



Select Committee on the European Union

Sub-Committee on EU Services

Corrected oral evidence: Follow-up public session into financial services after Brexit inquiry

Thursday 2 July 2020

10 am

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Members present: Baroness Donaghy (The Chair); Lord Bruce of Bennachie; Lord Cavendish of Furness; Baroness Couttie; Lord Davies of Stamford; Lord McNally; Baroness Neville-Rolfe; Baroness Prashar; Lord Sharkey; Lord Thomas of Cwmgiedd; Viscount Trenchard; Lord Vaux of Harrowden.

Evidence Session No. 1

Heard in Public

Questions 1 – 17

Witnesses

I John Glen MP, Economic Secretary and City Minister, HM Treasury; Katharine Braddick, Director-General, Financial Services, HM Treasury.

Examination of witnesses

John Glen MP and Katharine Braddick.

Q1 The Chair: Welcome to the EU Sub-Committee follow-up evidence session into financial services after Brexit. In March 2020, the former EU Financial Affairs Sub-Committee wrote a long letter to the Government following an inquiry into this matter, and the Government responded in May. This session will follow up on the themes raised in that inquiry.

This session is being broadcast on parliamentlive.tv, and a full transcript is being taken and will be made available to you shortly after the session for any corrections. It is my pleasure to welcome John Glen MP, Economic Secretary and City Minister from HM Treasury, and Katharine Braddick, director-general of financial services, HM Treasury. You are very welcome. You probably know the format. Each member of the Committee will ask you different questions, and there may be one or two supplementaries if there is time.

We all have copies of the transcript of the video session with Michel Barnier the day before yesterday. Given the June deadline in the political declaration, what progress has the EU made in completing its equivalence assessments of the UK? When do you expect the EU equivalence decisions to be published?

John Glen MP: Before I attend to that specific question, might I spend a couple of minutes setting the context? It is barely four months since I appeared before a similar Committee, on 4 March, and obviously a lot has happened since then. I would like to take this opportunity to thank my officials in the Treasury, led by Katharine Braddick, who is before you this morning, and the officials from HMRC, for the enormous amount of work they have done at pace to deliver the interventions through this Covid crisis. The amount of work has been phenomenal, and we as Ministers have benefited greatly from their expertise. I would also like to thank the bank workers, those in call centres up and down the country, who have also been trying to attend to the challenges that we face. We are obviously moving into a new phase now.

You ask about the equivalence process. Following the contact between the President of the Commission and the Prime Minister on 16 June, we have seen an acceleration of the work on the free trade agreement. That is very welcome. We have seen an intensified negotiation process this week, and there is provision for more in August and September. We have always said that we will seek an outcomes-based solution, one that is based on an examination of the levels of resilience, market integrity, consumer protection and financial stability, and that looks at equivalent regulatory and supervisory outcomes.

With regard to the equivalence determination, we have completed our assessment of the EU on time, and I will deal with that in a moment. We are seeking a transparent and structured process. To that end, last week, on 23 June, the Chancellor set out two Written Ministerial Statements that set out our approach, and just this week we had the UK-Switzerland

agreement, again demonstrating where we are heading.

To answer your specific question on EU equivalence and my expectations of its decisions on that, obviously that is a matter for the EU. I cannot determine what the EU does; I am responsible for the UK's response. All I would say is that we start in a very similar place. We have been intimate partners through many iterations of different directives. Katharine Braddick and her colleagues have worked on behalf of the United Kingdom Government, with Ministers, over many years. We are ready to reach a comprehensive agreement, and we are looking to its findings on equivalence.

As I said, we have completed our assessment of it. The EU has sent over 1,000 pages of detailed questionnaires, 248 of those pages as late as the end of May, and we have responded to those at pace. We will be able to conclude that in the next couple of weeks. Its assessment of us is a matter for it, and I cannot tell you exactly when that will be. All I would say is that we gave them one and a half pages with a few clarificatory questions, which they responded to this Monday, when they were briefing that we had not returned all the questionnaires. We gave them only one and a half pages and we made that assessment on our own terms.

The Chair: Thank you very much. By the way, Katharine Braddick, if you want to answer any question, please feel free. You do not need a specific invitation. I do not know if there is anything that you wish to add at this stage.

Katharine Braddick: All I would add to the Minister's description is perhaps a brief description, which might be helpful for the Committee, of the process we followed when responding to the EU questionnaires, which, as he describes, came in over a number of months to us and to our colleagues in BEIS.

The questions, as the Minister has described, have been quite detailed and technical in nature, so we in the Treasury have co-ordinated responses with all the relevant regulators in the UK. Because the material is technical and because it is important to ensure that there is consistency and coherence in our response, as you would expect there has been an effective governance process to ensure not only that everything we said was accurate but that it made sense as a whole expression of the regulatory position in the United Kingdom.

As a result, we have prioritised getting the material right over doing it very quickly, because it felt more important to us and to the quality input into the Commission's process that we controlled the quality. It is important to make clear that those 1,000 pages of questionnaires turn into 2,000 pages when it has the UK's response in it, and as you would expect we have been operating quite a rigorous process of control over that content. I hope that is helpful.

The Chair: That is very helpful. Thank you very much.

Q2 **Lord Sharkey:** Following on on the question of the equivalence assessments, in his speech to Eurofi on Tuesday Monsieur Barnier said that we had completed only four out of the 28 areas. I would be interested in your response as to whether that is a reasonable criticism. He also said on Tuesday that the equivalence assessments are particularly challenging because they have to be forward-looking. Do we take the same view about our assessment of equivalence in the EU itself? He also said that equivalence regimes are not part of our current negotiations. What is your response to that?

John Glen MP: As Katharine Braddick has set out, we have been working as quickly as we can through a considerable number of questions, in consultation with the PRA, the Bank of England and the FCA, as you would expect. Obviously, the EU has taken a different approach by giving us 1,000 pages, 248 of which we received just over a month ago.

That is very different from how we approached it. That is the EU's prerogative. I am slightly surprised, given how symmetrical we are, and the fact that we are still in the transition period, but, again, that is its prerogative. What I can say is that we have done it differently. As regards the number of questionnaires, all I can say is that we are working through them. If you ask us detailed questions, we will answer them, and we will do that as quickly as we can.

You asked about the future orientation. Clearly, the equivalence determination is about here and now—where we are. That is based on the self-evident symmetry between us as members of the EU, and now us in the transition period. For us, that has been quite a straightforward assessment to make at this point in time.

I note what you say about Michel Barnier's alignment to the future. I mentioned in my opening answer that the Chancellor set out in the Written Ministerial Statement on 23 June some of the principles that will apply to the way we deal with Basel III and Basel 3.1, for example, and with some of the regulations that will come in after the end of the transition period, and what our approach will be in creating a suitable interpretation of that for the UK.

We have given that indication. It is not a bonfire of regulations. It is not a race to the bottom. However, we cannot anticipate how in future years the EU will orientate its financial services regulation, so it would be unrealistic to completely align an equivalence decision on where we are today with where we will be in two, three, four or five years.

Where I agree with Michel Barnier is that the future mechanism for verifying divergence on both sides would be part of the free trade agreement, and part of the wider negotiation that has accelerated recently. That is separate from the equivalence determination. I will not dispute the number of questionnaires that we have or have not filled in. What I hope I have done is explain that there is a very different approach between us. We accept the equivalence process as an autonomous right for both sides, but it is a technical assessment and one whose deadline we have met

without thousands of pages of questionnaires.

Lord Sharkey: It seems to me that Mr Barnier is taking a different view on the purpose of these assessments. If I understood you correctly, this is a technical check to see if we are in fact aligned where we thought we were on all these matters. We have done that, I hear you say, but the EU appears to be taking view that it wants to consider the implications of divergence when it assesses whether we are equivalent already. Would that be a reasonable statement?

John Glen MP: I speak for the British Government. I am not here to give a commentary on Monsieur Barnier. I have set out our view on the technical and autonomous nature of equivalence, and what we are trying to achieve with it. I have also set it in the context of the Written Ministerial Statement and where we are seeking to go in financial services regulation. We have set out our intentions very clearly, and the Chancellor signed an agreement with his Swiss counterpart on Tuesday this week, again explaining how we seek to approach our relationship with our partners in financial services. I think we have given some clear direction where we can. We cannot anticipate where the EU will be and the regulations it will seek to implement, given the evolving nature of financial services and the complexity therein.

Lord Sharkey: I would have thought it was clear that they could not make an assessment about our future arrangements either.

John Glen MP: That is why we are having a negotiation for a free trade agreement, and why I have made the distinction between the technical process of equivalence determination and a free trade agreement. Quite how Monsieur Barnier characterises it is a matter for him.

Lord Sharkey: It is, but would you agree with his assertion that equivalence regimes are not part of the current negotiations?

John Glen MP: I have just said that it is an autonomous technical process which is distinct from the wider future orientation of our trading relationship. That will be considered as part of the broader negotiation, and it is underpinned by the 12 documents we set out in May: the draft free trade agreement and the side agreement. They set the context for our expectations based on reasonable precedent, also acknowledging that there are differences based on our proximity to the EU and the nature of the financial services industry in the UK. Of course I acknowledge that, but there is a greater familiarity from the EU side with us because of the nature of our prior relationship in the immediate past.

Q3 **Baroness Neville-Rolfe:** Minister, given that the UK is fully aligned with the EU rules as you said, do you expect the UK to be granted equivalence across all areas of financial services? I remember from our earlier discussions that there were about 40 different areas.

John Glen MP: Yes, there are 40 areas over 17 directives, and I have said that the Government's position has always been that we think that a comprehensive assessment across the equivalence regime is in the mutual

interests of the EU and the UK. Many EU countries rely on access to the capital markets in London. I see London as a global hub, but one where we are in partnership with our friends on the continent.

I am mindful of the concern about the uncertainty facing us in the future. That is why we set out a Written Ministerial Statement to indicate how we would approach some of the ongoing directives that will come into force after the end of the transition period. But, yes, it is in everyone's interests for that determination to be as broad as possible.

Baroness Neville-Rolfe: That is well said, but are there areas of particular difficulty where perhaps other member states are keen to improve their relative position?

John Glen MP: I would envisage different perspectives, as there always have been across the EU. I do not want to get into speculation about that now. The wider free trade agreement and the negotiation on that is ultimately the responsibility of David Frost and the Prime Minister. What I am keen to secure for financial services is predictability in regulatory matters and clarity over how we move forward. The wider considerations about the future relationship are outside my purview as a Treasury Minister.

Baroness Neville-Rolfe: Having said that, do you think that the equivalence decisions, which I see as separate, as you do, will therefore inevitably be politicised and influenced by the broader UK-EU negotiations going on under the leadership of David Frost?

John Glen MP: The degree of politicisation and the way that is interpreted is a value judgment that people will make. My responsibility is to speak clearly for the financial services industry. Going forward, we want a reasoned and transparent approach to how we operate with our friends and partners in the continent of Europe. We will see through the stages of the wider negotiations where that gets to.

Baroness Neville-Rolfe: In your view—it feels as though the answer might be yes—would reaching a UK trade agreement increase the chances of the UK receiving positive equivalence decisions? Is there an interaction between the two?

John Glen MP: I would revert back to the previous answer I gave. I am sorry to be repetitious. The equivalence determination is an autonomous technical process. The orientation of the future trade agreement is a much more comprehensive future-orientated resolution that will cover different industries, financial services being one of them. I am not involved in that directly.

What I am keen to do, though, is to ensure through the work that we do in the Treasury, and through the official channels as we interact with that wider negotiation, that we deliver something of enduring stability and certainty for the enormous financial services industry that last year

generated £75.5 billion of tax revenue for the UK and is systemically important to the UK economy.

Baroness Neville-Rolfe: And as I know, it is incredibly important also for businesses within the EU, so there is a win-win there if we can grasp it. Thank you very much indeed.

Q4 **Lord McNally:** Minister, I am going back to the early 1960s, and I know you will tell us you were not even born then.

John Glen MP: I was not.

Lord McNally: In the early 1960s, there was a very famous cartoon, I think by Trog, when the Macmillan Government started the negotiations to join the Common Market. It showed a dressing room with the footballers of the day preparing for a game, with de Gaulle and Adenauer and others all putting on their football kit, and framed in the door of the dressing room was the figure of Sir Alec Douglas-Home with cricket cap, pads and bat. The title of the cartoon was "Joining the Game".

I mention that, because what you have told us today seems to me to embody the problem of this country over the last 60 years: that you are in a negotiation where you are playing a different game. You give them one and a half pages; they give you 1,000 pages. We all remember the famous first negotiation with David Davis sitting at the table with nothing in front of him and his opposite number with briefs on all issues.

I go to the Barnier letter. It is very blunt: "You chose to leave the Common Market. You are now not part of the club and you cannot make demands of us that damage our interests". It does not seem to me that there is recognition of the difficulty of that negotiation, where the basic understanding of what you are asking for—I think the Barnier letter is suitably blunt in this—is that these are consequences that we now have to live with. Do you really think there is any chance—given, as you say, that this complex request from the EU—of getting alignment along the lines that you are looking for?

John Glen MP: Thank you for that question. I will have to look back to the cartoons from several years before I was born.

I assure you that I have had several hundred pages of briefing, and I prepare carefully for every meeting I have—with this Committee, and for my meetings with industry. We in the Treasury are very thorough and we have responded to whatever we have been asked by the EU.

We perhaps need to step back from the terms of your question. The fact is that the British people decided to leave the institutional framework of the EU. That has been endorsed through a general election, and we are now pursuing what we said we would do, which is to negotiate a free trade agreement by the end of this year. My responsibility is to clearly set out the interests of the financial services industry, which is a considerable one.

I very much respect the autonomy of the EU in its determination of equivalence. I have explained how it is different from ours. Of course, as a

sovereign nation we will have a different way from the EU of conducting ourselves, but we are also aligned to the prudential regulatory standards and transparency. We will look at outcomes-based judgments on other third countries, and we will take an approach. We have been very clear about the values and direction of travel through what we said in our Written Ministerial Statement last week. We have met the political declaration deadline on equivalence, we have been reasonable and proportionate yet thorough through that, and we have respected the shared heritage that we have with our friends in the EU.

You are asking me to speculate about the outcome of the wider negotiation, and as I have explained I am not directly involved in that. What I can say is that, because we have had such a significant shared heritage with respect to the technical assessment of equivalence, we have been able to do that relatively straightforwardly. How the EU conducts itself is its prerogative and a matter for it.

Lord McNally: May I finish with this quote from Barnier? “The UK chose to no longer be a member state. It chose to leave the EU single market and stop applying our common ecosystem of rules, supervision and enforcement mechanisms. In particular, it refuses to recognise any role for the European Court of Justice. These choices have consequences”.

Minister, yes, you have responsibility for one of the most precious assets that the United Kingdom has—financial services—and you impose on yourself a deadline for these negotiations, something that most negotiators would be very wary of doing when there are so many loose ends. One can say no more. I am not a remoaner; I am just looking at some very curious positions for someone who is trying to get the best deal for a very precious part of our economy.

John Glen MP: The bit that you do not refer to is the decision of the country and the general election, and the clear expectation set out by us that we would negotiate the wider agreement by the end of this year. Thank you for reminding me of my responsibilities as a Minister for Financial Services. I have been acutely aware of that over two and a half years. We have put a most comprehensive regime of regulation in place in case we did not secure a deal, although I always thought that we would.

We are working very closely with the regulators in this country to be prepared for all outcomes. We are working constructively to the principles and guidelines that we set out in the Written Ministerial Statement. That gives a very clear indication of the orientation and direction that we wish to pursue as regards financial services regulation. Yes, we have left the European Union, as per the outcome of the referendum, but we are now looking constructively at the future and I hope that we can have a positive relationship with the EU. We have significant common interests when it comes to financial services. That negotiation is ongoing, and I am always optimistic about everything I do in government.

Q5 **Lord Vaux of Harrowden:** Minister, in our long letter we identified central counterparties as being a particular risk area, and one where an

equivalence decision is particularly important. First, have you identified any other areas that are of particular importance from an equivalence point of view?

Specifically on the central counterparties situation, where are we in that equivalence process, and how confident are you that we will get the necessary equivalence decision, given its importance for financial stability? I think the London Stock Exchange has suggested that we need that one by September, otherwise we face potential risks.

John Glen MP: I would start my answer to this question by referring to the letter the Chancellor sent to Vice-President Dombrovskis in March, where we cited all 40 equivalence regime areas. We are very aware of the importance of wholesale investment activity, but that is not the only element. I will not speculate in a public forum about our negotiating priorities, but I am prepared to acknowledge that CCPs play a vital role in enabling EU firms to access global liquidity in order to manage risks. That will not change. You are right to say that these are systemically important. The UK Financial Policy Committee has stated that, and we need clarity on future recognition arrangements.

We are not clear yet within the context of broader directives evolving in the EU exactly how the EU will handle this and apply its location policy in these matters. You refer to the EU's determination of equivalence on specific areas, but, again, I am not in a position to answer that. That is a matter for the EU.

You have referred to Michel Barnier's comments. I have told you that we anticipate that in the next two weeks we will have completed their questionnaires. It will be a matter for the EU how it responds on what is an autonomous technical process, and I respect its right to conduct that in the way it sees fit.

Lord Vaux of Harrowden: Given the systemic importance, as you have agreed, it would be odd, would it not, if there had not been fairly significant and specific conversations about this particular area? Are you confident that we are going to get there on this issue? If not, what are we going to do about it?

John Glen MP: We are having conversations on all areas, as you would expect, and we prioritise those that are most significant. I will not get into a commentary on private negotiations and conversations that we are having as part of our wider discussions about the future.

Lord Vaux of Harrowden: The first part of my question was whether, although the CCPs stand out, there other areas that you see as particularly important.

John Glen MP: I have stressed the importance of wholesale investment activity and cross-border activity. Flowing from that, there are obviously significant elements, but it is not helpful or right at this point, given where we are with the negotiation, to cite specific elements that are more or less important than others. There is a range of interests, and we have to

conduct that negotiation. It would be counter to the needs of the industry for me to reveal those in the public domain at this point.

Q6 **Baroness Couttie:** Last week, you published plans to change certain financial services rules after the end of the transition period. Specifically, you announced a consultation on the Bank Recovery and Resolution Directive and how you were going to transpose the international Basel III standards, and a review of Solvency II. How did the EU react to that? Is there a risk that outlining these plans will negatively impact on the EU's equivalence decisions? I put that in the context that I entirely sympathise with us diverging for the UK's interests on the financial services regulations. I just wonder whether the timing of this is expedient, given that we are in the middle of the negotiations.

John Glen MP: You have cited three elements of the 11 that we mentioned last week in the Written Ministerial Statement. We set out a series of practical targeted changes to give clarity to industry, particularly where directives were going to come in after the end of the year. We also initiated a review on aspects of Solvency II. The EU is looking at that as well.

My responsibility is to look at the future rule book for financial services domestically, but to do so in the context of our global role, where we have exerted a lot of leadership both within the EU and beyond, and to set some of the principles. We have had no significant feedback from the EU. I am happy to be contradicted or have more detail on that from Katharine Braddick.

We set out some very clear principles, which I would have thought would have been quite reassuring, such as not making this a bonfire of regulations, and prioritising prudential soundness and financial stability but tailored to the UK markets, not divergence for the sake of it, and always looking for the highest regulatory oversight that we would expect to have as a global leader in financial services.

We might not be pursuing identical rules, but we are aligned to achieving similar outcomes. That gives the EU a degree of clarity about what will happen at the end of the transition period and what our instincts are across the board going forward. The reaction from industry has been very positive, but we have had little reaction from the Commission, which I think was your specific question.

Baroness Couttie: It strikes me that in his position Mr Barnier has a naturally protectionist instinct. On the one hand, he is concerned that the UK financial services market will do extremely well, because we are allowed to be a bit more flexible on some of the regulations after we leave the EU. On the other hand, he is trying to attract some of the UK financial services businesses into the EU. Therefore, any excuse to be a bit more difficult about granting equivalence could be taken by him to his advantage, and perhaps make it a bit more difficult for us to get equivalence. Would you agree?

John Glen MP: As I say, I am not responsible for the EU. If you look practically at things like the Settlement Discipline Regime that is due to apply after the end of the year, we would not expect, by the very nature of Brexit and the end of the transition period, to replicate in exactly the same way the settlement of UK securities transactions as per the terms of a directive from what by then will essentially be a third bloc of countries.

We will recognise our common heritage and the fact that in many areas there will continue to be, through sensible common approaches, massive degrees of overlap and similarity. We will seek to pursue very similar outcomes. Obviously, we would reserve the right, as it does, to prescribe what is best for our jurisdiction. That is simply a statement of fact, based on the fact that we have left the EU.

My job is to ensure that we achieve the right thing for the financial services industry in all dimensions. When we review Solvency II, we will be cognisant of the global norms and of industry interests, and of the need to think about how best that is set across an evolving global regulatory environment.

Katharine Braddick: It might be helpful if I make a couple more administrative points about the announcements. The timing of some of the components of those announcements is driven by our legislative timetable. The Government announced in the Queen's Speech, for example, that we would introduce powers in the Financial Services Bill to implement Basel 3.1, as you indicated.

However, some other elements of what is going into that Bill demand that we consult ahead of the Bill being introduced. Some of these announcements were driven by that legislative timetable or the implementation timetable in the European Union. That being the case, one thing Ministers considered was the benefit of being clear about the totality of the package for the industry so that it could understand all the things that we were considering doing.

To go to your point about equivalence, other members of the Committee have asked how the EU is thinking about equivalence, and whether it is a decision about whether two regimes are convergent at a moment in time or whether there is a forward-looking element. The UK has taken the approach that you should take an equivalence decision on the basis of your convergence at a point in time, because it is so difficult to look very far ahead to understand what another jurisdiction might end up doing in its legislation and its regime. The EU, as Monsieur Barnier has made clear, wants to understand something about the UK's direction, and there has been a very long-running and wide-ranging debate about the UK's intentions on regulation.

A further benefit of putting this material in the public domain is that it is clear what we intend to do. The European Commission can see what we intend to do. We are not gossiping or speculating about it—nobody is. The EU can see what our intentions are. The majority of the legislative files

discussed in that announcement do not have any equivalence decisions attached. They do not speak directly to equivalence.

The ones that do, as you have indicated, are Solvency II and the other prudential requirements to do with banking, where we have tried to be as clear as possible about what our intentions are. I suppose I am trying to expose some of the administrative and legislative questions that arise, and the broader benefits we saw about greater transparency, so that the public debate about the UK's intentions was grounded in the reality of the Government's genuine legislative programme rather than an imaginative extrapolation of what that might look like.

John Glen MP: Thank you very much, Katharine. I will add to that. That really underscores the fact that the EU's reaction has been somewhat muted, because there were no great surprises. It is a necessary set of interventions to reflect the consultative processes and the legislative timetable, and it is what industry would expect of us. This was not a statement of great innovation in policy terms. It was a question of attending to the set of issues that we have to deal with in financial services at this moment in time.

Q7 The Chair: Mr Glen, in March you said that it would be unnecessarily provocative to make these changes. What has happened since March? Is it, as Katharine partially explained it, because of the parliamentary timetable, or have other factors come into play since you made that statement to the EU Financial Affairs Sub-Committee?

John Glen MP: You need to think about the context of that statement and what I have just said. I have said that in the Written Ministerial Statement of 23 June we addressed matters that are either live files going through the EU, where we need to set out how we are going to deal with them when they end and new ones come into force after the end of the year, or areas where there is little contention but a need to set out a direction of travel, in a way that does not threaten the consultations that are going on in parallel.

As I say, this was not a statement of policy intentions in all respects. The Libor legislation that we put in the Budget is a necessary intervention that industry expects, and it would be pretty concerned if it was not there. We are dealing with what is necessary at this point in time. It does not contradict what I said previously, which was that we do not want to be provocative because there is no intention anyway. We are not having a massive divergence from where we have been, but we have set out the enduring principles that will guide us in areas of real interest to the industry at this point in time.

Q8 Lord Cavendish of Furness: As with other areas in the negotiations, I would like to ask you about the risk that the EU will try to hold the UK to higher standards in equivalence than other countries. How can we ensure that equivalence is sufficiently outcome-based to avoid the risk of the UK becoming a rule taker?

John Glen MP: Thank you for that question. First, I want to set out that I respect the EU's right to have an autonomous equivalence process. That is its responsibility and right as a separate bloc. I have tried to set out how the UK will approach these issues in financial services and its wish for similar outcomes.

We need to make a distinction between the equivalence process that exists now and what happens at the end of the transition period. I want to be very clear on that. There is no auto-alignment post the transition period, because we will be an independent country by virtue of that time period elapsing. We want subsequently to have rules and regulations that suit the needs of our markets and regulators, but that does not mean that we will automatically have significant differences in vast elements of them.

The recommendation that came out of the report of the previous formation of this Committee stated the desirability of structured dialogue so that we can maintain a common interest in establishing both enduring relationships and clarity over the direction we need to go. That is a key objective of the free trade agreement, and one that we are pursuing through that negotiation.

To go back to your question, yes, there would be a risk if we had a binding mechanism, but obviously at the end of the transition period we start a new relationship based on a free trade agreement that will have to take account of the need for a stable enduring relationship with the EU as regards financial services regulation.

Lord Cavendish of Furness: Recent days have seen some quite hawkish comments from Mr Barnier, or as my colleague Lord McNally would say, "blunt". Is there a danger that outcomes will be politically driven to the point of threatening financial stability, not just throughout the EU but more globally? We do, after all, have such common interests in this area. Do EU member states not rely on capital markets outside the EU for prosperity?

John Glen MP: I try to avoid making provocative statements. I try to deal constructively with the economic interests of the UK and look at where we have the opportunity to do things that work well for our friends and neighbours in other jurisdictions. I do that in my conversations with US counterparts, and with Japan, Switzerland and beyond.

I will not comment on Monsieur Barnier's words or approach, but I will say that you are absolutely right to stress the fact that there are common interests with respect to the EU accessing our capital markets and creating enduring stability for EU firms to be able to benefit from what we have in the City of London. I would stress that it is important to find solutions that are in our mutual interests, respect the autonomy of EU, and respect the autonomy that we have as a country entering a new season of our history after the transition period ends at the end of the year.

Q9 **Lord Bruce of Bennachie:** The equivalence regime is outside the negotiations. Minister, you appear to be implying that we will might agree those only after the transition period, and that there will be a period when

we will have left when we do not have equivalence agreements. Could you clarify that?

More to the point, in the political declaration it was said that the UK-EU relationship “could include appropriate consultations and structured processes for the withdrawal of equivalence”, yet Mr Barnier’s response at the moment says, “Our equivalence regime”—meaning the EU’s—is “autonomous, unilateral tools”. He goes on to say that, “We know that the objective of Brexit is to enable the UK to diverge from EU regulations”. Is the implication from that that if we get equivalence agreements, in reality the EU’s attitude towards the UK will be such that it is even less likely to want to amend its 30-day rule for us than it is for other third countries? Is that not the risk we face?

John Glen MP: I cannot speak to the EU’s approach to their equivalence process. What I can do is tell you this morning that the Government will publish a guidance document in the near future on the UK’s equivalence framework. We will set out the purpose of that and the principles and processes we would apply—to the rest of the world, in all jurisdictions.

What we are seeking to achieve will be transparent and clear. The EU’s equivalence framework and how it operates it is a matter for it. In recent times, we have seen little interest in reforming that, but we in the UK think there is considerable merit in us setting out that guidance document so that we can be transparent for all jurisdictions. It also needs to be proportionate, and it will be based on the type of relationship we have with different countries, and our need to examine different parts of the market.

Again, you are speculating about what will happen at the end of the period and what the EU will do. I can set out where we would want to go in the future on equivalence. Obviously, there will be a different timeline for different jurisdictions.

I am told that Katharine would like to come in on this point and address the issue of the free trade agreement versus equivalence. But you are absolutely right, and I respect what you said at the start of your question, which is that the equivalence process is distinct from the free trade agreement negotiation. Katharine, please come in if you need to.

Lord Bruce of Bennachie: While we are waiting, Minister, I understand what you are saying. You say that you are relaxed about this being a matter for the EU, but the EU’s decisions will have an effect. We have been told in previous inquiries by a lot of witnesses from the financial services sector that if it is controlled politically by the EU on a 30-day withdrawal basis, it is almost of no value, so the financial services sector will have to deploy its activities on the assumption that it does not have a valid equivalence relationship. That seems to take us a long way from where people had been expecting the dust to settle.

John Glen MP: Again, it comes down to a distinction between the equivalence regime at this moment in time, which is a technical consideration, and the future relationship as defined in the free trade

agreement, which would then set out the mechanism by which we would evaluate each other's approach to divergence, should that happen.

You sometimes see a reference point from the EU and EU sources which presumes a direction of travel that is often mischaracterised as deregulatory and a race to the bottom and so on. As I have tried to indicate through reference to the Written Ministerial Statement and to the principles of transparency and similar outcomes but different specific rules, that seems to me to be a reasonable way forward.

Where we get to on the free trade agreement and an enduring solution is a matter for the wider negotiation. You are right to say that industry—I have deep dialogue with the different aspects of the financial services industry, which each have distinct views—wants a structured dialogue that leads to timeframes that are manageable and commercially valid.

The Chair: I think Katharine may have left to re-join.

Katharine Braddick: I am here. I was dialled in on two devices and the other one was unmuted, which is why you could not hear me before. I will try to be quick, because this may not be relevant to where the discussion is now.

Members have been asking a number of questions about the relationship between the equivalence process and the FTA. I thought it might be helpful for me to unpack how we see that operating with the two sets of legal structures.

The negotiation on the equivalence process is wholly separate from the FTA negotiation and is not discussed in those negotiations, which is one means of reducing the risk of politicisation. In the complete approach that we have described for the EU relationship, there is a relationship between the text in the free trade agreement and the operation of equivalence, because we see it as important that equivalence is grounded in a co-operative arrangement that is itself described in the free trade agreement.

The text published by the Government sets out our articles on financial services and indicates that we think there needs to be a co-operative relationship, described and set out in the free trade agreement, that connects to the way we work together in order to maintain predictable equivalence processes between the two of us. That is not with the intention on either side of constraining decision-making, but so that it is clear that there is effective continuing engagement to support the predictable operation of equivalence as we each manage our regulatory regimes.

The equivalence and the free trade agreement added together are more than the sum of their parts in respect to the economic value and predictability for industry, and the value of a co-operative relationship correlates to the extent of the shared interests. Extensive reciprocal equivalence arrangements that support a real breadth of trade between the UK and EU are much better managed if there are very clear co-operation arrangements. Frankly, if there is no extensive set of equivalence

decisions between the two of us, and not much shared interest, the value of the co-operation diminishes.

I hope that is not too obscure or esoteric a description, but I thought it was helpful to indicate how in our minds these two legal structures come together in the context of our policy objectives. They are of course both very remote from being members of the single market or the Common Market. This is how the EU manages its relationship with, say, Japan on financial services. Equivalence is the standard EU approach to third countries. In our minds, that is quite different from what the situation was when we had the passport.

I am sorry it took me time to make that intervention and I hope it was worth waiting for.

The Chair: It certainly was. John Glen, did you want to add anything before I move on?

John Glen MP: I am grateful for Katharine's additional points. It was probably said with a little more colour and elegance what I was trying to say.

Q10 **Viscount Trenchard:** I would like to follow on a little from the previous question about the negotiations with regard to the structure of the UK-EU regulatory co-operation going forward. I understand that the EU is resisting the inclusion of provisions on regulatory co-operation in the agreement, and I wondered why that is the case.

John Glen MP: Structured regulatory co-operation within the future financial services relationship, as Katharine said and as I said previously, is a priority for the UK. We are getting into the wider negotiation of the free trade agreement here.

Following the Prime Minister's intervention on 16 June, and the conversation with the President of the Commission, there has been an intensification of that process. We saw another round of negotiations very recently, and provision for that to extend into August and September. That remains a priority for us and we will continue to prioritise that as part of that negotiation. It is a negotiation and lots of things are being discussed, but we have always said that that structure of regulatory co-operation will be a priority that we need to achieve as the right outcome.

Viscount Trenchard: Going forward, do you think that structured regulatory co-operation should be specifically set out as one meeting a year, two meetings a year, or whatever? Do you think it should be based on equivalence of outcomes rather than letter-by-letter equivalence of regulation? Should it be by directive or by sector, as the EU grants equivalence based on each individual directive separately?

Are we going to adopt a similar way of assessing other regimes? Should our regulatory co-operation in future be the same for the EU as for other third countries, in which case Katharine and her team will be frightfully busy, and even busier than they are already? Why do we not do more of it

internationally through IOSCO at a global level, together with the US, Japan and other important financial markets?

John Glen MP: I think your question reveals the complexity in this area. In the way we approach this, we have to apply some clear principles with regard to mutual access and the degree of access and trading relationship that we have across different jurisdictions in different parts of financial services. That needs an intimate dialogue that respects the autonomy of both sides, and a structured dialogue throughout the life cycle of a regulatory process. That means exchange of information and consultation on regulatory initiatives and looking at other issues of mutual interest at political and technical levels.

You mentioned Japan. We are in free trade agreement discussions with a number of countries, which, again, are customised to the nature of the access that we have. We have to apply it proportionately. You talk about some of the international regulatory environments. We will continue to take a leadership role in those and do what we can to ensure that those principles are enduring ones.

This goes to the heart of some of the differences that may exist between us, and that is what the negotiation is seeking to resolve. We are trying to be as transparent as possible about our guiding principles and recognise that through these complex regulations there are different stages, and we need clarity on what is happening. Katharine is probably well placed to pick up the IOSCO point more specifically, and some of the more global regulatory fora that she operates in, so perhaps she would like to come in now.

Katharine Braddick: The EU's equivalence arrangements are set out directive by directive. As I think the Committee is aware, not all directives and regulations have equivalence measures in them, but where they do they attach to that particular piece of legislation. As long as the EU continues to operate on that basis, I think that is how it will grant equivalence.

That is not to say that we have to apply that approach in our relationships with other third countries. The Minister referenced the Chancellor's announcement earlier this week of our intention to conclude a mutual recognition agreement with Switzerland. We are starting the technical talks to achieve that over the summer, and that need in no way be bound by the operational structure of European legislation. It will be quite wide-ranging, because we are looking across a wide range of wholesale and sophisticated client financial services, through banking and insurance to asset management, the whole range of services.

As the Minister has discussed with the Committee on a number of occasions, we think that that kind of assessment, and indeed the more tightly defined equivalence process with the EU, should operate on an outcomes basis rather than line-by-line equivalence, which inevitably makes it much more challenging and occasionally, arguably, draws attention away from the substance.

The UK participates very extensively in all the international standard-setting bodies—IOSCO, the FSB, the IASB and Basel—but those bodies do not offer processes that in themselves enable the opening of borders between particular jurisdictions. They set the regulations that individual jurisdictions can use to key off, if you like, to come to agreements about how to open their borders. IOSCO is not a forum where we could negotiate multilateral access agreements, but the work of IOSCO, very importantly, supports our ability to continue to press for open markets to improve financial stability in capital allocation.

Q11 **Baroness Prashar:** May I probe a little further on the question of third countries? Could you tell us what progress has been made on the roll-over equivalence decisions by other third countries? Are there any possible risks of disruption at the end of the transition period?

John Glen MP: We are talking here about all the arrangements which the EU has with other countries that we have benefited from. That amounts to about 260 equivalence decisions, and we will roll those over, and indeed we have rolled over those. That is really important, and we will be responsible for conducting those bilateral conversations with those different countries.

Katharine referred to what we announced on Tuesday with the Swiss. We are also doing some things with the US. We are replicating the EU-Switzerland agreement concerning direct insurance other than life insurance. The EU-US arrangements cover an agreement on prudential measures regarding insurance and reinsurance. Both of those are areas where we are ready and poised to move beyond the transition period. We are having similar conversations with our counterparts in Singapore.

Absolutely, we will look at what we need to do to make good on those as an independent country at the end of the transition period, and those agreements will come into force when the EU agreement ceases to apply to the UK at the end of the year. It is a perfectly valid question, with respect, because we will be operating in a very different world by then.

Baroness Prashar: Is there likely to be any disruption? Will they be completed in time?

John Glen MP: We have worked very hard to ensure that we have covered all our bases on that. We are replicating something that we are very familiar with, so in many cases it is a pretty straightforward process. We expect very minimal disruption as a consequence of this process being concluded in line with expectations. Katharine's team have been doing a pretty thorough and professional job, and I am not concerned about it.

Q12 **The Chair:** In what specific areas have the Government identified opportunities to develop closer relationships with other third countries? You mentioned the Swiss situation. Given that the EU's decision to withdraw equivalence for the Swiss Stock Exchange had a clear political dimension, will the Government revisit this at the end of the transition period?

John Glen MP: Yes, we are very clear that we are happy to see equivalence for the Swiss Stock Exchange. That will come into effect at the end of this transition period, and we will put the statutory instrument through Parliament at that point.

We all have extensive conversations with the US, Japan, Australia and New Zealand in the context of the FTAs. Katharine mentioned the context for the Swiss arrangement for wholesale and sophisticated clients. We have some very positive and deep relationships with these jurisdictions, and we are focusing on what we can achieve by mutual recognition and what is economically advantageous to both sides in respect of those.

We have lots of parallel conversations going on in different countries. The ones I referred to there are the ones where we have the most significant economic interests in financial services. The EU is very important too, but those are the ones beyond the EU worth referencing. It is not an exhaustive list and we are looking all the time to develop those relationships where there is a case to do so.

The Chair: Did you see the Swiss development as an obstacle and/or a signal about the way negotiations might go with us in the UK?

John Glen MP: We observed what happened last July with the Swiss Stock Exchange and the EU. It was undesirable from the point of view of the Swiss. The UK has made a determination for the end of the transition period, and we hope that that will lead to a close and deeper relationship with the Swiss financial services industry, which is very important globally.

We have a lot of dialogue with Switzerland on lots of matters. It is at the forefront of looking into things such as digital currencies. We deal with them in a lot of international fora. I have lots of conversations with Swiss firms as well. We have acted in what we think are the best interests of our financial services industry in the UK with respect to the future of the Swiss relationship.

Katharine Braddick: I do not have anything to add to what the Minister has said. Our announcement with the Swiss earlier this week about the share trading obligation is a very positive way of moving forward from that event in the autumn, in both directions, because I think it put the Swiss in a difficult position, which they have acknowledged.

Q13 **Lord Thomas of Cwmgiedd:** I want to ask you about the future and what you see as the greatest opportunities to change financial services rules at the end of the transition period. In particular, I want to ask you about leadership and competitiveness. The witnesses to the financial services inquiry, and to our current inquiry on other parts of the professions, have made it clear that London's leadership and its pre-eminent position is critical to the maintenance of our professional services. What action do you see being taken to maintain that leadership?

John Glen MP: I agree entirely with the sentiments that you reference, and that is at the forefront of our mind as we begin to have direct autonomous control over our future trading relationships. I have

mentioned the Written Ministerial Statement, which sets out some of the things that we are focusing on. Obviously, the upcoming Financial Services Bill in the autumn will implement a new prudential regime for investment firms and update the regulation of credit institutions. Again, this will be in a flexible and proportionate manner, as has been called for by the industry and this Committee and its predecessor.

I mentioned earlier, but I will reiterate, our commitment to look at the future of Solvency II and the structural features of the UK insurance sector. It will not just be about the risk margin and the matching adjustment. It will look at the operation of internal models and the reporting requirements for insurers. These are things which the industry has been speaking to me about for a long time. We will also continue to work constructively to look at the implementation of the substance of the EU files in a way that is best for the UK market.

We will not, as I mentioned earlier, implement the Settlement Discipline Regime of the EU, or the reporting obligations in the EU's Securities Financing Transaction Regulation. We also set out some plans on the Packaged Retail and Insurance-based Investment Products—the PRIIPS—regime, which has caused a lot of concern in how it has been applied and exactly where it should apply.

Finally, the last Chancellor but one, Philip Hammond, referenced the future regulatory framework review in July, and we came forward with the air traffic control intervention. We will produce a consultation document in the autumn and look at having a new way of determining where regulators should operate in dealing with technical standards, how policy innovation from Treasury and Parliament is scrutinised, and how that interacts with the regulatory responsibilities. That is a core outcome of the decision to leave the EU, and we need to get it right. We need to consult on that, and I would expect a lot of scrutiny from this Committee, the TSC and others. I hope that sets out a whole range of areas of immediate interest.

The point you made in your question about the need to be globally competitive is really important. It is important that we have a regulator and regulatory frameworks that champion consumer well-being but also drive competitiveness, trading opportunities and innovation in financial services. The Chancellor announced a review of fintech in the Budget. Ron Kalifa will lead that review to see what we can do to continue to be world leading in that domain. I am open to new areas of focus and new reviews, and whatever it takes to maintain that competitiveness and respond to the needs of industry, as they are set out to me on a day-by-day, or certainly weekly, basis.

Q14 Lord Thomas of Cwmgiedd: May I ask one further question in relation to the role you see for Parliament in the future? There is no point in taking back control if you delegate everything to the regulator without intense scrutiny by Parliament. This will be a new activity requiring expertise and quite considerable supervision of what is done. Could you or the director-general comment on how you intend to involve Parliament in these major changes to ensure there is full accountability?

John Glen MP: I think there is often a bit of a misunderstanding here. Politicians and policymakers need a bit of humility about their complementary role to that of the regulators. Yes, there are principles behind the development of standards and regulations, but as to the detailed design of regulations and the work that goes into that, I would not expect the minutiae to be scrutinised by Parliament line by line, technical binding standard by technical binding standard.

We need a framework where the policy objectives that we set for our regulators are crystal clear before Parliament. This review will ensure that we are really clear about Parliament's different roles. Parliament must scrutinise the principles and setting, but we must also continue to let the regulators take responsibility for delivering that in a way that is proportionate and appropriate.

Lord Thomas of Cwmgiedd: Going to the second point you have just made about delivery, surely there is also a role for Parliament in detailed scrutiny of how the regulators are delivering, because they have to be accountable to the democratic process. It works well in the US. Surely we can at least attain those standards.

John Glen MP: Yes, we would absolutely expect that, but I just want to be clear that sometimes we need to make a distinction. I saw this with the nearly 60 statutory instruments that I took through, when I was always challenged about what the regulators were doing. They were doing what they have always done in a way that was proportionate, world class and expected.

There are times when they do things that are not suitable, and we need to be able to hold them to a high standard of scrutiny. However, we do not want to start designing the minutiae of regulations on the floor of the House of Commons. We have to get the principles and the policy right, get that properly scrutinised by Committees, and ensure that we hold regulators accountable for the outcomes that we define.

I want to make a distinction between the function of Parliament, which is to decide policy and direct regulatory activity, not do it. I think that we can sometimes overstate our role. We have to be clear about where those parameters lie. I am not prescribing what this should be. I am setting out a consultative framework that we will launch in the autumn, which will allow us to reflect and get this right, with parliamentary scrutiny, so that we end up in the right place.

Lord Thomas of Cwmgiedd: Does the director-general have any comment, particularly given that, in light of the current circumstances and the huge volume of framework legislation, Parliament will want to scrutinise very carefully the powers that it will sub-delegate to the regulators? I do not know whether it is a political question or whether, given your expertise, director-general, you could comment on it.

Katharine Braddick: I will try to avoid a political question and answer a process and technical question instead.

As the Minister said, the consultation process that we go through in the next stage of the regulatory framework review is absolutely central to ensuring a really effective debate about the alignment of accountability and responsibility, its realignment now that we have onshored sovereignty, and the realignment between the regulators, Ministers and Parliament. It is complex and will demand quite a deep, informed and thoughtful debate. We do not just need to have an opinion but to fully internalise the complexities in order to have a really informed and productive discussion.

The point of substance I would make about process is that in the Minister's Written Ministerial Statement to the House last week, one of the things he outlined was that in the Financial Services Bill we will give the Prudential Regulation Authority the ability to implement the Capital Requirements Regulation here in the UK through its own rules.

Specifically, we have said that we will give the PRA particular objectives for the way it delivers that task. That is an interesting early test case of how we will have to think about this distribution of powers and accountabilities, because the purpose of approaching it in that way is to recognise that we need the technical experts making the rules in the most informed way. However, in doing so we give them responsibility for issues that are arguably part of broader economic policy, and for that they need to be accountable. Through the passage of the Financial Services Bill, we will have a really useful live example of this that will help to inform the future regulatory framework, which I hope is helpful as a sense of how we see the debate unfolding.

Lord Thomas of Cwmgiedd: Thank you very much, director-general. I would express to you both that this is a very important subject on which full engagement is essential.

John Glen MP: Thank you. If I think about my experience during the recent crisis, and the development of CBILS and bounce-back loans, and the challenge of securing a wide range of participants in the provision of those instruments, it brings into focus in my mind the different regulatory requirements and the capital requirements in different-sized banks, and the non-bank lenders and how that works.

That is a clear example of where Parliament and the Treasury Minister have sought to look at how we create the right framework going forward. We need to make that decision in an informed way, based on systemic prudential stability. Clearly, we would need the technical expertise and wisdom of the regulators to come up with the right solutions. It would not work if it was just a prescriptive political diktat. It needs to be a dialogue that iteratively works out what is right for the right outcome.

Q15 **Lord Davies of Stamford:** Mr Glen, when David Davis was Secretary of State for Exiting the EU, he said that the objective of the Government in pursuing these negotiations for a free trade agreement was to secure, and here I quote him verbatim, "the exact same benefits" as we currently enjoy as members of the EU. Does that phrase still accurately describe government policy?

John Glen MP: As I tried to explain, the objective is to negotiate a free trade agreement with the EU across a wide range of areas. We have intensified that process. My responsibility for financial services and where we seek to get to is based on what I have said today and the Written Ministerial Statement set out last week by the Chancellor.

Of course, we want the best possible outcome in all domains. That is self-evidently where we need to go. I do not really want to examine a Minister's phrase of several months ago. I always want to get the best for financial services, and through the conclusion of this process I hope we will achieve that.

Lord Davies of Stamford: You are changing the vocabulary somewhat and saying the "best possible outcome" rather than "the exact same benefits", which was a much more specific undertaking. I think I can conclude from that, and that we can all conclude from that, that you do not find yourself bound by Mr Davis's objectives, and that you feel—

John Glen MP: No, I do not think you can conclude that. What you can conclude is that as a junior Minister in the Treasury responsible for financial services I am not conducting the Free Trade Agreement. I want the best possible outcome for the United Kingdom and for my industry through this process, and that negotiation is ongoing. I am not participating in it directly, but of course I am ambitious for the United Kingdom, and I want us to get the best outcome that we possibly can in all dimensions.

Lord Davies of Stamford: I think we all want to do that. In that context, did you find the speech of Monsieur Barnier a couple of days ago encouraging or troubling from our point of view?

John Glen MP: My job is to continue to put forward the best representation of our aspirations for financial services in the most constructive way possible—in a way that emphasises where we have common interests and where we need to find a way to negotiate an outcome that works for the UK financial services industry, and that serves the EU's trading relationship with us in a positive way.

We will continue to work to do that. Mr Barnier speaks for the EU. I speak for the UK's financial services industry. It is right that he should feel free to say what he wishes to say. I have told you in as full a way as I can, in all dimensions of my responsibility, how we are approaching this on behalf of the UK Government.

Lord Davies of Stamford: There again you strikingly avoid answering my question.

John Glen MP: I am not a commentator on Monsieur Barnier. I am a government Minister, with the greatest of respect.

Lord Davies of Stamford: I am sorry, but you are conducting a negotiation.

John Glen MP: No, I am not.

Lord Davies of Stamford: The Government are conducting a negotiation, and the Treasury is conducting aspects of the negotiation which are the responsibility of the Treasury. That is of course how it should be.

John Glen MP: Yes, and I have set out very clearly what we have been doing. I am not here to commentate on Monsieur Barnier, as I would not expect him to commentate on me.

Lord Davies of Stamford: Mr Glen, all of us have conducted negotiations in this life, and when we have we have always been intensely concerned to know what the other party was thinking and how they were reacting, so the question whether this is an encouraging statement or not is something that I would assume you as a Minister involved in this negotiation would have had a view on.

John Glen MP: I have lots of views, but I also want to conduct the negotiation effectively. That means having a certain discipline in how I conduct myself in public in that negotiation process, and I will continue to observe that discipline, not give titbits to Committees in a critical stage.

Lord Davies of Stamford: Titbits is the wrong word, Mr Glen. We live in a democracy and it is important that the Government respond to Parliament and explain to the public why they are doing things. The public, if they read Mr Barnier's speech, as I hope they will, would be quite concerned with the way these negotiations are proceeding. Let me ask you one final question—

John Glen MP: May I respond to that? I do not think you can accuse me of not being open to considerable scrutiny. Indeed, I have been before this Committee and its predecessor for several hours over the last four months, at a very challenging time, and answered a range questions in quite a lot of detail. Of course, I should undergo scrutiny by Parliament, and I will continue to put myself at the disposal of the Committee.

Q16 **Lord Davies of Stamford:** We are very grateful, Mr Glen. Your presence is always valuable, but it is also interesting to us whether you answer the questions or not when you come. If you come before us and do not answer the questions, the value to the public is not very great.

The question I was going to ask you is this, and it relates to Mr Barnier's reaction to our proposals for a very deep form of collaboration on financial regulation in the future. It seemed to me from his remarks, which I have only read very briefly and rather rapidly, that there was some fear on the side of the Commission that we were in fact planning something that would diminish the regulatory autonomy of the Commission and of the ECB and their ability therefore to take decisions in a crisis, which often requires the authorities to come up with new instructions to the various players, particularly the banks. Would you sense that was correct? I am sorry, I cannot hear you.

John Glen MP: Have you finished your question?

The Chair: I think Mr Glen heard the question.

John Glen MP: I heard the question. I am just looking for the opportunity to answer it.

I have been very clear throughout my answers about the right to the EU's and the UK's autonomy with respect to the equivalence determination. I have set out this morning that we have reached a determination on equivalence for the EU. We did not require 1,000 pages of questionnaires to be dealt with.

We are also, although not me directly, dealing in parallel with the Free Trade Agreement on the future relationship. In that context, the Written Ministerial Statement last week set out very clear principles for how we would approach regulation. I think it is very reasonable for us to set that out. We cannot anticipate exactly what the road map in every area of regulation will be going forward multiple years. We have set out for industry a clear direction on where we need to be and what the legislative agenda will be in Parliament.

The degree of certainty which the EU seeks about the future is a matter for the wider negotiation. Obviously, the financial services industry needs clarity and wants a degree of certainty about the timeframes and how that will operate. We are working on that through negotiation. I am aware of what has been said by the other side on our direction of travel, and we have been pretty clear. That is why, I suspect, we had quite a muted response to our Written Ministerial Statement last week, because there was nothing in it that indicated a desire for wilful regulatory divergence, just for the sake of it. We will do what is proportionate and appropriate for a global—

Lord Davies of Stamford: May I have one more question?

The Chair: I am sorry, Lord Davies, but we have run out of time on your section.

Lord Davies of Stamford: Thank you, Mr Glen. I hope we will have other opportunities in the future.

Q17 **The Chair:** That concludes the questions for which you have been given notice, but I wanted to pick up the equivalence assessment issue again, Mr Glen, if that is possible. You mentioned that the UK has concluded its equivalence assessments. What was the outcome of these assessments? Is there anything preventing the UK from adopting its equivalence decisions for the EU, and when can these decisions be expected?

John Glen MP: We have completed that equivalence determination as per the terms of the political declaration, but we would expect to make those known as part of the structured dialogue with the EU. I do not think anyone would expect us unilaterally to make that decision known in the context of the EU not completing the process. It has not even finished that process yet. However, I hope that through continued dialogue we will be able to share those understandings between us.

The Chair: Thank you very much indeed. You will be glad to know that

that concludes the questions that we want to ask you, Mr Glen.

John Glen MP: I am happy to go on if you have any more.

The Chair: Certainly, if either you or Katharine Braddick want to finish the session with any remarks, that would be very welcome

John Glen MP: I would just like to thank you very much for this scrutiny and for this opportunity. I think we have had a full discussion about many areas. I would be very happy to return to the Committee in due course and update you and experience the scrutiny that I expect as a government Minister. I am always open to that. That is part of our democratic processes, as Lord Davies so helpfully reminded me, and I look forward to that perhaps in the autumn.

The Chair: Thank you for your time. This public evidence session has now ended. The Committee will resume its private session. Thank you very much to Katharine Braddick and to John Glen.