

Written evidence submitted by the Office of the City Remembrancer (FRE00146)

Key Priorities for the Financial and Professional Services Sector

1. The City Corporation urges firms to ensure that they are prepared for the end of the transition period, including for a no-deal outcome. Many firms have undertaken a significant amount of planning for the event of a no-deal scenario. Smaller firms may need further support.
2. The sector and the City Corporation is reconciled to the fact that that any deal that does now emerge will not include provisions on services. However, a deal is better for the economy than no deal, especially given the on-going impact of COVID-19. A deal would allow the conversation on Brexit to move on and provides a base on which a future relationship could be built.
3. A positive future relationship with the European Union is in the interests of households and businesses in the UK and throughout the EU. The City Corporation believes that this can be supported through clear and open regulatory and supervisory dialogue. This is vital to managing the potential for unintended divergence between the UK and EU financial services regimes in the future. As regulatory cooperation will not form part of any FTA and the UK has withdrawn its proposals for an annex detailing regulatory and supervisory cooperation, the Corporation supports consideration by both parties of a Memorandum of Understanding clarifying their position on regulatory cooperation. The City Corporation appreciates moves that have been taken to put in place such Memorandum of Understanding between UK regulators, EU regulators and Member States' National Competent Authorities.
4. London's position as an international financial hub is supported by its globally leading regulatory regime. The Government should not pursue a race to the bottom approach to regulation and should achieve as much global coherence as possible. However, leaving the European Union also presents an opportunity to review the UK's existing regulatory regime and explore how it can be made more competitive.
5. It appears that equivalence provisions will form the key mechanism in maintaining market access for financial services. The City Corporation welcomes the European Commission's decision to grant temporary equivalence to UK CCPs. The lack of an equivalence decision for UK CCPs posed a significant financial stability risk and the City Corporation appreciates the fact that the European Commission acted to address this. However, the City Corporation is disappointed that the Commission have indicated that they will not take equivalence decisions in a number of other areas in the short to medium term and urges the EU to issue its equivalence

determinations without further delay in the interests of households and businesses on both sides of the Channel. One outstanding issue relates to the share trading obligation (STO) and derivative trading obligation (DTO) which require EU MiFID firms to trade these instruments only on EU or equivalent third country trading venues. In the absence of mutual equivalence decisions, there may be overlapping STO and DTO obligations which would lead to fragmented liquidity. The City Corporation welcomes the move by the FCA to ensure that in the case of the STO, firms will be able to continue accessing EU trading venues post-transition. It is essential that both sides continue a dialogue on how to solve this issue for EU firms accessing UK trading venues, and for solutions to the DTO issue to be found.

6. The City Corporation welcomes the recent decision of the UK Government unilaterally to publish a set of equivalence decisions alongside a new framework for taking such decisions in future. This decision provides additional certainty for firms both in the UK and EU. It is essential that the UK remains open to international business and shows its ongoing, strong commitment to international standards and open and free markets. To demonstrate this openness, the UK could recommit to the wholesale market exemptions in UK legislation, and indicate that it will adopt a more open approach than the equivalence provisions currently transposed into UK law.
7. The UK has historically followed a relatively open approach to market access. To enhance its competitiveness in a global environment, and to maximise the benefits to UK markets and UK users of financial services, this open approach should continue. However, there are a series of separate access regimes that have evolved over time rather than being designed holistically. This patchwork of regimes has led to some incoherence which makes them difficult to navigate for overseas firms. The rules could be streamlined and the navigability of the regulatory requirements improved without impacting on the high standards that the UK regime is renowned for. The City Corporation welcomes the Chancellor's announcement of a call for evidence on the UK overseas regime. The IRSG is developing industry thinking and will contribute in due course.
8. The City Corporation notes that data adequacy decisions have not yet been taken by the UK or EU. Given the role of data transfers in cross border financial services, it is important that adequacy determinations by the UK and EU are put in place soon. This is particularly important in relation to the EU, which accounts for 75% of the UK's data flows. This also contributes to the detection and prevention of financial crime and related offences and for international trade more broadly. Data adequacy has whole economy implications and should be prioritised to prevent market disruption and risks to data protection breaches.
9. The end of the transition period will also see the end of preferential access to the UK labour market for EU, EEA and Swiss citizens. EY and the City of London Corporation's recent report "Building an immigration system for the future of work"

notes that the end of freedom of movement from January 2021 and the requirement for EU citizens to obtain a visa to work in the UK would introduce additional barriers to recruiting from the continent, and that EU citizens may prefer the flexibility of working in another EU member state. The report makes recommendations including how the new immigration system can promote the UK as a good place to; do business, for individuals to come and work, and for companies of all sizes. In addition, it outlines how the UK could be a top destination for talent by considering diversity and inclusion working objectives and suggestions for how to make the system as smooth as possible for employers of all sizes. In its negotiations with the EU, the Government needs to recognise that the UK economy relies on the ongoing supply of international talent and how to maintain this supply into 2021 and beyond.

10. For the legal and wider PBS sector, a successful future relationship with the EU means, in terms of any FTA, that it provides for mutual recognition of professional qualifications, products and operating licences. This is to facilitate cross border operation, as well as support UK professional bodies who contribute to the UK's trade in services and soft exporting power through high quality professional qualifications.
11. In every possible post-2020 scenario, trade across the Channel will, of course, continue. It is therefore important that the legal status of these transactions and contractual relationships is sound and enforceable, regardless of the terms of the underlying trade. Accession to the Lugano Convention on the Recognition and Enforcement of Civil Judgments provides an obvious solution, and the EU should approve the UK's application.
12. Despite the challenges of the on-going EU-UK negotiations, a positive future relationship between the two parties will be beneficial for citizens on both sides of the Channel and therefore we urge the government to continue working towards a deal from which a strong and constructive relationship can be built.

November 2020