HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Ricketts
Chair of the European Affairs Committee
House of Lords
London
SW1A 0AA27

27 June 2023

Dear Lord Ricketts,

Signing of the Memorandum of Understanding establishing a framework for financial services regulatory cooperation between the European Union and the United Kingdom of Great Britain and Northern Ireland.

Further to my letter of 18 May and yours of 21 June, I am writing to let you know that today, the Chancellor of the Exchequer has signed the UK-EU Memorandum of Understanding on financial services regulatory cooperation.

This marks an important step in UK-EU relations post-Brexit. As I explained in my previous letter, the Memorandum will provide for a Forum on regulatory cooperation that will meet at least twice per year.

We will shortly begin the process of setting up the first Forum with our colleagues from the European Commission. The MoU provides for HM Treasury and the Commission to agree joint statements and it is our intention that these will be published. I am happy to ensure these are made available to the Committee.

You raised a number of questions in your letter of 21 June. I can confirm that the MoU does not preclude the possibility of Ministers or Commissioners attending Forum meetings. However, both HM Treasury and the Commission expect that the Forum will be chaired and attended by senior officials, as is the case with the equivalent UK and EU forums that take place with the United States. Commissioner McGuinness and I will continue to work closely with officials to set the political direction for Forum discussions and the wider relationship. I envisage that we will meet at the appropriate times between Forum meetings to ensure that Government and Commission priorities are clear and that policy direction is shaped at the political level. This is consistent with the similar dialogues that we hold with other jurisdictions such as the US and Japan.

At this stage it is too early to give a clear indication of the priorities for the agenda for the first Forum meeting. However, I can say that I expect that the Forum will focus on strategic issues around our long-term relationship with the EU. That will likely include discussion of forthcoming regulatory issues, for instance implementation of international standards to which the UK and EU are committed, discussions around equivalence, and some of the shared challenges that we face such as policy on cryptoassets and sustainable finance.

I expect the Forum will be used to discuss equivalence. This will help ensure, for example, that each side has foresight of decision-making processes. Equivalence will however remain an autonomous process being carried out by both sides separately. You will appreciate that I am therefore unable to speak for the Commission regarding their intentions for equivalence, including in relation to the temporary decision for clearing houses that is currently due to expire in June 2025.

We have made equivalence decisions for the EU, in favour of openness, and where it makes sense to do so. The Government made these decisions to provide clarity and stability to industry, supporting the openness of the sector and to help deliver our goal of open, well-regulated markets. Our ambition had been to reach a comprehensive set of mutual decisions on financial services equivalence, but that has not happened.

We have been clear that the EU will never have cause to deny the UK financial services access. The Government is committed to the UK remaining a global leader in promoting high international standards in financial regulation, and providing safeguards for businesses and consumers.

Of course, the absence of equivalence decisions from the EU is not preventing us from moving forwards. We are using our new freedoms to build on our historic strengths as a global financial centre and develop our relationships with jurisdictions all around the world, attracting investment and increasing opportunities for cross-border trade.

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I am writing in similar terms to Sir William Cash MP and Harriet Baldwin MP. I am also copying this letter to Leo Docherty MP, Minister for Europe, the clerks of the European Scrutiny Committee, the European Affairs Committee, the Treasury Select Committee, to Les Saunders (Foreign, Commonwealth & Development Office, EU Directorate Scrutiny Manager), and to Jack Down (HM Treasury, Scrutiny Coordinator).

Kind regards,

ANDREW GRIFFITH MP