

## Brexit prompts corporate merger first

By [Eduardo Reyes](#) | 23 January 2017

**T**he High Court has cleared the way for UK companies to be absorbed by European subsidiaries as they restructure in response to the UK decision to leave the EU. The mechanism of a 'reverse cross-border merger' is set out in an EU directive, but had not previously been permitted under English law.

That has changed with a ruling by registrar Clive Jones sitting in the Commercial Court.

The parent company, Formenta Ltd, has now been absorbed by its Italian subsidiary Newco Immobiliare. The reverse merger is 'the first of many', according to the company's legal team.

Liza Zucconi, partner at Silverman Sherliker, who acted on the deal, said: 'In the light of Brexit, EU cross-border mergers have significantly gained in importance when it comes to considering the future of pan-European corporate structures.'

The mechanism, in existence since 2007, was designed to avoid the need for company liquidations. The EU Directive on Cross Border Mergers of Limited Liability Companies (2005/56/EC) (the Directive) provides a mechanism whereby qualifying companies can effect mergers by operation of law.

In the UK the Directive has been implemented by The Companies Cross Border Mergers Regulations 2007 (SI 2007/2974) (as amended) (CCBMR).

Ely Place Chambers barrister Philipp Simon, who represented the company in the Commercial Court, added: 'With the legal position now established, this is likely to be the first of many such mergers.'