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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE,
THE COMMITTEE OF THE REGIONS AND THE EUROPEAN INVESTMENT
BANK**

**State of play of preparations of contingency measures for the withdrawal of the United
Kingdom from the European Union**

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1. INTRODUCTION

The United Kingdom has decided to leave the European Union, invoking the procedure in Article 50 of the Treaty on European Union (TEU). Following a request by the United Kingdom, the European Council (Article 50) agreed on 11 April 2019¹ to extend further² the period provided for in Article 50(3) TEU until 31 October 2019³. If the United Kingdom ratifies the Withdrawal Agreement⁴ at any stage before 31 October 2019, the withdrawal will take place on the first day of the month following the completion of the ratification procedure. The Commission continues to consider that an orderly withdrawal of the United Kingdom from the Union on the basis of the Withdrawal Agreement is the best outcome.

Unless the United Kingdom ratifies the Withdrawal Agreement by 31 October 2019 or requests a third extension, to which the European Council (Article 50) agrees by unanimity, the period under Article 50(3) TEU will end then. The United Kingdom will then be a third country as of 1 November 2019 without an agreement to ensure an orderly withdrawal. In light of the continued uncertainty with regard to the ratification by the United Kingdom and the overall domestic situation in the United Kingdom, and in line with the approach which the European Council (Article 50) has emphasised throughout the process, all actors must continue to prepare for all possible outcomes, including a withdrawal without an agreement.

The European Council (Article 50) has decided to review progress at its meeting on 20-21 June 2019. As input to that review and as a follow-up to its four previous Communications on Brexit preparedness and contingency⁵, the Commission takes stock in this Communication of the preparedness and contingency measures which the European Union and the EU27 Member States have put in place, the impact of the extension period, and any remaining preparatory work that needs to be done. The Commission calls on Member States and stakeholders to use the time of the extension to verify that all necessary preparedness and contingency measures are in place.

¹ European Council Decision (EU) 2019/584, OJ L 101, 11.4.2019, p. 1.

² Following a request by the United Kingdom, the European Council decided a first extension on 22 March 2019 (European Council Decision (EU) 2019/476, OJ L 80I, 22.3.2019, p. 1).

³ On 11 April 2019, following a second request for an extension by the United Kingdom, the European Council also decided that the decision to extend until 31 October 2019 would cease to apply on 31 May 2019 if the United Kingdom had not held elections to the European Parliament and had not ratified the Withdrawal Agreement by 22 May 2019. As the United Kingdom had not ratified the Withdrawal Agreement by 22 May 2019, it held European elections on 23 May 2019.

⁴ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ, C 144I, 25.4.2019, p. 1.

⁵ 19.7.2018: COM(2018) 556 final/2; 13.11.2018: COM(2018) 880 final; 19.12.2018: COM(2018) 890 final; 10.4.2019: COM (2019) 195 final.

As the Commission has consistently stressed, contingency measures can only mitigate the most significant disruptions of a withdrawal without an agreement. While the Commission does not speculate on the possible economic implications of different scenarios, it is clear that a withdrawal of the United Kingdom without an agreement would have a serious negative economic impact, and that this impact would be proportionally much greater in the United Kingdom than in the EU27 Member States⁶. Preparations by Member States and stakeholders are likely to reduce their individual exposure to the negative impact of a withdrawal without an agreement. A high level of preparedness across all sectors of the economy will also mitigate the negative impact.

As stated in the fourth Brexit Preparedness Communication of 10 April 2019⁷, the Commission is ready to propose financial support measures to mitigate the impact in the most affected areas and sectors, taking into account the funds that are available and any adjustments on the expenditure and revenue side of the EU budget that might result from a disorderly withdrawal. For more immediate support to affected stakeholders, EU State aid rules offer flexible solutions for national measures.

2. EU PREPAREDNESS AND CONTINGENCY MEASURES ARE FIT FOR PURPOSE

The European Union was already prepared for the withdrawal of the United Kingdom ahead of the original withdrawal date (30 March 2019). The extensive work which all EU institutions and bodies and the EU27 Member States carried out before that date remains in place.

The EU-level measures are summarised in the fourth Brexit Preparedness Communication of 10 April 2019. The Commission has made 19 legislative proposals to prepare for the United Kingdom's withdrawal. The European Parliament and the Council have adopted 18 of these and political agreement has been reached on the remaining one, which concerns the EU budget for 2019 and is expected to be formally adopted in June 2019. These legislative acts are listed in Annex 1 and cover areas from transport, to social security coordination, to Erasmus+, and to the visa regime applicable to UK nationals. The Commission has also adopted 63 non-legislative acts in a number of policy areas.

The Commission has screened all the EU-level measures to assess whether they are still fit for purpose given the extension of the Article 50(3) TEU period. On the basis of this screening, the Commission considers that these legislative and non-legislative Union acts continue to meet their intended objectives. There is therefore no need to amend them on substance. The Commission does not plan any new measures ahead of the new withdrawal date.

⁶ For a no-deal scenario, in which the United Kingdom is subject to World Trade Organization 'Most Favoured Nation' (MFN) rules, external studies that include both trade and non-trade channels suggest a short-term reduction in UK GDP. The IMF World Economic Outlook (2019), for example, estimates a reduction between 3.7 and 4.9%, while the Bank of England (November 2018) estimates a reduction of between 4.75 and 7.75% over five years, both compared to a baseline. For the average short-term impact on the EU27 Member States, the IMF (2019) estimate is well below 1%, whereas the study by the Bank of England does not provide any estimate for the EU27 Member States. As to the long-term impact, several external studies suggest a long-term negative impact of around 3 to 8% on UK GDP. The IMF (2019) estimates almost 3%; and the UK Government (2018) 7.7%. As regards the average long-term impact on the EU27, the IMF (2019) estimate is well below 1%, in line with most other studies.

⁷ COM (2019) 195 final.

In the vast majority of cases, the timing of the application and the duration of the effect of each of these acts is automatically adjusted to the new withdrawal date and there is no need to amend the texts. In some cases, the acts fix a date for the end of their validity. The Commission will consider whether these acts need a technical adjustment to take into account the new timeline before they expire.

Moreover, the Commission adopted⁸ 16 non-legislative contingency acts⁹ under the EU sanitary and phytosanitary legislation in view of the previous withdrawal date of 12 April 2019 on the basis of assurances given by the United Kingdom. These measures are now obsolete due to the extension. However, if the United Kingdom continues to provide the necessary assurances, the measures will be re-adopted to apply as of 1 November 2019.

The 93 notices which the Commission published¹⁰ continue to provide guidance to stakeholders and authorities in numerous areas affected by the withdrawal. While the date of withdrawal has changed, the legal analysis that they provide on the impact of the United Kingdom's withdrawal remains unaffected.

Furthermore, the technical discussions and exchanges between the Commission and the EU27 Member States, as well as industry representatives and civil society continue on general issues of preparedness and contingency and on specific sectorial, legal and administrative issues. These discussions have been held throughout the process and have allowed numerous issues to be clarified.

3. ONGOING PREPARATIONS IN SELECTED AREAS

Previous Brexit Preparedness Communications have addressed a wide range of sectors and relevant considerations in that respect. This section focuses on areas in which continued and particular vigilance is needed in the coming months.

As the Commission has consistently stated, preparedness for the withdrawal of the United Kingdom is a joint effort of public administrations and economic operators. It is the responsibility of all stakeholders to prepare for all scenarios. The citizens concerned must prepare as well.

In some sectors, companies indicated in March 2019 that they had not had sufficient time to adapt. The Commission strongly encourages stakeholders to take advantage of the extra time until 31 October 2019 to ensure that they have taken all the necessary action to prepare for the United Kingdom's withdrawal. They should ensure that the necessary regulatory authorisations are in place, that they have taken the administrative steps for cross-border trade and the necessary action for relocation, corporate reorganisation or contractual adaptations¹¹. In particular, it will not be possible to place on the EU market products which do not comply

⁸ OJ L 100 I, 11.4.2019, and L 103, 12.4.2019.

⁹ These acts cover: (i) the approval of the residue monitoring programme for 2019 of the United Kingdom and its Crown Dependencies; (ii) the establishment of the status of the United Kingdom and its Crown Dependencies in relation to bovine spongiform encephalopathy (BSE); (iii) the listing of the United Kingdom and its Crown Dependencies as a third country allowed to export live animals and animal products to the EU; and (iv) the approval of new or extended Border Inspection Posts in the EU27 Member States most concerned by UK imports.

¹⁰ https://ec.europa.eu/info/brexit/brexit-preparedness/preparedness-notices_en.

¹¹ For example, contractual choices of UK jurisdiction (for more detail, see relevant stakeholder notice: https://ec.europa.eu/info/sites/info/files/file_import/civil_justice_en.pdf).

with the necessary requirements and authorisations. As stated above, the Commission does not plan to adopt any new measure in view of a possible no-deal scenario or to compensate for a failure to prepare by operators. The Commission considers that the additional time available because of the extension will in principle be sufficient for operators to adapt, so that even in cases where exemptions or derogations are available, they should not be necessary.

National, regional and local authorities in the EU27 Member States have played a central role in preparing for the withdrawal of the United Kingdom. All EU27 Member States have put in place legislation and strategies, and have made practical preparations. As the Commission has done with regard to EU contingency measures, EU27 Member States should screen their national contingency measures to ensure that they remain fit for purpose given the extension of the Article 50(3) period. In case of a no-deal withdrawal, the final preparatory measures must apply as of 1 November 2019 at the latest.

Citizens' residence and social security entitlements

With regard to **residence rights of UK nationals**, the EU27 Member States had prepared or adopted national contingency measures before 12 April 2019 to ensure that UK nationals and their non-EU family members could remain legally resident in the immediate period after a no-deal withdrawal. The Commission has worked with the EU27 Member States to ensure coherence in the overall approach, while recognising that national flexibility is needed, as Member States face different challenges, depending on their legal and administrative systems and on the number of UK nationals residing on their territory.

To provide further clarity on the situation, the Commission, in close cooperation with the EU27 Member States, has provided an overview of national measures on residence rights on its Brexit Preparedness webpages¹². The Commission will continue to update this overview with the latest input from the EU27 Member States. The Commission calls on the EU27 Member States to continue their outreach activities to UK nationals residing in their territory. The Commission recalls that protecting the legal status of UK nationals currently residing in the EU is a priority.

As regards **EU citizens residing in the United Kingdom**, information about the UK government's approach is available on the UK Government's website¹³.

As explained in the fourth Brexit Preparedness Communication of 10 April 2019, the Commission has also been working with the EU27 Member States to complement the level of protection of **social security entitlements** provided by the EU contingency Regulation¹⁴ in a no-deal scenario. This includes a unilateral coordinated contingency approach to be applied to all insured persons whose entitlements relate to the United Kingdom before the withdrawal date. Beyond this, the EU27 Member States can choose to apply unilaterally the principle of aggregation to periods of work, insurance and residence in the United Kingdom after the withdrawal or to take further unilateral measures¹⁵. They could also allow access to healthcare to UK-insured persons residing on their territory. The Commission has compiled

¹² https://ec.europa.eu/info/brexit/brexit-preparedness/citizens-rights_en.

¹³ <https://www.gov.uk/eusettledstatus>.

¹⁴ Regulation (EU) 2019/500 of the European Parliament and of the Council of 25 March 2019 establishing contingency measures in the field of social security coordination following the withdrawal of the United Kingdom from the Union, OJ L 85I, 27.3.2019, p. 35.

¹⁵ Such as continuing to offer the possibility to export to the United Kingdom cash benefits other than old-age pensions.

an overview of national measures¹⁶, which confirms that while there is some diversity among Member States with regard to the measures taken – reflecting their specificities – the coordinated approach ensures a uniform baseline level of protection across the EU27 Member States. EU27 Member States should use the period of the extension to reach out to citizens, ensuring that they can access the information that they need in order to prepare for the withdrawal of the United Kingdom.

Medicinal products, medical devices and chemical substances

There are two types of **human and veterinary medicinal products** that are affected by the withdrawal of the United Kingdom: those that are centrally authorised by the European Commission and those that are authorised nationally by Member States. By 12 April 2019, only a small number of centrally authorised products (around 1%) had not been brought into regulatory conformity. While this situation is manageable, it is in the interest both of the pharmaceutical industry and patients that it is addressed. The European Medicines Agency (EMA) is now close to completing the regulatory compliance process for products that are authorised centrally. More work remains to be done for products that are authorised at national level. Industry is strongly encouraged to use the extension period to bring remaining medicinal products into regulatory compliance by 31 October 2019 in close cooperation with EMA and national medicines agencies¹⁷. As regards the transfer of batch testing facilities from the United Kingdom to the EU27 Member States, in March 2019 the Commission issued guidance on the possibility for companies to obtain a temporary exemption, subject to meeting certain conditions¹⁸. While the matter should be less relevant because of the extension of the Article 50(3) period, that guidance remains valid both for centrally and nationally authorised products to allow the transfer of the quality control testing site to the EU27 to be completed quickly.

In addition, the transfer of certificates for **medical devices** from UK notified bodies to EU27 notified bodies is ongoing. Several UK notified bodies are establishing new bodies in the EU27 Member States or cooperating with EU27 notified bodies to transfer their clients' certificates to the EU27 Member States. Although good progress was made in transferring certificates ahead of 12 April 2019, significant work will still be required to achieve full compliance by 31 October 2019. In those cases in which UK notified bodies will not be able to transfer all their clients' certificates in time, manufacturers are strongly encouraged to take the matter of transferring their certificate to a notified body in the EU27 Member States into their own hands. Member States should assist companies in focusing their preparedness measures on critical products and on finding an EU27 notified body to transfer their certificates to in a timely manner. Member States are discussing progress on this issue regularly in particular in the Brexit task force of the Competent Authorities on Medical Devices network and are in regular contact with the Commission. The Commission considers that the extension of the Article 50(3) period until 31 October 2019 provides sufficient time to complete both the transfer of certificates and the adaptation of product labels.

¹⁶ https://ec.europa.eu/info/brexit/brexit-preparedness/citizens-rights_en.

¹⁷ Information on the progress of these preparedness actions will be exchanged between Member States and shared with the Commission and EMA during monthly meetings of the Coordination Groups for Mutual Recognition and Decentralised Procedures – human/veterinary (CMDh/CMDv) and the regular meetings of the Heads of Medicines Agencies (HMA) and its Brexit Task Force.

¹⁸ The exemptions provided for by Article 20(b) of Directive 2001/83/EC (on medicinal products for human use) and Article 24(b) of Directive 2001/82/EC (on veterinary medicinal products) can be used by competent authorities, in duly justified cases, to allow marketing authorisation holders to rely on quality control testing performed in the United Kingdom for a limited period of time and no later than end of 2019.

As regards **chemical substances**, by the end of April 2019, REACH registrations of 463 substances had been transferred to the EU27 Member States, while 718 still remained registered only by registrants established in the United Kingdom. The European Chemicals Agency (ECHA) opened a ‘Brexit window’ in REACH-IT¹⁹ to take the necessary steps to transfer their REACH registrations ahead of the withdrawal date. Following the latest extension of the Article 50(3) period, ECHA is maintaining the Brexit window open until 31 October 2019. Companies with UK-based registrants who have not yet transferred their registrations to the EU27 Member States are strongly encouraged to make use of this opportunity and to reach out to and coordinate with possible EU27-based co-registrants and downstream users. If the registrations are not transferred, the chemicals concerned cannot be placed on the EU market as of the withdrawal date. In the area of REACH authorisations, UK-based applicants for authorisation must transfer their application to an EU27-based company to avoid supply disruptions.

Customs, indirect taxation and border inspection posts

In the field of **customs and indirect taxation**, the Commission organised numerous technical meetings and published guidance notes on customs, value-added tax (VAT) and excise ahead of the previous withdrawal date²⁰. A number of additional cross-sector stocktaking discussions are planned with national administrations until the withdrawal date. Efforts are also focused on providing specific training to national customs officers, through workshops²¹, online videos or animations, as well as organising fast-track programmes for the recruitment of new customs staff and re-skilling of existing staff²².

In addition, the Commission continues the multi-lingual communication campaign launched on 18 February 2019²³ to reach out to EU businesses and all other stakeholders to accompany their preparations for the withdrawal of the United Kingdom. Communication tools include for instance a dedicated website²⁴, leaflets, a customs guide, and web-based explanations of the technical solutions that are being put in place to ensure that the Union Customs Code is implemented with regard to the United Kingdom in case of a no-deal withdrawal.

National administrations have made significant investments in infrastructure and human resources, primarily in Member States that are the main entry and exit points for the European Union’s trade with the United Kingdom. Member States are also working with the Commission in its training and communication efforts to reach out to economic operators and stakeholders.

Given the large number of operators affected, it is difficult to determine the precise level of preparedness of businesses in the area of customs, but statistical evidence shows that action has been taken.

¹⁹ https://echa.europa.eu/uk-withdrawal-from-the-eu?utm_source=echa.europa.eu&utm_medium=display&utm_campaign=customer-insight&utm_content=banner.

²⁰ The guidance notes are available at https://ec.europa.eu/taxation_customs/uk_withdrawal_en.

²¹ 15 additional workshops are scheduled until the end of 2019.

²² Three fast track training programmes are currently available to all Member States and in all EU languages, containing direct access to EU training material.

²³ Press Release: http://europa.eu/rapid/press-release_IP-19-901_en.htm.

²⁴ https://ec.europa.eu/taxation_customs/uk_withdrawal_en.

First, the European Union registration and identification numbers (EORI), granted to all operators registered by customs authorities for future import/export activities have increased significantly from February to March 2019²⁵. In this respect, the Commission has clarified²⁶ that economic operators can submit the required data and undertake the necessary steps for registration in advance of the withdrawal date. Second, applications for the Authorised Economic Operator (AEO) status, which allows for certain customs facilitations and simplifications, have also increased²⁷. These trends indicate that stakeholders are increasingly prepared in the context of customs procedures, but do not mean that all necessary preparedness measures have been taken. In particular, EORI number attribution and AEO status are only some of the actions needed for economic operators to prepare for a no-deal scenario, which may for example also lead to changes in logistics and operational planning, or possible hiring of customs specialists. Finally, the increased efforts should not be limited to countries that are close to the United Kingdom: any EU27 company that intends to continue trading with the United Kingdom after the withdrawal date should take action and contact its national customs administration to make sure it has made all necessary preparations.

In the field of sanitary and phytosanitary controls (SPS), EU27 Member States have set up new **Border Inspection Posts** (BIPs) or extended existing ones at entry points of imports from the United Kingdom into the EU. As stated above, the non-legislative act approving these BIPs will need to be adopted again given the most recent extension of the Article 50(3) period. In the meantime, EU27 Member States should use the additional time to evaluate the need for any further adjustments to these BIPs to ensure that they are fully functional from the outset. Furthermore, the Commission maintains regular contacts with the most concerned Member States so that, in a no-deal scenario, a landbridge route between Ireland and the rest of the European Union via the United Kingdom can be implemented swiftly, including support from the necessary IT systems.

Transport

In the area of **air transport**, the contingency Regulation (EU) 2019/502²⁸ includes a specific mechanism for EU airlines to comply with the EU majority ownership and control requirement after the United Kingdom withdraws. Airlines had 15 days from the entry into force of the Regulation (i.e. from 28 March 2019) to submit to each national licensing authority a plan describing the measures they will take to achieve full compliance with the

²⁵ EORI applications have increased significantly in March 2019 (from 57,556 in February 2019 to 306,105 in March 2019), with peak increases in Member States that are close to the United Kingdom. In France, applications increased by a factor of 55 from 4,020 to 219,924, in Ireland they increased by a factor of seven from 327 in January to 2,017 and 1,941 respectively in February and March 2019. They increased by 50% in Belgium from 962 to 1,570, and in Italy they increased six-fold in March compared to February 2019, from 5,890 to 31,375 (Source: monthly report of the Economic Operators System (EOS) Database).

²⁶ https://ec.europa.eu/info/sites/info/files/file_import/guidance-customs-procedures_en.pdf.

²⁷ In 2018 and 2019, AEO applications have increased (1,727 applications in 2018 against 1,449 in 2017, and 943 applications in the first five months of 2019 alone). This increase is particularly noticeable in Ireland (16 applications in 2017 to 42 in 2018 and 76 in the first five months of 2019) and France (100 applications in the first five months of 2019 compared to 132 applications for the whole year 2018). As an EORI number is necessary to apply for an Authorised Economic Operator status, it cannot be excluded that the number of AEO applications might again increase even further in the future due to the peak of EORI registrations in March 2019 (Source: monthly report of the Economic Operators System (EOS) Database).

²⁸ Regulation (EU) 2019/502 of the European Parliament and of the Council of 25 March 2019 on common rules ensuring basic air connectivity with regard to the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the Union, OJ L 85I, 27.3.2019, p. 49.

requirements. The competent licensing authorities have two months to assess whether the measures will ensure compliance and they must inform the Commission and the air carrier of their assessment. Under the contingency regulation, the airlines concerned then have until 30 March 2020 to implement the measures and fully comply with Union law on ownership and control²⁹. This process is underway, and the Commission is in regular contact with national authorities. The contingency Regulation also allows UK air carriers to submit applications for operating authorisations from each Member State in which they wish to operate; these provisions are also applicable since 28 March 2019.

In the **rail transport** sector, operators that have not taken the necessary steps to obtain the relevant EU27 documents should do the necessary to obtain them. The contingency Regulation (EU) 2019/503³⁰ already provides a generous timeframe for ensuring regulatory compliance. Given the extension, the Commission considers that operators have sufficient time to ensure compliance by the withdrawal date. Train drivers who wish to continue operating trains on cross-border lines and who have not yet obtained a valid EU27 licence – and this is the case for a considerable number – will have to take steps to do so. As regards safety certifications and operating licences for railway undertakings operating through the Channel Tunnel, national authorities and certain operators have taken further measures to ensure that the relevant EU27 certificates and licences are available.

Fishing activities

In the **fisheries** sector, the Commission has taken swift action to implement the EU contingency Regulations³¹. The Commission and Member States have worked together to collect information in the appropriate format so that authorisation requests by EU vessels to access UK waters can be handled as soon as the contingency Regulation on fishing authorisations becomes applicable. The Commission will ensure that the necessary structures to implement the contingency measure swiftly are in place if they are needed.

The Commission has also worked closely with Member States to adapt their Operational Programmes so that resources under the European Maritime and Fisheries Fund can be used for temporary cessation, if needed and appropriate. The Commission reiterates the importance of a coordinated approach of the EU27 Member States concerned to prepare for the possibility that EU vessels no longer have access to UK waters. It is ready to facilitate further consultations to achieve a common framework to monitor changes or distortions in fishing activities in EU waters, including potential displacement of those activities, and to be able to provide a coordinated response, including the potential use of support for temporary cessation. The Commission will also continue to work with the European Fisheries Control

²⁹ Article 16(4) of Regulation (EU) 2019/502 states that it will cease to apply on the earlier of the following dates: (a) the date on which a comprehensive agreement governing the provision of air transport with the United Kingdom, to which the Union is a party, enters into force, or, as the case may be, is provisionally applied; or (b) 30 March 2020.

³⁰ Regulation (EU) 2019/503 of the European Parliament and of the Council of 25 March 2019 on certain aspects of railway safety and connectivity with regard to the withdrawal of the United Kingdom from the Union OJ L 85I, 27.3.2019, p. 60.

³¹ Regulation (EU) 2019/498 of the European Parliament and of the Council of 25 March 2019 amending Regulation (EU) 2017/2403 as regards fishing authorisations for Union fishing vessels in United Kingdom waters and fishing operations of United Kingdom fishing vessels in Union waters, OJ L 85I, 27.3.2019, p. 25; and Regulation (EU) 2019/497 of the European Parliament and of the Council of 25 March 2019 amending Regulation (EU) No 508/2014 as regards certain rules relating to the European Maritime and Fisheries Fund following the withdrawal of the United Kingdom from the Union, OJ L 85I, 27.3.2019, p. 22.

Agency which can play a useful role in the increased control, monitoring and surveillance needs following the United Kingdom's withdrawal.

If the United Kingdom leaves the European Union without an agreement on 31 October 2019, the implications on setting fishing opportunities for 2020 will need to be considered at the appropriate moment, including a specific arrangement with the United Kingdom in accordance with international law obligations and based on scientific advice.

Financial services

In the area of **financial services**, in the run-up to the previous withdrawal date of 12 April 2019, firms had made significant progress with their contingency planning, including establishment in the EU27 Member States, modification ('repapering') or termination of cross-border contracts, and adaptation of business models³². However, some residual issues remain. Insurance firms, payment services providers and other financial service operators which remain unprepared regarding certain aspects of their business (for example contract management and access to infrastructures) are strongly encouraged to finalise their preparatory measures by 31 October 2019. The Commission is working with EU-level and national supervisors to ensure that firms' contingency plans are fully implemented, and it expects that UK supervisors will not prevent firms from implementing such plans. The Commission is also working together with Member States to ensure a consistent approach to contingency preparations in the area of financial services at national level, to preserve financial stability and avoid harming the level playing field in the single market for financial services. The Commission is committed to stable and open financial markets. However, if the United Kingdom leaves the European Union without an agreement on 31 October 2019, this will necessarily result in some market fragmentation in financial services.

3. CONCLUSIONS

The Commission considers that a withdrawal of the United Kingdom without an agreement remains a possible outcome, with all its negative economic consequences. The Commission has assessed all current EU contingency measures in light of the extension of the Article 50(3) period and concludes that they remain adequate and fit for purpose. Nevertheless, the Commission will continue to monitor political developments and assess if any extension of the adopted measures will be needed. The Commission will also continue to assist Member States and stakeholders with their preparations and reiterates the importance of all stakeholders using the period until the end of the extension on 31 October 2019 to ensure that they are as prepared as possible for all eventualities.

³² The European Central Bank and the European Supervisory Authorities, based on contingency planning data, deem the overall level of preparedness of the financial sector as satisfactory. The Bank of England has indicated that the level of preparedness in the UK financial sector is adequate. Furthermore, according to the ECB Financial Stability Review of May 2019 '*a no-deal Brexit poses manageable risks to overall euro area financial stability and authorities have prepared for this scenario*'.