

# BofAML Global Markets Brexit Client FAQs

## February 2019

*Additional information will be provided in subsequent versions of this document*

The responses below predominantly focus on Bank of America Merrill Lynch (“BofAML”) Global Markets business that will transfer from Merrill Lynch International (“MLI”) as a consequence of Brexit. For further information on the merger of Bank of America Merrill Lynch International Limited (“BAMLI LTD”) into Bank of America Merrill Lynch International Designated Activity Company (“BAMLI DAC”) (the “Merger”) please visit: [www.bofaml.com/brexit](http://www.bofaml.com/brexit)

### PLANS & COMMUNICATION

#### 1. How is BofAML planning for Brexit?

Bank of America Corporation (“BAC”) currently operates throughout the European Economic Area (EEA) primarily through two entities, MLI (UK Broker-Dealer) and BAMLI DAC (Irish Bank, the “Bank”). BAC also operates through the BANA entity with branches in the EEA.

MLI is currently able to offer services across the EEA through a process known as “passporting” which eliminates the need for individual country licences. As a result of Brexit, we expect MLI to lose the ability to offer products and services into EEA jurisdictions via passporting.

The company is therefore implementing a revision to its legal entity and operating strategy to ensure we retain the ability to provide both seamless service to EEA clients and the ability to provide EEA products and services to our global client base.

#### 2. Is BofAML planning for ‘hard’ or ‘soft’ Brexit?

BofAML is currently planning for a ‘hard’ Brexit, with no transition period and no passporting beyond 29 March 2019. A transition period would nevertheless be helpful to provide both BofAML and our clients with greater flexibility and optionality.

The Withdrawal Agreement that has been agreed by the UK and the EU contains provisions for a transition period. If the Withdrawal Agreement is ratified as currently drafted, then we expect there to be a transition period from 30 March 2019 until 31 December 2020. During this transition period, we expect passporting and existing access between the UK and the EU would continue broadly as normal.

In terms of access to the EU from the UK following a transition period (and vice versa), it has been reported that future arrangements could be based on equivalence. While it is too early to say what form any future access arrangements might take or how they might work in practice, the ability to access the EU from the UK (and vice versa) would be helpful to provide both BofAML and our clients with greater flexibility and optionality.

#### 3. When does BofAML expect to finalise its Brexit plans?

**Broker-Dealer:** We have created an EEA Broker-Dealer, BofASE SA, which is incorporated in France (“EEA Broker-Dealer”). BofASE SA is licensed by the ACPR and is expected to be operational prior to April 2019. It is anticipated that some Global Market business will be conducted through the Irish banking entity, BAMLI DAC. Please refer to question 13 for more detail.

**The Bank:** As part of our Brexit strategy, on 1 December 2018 our UK entity BAMLI Ltd merged with our Irish entity BAMLI DAC to form a single banking entity, BAMLI DAC. Upon completion of the Merger, BAMLI Ltd business transferred to BAMLI DAC and BAMLI Ltd ceased to exist. BAMLI DAC is now BAC’s primary Europe, Middle East and Africa (“EMEA”) bank subsidiary. If you had banking products with BAMLI Limited, you will have received communications prior to 1 December 2018. Please visit our webpage for further information about the Merger at [www.bofaml.com/brexit](http://www.bofaml.com/brexit).

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#### 4. How will BofAML communicate its Brexit plans to clients? How can clients obtain more information if they have additional questions related to BofAML's approach to Brexit? Is BofAML setting up a DG and team for Brexit queries?

We are communicating Brexit plans via a dedicated site - [www.bofaml.com/brexit](http://www.bofaml.com/brexit) and via direct outreach to impacted clients. Queries around BofAML's Global Markets Brexit strategy can be directed to [brexitclientimpact@baml.com](mailto:brexitclientimpact@baml.com), or via your primary BofAML relationship manager.

### LEGAL ENTITY STRUCTURE

#### 5. What will be the legal entity structure of BofAML in EMEA as of Brexit Day 1?

BofAML's principal legal entities in the EEA and in the UK as of Brexit Day 1 are anticipated to include:

- BANA, including a London branch
- MLI, a broker-dealer incorporated in the UK
- BAMLI DAC, a bank incorporated in Ireland
- BofASE SA, a broker-dealer incorporated in France

BANA's European branch network will remain in place.

#### 6. When will any new legal entities of BofAML be set up?

BofAML has set up a new broker-dealer in the EEA, BofASE SA. BofASE SA is licensed by the ACPR and is expected to be operational prior to April 2019.

The cross-border merger of BAMLI Ltd into BAMLI DAC was successfully completed as anticipated on 1 December 2018. BAMLI DAC is now fully operational.

#### 7. Will the new entities have a public credit rating?

Yes, BofASE SA, MLI and BAMLI DAC have the same credit rating, as shown in the table below:

Rating	Moody's	Standard & Poor's	Fitch
Outlook	-	Stable	Stable
Long-term senior	-	A+	A+
Short-term	-	A-1	F1

#### 8. As compared to the existing UK entity, will the EEA entity be subject to a similar recovery and resolution regime?

The Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("BRRD") has established a common framework for resolution for all EEA incorporated entities, which currently applies to both our existing UK entities as well as our other EEA regulated entities once created. From a Bank of America Corporation perspective, we have developed a Resolution Plan based around a Single Point of Entry approach, under which, only Bank of America Corporation would enter bankruptcy. The rest of the Company would continue to operate under a new corporate structure.

### PHYSICAL LOCATION

#### 9. Does BofAML intend to open new offices or expand existing offices in continental Europe to serve clients?

We intend to extend our presence in existing locations across the EEA in order to serve our clients as best as possible. Our largest EEA sales and trading concentration will be in Paris, where we have leased a new building. This opened for occupancy in February 2019 and will become our largest EEA sales and trading hub.

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### 10. Are you proposing that my sales coverage will be based in a different jurisdiction? And if so where?

We expect EEA clients to be covered by sales people based in the EEA. We have previously indicated that we anticipate moving around 200 sales and trading roles from the UK to the EU, with our largest concentration being in Paris – but this number is subject to change depending on the final outcome of Brexit negotiations.

### BOOKING MODEL

### 11. Where an EEA client currently trades with a UK established BofAML entity, such as MLI, will BofAML's booking model change in anticipation of Brexit?

Yes. Where we consider that an EEA client is our regulatory counterparty, in future that client will face one of our EEA entities. This is because interactions between EEA clients and MLI may be subject to cross-border licensing requirements post-Brexit.

### 12. Will BofAML's booking model for UK and non-EEA clients change in anticipation of Brexit?

No. UK and non-EEA counterparties will continue to face MLI for their Global Markets business.

### 13. Is BofAML's plan to book new Global Markets trading with EEA clients into an EEA established and regulated entity? What are your detailed plans for Global Markets product sets?

Our current intention is to use an EEA bank incorporated in Ireland, BAMLI DAC, and an EEA broker-dealer incorporated in France, BofASE SA, to book Global Markets business for EEA clients. The below table provides details across major Global Markets products for those EEA clients currently facing MLI:

Global Markets	Post-Brexit BofAML Entity for EEA Clients
Cash trading of Equities	BofASE SA
Cash trading of Bonds	BofASE SA
Equity OTC Derivatives (bilateral)	BofASE SA
FICC OTC Derivatives (bilateral and cleared)	BofASE SA and BAMLI DAC
Inflation-Linked Bonds, both cash trading and derivatives	BofASE SA
Repos & Reverse Repo	BofASE SA
Spot FX	BofASE SA and BAMLI DAC
Commodities	BofASE SA
Exchange Traded Derivatives	BofASE SA
Securities Lending	BofASE SA
Prime Brokerage	BofASE SA

Any Global Markets business currently conducted by EEA clients with **BANA** is expected to remain as is.

Any Global Markets business conducted in **BAMLI Ltd** transferred to BAMLI DAC at the Merger. Please visit our webpage for further information about the Merger at [www.bofaml.com/brexit](http://www.bofaml.com/brexit).

### FMI / CLEARING

**14. Are you currently capable of offering clearing services on CCPs in the EEA? Do you intend to be able to offer clearing services on CCPs? Will there be any impact on the CCP protections enjoyed by the EEA client or the CCP account types that you can offer?**

We will be setting up new direct memberships for our EEA affiliate(s) with EU clearing houses. We do not expect market structure changes resulting from Brexit to impact the CCP account types that we can offer, nor to impact rights, benefits or obligations with respect to cleared positions and collateral. There may be operational impacts on account set up resulting from new indirect clearing chains.

### CLIENT DOCUMENTATION AND SET UP

**15. Will there be any client re-documentation as a result of Brexit?**

MLI clients: Where MLI clients will face BAMLI DAC or BofASE SA post Brexit, they will need to be repapered, through a replication and amendment agreement (which replicates the terms that MLI had in place and makes any changes necessary for clients to face BAMLI DAC or BofASE SA). In addition, they will need to receive new General Terms and Conditions of Business and certain MIFID communications. Where a client's trades are being novated, the client will need to sign a novation agreement.

MLI may assign the provision of research services (including billing and invoicing for such services) to BofASE SA during the first quarter of 2019, however, this assignment is not expected to require additional documentation or action on the client's part.

BAMLI Ltd clients: Upon the Merger on 1 December 2018 contractual arrangements with BAMLI Ltd migrated automatically to BAMLI DAC.

### APPENDIX

**BofAML Legal Entities (current and anticipated)**

- Bank of America National Association ("BANA")
- Merrill Lynch International ("MLI")
- Bank of America Merrill Lynch International Limited ("BAMLI Ltd")
- Bank of America Merrill Lynch International Designated Activity Company ("BAMLI DAC")
- BofA Securities Europe Société Anonyme ("BofASE SA")