to review these documents and consider whether they wish to raise any issues with Barclays in the first instance or, if not resolved, with the court at the time of the Sanction Hearing.

• Once the court has approved the Scheme at the Sanction Hearing, client contracts can move across in accordance with the mechanisms specified in the Scheme Document. It is likely that there will be more than one effective date to allow different clients and different contracts to transfer at different times, following the Sanction Hearing.

• PDF copies of the Scheme and the Summary of the Scheme are available at https://home.barclays/who-we-are/our-strategy/preparing-for-brexit/part-vii-transfer/.

Timing & Operational Process

• Barclays commenced the Part VII Court process with the Directions Hearing taking place on 23 October 2018 to ensure timely duplication and/or transfer of relevant client contracts and businesses ahead of 29 March 2019, the anticipated date of Brexit.

• In connection with the Part VII Barclays has established a communications plan to stakeholders who will each receive a Part VII letter setting out: (i) the intention to use the Part VII; (ii) where to find more details (the Scheme Document and the Scheme Summary; (iii) how to participate in the court process; and (iv) a link to the Barclays Brexit website (https://home.barclays/who-we-are/our-strategy/preparing-for-brexit/part-vii-transfer/) which provides additional information.

• Barclays is not only relying on the court process to address objections – there has been and will be ongoing client outreach and a mechanism for clients to raise queries/concerns with Barclays directly.

• In addition, there will be ongoing communications as required to ensure successful execution of the Part VII.

Illustrative Timeline

- Directions Hearing: 23 Oct 2018
- Part VII Letter: 30 Oct 2018
- Sanctions Hearing: 22 Jan 2019
- Scheme Effective Date(s): 26 Jan 2019
- Period For Objections: 26 Jul 2019
Annex 1 - Part VII Transfers | Existing Positions and Contract Transfer Period (Markets Clients)

Overview
There is flexibility within the Part VII process to tailor it to meet the needs of different clients. It will be possible to duplicate certain overarching contracts (e.g., ISDA master agreements), such that existing positions can be retained in BBPLC / BCSL and include flexibility on timing (within certain legal constraints).

Duplicating Contracts
We are assuming that existing derivatives positions can continue between BBPLC/BCSL and clients until a regulated activity (e.g., change to the terms, rolling over of position, etc.) occurs. The Part VII can be used to duplicate existing master agreements, which allows existing contracts to remain in place with BBPLC/BCSL in respect of existing positions, while also allowing clients to do new business with BBI under a “duplicate” contract:

Existing Master Agreements:
The existing BBPLC/BCSL master agreements will remain in place and any transactions that will remain with BBPLC/BCSL will continue to be governed by the existing BBPLC/BCSL master agreement and the relevant trade confirmation.

Duplicate Master Agreements:
The Part VII will create a duplicate master agreement between BBI and the client, identical to the existing master agreement in place with BBPLC or BCSL (except for consequential changes that are identified and set out in the Scheme).

Transferring transactions and future transactions will be governed by the duplicate master agreement and the relevant trade confirmation.

How will documentation change under the Part VII Transfer?

- Under a Part VII, the existing contractual arrangements clients have with Barclays will be deemed automatically migrated and/or replicated to BBI, so there should be no need to re-execute current contractual arrangements or sign any new agreements.
- The Part VII process allows for amendment to contracts. Barclays intends to limit contract changes under the Part VII to those amendments required to facilitate the client document migration to BBI (i.e., to address the new jurisdiction and/or regulatory regime). Such changes have been identified as part of Barclays’ contract due diligence and enumerated in the Scheme Document submitted to court and made available to those impacted by the proceeding. For more information about these changes please see “Summary of Contractual Amendments” at https://home.barclays/who-we-are/our-strategy/preparing-for-brexit/part-vii-transfer/

Transferring Transactions and Positions

- In connection with the Directions Hearing, clients with derivative positions will receive a communication with a list of master agreements to be duplicated.
- Following the Sanction Hearing, the Part VII will duplicate in-scope master agreements at the start of the effective window set out in the Scheme Document and clients will receive a communication with a list of duplicated master agreements/contracts to be transferred.
- The transfer of positions will happen if and when instructed by clients within the time frame stipulated in the Scheme Document. For more information about moving or retaining existing derivative positions and the potential impact for you, please see https://home.barclays/who-we-are/our-strategy/preparing-for-brexit/
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