

EU-UK TRADE AND COOPERATION AGREEMENT KEY OUTSTANDING ISSUES FOR THE FINANCIAL AND RELATED PROFESSIONAL SERVICES INDUSTRY

SUMMARY

TheCityUK welcomes the agreement between the UK and EU on the Trade and Cooperation Agreement (TCA). The priority must now be for both sides to use this agreement as a foundation on which to build rather than a ceiling of ambition.

The TCA focused on goods rather than services. As the Prime Minister and Chancellor have both underlined, there wasn't as much as we would have hoped for in relation to financial services in particular.

This short paper outlines the key outstanding issues that the financial and related professional services industry would like to see progress on in the coming weeks and months.

SHORT-TERM ISSUES AND PRIORITIES

- **Financial services regulatory cooperation**

The agreement includes a joint declaration on financial services regulatory cooperation and a commitment to agree a Memorandum of Understanding (MoU) establishing a framework for future cooperation. The joint declaration states that this would include transparency and appropriate dialogue in the process of adoption, suspension and withdrawal of equivalence decisions. The MoU should be completed by March 2021.

TheCityUK ask: Further clarity from HMG and the EU is required on the scope of the MoU. Key objectives should be to establish regular structured dialogue, including transparency, clarity and certainty on the unilateral processes of adoption, suspension and withdrawal of equivalence decisions.

- **Equivalence**

We welcome the British government's decision to grant the EU equivalence in 17 different areas. We also welcome the EU's decision to grant temporary equivalence for CCPs (which allows EU market participants to continue to use UK clearing houses) and CSD (which allows Euroclear UK & Ireland to continue to offer central security deposit services for Irish securities). However, we would like to see more unilateral equivalence decisions from the EU given that the UK and EU's financial services rules and regulations are identical.

TheCityUK ask: We urge the EU to work with the UK on outstanding equivalence decisions in the interests of customers and clients in the EU.

- **Data adequacy**

There is no data adequacy agreement between the UK and the EU. An interim 'bridging mechanism' has been put in place to allow personal data to flow, which will last for a maximum of six months. Data adequacy status is granted by the European Commission to countries outside the EEA which provide comparable levels of personal data protection.

TheCityUK ask: We urge the EU to grant a positive data adequacy decision which is crucial for businesses and in the mutual interest of the EU and UK. Once the status is awarded, data can continue to flow freely between the UK and EEA and enable cross-border data flows.

- **Mutual recognition of professional qualifications**

The TCA provides a framework for future mutual recognition of professional qualifications (MRPQ) where professional bodies or competent authorities for a specific profession may submit MRPQ proposals for approval by the new Partnership Council, who will come to decisions based on each proposal's economic value and the compatibility of the regimes.

TheCityUK ask: TheCityUK asks governments in the UK and the EU to issue timely guidance on the procedures for seeking MRPQ arrangements via the Partnership Council.

- **Lugano Convention**

The Lugano Convention is an international treaty clarifying which national courts have jurisdiction in cross-border civil and commercial disputes and ensures cross-border enforcement of judgments. The UK is one of the leading international centres for the resolution of disputes and the UK's accession to Lugano would bring mutual benefits for businesses and individuals in both the UK and EU. The UK's accession to the convention requires the agreement of all treaty signatories, including the EU.

TheCityUK ask: Although the Lugano Convention is a separate issue to the TCA, we would nonetheless urge the EU Commission to issue a positive recommendation to Member States regarding the UK's application to accede to the Convention as soon as possible. Following this we would urge the process of confirming the UK's membership to be undertaken expeditiously.

- **Mobility**

The EU-UK TCA provides little on the movement of people. The agreement does not change the fact that freedom of movement has ended. However, EU/UK nationals resident in the UK/EU by 1 January 2021 will still be protected by their rights under the withdrawal agreement. UK nationals can travel to the EU for up to 90 days in any 180-day period for visitor purposes (including business) without a visa. The UK and EU have agreed 11 permitted activities that business visitors can perform, although some Member States specify individual restrictions for activities. The lack of common standards makes it impossible to rely on the agreement as providing blanket permission across the EU. Country by country understanding will be required of firms which will be resource heavy.

TheCityUK ask: We would welcome guidance for UK nationals looking to work in the EU and their employers on navigating EU business travel. We would also encourage the government to engage with industry and conduct a review of the practical implications of the short-term business travel provisions and related definitions in the TCA to ensure any unintended consequences are not repeated in future trade agreements.

THECITYUK ACTIVITY

TheCityUK will continue to engage and continue to deepen our relationships with the UK government and regulators as well as EU institutions and with EU Member State governments and regulators, where our members serve longstanding customers and clients. We will also feed into the UK government our recommendations and concerns ahead of its agreement with the EU on the MoU on regulatory cooperation due to be agreed by March 2021.

TheCityUK will continue to work on key issues to bolster the long-term competitiveness of the UK-based financial and related professional services industry to ensure the UK remains an attractive destination for inward investment and a leading international financial centre.

ABOUT THECITYUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of this ecosystem, and thereby our members, promoting policies in the UK, across Europe and internationally that drive competitiveness, support job creation and ensure long-term economic growth. The industry contributes over 10% of the UK's total economic output and employs 2.3 million people, with two-thirds of these jobs outside London. It is the largest taxpayer, the biggest exporting industry, generates a trade surplus almost equivalent to all other net exporting industries combined. It also makes a real difference to people in their everyday lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.