

## **Subject: British-Exit (Brexit)**

Much has been said, written and fretted about, on this subject. Surely there will be more demonstrated angst leading to the UK vote [and beyond].

### What do we know?:

That the process of arriving at the Lisbon Treaty ['European Union treaty'] which outlines a possible current British 'Exit' mechanism, had been characterized with many revisions, amendments, reforms and ratifications. This reform process, we think will continue and it is fair to expect further amendments.

That this Treaty had already made provisions for such an Exit possibility, is 'comforting/reassuring' [in a disquieting fashion]

### **Article 50**

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
  2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
  3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.
  4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.
- A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.
5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

<https://twitter.com/johnfraher>

Financial markets are justifiably worrying about such a destabilizing event.

An ensuing havoc resulting from the 'Exit mechanism' [as we, peripherally understand it] has provisions where it can take two years for such an Exit to take effect. There are also provisions for 're-entry.' This drawn out process may present enough time for another [improved?] agreement to be reformulated and embraced by participants.



It could mean, that after possible negative reflex financial market reactions, cooler heads will take hold of likely short term gyrations, resulting from an 'OUT' vote?

'IN' vote is also fraught with intrigue and could likely contribute to further polarizing the nation in the future. (plus other EU members)

Just as most participants and observers, we also expect a short-term reaction to an undesirable, vote to Exit. However, that almost half the UK population will be displeased with whatever the result, is a concern that will be reflected and manifested for a much longer time.

Maybe a farfetched expectation [hope] but it could be that Brexit, becomes the impetus needed by Governments, to finally recognize the need and agree to create a 'European Fiscal Union?' A Fiscal Union which is politically an unpalatable process, could be soon be presented as a solution to better harmonize and propagate 'true' European Union attempts. [Canadian Confederation history may hold appealing clues?]

Such very polarized events, often contribute to volatility in the financial markets. If so, some of the financial flexibility (liquidity) we have maintained in your portfolios, we anticipate will be deployed as situations present themselves and we are better able to 'harvest/cull' some worthwhile, mispriced securities. (if so, perhaps we will then increase European Equities by 5% -- principally through ETFs.)

Investing (or speculating) directly in EUR or GBP or in Fixed Income denominated in these currencies is not recommended for most, conservative portfolios, especially during these '*prophetic*' moments [future is unknowable].

Should you have any questions on these quick-thoughts, or on any portfolio items, please call me.








Sincerely yours,

John Evdokias  
514 399 9936

In case you are interested, below is some further background information of the subject along with some referenced web links:

“The Treaty of Lisbon (initially known as the Reform Treaty) is an international agreement which amends the two treaties which form the constitutional basis of the European Union (EU). The Treaty of Lisbon was signed by the EU member states on 13 December 2007, and entered into force on 1 December 2009.” *wiki*

## Voting weights in both the Council of Ministers and the European Council

member state	<u>Nice</u>		Lisbon	
	votes	%	pop. in millions	%
 <a href="#">Germany</a>	29	8.4%	82	16.5%
 <a href="#">France</a>	29	8.4%	64	12.9%
 <a href="#">United Kingdom</a>	29	8.4%	62	12.4%
 <a href="#">Italy</a>	29	8.4%	60	12.0%
 <a href="#">Spain</a>	27	7.8%	46	9.0%
 <a href="#">Poland</a>	27	7.8%	38	7.6%
 <a href="#">Romania</a>	14	4.1%	21	4.3%
 <a href="#">Netherlands</a>	13	3.8%	17	3.3%
 <a href="#">Greece</a>	12	3.5%	11	2.2%
 <a href="#">Portugal</a>	12	3.5%	11	2.1%
 <a href="#">Belgium</a>	12	3.5%	11	2.1%
 <a href="#">Czech Republic</a>	12	3.5%	10	2.1%
 <a href="#">Hungary</a>	12	3.5%	10	2.0%
 <a href="#">Sweden</a>	10	2.9%	9.2	1.9%
 <a href="#">Austria</a>	10	2.9%	8.3	1.7%
 <a href="#">Bulgaria</a>	10	2.9%	7.6	1.5%
 <a href="#">Denmark</a>	7	2.0%	5.5	1.1%
 <a href="#">Slovakia</a>	7	2.0%	5.4	1.1%
 <a href="#">Finland</a>	7	2.0%	5.3	1.1%
 <a href="#">Ireland</a>	7	2.0%	4.5	0.9%
 <a href="#">Lithuania</a>	7	2.0%	3.3	0.7%
 <a href="#">Latvia</a>	4	1.2%	2.2	0.5%
 <a href="#">Slovenia</a>	4	1.2%	2.0	0.4%
 <a href="#">Estonia</a>	4	1.2%	1.3	0.3%
 <a href="#">Cyprus</a>	4	1.2%	0.87	0.2%
 <a href="#">Luxembourg</a>	4	1.2%	0.49	0.1%
 <a href="#">Malta</a>	3	0.9%	0.41	0.1%
<b>total</b>	<b>345</b>	<b>100%</b>	<b>498</b>	<b>100%</b>
<b>required majority</b>	<b>255</b>	<b>74%</b>	<b>324</b>	<b>65%</b>

“As an amending treaty, the Treaty of Lisbon is not intended to be read as an autonomous text. It consists of a number of amendments to the Treaty on European Union ("Maastricht Treaty") and the Treaty establishing the European Community ("Treaty of Rome"), the latter renamed 'Treaty on the Functioning of the European Union' in the process. As amended by the Treaty of Lisbon, the Treaty on European Union provides a reference to the EU's Charter of Fundamental Rights, making that document legally binding. The Treaty on European Union, the Treaty on the Functioning of the European Union and the Charter of Fundamental rights thus have equal legal value and combined constitute the European Union's legal basis.”

[https://en.wikipedia.org/wiki/Treaty\\_of\\_Lisbon#Signing](https://en.wikipedia.org/wiki/Treaty_of_Lisbon#Signing)

<http://www.theweek.co.uk/72965/lisbon-treaty-what-happens-if-uk-votes-for-brexit>

## Roadmap tracing related Treaty efforts:

