The Road to Brexit

What does the triggering of Article 50 mean for investors and private companies?

On Wednesday 29 March, the President of the European Council Donald Tusk was handed a letter on behalf of Prime Minister Theresa May triggering Article 50 and initiating Brexit negotiations. This historic moment signifies the beginning of a transformative period for Britain, as it forges an independent identity underpinned by its robust community of investors and high-growth, scaling businesses.

While the full details of the Brexit negotiation process will be revealed over the coming months, current economic indicators project a positive outlook for the future. Since Britain's decision to leave the European Union (EU) over nine months ago, the British economy has proven resilient – according to revised figures from the Office for National Statistics (ONS), GDP grew by 0.7% in Q4 2016. Following on from this positive performance, the Bank of England also reviewed its growth forecasts for the British economy in 2017, posting a revised annual forecast of 2% growth over the course of the year.

For investors injecting capital in the form of debt and equity into British businesses, Brexit has - contrary to speculation - impacted somewhat promisingly on the sentiment held towards the private sector. When measuring the UK share price on public markets, the FTSE 100 and FTSE 250 have risen by a respective 16% and 11% since the Brexit referendum. For investors supporting private companies not publically-listed, confidence is also resoundingly high – a recent poll of 1,000 investors found that nearly half (44%) believe that Brexit will have a positive impact on their investment strategy. This sentiment was evidently demonstrated last year when the private equity market experienced 82 lower mid-market investments with an aggregate value of £3.33 billion. Of these deals, 40 were concluded in final two quarters of 2016 – revealing an investor community unfazed by the perceived consequences of Brexit.

Brexit timeline of key events

At this pivotal moment of economic and political transition, Britain is ideally positioned to embrace the future opportunities associated with Brexit. The private sector is striving forward, fuelled by the confidence and directed capital of investors across both debt and equity markets.

Looking forward to the next 24 months, the timeline below pinpoints the key events to define the Brexit negotiation process.

March 29, 2017
Britain informs the European Commission of its intention to leave the EU, triggering Article 50 and a 24 month negotiation period.

March 30, 2017
Britain releases its white paper on the Great Repeal Bill — the legislation that will turn more than 40 years of EU regulations into domestic laws.

April 29, 2017
An extraordinary European Council summit of the remaining 27 members states will be held to agree a mandate for chief negotiator Michel Barnier.

May/June, 2017
Negotiation talks officially commence.

Late 2017
The Great Repeal Bill is scrutinised in Parliament.

December 2017
The preliminary stage of negotiations concludes.

Early 2018
The Great Repeal Bill likely to receive Royal Ascent.

September 2018
Final terms of Brexit are concluded.

Late 2018 early 2019
Both Houses of Parliament will vote on the final Brexit deal.

March 2019
Two years after the invocation of Article 50, the UK ceases to be a member of the EU and is no longer subject to its treaties, whether or not a withdrawal agreement has been reached.

Looking to 2019

The triggering of Article 50 offers Britain the opportunity to review the current financial and investment regulations that have been enforced as a consequence of EU law, and repeal those directives that limit investor access to the country's scaling SMEs. For VCTs, EIS and SEIS, EU legislation has narrowed the number of SMEs that can use these schemes as a source for growth capital. The 'Great Repeal Bill' white paper published on 30 March offers some insight into this process, though Britain will have to wait until it has formally left the EU before it can enforce any repeal of EU regulations.

During this period, it is important for the UK Government and industry peers to ensure momentum is sustained, supporting private capital investment into scaling businesses by way of education, awareness and renewed policy around associated tax-relief.

As Britain prepares for the beginning of the new tax year on 6 April, the opportunity to present tailored initiatives that cater to the specific demands of investors and businesses cannot be overlooked. Critical importance needs to be placed on the UK investor community to ensure that their priorities and interests are effectively managed and addressed. Through their support and capital, Britain's private sector will continue to propel the economy forward during this significant time of economic transition.