



HOUSE OF LORDS

European Union Committee

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John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Rd
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15 October 2020

Dear John,

Thank you for your letter of 21 September, which the Committee considered on 8 October, and for your suggestion of appearing before the Committee. We will be in touch to arrange a date for that meeting in due course.

We are greatly concerned at media reports that financial services companies are pressing ahead with plans to move jobs from the UK to the EU. The absence of a comprehensive UK-EU trade agreement or equivalence could add friction and costs for businesses, potentially accelerating the loss of jobs.

In evidence to the European Union Committee on 7 October, Lord Frost expressed a wish to “bring clarity” on financial services equivalence as soon as possible but conceded that “we are in [the EU’s] hands”. Can you provide an update or any further detail on this?

We are concerned that, so close to the end of the transition period, UK and EU businesses still do not have clarity on equivalence determinations.¹ This has the potential to have a significant impact on businesses, particularly SMEs. Does the Government now know when the EU will publish its equivalence determinations? When will the Government publish the outcomes of its assessments?

We note the Commission’s recent announcement regarding the temporary extension of equivalence to UK central clearing counterparties. Was this agreed in discussion with the Government? If so, what was the substance of these discussions?

We welcome that the Government is developing a Guidance Document on the UK’s equivalence framework and how it will interact with equivalence decisions for third countries. This will be a helpful tool for businesses if it is published in good time before the end of the transition period. When do you expect this to be published?

¹ The Committee’s recent report, *The future UK-EU relationship on professional and business services*, highlighted the importance of mutual positive equivalence determinations. See: <https://publications.parliament.uk/pa/ld5801/ldselect/lducom/143/143.pdf#page=44>

Given the importance of continued regulatory dialogue, we are reassured by your statement that the differences in the UK and EU approaches to the structure of agreeing future regulatory dialogue do not “inherently introduce any limitations on future engagement between the UK and the EU.”

We look forward to your response within 10 working days and your appearance before the Committee in due course.

A handwritten signature in black ink that reads "Rita Donaghy". The signature is written in a cursive style with a small flourish at the end.

Baroness Donaghy
Chair of the EU Services Sub-Committee