
Preparing for the withdrawal of the United Kingdom from the European Union on 30 March 2019: Implementing the Commission’s Contingency Action Plan
1. Introduction

The United Kingdom has decided to leave the European Union, invoking the procedure in Article 50 of the Treaty on European Union. Unless the decision is withdrawn\(^2\) or the period is unanimously extended, this will become effective in just over 100 days. The Commission regrets this decision, but respects it. As emphasised in the Commission’s first Brexit preparedness Communication of 19 July 2018\(^3\), irrespective of the scenario envisaged, the United Kingdom's choice will cause significant disruption. The Commission has therefore consistently called on European citizens, businesses and Member States to prepare for all possible scenarios, assess relevant risks and plan their response to mitigate them.

On 13 November 2018, the Commission launched a Contingency Action Plan in its second Brexit preparedness Communication\(^4\). The contingency measures announced in the Action Plan are unilateral measures for damage limitation and can only mitigate the most severe consequences of a withdrawal without an agreement. On 14 November 2018, the Negotiators of the Commission and the United Kingdom agreed on the terms of the Withdrawal Agreement\(^5\). On 22 November 2018, the Commission approved the completed Withdrawal Agreement\(^6\). On 25 November 2018, the European Council (Article 50) endorsed the Withdrawal Agreement and invited the Commission, the European Parliament and the Council to take the necessary steps to ensure that the agreement can enter into force on 30 March 2019 to provide for an orderly withdrawal\(^7\).

On 5 December 2018, the Commission adopted two proposals for Council decisions on the signature and conclusion of the Withdrawal Agreement, to allow for the conclusion and ratification on the EU side in the coming weeks. The European Council (Article 50) of 13 December 2018 confirmed its endorsement of the Withdrawal Agreement and its intention to proceed with its ratification. The Withdrawal Agreement will have to be ratified by the United Kingdom, in accordance with its own constitutional requirements. The ratification of the Withdrawal Agreement by both parties continues to be the objective and priority of the Commission.

On 13 December 2018, the European Council calls for work on preparedness at all levels for the consequences of the United Kingdom’s withdrawal to be intensified, taking into account all possible outcomes.

\(^2\) The United Kingdom may revoke unilaterally, in an unequivocal and unconditional manner, the notification of its intention to withdraw from the EU, Case C-621/18 Wightman and Others v Secretary of State for Exiting the European Union.
\(^6\) Communication to the Commission, endorsed on 22 November 2018, C(2018)9001.
levels and for all possible outcomes. This Communication explains the measures that the Commission adopted today, 19 December 2018, in response to that call, together with other crucial steps in the implementation of its Contingency Action Plan.

2. The Commission’s Contingency Action Plan

Given the continued uncertainty surrounding the ratification process on the side of the United Kingdom, and in line with the Conclusions of the European Council (Article 50) on 13 December, the Commission is proceeding urgently with the implementation of its Contingency Action Plan. The Commission has adopted today all the legislative proposals and delegated acts which it announced in that Action Plan. The remaining draft implementing acts which it announced will be ready by 15 February 2019 at the latest, to allow for a vote in the competent committees in good time.

In parallel, the Commission has also continued to work closely with Member States to coordinate planning at EU and at national level. The package of measures adopted by the Commission and described in this Communication takes into account discussions with Member States. This action comes in addition to the preparedness measures that have already been taken, as set out in the second preparedness Communication.

The Commission calls on the European Parliament and on the Council to adopt the proposals as a matter of urgency. Member States should accelerate their work to prepare for all scenarios for the United Kingdom’s departure.

The Commission also calls on Member States to refrain from entering into bilateral agreements, arrangements and discussions with the United Kingdom. These would undermine the ratification process, in most cases would not be compatible with Union law, and would risk creating an uneven level playing field among Member States. They would also complicate the Union’s future negotiations on a new partnership with the United Kingdom. As was the case for the Withdrawal Agreement, it is essential to continue with a united approach to preparedness and contingency work.

3. Taking action

As set out in the second Brexit preparedness Communication, contingency measures adopted at all levels should comply with the following principles:

- Contingency measures should not replicate the benefits of membership of the Union, nor the terms of any transition period, as provided for in the draft Withdrawal Agreement;
- They should be temporary in nature. For the measures adopted today, the Commission has, where relevant, proposed time limitations which are a function of the specific situation in the sector concerned;

---

8 See Annexes I and II of the second Brexit preparedness Communication.
9 A number of sectorial preparedness seminars were held with Member States (EU27) and are listed in Annex 6 of the second Brexit preparedness Communication.
10 The list of actions is without prejudice to additional action that could appear to be necessary at a later stage.
• They should be adopted unilaterally by the European Union in pursuit of its interests and should be revocable at any time;
• They should respect the division of competences provided for by the Treaties;
• National contingency measures should be compatible with EU law;
• They should not remedy delays that could have been avoided by preparedness measures and timely action by the relevant stakeholders.

By virtue of Article 355(3) TFEU and to the extent provided for in the 1972 Act of Accession of the United Kingdom to the European Communities, Union law applies to Gibraltar as a European territory for whose external relations a Member State is responsible. Article 355(3) TFEU will no longer apply to Gibraltar when the United Kingdom is no longer a Member State. As a consequence, contingency measures will not apply to Gibraltar.

4. Citizens

If the Withdrawal Agreement is not ratified, EU citizens residing in the United Kingdom would no longer be protected by the EU rules on free movement. UK nationals in the European Union would be subject, as of the withdrawal date, to the general rules that apply to third country nationals in the EU. This would have an impact on their right to stay and work where they currently live as well as on the social security protection they benefit from.

The Commission has consistently made clear that protecting EU citizens in the United Kingdom, as well as UK citizens in the European Union is a priority. It calls upon Member States to take a generous approach to UK nationals who are already resident in their territory\(^\text{11}\). The Commission welcomed in its Communication of 13 November the reassurances by Prime Minister May\(^\text{12}\) that even in a no deal scenario, the rights of EU citizens in the United Kingdom will be protected in a similar way. The Commission expects this assurance to be formalised soon so that it can be relied upon by citizens.

**Right to stay**

For UK nationals residing in the European Union, EU rules as well as national rules regarding third-country nationals will apply to them as concerns their right to enter, reside and work in the EU Member States. For short stays (up to 90 days in a 180 day-period) the Commission has adopted a proposal for a Regulation\(^\text{13}\) which exempts UK nationals from visa requirements, provided that all Union citizens are equally exempted from UK visa requirements. Third-country nationals who want to reside in an EU Member State for more than 90 days for any purpose need to obtain a residence permit or a long-stay visa from the national migration authorities. Third country nationals who have been legal residents in one Member State for a period of five years must be granted, subject to certain conditions, long-term resident status in that Member State in accordance with Union rules. The Commission clarified in its second Brexit preparedness Communication that it considers that periods of legal residence of UK nationals in a Member State before the withdrawal should be taken into account for these purposes.

\(^{11}\) The term ‘UK nationals’ used in this Communication should be understood as covering also their third country family members already resident in the respective host State at the time of withdrawal.


\(^{13}\) COM(2018) 745 final.
Against this background, the Commission calls upon Member States to:

- take measures, in compliance with Union law, so that all UK nationals legally residing in a Member State on 29 March 2019 will continue to be considered as legal residents of that Member State without interruption;
- stand ready to issue residence permits to the UK nationals concerned as evidence of their legal stay and right to work. Member States, in particular those hosting the largest numbers, are invited to take a pragmatic approach, in compliance with Union law, to issue temporary residence documents, until definitive residence permits can be issued. Several technical options, such as national legislative measures, issuing temporary documents or recognising pre-existing documents, can be used to take into account the specific situations of each Member State; and
- take all necessary legislative and administrative measures to be able to issue temporary residence documents by the withdrawal date, and to process applications for definitive residence permits under the uniform format by the end of 2019.

The Commission will discuss further practicalities with Member States (EU27) on 20 December 2018 with a view to ensuring a coherent approach.

For EU citizens residing in the United Kingdom, in addition to the efforts of Member State diplomatic representations in the United Kingdom, the Commission Representation Offices in the United Kingdom will continue to monitor closely the United Kingdom’s position with respect to the continued residence of Union citizens in the United Kingdom. It will provide information and expertise to interested citizens in that regard.

**Social security coordination**

Union law provides common rules on social security coordination to protect the social security rights of EU citizens who exercised their fundamental right to move to another Member State. Union rules on social security coordination cover rights derived from national law linked to sickness, maternity and paternity, pensions, invalidity, unemployment, family benefits, accidents at work and occupational diseases. The principles underpinning the rules on social security coordination ensure that citizens are only covered by the legislation of one Member State (unicity), and that they have the same rights and obligations as the nationals of the Member State where they are covered (equal treatment). The principles also ensure that previous periods of insurance, work or residence in other Member States are taken into account when authorities determine a person’s eligibility for a benefit (aggregation), and that citizens may, as a rule, receive cash benefits to which they are entitled even if they live in a different Member State (exportability).

---

14 In order to continue residing and work in an EU Member State, UK nationals residing in the Member State at the moment of the withdrawal will need to hold a residence permit appropriate to third country nationals, issued by the national migration authorities.
If the Withdrawal Agreement is not ratified, Union rules on social security coordination will no longer apply to the United Kingdom. This raises concerns for EU citizens who currently work or reside in the United Kingdom, or have done so previously, about their social security entitlements. The same applies to UK nationals currently working/residing in a different Member State.

The Commission calls upon Member States to take all possible steps to respond to these concerns and to ensure legal certainty and protection of the social security entitlements acquired by citizens who exercised their right to free movement prior to 30 March 2019.

In particular, the Commission calls upon Member States to:

- take into account, for EU27 citizens and UK nationals, periods of work/insurance that occurred in the United Kingdom before the withdrawal;
- inform citizens that they should keep the appropriate documentation that provides evidence for these periods;
- ensure that ‘aggregation’ of periods completed until withdrawal also benefits those who continue to live in the United Kingdom;
- export old-age pensions to the United Kingdom, despite the fact that it will be a third country. This would apply to those citizens who continue to reside in the United Kingdom after the withdrawal date, but also to the UK nationals who acquired old-age pension entitlements within the EU27 prior to the withdrawal date.

The Commission will provide concrete and detailed advice to Member States (EU27) on 20 December 2018 on how to achieve a coherent contingency approach regarding social security coordination, which the Member States should apply as of the withdrawal date.

The Commission recalls that the Union has exclusive competence on social security coordination for the periods completed and for facts and events that occurred before the withdrawal date.

### 5. Sector-specific regulation

**Financial services**

If the Withdrawal Agreement is not ratified, financial operators established in the United Kingdom will lose, as of the withdrawal date, the right to provide their services in the EU27 Member States under the EU financial services passports. UK operators and their counterparts in the EU27 must therefore take action to comply with Union law in all scenarios and in time for the United Kingdom’s withdrawal, as the Commission has indicated in the stakeholder notices which it published in this area.\(^{17}\)

After examining the risks linked to a no deal scenario in the financial sector, and taking into account the views of the European Central Bank and the European Supervisory Authorities, the Commission has concluded that only a limited number of contingency measures is

\(^{17}\) [https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notices_en#fisma](https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notices_en#fisma)
necessary to safeguard financial stability in the EU27. These measures mitigate financial stability risks only in those areas where preparedness actions from market operators alone are clearly insufficient to address these risks by the withdrawal date. The Commission has therefore today adopted the following acts that will apply from the withdrawal date if the Withdrawal Agreement is not ratified:

- A temporary and conditional equivalence decision\textsuperscript{i} for 12 months to ensure that there will be no disruption in \textbf{central clearing of derivatives}. This will allow the European Securities and Markets Authority (ESMA) to recognise temporarily central counterparties currently established in the United Kingdom, allowing them temporarily to continue providing services in the Union. The Commission has concluded that EU27 companies need this time to have in place fully viable alternatives to UK operators.

- A temporary and conditional equivalence decision\textsuperscript{ii} for 24 months to ensure that there will be no disruption in services provided by UK \textbf{central securities depositories}. It will temporarily allow them to continue providing notary and central maintenance services to operators in the Union. This will allow EU27 operators that currently have no immediately available alternative in the EU27 to fulfil their obligations under EU law.

- Two Delegated Regulations\textsuperscript{iii,iv} facilitating novation, for a fixed period, of \textbf{certain over-the-counter derivatives contracts with a counterparty established in the United Kingdom} to replace that counterparty with a counterparty established in the Union. This allows such contracts to be transferred to an EU27 counterparty while maintaining their exempted status and thus not becoming subject to clearing and margining obligations under the European Market Infrastructures Regulation. Such contracts, pre-dating EMIR, are exempted from EMIR requirements. This act will ensure that a change of counterparty will not change that exempted status.

In all sectors of financial services, firms should continue to take all the necessary steps to mitigate risks and ensure that clients continue to be served. Firms should actively inform clients about the steps they have taken and how they are implementing them. For their part, clients in the European Union of UK firms need to prepare for a scenario in which their provider is no longer subject to EU law.

\textit{Air transport}

If the Withdrawal Agreement is not ratified, air traffic between the EU and the United Kingdom will be interrupted as of the withdrawal date. The Commission has today adopted two temporary measures to avoid full interruption of air traffic between the Union and the United Kingdom and to ensure basic connectivity:

- A proposal for a Regulation\textsuperscript{v} to ensure temporarily, for 12 months, the \textbf{provision of certain air services between the United Kingdom and the EU27 Member States}, allowing air carriers from the United Kingdom to fly across the territory of the Union without landing, make stops in the territory of the Union for non-traffic purposes, and perform scheduled and non-scheduled international passenger and cargo air transport services. This is subject to the United Kingdom conferring equivalent rights to air
carriers from the Union, as well as to the United Kingdom ensuring conditions of fair competition.

✓ A proposal for a Regulation\textsuperscript{v} regarding \textbf{aviation safety} to extend temporarily, for 9 months, the validity of certain existing licences, to address the specific situation in the aviation safety sector where the European Union Aviation Safety Agency (EASA) can only issue certain certificates on the basis of a licence issued in a third country, while the United Kingdom can only issue licences as of the withdrawal date, when it has regained the status of "State of design".

Only EU level contingency action is necessary and possible to ensure the required legal framework to avoid the abrupt interruption of activities in the area of air transport\textsuperscript{18}. Additional national measures are not necessary.

\textbf{Road haulage}

If the Withdrawal Agreement is not ratified, road haulage between the EU and the United Kingdom will be severely restricted and limited to an international system of limited quotas. The Commission has today adopted a measure to ensure basic connectivity. This will allow operators from the United Kingdom temporarily to carry goods into the Union, provided the United Kingdom confers equivalent rights to Union road haulage operators and subject to conditions ensuring fair competition:

✓ A proposal for a Regulation\textsuperscript{vii} to allow temporarily, for 9 months, access for road haulage operators licenced in the United Kingdom to the carriage of goods by road between the territory of the latter and the EU27 Member States.

EU level contingency action is necessary to ensure an appropriate legal framework in the area of road haulage. EU law has superseded old bilateral agreements on road haulage rights and they cannot be resurrected. Any new bilateral agreement would raise issues of competence, and would not allow for road haulage to the United Kingdom by an operator of another Member State (cross-trade). They are therefore not a practical solution.

\textbf{Customs and the exports of goods}

If the Withdrawal Agreement is not ratified, all relevant EU legislation on imported goods and exported goods will apply as of the withdrawal date. This includes the levying of duties and taxes and the respect of the formalities and controls required by the current legal framework, in order to ensure a level playing field.

Member State action continues to be essential. Member States must take all necessary steps to be in a position, as from the withdrawal date in case the withdrawal agreement is not ratified, to apply the Union Customs Code and the relevant rules on indirect taxation to all imports from and exports to the United Kingdom. They should use the existing possibilities to issue authorisations for facilitation measures provided for in the Union Customs Code. In meetings

\textsuperscript{18} As regards stakeholders, the Commission has emphasised the need for air carriers, manufacturing and maintenance organisations as well as licensed personnel, to seek the necessary licences, certificates and approvals as early as possible. The Commission also reiterates the need for companies that wish to be recognised as EU air carriers to take all the necessary measures to ensure that they meet this requirement on 30 March 2019.
with the Member States, the Commission has provided detailed information on the options available under the Union Customs Code.

The Commission has also adopted, today, the following technical measure:

✓ A Delegated Regulation\textsuperscript{viii} to include the seas surrounding the United Kingdom in the provisions on time-limits within which entry summary declarations and pre-departure declarations have to be lodged prior to entering or leaving the Union’s customs territory.

If the Withdrawal Agreement is not ratified, the export of dual-use items from the EU to the United Kingdom, as of the withdrawal date, will require individual licenses. Dual-use items are goods, software and technology that can be used for both civilian and military applications. The Union controls the export, transit and brokering of dual-use items so it can contribute to international peace and security and prevent the proliferation of Weapons of Mass Destruction (WMD). Union General Export Authorisations (EUGEAs) allow exports of dual-use items to certain destinations under certain conditions\textsuperscript{ix}. To facilitate controls on the export to the United Kingdom of dual use items as of the withdrawal date if the Withdrawal Agreement is not ratified, and to ensure the good functioning of the export authorisation regime for all EU27 Member States, the Commission has adopted the following act:

✓ A proposal for a Regulation\textsuperscript{ix} to add the United Kingdom to the list of countries for which a general authorisation to export dual-use items is valid throughout the EU.

\textit{European Union climate policy}

European Union climate policy consists of various instruments, in particular the Emissions Trading System, and a quota system for the placing on the market of hydrofluorocarbons. The Emissions Trading System works on the basis of market mechanisms for the supply of emission allowances. If the Withdrawal Agreement is not ratified, the United Kingdom will no longer participate in the system and allowances which it has emitted may create a situation of oversupply. To prevent the distortion of the market that would result, and to ensure the smooth functioning and the environmental integrity of the Emissions Trading System, the Commission has adopted the following act:

✓ A Commission Decision\textsuperscript{x} to suspend temporarily for the United Kingdom the free allocation of emissions allowances, auctioning, and the exchange of international credits with effect from 1 January 2019.

In addition, if the Withdrawal Agreement is not ratified, the United Kingdom will no longer take part in the quota system for placing hydrofluorocarbons on the market. The Commission has therefore adopted the following measures:

✓ An Implementing Decision\textsuperscript{xi} to allow an appropriate annual quota allocation to UK companies for accessing the EU27 market.

\textsuperscript{19} Exports to Australia, Canada, Japan, New Zealand, Norway, Switzerland, Liechtenstein, and the United States of America benefit from a Union General Export Authorisation.
An Implementing Regulation\textsuperscript{xii} to ensure that the reporting by companies differentiates between the EU market and the UK market to allow a correct allocation of quotas in the future.

**Other sectors**

The Commission reiterates its commitment to ensuring that the current programmes between the border counties of Ireland and Northern Ireland continue in all scenarios, in view of the particular importance of regional cooperation in the area. To that end, the Commission has today adopted the following act:

✓ A proposal for a Regulation\textsuperscript{xiii} to ensure the continuation of the PEACE IV (Ireland-United Kingdom) and the United Kingdom-Ireland (Ireland-Northern Ireland-Scotland) programmes until the end of the 2020.

The Commission underlines the fact that for the next Multi-Annual Financial Framework it has proposed to continue and to strengthen cross-border support for peace and reconciliation in the border counties of Ireland and Northern Ireland\textsuperscript{20}.

Finally, and as a consequence of the withdrawal of the United Kingdom, certain adaptations to the rules on statistics are required. In that regard, the Commission has today adopted the following act:

✓ A Commission Delegated Regulation\textsuperscript{xiv} on the listing of the United Kingdom in statistics on the balance of payments, international trade in services and foreign direct investment.

6. **Next steps on contingency**

The Commission will continue to implement its Contingency Action Plan in the weeks to come. It will continue to monitor the need for additional action.

The close coordination with Member States will continue, including in sectoral seminars in the Council Working Party (Article 50). The Commission will participate in European Parliament and Council meetings on preparedness and contingency issues as often as necessary.

The Commission calls on the co-legislators to ensure the adoption of the proposed legislative acts so that they are in force by the date of the withdrawal of the United Kingdom. The Commission also highlights to the European Parliament and to the Council that it is important for delegated acts to enter into force as rapidly as possible.

Finally, the Commission reiterates its calls on Member States to remain united also as regards contingency action, refraining from bilateral arrangements that would be incompatible with EU law and which cannot achieve the same results as action at the EU level. Such arrangements would also complicate the establishment of any future relationship between the EU and the United Kingdom.

\textsuperscript{20} COM(2018) 374 final.
List of legal acts adopted by the Commission

i Commission Implementing Decision (EU) determining, for a limited period of time, that the regulatory framework applicable to central counterparties in the United Kingdom of Great Britain and Northern Ireland is equivalent, in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council (C(2018) 9139).

ii Commission Implementing Decision (EU) determining, for a limited period of time, that the regulatory framework applicable to central securities depositories of the United Kingdom of Great Britain and Northern Ireland is equivalent in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council (C(2018) 9138).


viii Commission Decision of 17 December 2018 on instructing the central administrator to temporarily suspend the acceptance by the European Union Transaction Log of relevant processes for the United Kingdom relating to free allocation, auctioning and the exchange of international credits (C(2018) 8707).

ix Commission Implementing Decision of 17 December 2018 on amending Commission Implementing Decision (EU) 2017/1984 determining, pursuant to Regulation (EU) No 517/2014 of the European Parliament and of the Council on fluorinated greenhouse gases, reference values as regards reference values for the period from 30 March 2019 to 31 December 2020 for producers or importers established within the United Kingdom, which have lawfully placed on the market hydrofluorocarbons from 1 January 2015, as reported under that Regulation (C(2018) 8801).

Commission proposal for a Regulation of the European Parliament and of the Council in order to allow for the continuation of the territorial cooperation programmes PEACE IV (Ireland-United Kingdom) and United Kingdom-Ireland (Ireland-Northern Ireland-Scotland) in the context of the withdrawal of the United Kingdom from the Union (COM(2018) 892 final).