TheCityUK

Priorities for UK-EU relations:

a pragmatic path to progress in financial and related professional services

July 2026

Overview of TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes over 11% of the UK's total economic output and employs almost 2.5 million people – with two thirds of these jobs outside London across the country's regions and nations. It is a major contributor to the government tax revenue and the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and manage risk.

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Executive summary

This report sets out a pragmatic, industry-led agenda to strengthen UK–EU cooperation in financial and related professional services. It presents practical measures to reduce friction, improve predictability and support shared European priorities through more efficient outcomes across the European financial system and wider economy, while keeping open a credible path to more ambitious long-term outcomes. It does not require any far-reaching structural changes in the current relationship. Instead, it focuses on practical, deliverable measures to enhance cooperation, particularly in areas where recent geopolitical developments have reinforced the case for addressing shared challenges. The analysis and recommendations in this report come from a process of consultation with our members, further details of this can be found in the annex.

The report provides an in-depth analysis of the current state of the UK-EU industry relationship, highlighting the importance of the industry to both economies. It considers the impact of post-Brexit trading arrangements, including that of the Trade and Cooperation Agreement (TCA), on the industry, the challenges and opportunities of seeking to advance the UK-EU relationship, and the key priorities for the industry in strengthening UK-EU ties. It also explores the importance of regulatory cooperation, data adequacy, mobility, and the mutual recognition of professional qualifications (MRPQ) in fostering a more dynamic and mutually beneficial partnership between the UK and the EU. It also highlights the linkages in the current geopolitical environment between Europe's financial resilience and its security. The report sets out a framework for strengthening UK–EU cooperation in financial and related professional services calibrated against current levels of ambition, as well as detailing a more ambitious scenario, overlaid with a vision of potential goals. It reflects a clear preference of the UK industry (one which we believe is also shared by the EU industry) for:

- Securing long-term stability and predictability rather than volatile arrangements, some with 'sunset' clauses.
- Foundational interoperability as a baseline, with practical cooperation and collaboration to be pursued to achieve this.
- A continued focus on shared challenges, including finance for security, climate change, competitiveness, and investment to drive growth and job creation across Europe.

Financial and related professional services industry's objectives

Objective	Why this matters	How it could be achieved	Level of ambition
Further build trust and collaboration in the UK–EU financial and related professional services relationship	Fostering relationships between key officials and building trust, is key to achieving deeper collaboration.	Continued utilisation of the Joint UK-EU Financial Regulatory Forum and other bilateral engagement mechanisms for this purpose.	**Base-level ambition: deliverable now**
Improve coordination on technical matters	Interoperability improves efficiency and should be considered a foundational baseline of future relationship. Recent cooperation on accelerated settlement (T+1) shows what is possible in a low ambition environment when both sides engage early on technical issues.	Better use of the Regulatory Forum to advance further technical cooperation on parallel reforms (e.g. settlement cycles, reporting, data, and digital frameworks); greater cooperation/ coordination in international standard setting bodies.	**Base-level ambition: deliverable now**
Reduce mobility frictions for UK and EU financial and related professional services professionals	Efficient short-term mobility is essential for service delivery, client engagement, and exports. Current frictions delay projects, increase costs, and reduce competitiveness.	Pursue e-gate access prioritising business hubs; use existing structures (TCA frameworks, Services, Investment and Digital Trade (SID) Committee, dedicated dialogues on short term business mobility and the recognition of professional qualifications) to expand permitted activities for short term business visitors. Agree reciprocal youth mobility arrangements with the EU. Under a higher ambition scenario agree further pragmatic, business focused fixes to challenges faced by professionals based in the UK and EU alike.	**Modest ambition: deliverable with mutual political will**

Objective	Why this matters	How it could be achieved	Level of ambition
Achieve more effective mutual recognition of professional qualifications (MRPQ)	Current TCA MRPQ mechanisms are slow and have delivered limited outcomes, constraining exports of key professional services.	Immediately pursue better use of existing MRPQ frameworks, while exploring more effective models based on recent UK agreements (e.g. Switzerland) that deliver meaningful outcomes under a higher ambition scenario.	**Modest ambition: deliverable with mutual political will**
Counter restrictiveness – avoid further regulatory ratcheting and market fragmentation	Fragmented capital markets increase the cost of capital and limit Europe's ability to finance growth, innovation, energy transition, and strategic priorities. Continued tightening of third country regimes raises costs, reduces market depth and undermines European competitiveness, to the detriment of European citizens and businesses.	Cooperation on shared growth and competitiveness agendas, including simplification initiatives and coordinated capital markets reforms, using existing bilateral and multilateral forums. Comprehensive and systematic identification of emerging initiatives via the Regulatory Forum; support earlier testing of cross-border impacts; actively reduce any conflicts of law and practice that may constrain business access to finance; promotion of a shared 'do no harm' principle	**More challenging, but deliverable within existing framework**
Remove EU 'cliff edge' risks (data adequacy and Central Counterparty (CCP) equivalence)	Time limited decisions create unnecessary uncertainty and systemic risk, increasing costs for firms and markets on both sides.	Secure robust, longer term, non-time limited solutions, emphasising financial stability and mutual economic interest.	**More challenging, but deliverable within existing framework**
Closer UK–EU cooperation on defence and resilience financing	European defence and security is a common economic security imperative and strategic objective. Scaling Europe's defence industrial base cannot be achieved through public funding alone; excluding UK capital markets and cross-border lending raises costs and slows delivery.	Use Leaders' Summits, security partnerships, and structured bilateral dialogues to prioritise removing barriers to cross-border private finance, especially as it relates to defence financing.	**More challenging, but deliverable within existing framework**
Best-in-class deep collaboration in wholesale financial services	Streamlines wholesale cross-border financial operations, reduces barriers, reduces cost of capital, and enhances market confidence.	Outcomes-based mutual recognition or other durable wholesale market access model.	**High ambition – a vision for the future**

Introduction

01

The UK-EU Leaders' Summit and the subsequent Common Understanding (2025) were heavily weighted, like the Trade and Cooperation Agreement (TCA), in favour of streamlining trade in goods, not trade in services. Few of the initiatives set out in the Common Understanding have significant relevance or impact on services trade. They barely address the financial and related professional services industry's most pressing concerns. Re-balancing is vital. While the UK government is currently focused on improving the UK-EU relationship by prioritising goods trade and seeking automatic dynamic alignment for greater market access, our industry is clear on the following:

- The UK and the EU must work together to address their many major shared challenges, including ongoing conflicts and the resulting increased defence procurement and funding needs; demographic shifts; energy transition; scaling up of Europe's innovative businesses; and increasing geopolitical tensions and regionalisation of global trade.
- Given the contribution that the financial and related professional services industries of the UK and the EU can make towards meeting these shared challenges, we urge that the industry and its priorities should be included as a central topic at future Leaders' Summits and in any future iterations of the Common Understanding or similar agreements.
- Crucially, almost all the priorities contained in this report are within the reach of both the UK and EU without any need to change the texts governing their existing UK-EU relationship (the Withdrawal Agreement, the TCA, and the Memorandum of Understanding (MoU) on financial regulatory cooperation). While we have framed our proposals deliberately in this way to maximise the potential for deliverability, we are clear that ambition on financial and related professional services could be even higher than the options we outline and more ambitious mechanisms involving framework change could also be considered.
- Automatic dynamic alignment of rules, as is being pursued for Sanitary and Phytosanitary (SPS) / Agri-food regulation, is not appropriate for the UK's financial and related professional services industry. As a large, diverse, and highly innovative industry, which combines globally systemic characteristics with unique competitive strengths, our ecosystem requires the UK regulatory authorities' speed of decision taking, flexibility and agility, and could not operate effectively under arrangements that require it to automatically follow the lead of another jurisdiction with different priorities and needs.
- Any wider proposals that go beyond cooperation – such as rejoining the Single Market or entering a Customs Union – need careful and separate consideration of their merits and challenges.

Delivering these outcomes will require a combination of political direction, technical coordination and flexible engagement mechanisms, including bilateral and multilateral cooperation alongside existing UK–EU structures.

This report draws on industry perspectives shared by our members in response to UK parliamentary inquiries, plus our submissions to HM Treasury on UK industry priorities before each Joint UK-EU Financial Regulatory Forum meeting. It also incorporates insights from more than 50 organisations within the UK industry, including over 25 in-depth qualitative interviews with representative bodies and businesses, many of whom have a global reach including operations in the EU. Collectively, this research provides a comprehensive assessment of industry priorities to be taken into account in the future development of the strategic relationship between the UK and the EU. There are several corresponding analyses on the EU side, some of which are referred to later in this report.[1]

The overriding objective is simple: to make the UK–EU relationship in financial and related professional services more effective in practice now, while keeping open a credible path to progress towards deeper and more ambitious cooperation over time. This objective will serve to foster the long-term economic resilience of both the UK and the EU. The steps outlined are necessary, not optional. Without nurturing and renewal, the UK-EU relationship in financial and related professional services will not stand still, but instead risks deterioration, to the detriment of both sides. We believe that meaningful progress can be made now, without reopening the fundamentals of Brexit.

[1] See pages 29-31

The UK-EU relationship in financial and related professional services

02

The UK and EU markets remain vitally important to each other. As the UK's nearest and largest trading partner, the EU's market of around 450 million consumers is central to UK economic activity; equally, the UK supports EU growth by offering globally connected capital markets, financial expertise and professional services that complement the EU's own capabilities. Indeed, the UK-EU relationship is a critical factor for both in the success of their financial and related professional services industries. For both the UK and EU industries, it is currently a sub-optimal relationship. True, both industries have adapted to post-Brexit arrangements, in some cases at significant cost. But, while current operating models are broadly sustainable, they are also often less efficient, more complex, and more fragile than pre-Brexit.

Although it is now a decade since the UK Brexit referendum, UK and EU financial services markets remain deeply interconnected, with many complementary features. While the EU market is far larger by many metrics than that of the UK, it is also more dispersed. It lacks the depth of the UK market in all but a small handful of sub-sectors.[2] The UK's capital markets overall are almost twice as deep as the EU's.[3]

The continuing scale of market complementarity remains strong. The statistics below tell the story:

- **The UK and EU are major destinations for each other's financial and related professional services exports:** In 2024, the EU accounted for over one third of total UK financial services trade (exports + imports); in the same year, the UK accounted for around one fifth of total EU financial services trade, according to our calculations based on Organisation for Economic Cooperation and Development (OECD) data.
- **FDI stocks:** According to the latest available data, in 2024, the UK's stock of outward FDI in the EU financial services sector was £157.2bn, accounting for 30% of total UK outward FDI stock in financial services. The EU's stock of inward FDI in UK financial services was £152.3bn, representing 26% of UK's inward FDI stock in the sector.[4]

Closer study, however, shows that broad comparisons disguise some sharp variations in the degree of interconnectedness in different sub-sectors, and how this has changed over the last decade. The following table[5] is from a recent report by the City of London Corporation and New Financial. Its analysis indicates how the interconnectedness of EU and UK financial markets has changed since 2015 in real terms and the extent to which UK-EU activity (and vice-versa) has increased (a green arrow) or decreased (a red arrow) as a percentage of total cross-border in each market and sector (taking a three-year average to 2015 and to 2024, or the latest data available).

Change in interconnectedness of EU and UK financial markets

Metric		Real growth since 2015	Increase in share of all EU cross-border activity since 2015		Real growth since 2015	Increase in share of all UK cross-border activity since 2015
Debt capital markets						
Corporate bond issuance	EU issuer in GBP	↓ -35%	↑	UK issuer in EU currency	↓ -15%	↑
Equity capital markets						
IPOs	EU in UK	↓ -89%	↓	UK in EU	→ n/a	→
Banking						
Total value of bank lending	EU to UK	↑ +67%	↑	UK to EU	↓ -27%	↓
Total value of bank borrowing	EU from UK	↑ +81%	↑	UK from EU	↓ -32%	↓
Private markets						
Venture capital investment	EU from UK	↑ +228%	↑	UK from EU	↑ +454%	↑
Trading						
Foreign exchange*	GBP booked	↑ +7%	↑	EU currency booked	↑ +39%	↓
Derivatives*	in EU	↑ +75%	↑	in UK	↑ +200%	↑
Corporate activity						
M&A activity	EU to UK	↓ -75%	↓	UK to EU	↓ -51%	↓
Buyout activity	EU to UK	↑ +272%	↑	UK to EU	↓ -9%	↓
Pools of capital						
Total value of equity investments**	EU holdings of	↑ +10%	↓	UK holdings of	↑ +61%	↑
Total value of debt investments**	UK assets	↑ +19%	↓	EU assets	↓ -63%	↓

Source: New Financial analysis of data from the IMF, World Bank, Dealogic, BIS and Preqin. Note: *measuring 2016 to 2025 **data from 2023

It is not easy to draw definitive conclusions. But the paper's authors identify one metric for assessing how far the interconnectedness of EU and UK financial markets has changed since 2015. This is the change in the absolute value of activity in real terms, viewed in terms of whether the share of UK-EU activity (and vice-versa) has increased as a percentage of total cross-border activity in each market.[6] On both counts, the EU has seen an increase in EU-UK activity in more than half the sectors detailed. On the other hand, the data suggest that UK activity is diversifying away

[2] These include: private equity investment, retail investment, investment funds, bank lending to corporates, and ESG corporate bond issuance.
[3] See Maximilan Bierbaum and Christopher Green: The interconnectedness of the EU and UK Financial Markets (City of London Corporation & New Financial, December 2025)
[4] TheCityUK calculations based on ONS data, 'Foreign direct investment involving UK companies, 2024 (directional): outward', (January 2026), available at: https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompaniesoutwardtables; and 'Foreign direct investment involving UK companies, 2024 (directional): inward', (January 2026), available at: 'https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompanies2013inwardtables
[5] Ibid
[6] Ibid

from the EU, with UK-EU activity having reduced in real terms in six sectors, and as a share of UK cross-border activity in a further six. It is particularly notable – and unfortunate in terms of the general resilience of the European economy – that the UK and the EU overall are scaling down their investment in each other's economies, relative to the total value of cross-border investments globally by EU and UK investors.

2.1 Factors affecting activity

These mixed trends in interconnectedness are important, particularly where they reveal frictions inhibiting greater joint economic resilience. Two examples are detailed below:

- **Effect of the TCA:** In 2020 the EU-UK TCA was welcomed as setting a clear basis for UK-EU trade. But the TCA prioritised trade in goods, not trade in services. This is now having a considerable impact on UK-EU trade in services. UK-based financial and related professional services businesses are currently trading with the EU on terms significantly different from the free trade arrangements for merchandise trade.
- **Trends in financial and related professional services exports to the EU:** Over the last five years, UK financial and related professional services exports to the EU increased *by value* at an annual average rate of 9%, from £35.1bn in 2020 to £49.7bn in 2024, according to our estimates based on ONS data. This strong performance in the EU market is consistent with continued growth in the UK's financial and related professional services industry since Brexit. It contrasts however with the more mixed performance of UK financial services exports to markets globally, which fell in *volume* terms by 5.9% over the same period. This highlights the importance of the EU market as one source of continuing growth in UK exports of financial and related professional services.[7, 8]

  Various factors bear on placing UK exports of financial and related professional services in the context of overall UK services export performance in global markets as a whole. UK services exports globally have grown *by value* at an average annual rate of 13% between 2020 and 2024, reaching £506.4bn in that year. Over a third of these exports is accounted for by exports by the UK financial and related professional services sector, which show sustained growth across every UK region and nation. However, growth has not been uniform. An OBR analysis of UK trade in terms of *volumes* concludes that, while UK services global trade has continued to grow strongly (including with the EU despite the increase in trade barriers post-Brexit), much of this has been driven by growth in the 'other business services' sector, which includes management consulting, research and development, and advertising.

Growth in UK financial and related professional services exports to the EU should not be misread as evidence that the current UK-EU framework is working optimally for the industry. Growth overall has been achieved despite, not because of, the post-Brexit trading environment with the EU. Factors such as market access barriers and the absence of forward-looking regulatory cooperation continue to impose costs and limit market efficiency.

Addressing these frictions through a more pragmatic and forward-looking UK-EU approach would help secure future growth, protect international competitiveness, and ensure that the UK and EU financial and related professional services industries' contribution to jobs, exports and economic resilience is sustained over the long term.[9]

From the perspective of the UK's financial and related professional services industry, EU policymaking in financial services since the TCA appears to have continued to place a disproportionate emphasis on business location requirements, rather than on market efficiency or the benefits to EU citizens and businesses of continued access to globally competitive UK markets. At the same time, some of the challenges in the relationship reflect not only UK regulatory autonomy but also the cumulative impact of new EU initiatives, which can create unintended cross-border frictions even where underlying policy objectives remain aligned. The EU's Open Strategic Autonomy and Economic Security agendas have had the effect of adding cumulative and burdensome regulatory constraints to the provision of financial services from the UK into the EU.

This has led to an imbalance of regulatory approaches between the two sides. The EU's emphasis on bringing about business relocation from the UK to the EU, at the expense of giving weight in financial services policymaking to market efficiency and client preferences, has resulted in the implementation of measures such as the Capital Requirements Directive VI (CRD6) Article 21c. This was designed as a prudential measure but had the effect of placing heavy restrictions on cross-border lending into the EU by third-country banks, even though such restrictions can have wider effects across the economy, particularly where they bear down on the free flow of specialist cross-border finance. The UK has not followed suit, typically preferring a more open market regime. We continue to encourage the UK government to maintain this approach.[10]

These differences of approach have been an obstacle to realising the mutual benefits that UK-EU market openness could deliver, particularly in areas where the UK can offer scale, liquidity, and expertise. With the high-level political mood seeing a marked improvement, in the face of mounting geopolitical and economic headwinds, there is a strong case for collaborating on shared challenges, particularly that of mobilising private capital in response to drastically increased and urgent European defence financing requirements. This would deliver clear mutual benefits and align closely with the EU's broader strategic and economic priorities. The UK and EU can only be stronger if they work more closely together on such issues.

[7] Office for Budget Responsibility (2024), How are our Brexit trade forecast assumptions performing?, Economic and Fiscal Outlook, March 2024

[8] For further information from TheCityUK's Research Team on the differences between volumes and value in services trade see: Exports explained (even further): more on values vs volumes, at: https://www.thecityuk.com/news/exports-explained-even-further-more-on-values-vs-volumes/

[9] For more about maximising the financial and related professional services industry's contribution to jobs, exports and economic resilience, see TheCityUK, No time to lose: Reasserting UK leadership in financial and related professional services, found at https://www.thecityuk.com/ourwork/no-time-to-lose-reasserting-uk-leadership-in-financial-and-related-professional-services/

[10] IIF Joint Trades Paper on Addressing Increasing Fragmentation and Possible Solutions, July 2025, found at https://www.iif.com/Publications/ID/6223/IIF-Joint-Trades-Paper-on-Addressing-Increasing-Fragmentation-and-Possible-Solutions

The UK government’s current priorities and the case for financial and related professional services

03

Following the joint statement of 2 October 2024 by the President of the European Commission and the UK Prime Minister on enhancing strategic cooperation[11], including a commitment to hold annual UK-EU Summits at leader-level, we welcomed the first Leaders' Summit (19 May 2025), recognising it as a positive development to advance the relationship.

3.1 Dynamic Alignment

However, as already noted, the Leaders' Summit and the Common Understanding[12] that followed it, were heavily weighted in favour of streamlining trade in goods. In line with this, the UK government announced in the King's Speech (13 May 2026) "a Bill to strengthen ties with the European Union", which is expected to enable automatic dynamic alignment with EU rules. In her second Mais Lecture (17 March 2026), the Chancellor of the Exchequer referred to this enabling legislation and suggested that the Government was open to exploring further areas for automatic dynamic alignment.

Given the prominence of these developments, the position of the financial and related professional services industry needs to be stated clearly. **Automatic dynamic alignment, as is being pursued for Sanitary and Phytosanitary (SPS) / Agri-food regulation; Emissions Trading System (ETS) / Carbon pricing; and, electricity market rules, is not appropriate for the UK's financial and related professional services industry**. As a large, diverse, and highly innovative industry, which combines globally systemic characteristics with unique competitive strengths, it requires the UK regulatory authorities' speed of decision-taking, flexibility and agility, and could not operate effectively under arrangements that require it to automatically follow the lead of another jurisdiction with rules reflecting different priorities and needs.

The same would apply to any wider proposals that potentially went beyond cooperation, such as rejoining the single market or entering a customs union. Whatever their merits, the UK would likely face reduced regulatory autonomy in relation to our industry, and fewer opportunities to pursue or maintain bespoke agreements at the bilateral, plurilateral or multilateral levels. Accordingly, at this time **our industry prefers meaningful progress in financial and related professional services through partnership between the UK and the EU, generally on the basis of enhanced cooperation**.

[11] HM Government, Statement by the President of the European Commission and the Prime Minister of the United Kingdom on Enhancing Strategic Cooperation: 2 October 2024, found at: https://www.gov.uk/government/news/joint-statement-by-the-president-of-the-europeancommission-and-the-prime-minister-of-the-united-kingdom-on-enhancing-strategic-cooperation-2-october--2

[12] HM Cabinet Office, Policy paper UK-EU Summit – Common Understanding, May 2025, found at: https://www.gov.uk/government/publications/ukeu-summit-key-documentation/uk-eu-summit-common-understanding-html

Against that backdrop, the UK industry has focused on identifying practical steps to progress the relationship with the EU in financial and related professional services without requiring it to automatically follow the lead of another jurisdiction with different priorities and needs. HM Treasury has consistently stated, as expressed by Lucy Rigby when she was Economic Secretary to the Treasury[13] that there is considerable scope for progress within this space without automatic alignment. We agree with this view, which we believe is also shared in large measure by the EU industry.

Accordingly, this report sets out a clear and structured assessment of where targeted, pragmatic improvements can be made. The goal is not only to facilitate smoother UK-EU trade flows, but also to strike a sustainable balance between deeper cooperation and the regulatory agility required for the UK to remain competitive in a rapidly evolving global market.

➔ ***Automatic dynamic alignment is not appropriate for the UK's financial and related professional services industry.***

[13] in an address to TheCityUK's 2026 Annual Dinner, 5 February 2026, Raffles London at the OWO, London, UK

3.2 Common and shared challenges – the case for ambition on financial and related professional services

Persistent global instability reinforces the increasing need for the UK and the EU to work together to address their many major common challenges. The enabling role of the financial and related professional services industry on both sides of the Channel will be crucial to tackling these and driving economic growth.

Recent European Commission proposals for an intergovernmental European "Defence Union" and on strengthened coordination mechanisms in security and defence policy reflects a broader shift towards treating defence, industrial strategy and finance as part of a single economic security agenda.

Given the contribution that financial and related professional services can make, we urge that the industry and its priorities (as identified in this report) are included as a central topic at future Leaders' Summits and in any future iterations of the Common Understanding or similar agreements. The goal must be to enhance competitiveness, growth, and financial resilience across Europe, to the benefit of all. This is not a zero-sum contest between the UK and the EU. Closer collaboration in financial and related professional services will bring many benefits, including lowering the cost of capital and serving to enhance growth, competitiveness, economic security, and resilience across Europe.

Crucially, the path to realising this objective is within the reach of both the UK and EU without changes to the texts governing their existing relationship (the Withdrawal Agreement, the TCA, and the MoU on Financial Regulatory Cooperation). It requires focus on two primary priorities:

- Avoiding further regulatory frictions to the cross-border provision of services.
- Increasing predictability in how rules are developed, implemented, and used in financial services supervision, pursuing UK-EU interoperability as a baseline, and greater cooperation and coordination where appropriate.

Various measures can contribute to these priorities in line with further progress being made on the relationships. These can be calibrated in terms of assigning levels of ambition to delivering them.

➔ ***The aim should be to pursue practicable cooperation objectives achievable now or in the near future, of the type outlined in this report.***

Base-level ambition, deliverable now – the status quo

04

Base-level ambition focuses on what can be done with little-to-no difficulty within the current boundaries of the UK-EU relationship and broadly reflects the status quo. It involves better use of mechanisms and initiatives which are already in place, as described below.

4.1 Increasing the value of the Joint UK-EU Financial Regulatory Forum

The Joint UK-EU Financial Regulatory Forum established a framework for financial services regulatory cooperation between the UK and the EU. Under its MoU[14], it is the only formal mechanism currently available to discuss bilateral regulatory cooperation in the area of financial services. At the current time, it functions primarily as a forum for dialogue, confidence building and information exchange on areas of mutual interest.

We have consistently pressed for amplified use of the Joint UK-EU Financial Regulatory Forum framework. It could and should be made much more effective in supporting earlier engagement on new initiatives, better anticipation of cross-border impacts, and more forward-looking discussion of regulatory initiatives. While there has been some limited, incremental progress, it has mostly been slow and constrained, with the underlying approach remaining largely unchanged and continuing to define the practical limits of what can be achieved under the status quo.

Within its current format, the Forum already allows for limited participation by the UK industry. TheCityUK Europe Market Advisory Group and the International Regulatory Strategy Group (IRSG) EU Regulation Committee bring together TheCityUK's members to contribute a joint whole-of-industry submission ahead of each Forum meeting. This is designed to ensure that the UK side (principally HM Treasury) is aware of our industry's priorities before each Forum agenda is set. The European Commission routinely engages with a grouping of EU-based industry bodies ahead of Forum meetings, although this is, we understand, usually after agendas have been set.

In these submissions, we have acknowledged how important the early meetings of the Forum have been for building relationships and mutual trust between key officials. However, we have also noted that, as trust between Forum stakeholders builds and the political backdrop continues to improve, there is a need for the agendas to become more forward-looking, moving from information-sharing to greater focus on substantive mutual collaboration.

The European Commission has been consistent in its view that the Forum should be viewed as a dialogue mechanism rather than a decision-making body, citing the MoU's provision that the Forum "will not take any regulatory, supervisory or legal decisions nor will it make any equivalence determinations". In practice, the Commission has also demurred at efforts to broaden EU participation beyond the Commission Directorate-General for Financial Stability, Financial Services, and Capital Markets Union (DG FISMA), thereby excluding other relevant directorates general and regulatory authorities and keeping the Forum tightly confined to a narrow set of regulatory policy personnel, despite the participation of wider relevant stakeholders being allowed under the governing MoU, and despite the increasingly cross-cutting nature of financial services legislation. While the MoU also allows for information sharing to support the early identification of potential cross-border issues, the Forum has not been used in a genuinely forward-looking way to test or discuss the impact of major legislative initiatives on the EU-UK markets before proposals are finalised, limiting its effectiveness as a tool for preventing unintended fragmentation or regulatory friction.

Even under a base-level ambition, status quo scenario, the Forum would be expected to build on its existing useful role as a trust-building mechanism and as a meeting-place for facilitating structured dialogue between the parties on areas of mutual interest, including macro financial developments, regulatory priorities, and international coordination. However, with agreement from both sides, it could also be used to anticipate, stress-test, and discuss the cross-border impacts of forthcoming legislative initiatives before positions are finalised, with both sides benefiting from its capacity to prevent regulatory friction or unintended market fragmentation (this case is developed further on pages 20 – 22).

→ ***The Forum's role should be expanded, to optimise its overall usefulness within the terms of the MoU.***

[14] UK-EU Memorandum of Understanding on Financial Services Cooperation, found at: https://www.gov.uk/government/publications/uk-eu-memorandum-of-understanding-on-financial-services-cooperation

4.2 Technical interoperability: the search for 'the next T+1'

Ease of technical market interoperability is an objective that is shared by the UK and EU industries. It can be made explicitly achievable within the confines of the existing UK-EU relationship. This was demonstrated in recent UK-EU cooperation on accelerated settlement (T+1), aligning approaches to shortening the settlement cycle for UK and EU securities trading. This has shown how a coordinated approach on a technical issue can achieve positive results for both sides. A coordinated move to synchronise the go-live dates and introduce a new settlement cycle will avoid additional costs and market risks through misalignment. It is an example of what is possible in a low ambition environment when both sides engage early on technical issues.

The same model should be extended to improve interoperability in other largely technical areas, which the UK and EU are advancing in parallel, including:

- Transaction reporting reforms.
- Consolidated tape development.
- Sustainability reporting frameworks.
- Aspects of digital and data regulation.

The objective is not uniformity, but interoperability – minimising duplication and allowing businesses to operate efficiently across borders.

Effective regulatory cooperation is critical to making this kind of technical interoperability work in practice, providing the structured forums and early engagement needed to anticipate and manage change on both sides. While existing arrangements have delivered tangible benefits, there is scope to further deepen this cooperation to keep pace with parallel developments in both markets and to reduce the risk of creating unnecessary frictions.

→ ***There is ample scope for further enhanced technical market cooperation, using tools already available.***

Modest ambition – deliverable with mutual political will

05

5.1 Mobility

5.1.1 Access to Schengen border e-gates

Mutual access to border e-gates is both a practical convenience and a symbol of a confident relationship. Following Brexit, the UK did not withdraw e-gate access for EU passport holders. UK-EU reciprocity of access is achievable and would be welcome.

Clarifying that reinstating UK citizens' access to Schengen border e-gates was legally possible is one element of the 2025 Common Understanding that directly reflected a long-standing TheCityUK priority and highlighted the practical importance of mobility for financial and related professional services. The Common Understanding did not itself mandate uniform e-gate access for UK citizens across the EU; rather, it confirmed political agreement to enable wider use of automated border controls for UK travellers, linked to the rollout of the EU's Entry/Exit System (EES), with implementation ultimately resting with individual EU Member States. In practice, we have seen difficulties emerge in the EES roll-out across the EU which are beginning to create, unintentionally no doubt, a real barrier to movement. Ultimately, while the EES may facilitate greater use of automated checks, it does not guarantee consistent or reciprocal access in practice.

Given that the UK has never withdrawn e-gate access for EU passport holders, we believe there remains a strong case for the UK government to pursue uniform reciprocity as a matter of principle and delivery. Even if full and uniform reciprocity cannot be achieved, we would expect the UK government to be active in raising the issue with key EU Member States where business travel volumes for UK services providers are highest – including Germany, France, the Netherlands, Luxembourg, Italy and Spain, as well as Switzerland (as Switzerland is within the Schengen agreement and there are corresponding border delays there) – to encourage early, consistent implementation.

→ ***Securing the broadest possible access to Schengen border e-gates would materially improve the efficiency of cross-border services delivery, reduce friction for UK-based firms operating in the EU, and help set a constructive tone for the next phase of the relationship.***

5.1.2 Mobility: better use of the existing institutional framework to progress key mobility issues, including for short-term business visitors

Our industry is already renowned for its work in training and developing local talent. However, restrictive short-term business mobility rules are limiting organisations' ability to leverage their global talent networks to support export and innovation. Recent changes to UK business visitor rules (effective January 2024 and applying to EU nationals) provided some greater flexibility for UK-based businesses to bring in overseas talent for short-term projects. We called for and welcomed these changes. However, more could still be done bilaterally to increase the scope for effectively deploying businesses' international workforces, positively impacting growth and export opportunities, as well as the UK's attractiveness as an international investment hub.

Such a move would not entail reopening wider migration debates. The industry sees immediate potential to achieve narrow, business-focused mobility improvements to reduce friction. A key focus should be short-term business visitors (STBVs). STBVs from the UK and EU may visit each other's territories visa-free for 90/180 days in the EU and for up to six months in the UK. The UK should seek to negotiate with the EU a broader range of permitted activities for STBVs and allow work (including work paid by the client in the host state) on a short-term basis without the need for a work permit or economic needs test or indeed the need for a visa.

In principle, the TCA Review scheduled for 2026 could be used to pursue this. Article 126 of the TCA requires the parties to the TCA Review to seek improvements in the trade in services and investment provisions; a review of the related non-conforming measures and reservations; and a review of the permitted activities for STBVs "with a view to agreeing to possible improvements in their mutual interest". While acknowledging that Article 126 does not apply to financial services, we had expected the TCA Review to cover all mobility issues within the scope of the Article. Recent UK and EU statements suggest that neither side currently expects a dedicated process for the TCA Review, including the implementation of Article 126, to address potential enhancements to STBVs' permitted activities. Instead, it has been indicated that such initiatives could be channelled through the Trade Specialised Committee on Services, Investment and Digital Trade (the SID Committee, which meets in the Autumn of every year) and/or through the 'Dedicated Dialogues on Business Mobility and MRPQ' agreed under the Common Understanding.

Whichever route is chosen, a review of STBVs' permitted activities should be a particular focus. Broadening the list of permitted activities would be positive, particularly to allow for work (including some work paid by the client in the host state) on a short-term basis without the need for a work permit or economic needs test. It would also be helpful to review and where possible remove EU Member State reservations under Annex 21 for STBVs. This would strengthen UK and EU competitiveness, without compromising any goals and objectives of immigration policy.

→ ***We strongly advocate broadening the list of STBVs' permitted activities.***

5.1.3 Youth Mobility

Our industry has been a long-time supporter of the value of reciprocal youth mobility schemes. The UK's existing Youth Mobility Schemes work well and provide convenient self-sponsored routes that enable young UK professionals to gain valuable work experience overseas, while at the same time giving UK employers some relief from reliance on the sponsored worker system. However, to date, the UK has not agreed reciprocal youth mobility arrangements with the EU, its closest and largest partner. Without such arrangements in place, UK businesses need to navigate a complex patchwork of different visa regimes in the EU if they want to send their young staff on secondment, while also needing to rely on the UK's sponsored worker system with its associated administrative burden and costs.

Reciprocal youth mobility arrangements would enable youth mobility visa holders from both the EU and the UK to move between the two jurisdictions for a limited period of time, increasing opportunities and supporting economic growth. Such arrangements would also aid international mobility for vocational education and training learners, including apprentices.

➔ ***We support a creative approach to establishing a UK-EU reciprocal youth mobility scheme allowing work, education, and training.***

5.1.4 Mutual recognition of professional qualifications – better utilisation of the TCA

The TCA's provisions on mutual recognition agreements, based on the EU-Canada Comprehensive Economic and Trade Agreement, are far from satisfactory for key professional services such as the law and accountancy. Nor, given the slow speed and cumbersome nature of the MRA system in the TCA, is there any practical hope of making rapid progress using the current TCA provisions.

The Labour Manifesto in June 2024 was a UK commitment to securing better MRPQs. While industry would like to see this result in the agreement of a better mechanism than the CETA model replicated in the TCA (further details on this in Section 6), current indications are that the EU sees the agreement on MRPQ under the Common Understanding to mean they seek enhanced recourse to the CETA-based model rather than exploring an alternative mechanism.

Even if the TCA's existing MRA mechanism were retained, there is scope for professional bodies in both the UK and the EU to take a more proactive role in identifying where recognition would deliver the greatest benefit to businesses and individuals. By engaging early and collaboratively, they could help to streamline the submission of proposals and facilitate the technical work required to reach MRAs within the existing CETA-based framework.

In addition, enhanced information sharing and guidance for professional bodies would help to demystify the process and encourage more applications for MRAs. The work of the Trade Specialised Committee on Services, Investment and Digital Trade, as well as the Dedicated Dialogues on Business Mobility and MRPQ, offer suitable platforms to drive this agenda forward. These forums should be leveraged to identify and resolve practical barriers, share best practice, and promote the adoption of MRAs in sectors that are strategically important for both sides.

We also propose that a review of the technical requirements and administrative procedures associated with MRPQ could help to identify areas where simplification or some fresh approach is feasible.

➔ ***We seek a creative approach to enhancing UK-EU MRPQ even if there is no shared ambition to improve the current framework.***

More challenging, but deliverable within existing framework

06

This section builds on the base-level and modest ambition objectives outlined above. It aims to illustrate in greater detail where progress is both desirable and realistically achievable in the near-to-meduim-term without reopening core political questions or seeking changes to the underlying institutional framework. The emphasis is on practical delivery: improving predictability for firms and markets on both sides.

The priorities that follow are intended as a focused, deliverable agenda under a medium-ambition approach, mostly grounded in existing frameworks but aimed at materially improving outcomes over time. While we have deliberately framed our asks in this way to maximise the prospects for delivery, we are clear that ambition in financial and related professional services could go further than the options set out here, and that more ambitious mechanisms – potentially involving changes to existing frameworks – could and should also be considered in future.

6.1 Common policy agendas

With both the UK and EU facing significant growth challenges against an increasingly complex geopolitical backdrop, improving the strategic relationship presents an opportunity to explore the future of these agendas. On the EU side, this includes how they might work with the grain of the proposals in the Letta and Draghi Reports and the Commission Competitiveness Compass and Savings and Investments Union (SIU) Strategy and their impact on cross-border financial services, with a particular focus on the UK-EU relationship in financial services. Notably, the Draghi Report and the SIU Strategy are both aimed at delivering deeper, more integrated capital markets, an objective to which the UK is well placed to make a meaningful contribution.

The UK has embarked on a significant programme of capital markets reform. The publication of the Invest 2035 Industrial Strategy and Financial Services Growth and Competitiveness Strategy has provided clarity on its next steps. In parallel, the European Commission has announced a programme of simplification implemented through a series of Omnibus packages. These twin initiatives should provide opportunities for deeper collaboration which both sides should explore in support of twin growth ambitions.

In addition to formal UK–EU mechanisms, there may also be scope for more flexible forms of cooperation involving willing Member States or like-minded partners, particularly in areas such as innovation, economic security and defence. Such approaches can provide a pragmatic pathway for progress where EU-wide agreement may take longer to achieve.

In taking forward such collaboration, both sides should align as closely as possible with and promote international standards and cooperate in international standard-setting bodies. This would not only help to ensure that global rules reflect a shared commitment to high standards while supporting international competitiveness in a rapidly evolving landscape, but should also help to pave the way for closer collaboration in the future.

This approach is already being demonstrated in practice through initiatives such as TheCityUK's City–Ukraine Hub, which brings together UK and international financial and related professional services expertise to support Ukraine's reconstruction, institutional reform, and investment environment. The Hub demonstrates how coordinated public–private engagement can mobilise capital, strengthen financial ecosystems, and deliver outcomes aligned with wider European economic security and resilience objectives.[15]

6.2 Guiding principles for collaboration

It will be important for both the UK and the EU to work together to reduce and remove restrictions that inhibit their respective growth and competitiveness.

Below are some **key principles** for a medium-ambition approach:

- **Shared trust:** In order to make significant progress on trade in financial and related professional services between the UK and EU, it would be useful to reach an understanding (tacit or explicit) that both parties regard each other as trusted partners and adopt a more compatible and balanced approach towards the provision of financial services into each other's markets.
- **'Do no harm':** In a joint effort to reduce restrictions, the short-term objective should be to reach a shared understanding of the 'do no harm' principle, so as not to place obstacles in the way of the enabling role of financial and related professional services in serving the European economy as a whole. At the same time, a longer-term objective should be kept in view, namely, to deepen the understanding of how greater UK-EU cooperation could unlock growth potential on both sides.
- **Optimise mutual outcomes:** As the relationship continues to improve, we encourage both sides to explore and develop new and more ambitious forms of cooperation, strengthening the interconnectedness of European capital markets, unlocking the necessary funding to enable growth and innovation in both economies. Stronger capital markets are not a zero-sum game, but beneficial to both sides. The UK's financial and related professional services industry can be instrumental in helping to fund the projects that will deliver growth that economies across the continent need. Financial and related professional services is strategic industry in tackling the many shared challenges that lie ahead for both sides.

[15] For more information on The City-Ukraine Hub see: https://www.thecityuk.com/news/uk-and-ukraine-forge-closer-ties-to-revitalise-economyand-investment-attraction-through-new-financial-initiative/

UK-based and EU-based organisations that support a closer relationship need to continue to engage. There have been a number of examples of constructive thought leadership papers from EU-based organisations highlighting themes and principles regarded as important if greater ambition and broader collaboration in the UK-EU relationship is to be achieved:

- **Approaches to shared challenges:** in response to the European Commission's publication of the Industrial Accelerator Act (IAA), Business Europe noted in March 2026 that *"Europe's growth and prosperity are intrinsically linked to its ability to trade with partner countries, including those in our neighbourhood"*, and that the combination of the IAA *"with the newly adopted FDI screening regulation and could put Europe's attractiveness for foreign direct investment into question"*.[16] Business Europe also published a paper in October 2024, noting the fact that the UK and EU are like-minded partners facing shared challenges ranging from the climate crisis to increased geopolitical tensions and calling for common approaches to safeguard the trade and investment relationship. Among their proposals is the establishment of a platform for bilateral discussion between the UK and EU on the development of their respective economic security strategies.[17]
- **Flexibility and creativity:** in a paper on UK-EU relations in September 2024, the European Centre for International Political Economy (ECIPE) suggested that the EU needs to be less rigid, given the UK will not neatly fit into existing models, urging creativity in how to structure the relationship to deliver mutual interests as well as specific asks of both sides.[18] This flexibility, ECIPE argues, should ultimately result in the broader use of principles-based assessments and mutual recognition.
- **Reinforced regulatory cooperation:** in a paper on the UK-EU trade policy framework, Bruegel recommended[19] that one of the main elements of the UK-EU trade 'Reset' should be reinforced regulatory cooperation. Bruegel proposes a general agreement to enter into dialogue on new legislative initiatives with a potential significant impact on bilateral trade, starting at the impact assessment phase and continuing after a legislative proposal has been presented. The paper argues that such a mechanism could help identify the extent to which the UK may wish to adopt similar regulations to the EU or how to reduce trade frictions related to a proposal.

[16] BusinessEurope reacts to the Commission's publication of the Industrial Accelerator Act (IAA) , found at:https://www.businesseurope.eu/publications/businesseurope-reacts-to-the-commissions-publication-of-the-industrial-accelerator-act/
[17] BusinessEurope, Outlook on EU-UK relations, found at: https://www.businesseurope.eu/publications/businesseurope-outlook-eu-uk-relations
[18] ECIPE, Negotiating Uncertainty in UK-EU Relations: Past, Present, and Future, found at: https://ecipe.org/publications/negotiating-uncertaintyuk-eu-relations/
[19] Bruegel, A trade policy framework for the European Union-United Kingdom reset, found at: https://www.bruegel.org/policy-brief/trade-policyframework-european-union-united-kingdom-reset#:~:text=A%20reset%20in%20the%20relationship%20between%20the%20United%20Kingdom%20and,the%20first%20half%20of%202025.

- **Approaches to EU Open Strategic Autonomy:** in its response to the European Commission's 2026 consultation on the Competitiveness of the Banking Sector, the European Banking Federation (EBF) acknowledges the important role UK financial institutions play in financing European priorities and asks the EU to explore whether recent initiatives limiting cross-border lending such as CRD6, Article 21c, continue to contribute to the EU's strategic priorities in the current geopolitical landscape.[20] In another paper calling for a more nuanced approach to the Commission's Open Strategic Autonomy agenda as it relates to financial services, the EBF called for an approach taking account of third countries which share many of the same values as the EU, including in their approach to financial services and its regulation, and for the EU to grant market access accordingly.[21]
- **Acknowledgement of UK and EU interconnected interests in many areas, including security and economic resilience:** The European Parliament has repeatedly argued in recent resolutions and committee reports, that Europe's security and economic resilience are increasingly interconnected, and has called for closer coordination with the UK on defence financing, defence industrial capacity, and supply chain resilience.[22]
- **Limiting European Fragmentation:** The European Policy Centre and the Bertelsmann Stiftung argue that the EU should become more strategically open to structured cooperation with willing and capable non-member partners in areas where European fragmentation carries growing costs including specific focus on economic and societal resilience, trade and regulation and, foreign policy, security and defence.[23]

[20] European Banking Federation, Response to the European Commission consultation on the Competitiveness of the Banking Sector, April 2026, found at: https://www.ebf.eu/wp-content/uploads/2026/04/EBF-Response-to-EC-Consultation-on-Competitiveness-of-EU-Banking-Sector_April2026.pdf
[21] EBF Open Strategic Autonomy & Market Access, found at: https://www.ebf.eu/wp-content/uploads/2024/09/Public-Version-EBF-Paper-OSASeptember-2024.pdf
[22] European Parliament, Implementation of the EU-UK Trade and Cooperation Agreement European Parliament resolution of 27 November 2025(2024/2108(INI)), found at: https://www.europarl.europa.eu/doceo/document/TA-10-2025-0307_EN.pdf
[23] Bertelsmann Stiftung and European Policy Centre (EPC), Reframing the Reset: From Post-Brexit Stabilisation to Strategic Partnership, May 2026, found at: https://www.bertelsmann-stiftung.de/en/publications/publication/did/reframing-the-reset-from-post-brexit-stabilisation-to-strategic-partnership

6.3 Practical approaches for more challenging areas

Practical approaches will need to focus on further developing the base-level ambition/high deliverability thinking set out at the start of this paper.

One key aspect will be **developing a methodical approach to enhancing and maximising the work and value of the Joint UK-EU Financial Regulatory Forum**. As has been said, the Forum is the only consistent formal mechanism for UK-EU bilateral cooperation in financial services. We understand that the agendas of the three most recent Forum meetings have included an item dedicated to a forward look at each other's policy agenda. This means that the concept of discussing future updates in policy and regulation is becoming established. What remains to be established, we understand, is formal confirmation that a methodical approach will be a permanent feature of the Forum or that it will be used as effectively as possible as a forward-looking means to examine, understand, and discuss the potential implications of future proposals, ideally ahead of their initiation in either party's legislative process.

If properly deployed, **a comprehensive and systematic forward-look mechanism will help reduce conflicts of law and practice that may constrain business access to cross-border finance**. If negative commercial implications cannot be eliminated, they can at least be better prepared for and understood at an early stage. In the Forum, the UK and the EU should actively seek, to the maximum extent possible, to avoid, reduce and remove burdens that inhibit the growth and competitiveness of each other.

Several recent measures intended to promote EU harmonisation have adversely affected UK-EU interconnectedness and will likely lead to unintended consequences, including potential negative effects on the EU growth agenda and the financial services market over Europe (whether EU or non-EU) as a whole. One example is Article 21c of the amended Capital Requirements Directive and variable supervisory guidance at the member-state level. Variation of this type can result in additional fragmentation across Europe and will further increase cost pressures for firms and customers. A systematic forward-look mechanism could be a first step towards stronger formalised regulatory cooperation, increased trust and transparency between both sides, and reassurance that concerns are heard at an early stage.

As has been said, refocusing the Forum's objectives in this way would not require amendment to the existing terms of its foundational MoU. The MoU text already states that a purpose of the Forum is to "undertake forward planning of regulatory cooperation" and to "share information on regulatory developments to allow for a timely identification of potential cross-border implementation issues". This means that an ambitious approach (as also suggested by Bruegel above) could immediately be undertaken by the Forum, with mutual consent.

➔ ***We seek a comprehensive and systematic policy forward-look mechanism for the Forum within the terms of the MoU to reduce conflicts of law and practice that may constrain business access to cross-border finance.***

6.4 Tackling 'cliff-edge' issues and exploring new ways of cooperation

Cliff-edge issues typically arise if one party has in place an autonomous measure which is important to the other but which has a 'sunset' clause giving rise to uncertainty as to whether it will be renewed. One example is the EU's data adequacy decisions, which in December 2025 were again renewed by the EU, but only for a limited period of six years (the only example of an EU decision on a trading partner's data adequacy that is subject to a sunset clause). Another is the EU's equivalence determination for UK Central Counterparties (CCPs). This decision – extended in January 2025 – allows EU firms to continue to use the services of London-based clearing houses and gives those clearing houses full access to the EU market, but only until June 2028. For both, the financial and related professional services industry seeks a longer-term solution in the interests of business certainty. Early clarity, transparent processes, and a focus on financial stability are essential to avoid unnecessary disruption and cost for firms and markets on both sides.

➔ ***We seek a long-term stable solution for the periodic cliff-edge issues of EU data adequacy decisions for the UK and the EU's equivalence determination for UK CCPs.***

6.5 Defence financing

6.5.1 The scale of the challenge

The UK-EU relationship in financial services should be recognised as an economic security imperative for both sides, particularly in light of the scale of defence and security challenges facing Europe. These challenges are recognised by both sides:

The EU: Senior EU policymakers have stressed the urgent need to mobilise private capital, with the EU's Financial Services Commissioner emphasising that European defence companies must have "the best possible access to private finance" if the Union is to meet its strategic objectives.[24] Where markets remain highly interconnected, reducing barriers to cross-border activity can support more efficient capital allocation and improved access to finance across Europe.

In parallel, recent contributions from the EU Defence Commissioner have pointed towards an intergovernmental European "Defence Union" outside the EU framework, explicitly envisaged as including close partners beyond the EU, notably the UK, and supported by stronger coordination of decision-making.[25] Such a proposal would benefit from a more coherent European financing base, able to harness private capital at scale across Europe's EU and non-EU borders.

[24] Maria Luís Albuquerque Commissioner for Financial Services and the Savings and Investments Union – European Commission, Speech to Eurofi, April 2025, found at: https://www.eurofi.net/wp-content/uploads/2025/07/speech-4-maria-luis-albuquerque.pdf
[25] Speech by EU Defence Commissioner Andrius Kubilius, 30 June 2026, found at: https://ec.europa.eu/commission/presscorner/detail/en/speech_26_1496

The UK: UK policymakers have been equally forthright on the urgency of defence funding. TheCityUK has convened a Defence and Resilience Group[26], a committee bringing together senior financial and related professional services leaders with defence industry experts to identify practical solutions to unlock private capital for defence, dual-use technologies, and resilience-related infrastructure, and support effective public-private partnerships in line with national security priorities. Key proposals already advanced by the Group include:

- Addressing procurement practices that undermine cashflow and deter investors.
- Reducing duplicative due diligence for MoD approved SMEs.
- Regulatory reassurance that sustainability frameworks do not preclude defence investment.
- Exploring a Defence Guarantee Scheme, analogous to UK Export Finance or British Business Bank models, to crowd in private capital.

There is scope for TheCityUK Defence and Resilience Group to expand its role in making an input to policy, including through the Group's five workstreams on regulatory frictions, bank financing, private equity and venture capital, defence infrastructure investment, and international financing issues – an opportunity that we hope will be taken up by government.

6.5.2 Interconnectedness of financial resilience and security

There is also recognition in the UK that financial resilience and physical security are inseparable. The FCA's Chief Executive, Nikhil Rathi, has been explicit that modern conflict "hits balance sheets, funding, markets and consumers as much as any battlefield", and that neither the UK nor its partners will remain secure or competitive if finance is treated as separate from national security priorities.[27] He has further noted that EU cross-border restrictions are raising the cost of investment in EU defence and run counter to ambitions for deeper security cooperation across Europe. Closer UK-EU cooperation in financial services should therefore be seen not as a market-access issue, but as a shared economic and security necessity.

The UK government has made clear its view that Europe's security, defence capability, and economic resilience are deeply interconnected. As the Prime Minister set out at the 2026 Munich Security Conference, Europe's response to today's threats must span defence, industry, technology, and the wider economy, underpinned by deeper UK-EU cooperation. The Chancellor of the Exchequer's 'Securonomics' agenda, reinforced in her March 2026 Mais Lecture, recognises that the scale of investment required cannot be met by the public sector alone and the government must "provide public investment to derisk new opportunities, shape markets and crowd in private investment".[28] Taken together, this points to a clear conclusion: effective European defence and security cooperation must include the private sector's role in financing capability and resilience, and must be open, collaborative and cross-border, including the UK.

The European Parliament has also recognised the interconnectedness of Europe's security, defence capability, and economic resilience. In its resolution on the implementation of the TCA, the European Parliament makes clear that Europe's security, defence capability and economic resilience are increasingly interconnected, and that practical cooperation with the UK is essential.[29] Delivering this ambition at scale will require private capital and market expertise, positioning the UK private sector as a natural partner in strengthening Europe's defence financing ecosystem.

The EBF has also explicitly noted the important role UK financial institutions play in financing European defence in its response to the European Commission's 2026 consultation on the Competitiveness of the Banking Sector.[30]

The UK financial and related professional services ecosystem is already deeply involved in supporting defence and security businesses through:

- Raising private capital for defence, security, and dual-use technologies.
- Risk management, insurance, and guarantees that de-risk long term procurement.
- Cross-border financing structures supporting multinational programmes.

There is clearly a pressing need to maximise private finance alongside public spending to support defence innovation and industrial capacity. In May 2025, TheCityUK and ADS Group published a report setting out recommendations to address financing challenges facing SMEs and scale-ups in the UK defence sector.[31] While this report did not look at the role of cross-border finance in detail, TheCityUK Defence and Resilience Group is considering the role of international capital in defence financing.

[26] TheCityUK launches new initiative to meet UK Defence and Resilience needs, 18 December 2025, found at: https://www.thecityuk.com/news/thecityuk-launches-new-initiative-to-meet-uk-defence-and-resilience-needs/
[27] Speech by Nikhil Rathi, FCA chief executive at the Corporation of the City of London's annual City Dinner, October 2025, found at: https://www.fca.org.uk/news/speeches/hardwiring-finance-national-security
[28] Mais Lecture 2026, Chancellor Rachel Reeves, 17 March 2026, found at: https://www.gov.uk/government/speeches/mais-lecture-2026
[29] uropean Parliament resolution of 27 November 2025 on the implementation of the 'EU-UK Trade and Cooperation Agreement' (2024/2108(INI)), found at: https://www.europarl.europa.eu/doceo/document/TA-10-2025-0307_EN.html
[30] European Parliament resolution of 27 November 2025 on the implementation of the 'EU-UK Trade and Cooperation Agreement' (2024/2108(INI)), found at: https://www.europarl.europa.eu/doceo/document/TA-10-2025-0307_EN.html
[31] Finance and investment for UK defence, May 2025, found at: https://www.thecityuk.com/our-work/finance-and-investment-for-uk-defence/

6.5.3 Why UK–EU cooperation matters for defence financing and what the Leaders' Summit could practically deliver

Many defence challenges are inherently cross-border. The Security and Defence Partnership and Leaders' Summit agendas provide an opportunity to align UK-EU approaches in areas where fragmentation increases cost and risk, including:

- Financing multinational procurement and capability programmes.
- Supporting defence supply chains that operate across the UK and EU.
- Enabling capital markets to support scale up of defence and dual-use technologies.

Proposals for more inclusive European security decision-making, including the concept of a European Security Council, further underline the importance of faster and more focused coordination among key European partners. The Leaders' Summit processes should provide a practical engine for translating the UK-EU Security and Defence Partnership into delivery by setting shared political direction, prioritising a small number of high-impact defence industrial projects, and tasking officials to remove frictions to cooperation across procurement, supply chains, and capability development. In doing so, the Summit would explicitly recognise that scaling Europe's defence industrial base cannot be achieved solely through public spending (reinforcing the publicly-stated position of Commissioner Albuqerque)[32] and that mobilising long-term private capital will be essential to accelerating production, innovation, and resilience.

This would allow structured discussions on how UK and EU frameworks can better enable cross-border private sector finance, through predictable pipelines, risk-sharing mechanisms, and interoperable financing approaches. This would support defence manufacturing, infrastructure, and dual-use technologies, reinforcing collective security while strengthening Europe's economic resilience.

The recent announcement of a joint UK initiative with Finland and the Netherlands to explore new defence financing and procurement mechanisms[33] provides a concrete illustration of both the appetite and the practical potential for deeper European cooperation in this space. By seeking to aggregate demand, accelerate investment and expand defence industrial capacity – while explicitly complementing existing EU and NATO frameworks – the initiative demonstrates a shared recognition among European allies that procurement challenges and financing constraints are best addressed collectively. It also underlines the growing willingness of partners, both inside and outside the EU, to work with the UK on innovative approaches to defence financing, reinforcing the case for structured dialogue on how cross-border cooperation can unlock scale, value for money and faster delivery of critical capabilities.

6.5.4 The UK's capabilities to meet this shared European challenge

The UK is Europe's largest centre for defence-related financing activity, with deep capabilities across project finance, structured lending, capital markets issuance, insurance and reinsurance, export credit support, private equity, and asset management. These capabilities are already extensively used by European defence primes, mid-cap suppliers, and dual-use technology firms. Excluding UK financial services providers from European defence financing frameworks does not create strategic autonomy; it narrows the pool of deployable capital at exactly the moment Europe is seeking to expand it.

As the EU pursues greater defence at an industrial scale, whether through common procurement, joint capability development or industrial reinforcement initiatives, financing needs are becoming larger, longer dated and more complex. With new institutional models for defence coordination under discussion, ensuring that associated financing frameworks remain open to capable non-EU partners – consistent with proposals that explicitly envisage UK participation – will be important to preserving scale, efficiency and resilience in European defence markets. Against this backdrop, these financing characteristics favour markets with:

- Deep institutional investor bases.
- Well developed risk sharing and de risking mechanisms.
- Global capital raising capacity across debt and equity markets.

UK financial services already perform this function for European infrastructure, energy transition, and aerospace projects. Applying nationality or location constraints to defence financing risks slowing delivery, increasing costs, and fragmenting supply chains, particularly where industrial cooperation already spans EU and non-EU partners.

[32] Maria Luís Albuquerque Commissioner for Financial Services and the Savings and Investments Union - European Commission, Speech to Eurofi, April 2025, found at: https://www.eurofi.net/wp-content/uploads/2025/07/speech-4-maria-luis-albuquerque.pdf
[33] Joint statement from Finland, the Netherlands, and the United Kingdom on joint defence financing and procurement, March 2026, found at: https://www.gov.uk/government/news/joint-statement-from-finland-the-netherlands-and-the-united-kingdom-on-joint-defence-financing-andprocurement

Opening European defence financing mechanisms to UK providers would:

- **Lower the cost of capital** for defence manufacturers by increasing competition and liquidity.
- **Improve risk sharing**, including through specialist insurance and capital markets instruments.
- **Support SMEs and scale-ups** within the defence supply chain that rely on private finance rather than direct public support.
- **Enhance resilience**, by diversifying funding sources during a period of sustained geopolitical risk.

Crucially, this is not an argument for regulatory alignment or institutional membership, or for unfettered access without safeguards. Case by case, risk based participation, underpinned by robust controls on security, export restrictions, governance, and sanctions, is both feasible and familiar. The UK already operates to equivalent standards through NATO, G7 frameworks and long-standing defence cooperation arrangements.

The UK-EU Security and Defence Partnership recognises that industrial fragmentation undermines Europe's security and that cooperation should complement NATO. Financing is an integral part of that industrial ecosystem, not an ancillary consideration. If defence industrial cooperation is to deliver real capability outcomes – at pace and at scale – then defence financing frameworks must be designed to draw on the strongest European capital markets, including the UK's.

In short, strategic resilience in Europe's defence sector will be strengthened, not weakened, by pragmatic openness to UK financial services, consistent with the principle, acknowledged at EU level, that public funds alone cannot meet the scale of the challenge ahead.[34]

➔ ***UK financial services are central to the private sector's role in facilitating European rearmament. We seek more formalised ways of contributing to policy. TheCityUK Defence and Resilience Group is working with government to help address defence financing challenges and stands ready to do more, including exploring greater cooperation with the EU.***

[34] Maria Luís Albuquerque Commissioner for Financial Services and the Savings and Investments Union - European Commission, Speech to Eurofi, April 2025, found at: https://www.eurofi.net/wp-content/uploads/2025/07/speech-4-maria-luis-albuquerque.pdf

6.6 Further steps towards enhancing the mobility of professionals

We have already dealt with approaches to mobility that could be deliverable with modest ambition and mutual political will. A more ambitious approach could provide an opportunity to identify a mutually beneficial package of commitments that would facilitate the mobility of professionals. This might include an agreed cap on visa processing times and other visa processing costs and burdens in situations where business professionals from EU Member States or the UK require a visa/work permit. This could be done in tandem with expanding the visa-free activity list (see STBV proposals above), for the most ambitious outcome. Alternatively, it could be a stand-alone measure to make sure that time and cost constraints do not prevent service providers from taking up opportunities for short-term contract work between the UK and EU.

➔ ***We would like to see an ambitious, mutually beneficial package of commitments that would facilitate the mobility of professionals.***

6.7 MRPQ – Alternatives to the TCA framework

We have already dealt with approaches to MRPQ that could be deliverable with modest ambition and mutual political will, consistent with the TCA, to enhance the scope for UK-EU MRPQ.

A more ambitious approach would be to work on the basis that the framework established in Article 158 of the TCA is optional, and alternatives are not excluded.[35] While enhanced use of current MRPQ arrangements would be advantageous for certain UK professionals and businesses providing services within the EU, there could also be negotiations for an alternative MRPQ arrangement. In our view, negotiations would be needed, as it is likely that agreement on an alternative framework would be a prerequisite for making a significant difference in enhancing MRPQ for UK and EU services exporters.

The system of mutual recognition that operated during the UK's EU membership was practical and convenient for UK professionals operating across the EU, and for their EU counterparts doing business in the UK. It was replaced, post-Brexit, by a complex regime, as follows:

- **The EU-UK Withdrawal Agreement:** Article 27 of the Agreement stated that recognition decisions granted before the end of the transition period under EU law shall "maintain [their] effects in the respective State". But, while this meant that the great majority of professional qualifications would continue to be recognised, it did not cover all existing forms of mutual recognition, and did not, for instance, cover the 'semi-automatic' category under the EU's MRPQ Directives.
- **The EU-UK TCA:** The TCA allows (Article 158) for Mutual Recognition Agreements (MRAs) between the UK and the EU to be negotiated on a sector-by-sector basis. Professional bodies on both sides can propose MRAs for UK and EU authorities to consider. This approach is based on the EU-Canada CETA, under which the EU has concluded one such MRA, granting 'semi-automatic' recognition to between EU and Canadian architects, subject EU architects completing a single course of 10 hours. Proposed by EU and Canadian professional bodies in 2017, the MRA was not concluded until 2022, after five years of negotiations. The only recommendation yet made for a UK-EU MRA under the TCA was also for architects. But negotiations have stalled and no recognition arrangement has been agreed.
- **Actual practice:** here, as in other areas, there is an imbalance between current UK and EU practice: while the UK has continued to accord recognition to many EU professional qualifications, the EU has taken a more rigid line, adhering to the strict provisions of the Withdrawal Agreement and the TCA.

[35] See footnote to Article 158(1) TCA and UK government guidance at: https://www.gov.uk/government/publications/arrangements-for-the-recognition-of-professional-qualifications/arrangements-to-facilitate-the-recognition-of-professional-qualifications-accessible-webpage

The situation under the TCA is far from satisfactory for key UK professional services, such as the law and accountancy. Furthermore, given the slow speed and cumbersome nature of the MRA system provided for in Article 158 of the TCA, there is limited expectation that rapid progress will be made using current TCA provisions. An alternative approach is urgently needed.

In our view, the next best step would be to agree on an alternative model adopting the provisions for the recognition of professional qualifications contained in the most comprehensive agreements that the UK has successfully negotiated so far since withdrawing from the EU, such as the Agreement with Switzerland in 2023 and the Agreement with the EEA/EFTA States in 2021. These are consistently identified by our industry as the minimum level that would need to be negotiated to make any meaningful difference to MRPQ in an EU context.

Our members also note that any such improved MRPQ arrangement would need to be accompanied by parallel improvements to the ability of UK and EU professionals to travel on business to each other's jurisdictions. It would otherwise have very limited impact.

→ ***We seek a new model for UK-EU MRPQ similar to the UK's agreement with Switzerland and its agreement with the EEA/EFTA States.***

High ambition – a vision for the future

07

Looking beyond immediate and practicable priorities, there remains value in articulating a high-ambition, long-term ultimate goal for the UK–EU financial services relationship. This goal would have as key characteristics highly integrated collaboration and cooperation, focused on maximising mutual market access in wholesale financial services through targeted mutual recognition, rather than automatic dynamic alignment.

While our interviews suggested that this outcome was not considered deliverable in the current context, they disclosed a shared view that durable wholesale market access – potentially supported by a more stable and robust form of equivalence, or arrangements analogous to the UK–Swiss Berne Financial Services Agreement – would represent the most economically impactful endpoint. Even more far-reaching models, including single market like arrangements such as passporting, were also cited as reference points.

The concepts for a high ambition, ultimate goal outlined in this section should therefore be treated as both long-term benchmarks to guide strategic thinking and yardsticks by which to measure progress towards our core and immediate medium-ambition outcomes, rather than as achievable objectives for the near-term.

7.1 The Berne Financial Services Agreement – the leading global model for mutual recognition

The Berne Financial Services Agreement (BFSA), signed in December 2023 and operational from January 2026, represents the current gold-standard globally in financial services cooperation. It establishes a modern, outcomes-based framework that streamlines wholesale cross-border financial operations, reduces barriers, and enhances market confidence.

The BFSA was the product of sustained engagement between government and industry on both sides. It reflects a shared commitment to open, outcomes-based mutual recognition of regulatory frameworks and a forward-looking approach to wholesale cross-border financial services, setting a new benchmark for regulatory collaboration. TheCityUK Switzerland Market Advisory Group played a significant role in shaping this landmark agreement at every stage of the process, from pre-inception to delivery, and now, post-delivery.[36]

The BFSA is consistently identified by industry as the leading potential model for a maximum-ambition arrangement for UK-EU cooperation in wholesale financial services.

7.2 Single market–like arrangements (passporting)

Single market-style access would, in principle, be welcomed by firms because of the certainty and depth of market access it could provide. However, industry is clear that such arrangements come with significant trade offs of costs and benefits. As set out earlier, strengthening the UK–EU business relationship remains a strategic priority for the financial and related professional services industry, but not at the cost of automatic dynamic alignment. As a non-EU member, re-joining the single market or entering arrangements that replicate passporting would inevitably constrain the UK's regulatory autonomy, ability to influence the rules it must enforce, and its ability to pursue and retain bespoke agreements with trade partners – features that industry continue to view as essential for a globally competitive industry.

As a result, although such models remain useful long-term reference points for understanding the concept of 'maximum access', they are accompanied by political, regulatory, and strategic complications that mean they do not carry the broad-based support seen with measures based on outcomes-based mutual recognition (such as the BFSA). We would therefore prefer to continue to prioritise practical progress in the UK-EU relationship, short of requiring the UK to automatically follow the lead of another jurisdiction with different priorities and needs, seeking improved access and cooperation without sacrificing regulatory independence. This means that models based on mutual recognition, as outlined earlier in this section, remain widely regarded as the preferred path to a high-ambition, high-market-access outcome.

7.3 A case for a more robust, revised form of equivalence

Views on equivalence are more mixed, and there is no settled, whole-of-industry position on the merits of pursuing it as a central pillar of the future UK-EU relationship in the ultimate goal high ambition space. Equivalence can offer a mechanism to reduce frictions between UK and EU based firms, and a degree of market access in specific areas.

However, our members consistently highlight its structural shortcomings – most notably that it is a unilateral mechanism, capable of being withdrawn autonomously at short notice, possibly for political reasons rather than on evidence-based, technical grounds. This lack of durability significantly limits the value of equivalence for long term business planning.

In addition, although equivalence is intended to be outcomes focused, some stakeholders continue to suggest that further EU determinations in relation to the UK could require compliance tantamount to automatic dynamic alignment. However, other third countries with EU equivalence, such as Bermuda and the US (taking Solvency II equivalence as an example), are not expected to engage in automatic dynamic alignment as the price of equivalence, and take the view that the UK should be treated no differently in this respect.

Any endorsement of equivalence as an ultimate, maximalist goal would therefore be strictly conditional on greater stability in the way it operated, including safeguards against sudden unilateral withdrawal, and on clear acceptance that ongoing policy replication is not a foundational prerequisite. Absent these assurances, equivalence alone is not seen as a sufficient or reliable basis for prioritisation as a means towards a high-ambition ultimate goal for improving UK-EU wholesale market access.

➔ ***This high-ambition vision for the future does not currently form part of our agenda. But if conditions in the future allow, the industry's strong preference would be for an outcomes-based mutual recognition model akin to the BFSA.***

[36] TheCityUK's position papers published in 2018 and 2020 in collaboration with economiesuisse laid the foundation for set out a vision of an ambitious UK-Swiss financial and related professional services relationship centred around the mutual recognition of regulatory and supervisory regimes and aimed at fostering improved and reciprocal market access, for more see: https://www.thecityuk.com/news/a-milestone-ininternational-financial-services-cooperation-the-berne-financial-services-agreement/

Conclusion

This report sets out priorities for progressing the UK-EU relationship in financial and related professional services. It highlights key and achievable objectives in a range of ambition-focused scenarios with success being predicated on mutual consent and requiring only a marginal increase in political will.

It will be challenging for the UK and the EU to be successful in addressing their biggest shared and strategic challenges over the coming decades. These include ongoing conflicts in Europe and beyond, and the resulting increased defence procurement and funding needs. They also encompass demographic shifts, energy transition, the challenge to scale-up Europe's innovative businesses, and increasing geopolitical tensions and regionalisation of global trade.

To tackle these challenges, policymakers must focus on the financial and related professional services industry as a key enabler for driving economic growth and addressing large-scale and transformative funding gaps. It is evident that relying solely on governments to fund the necessary response alone will not be sufficient. The products and services provided by financial and related professional services and public-private partnerships will be essential. Initiatives such as The City-Ukraine Hub illustrate how coordinated public–private cooperation can mobilise capital, support reform, and deliver outcomes aligned with wider European economic and security priorities. It is therefore clear that enhancing cooperation in financial and related professional services should be a key item for discussion at the next Leaders' Summit, with a view to achieving a mutual European understanding that boosting competitiveness and growth across Europe will bring positive results for all. It is not a zero-sum game between the UK and the EU. The objective is not to recreate previous models of integration, but to develop a more effective and purposeful framework for cooperation that reflects both current political realities and the scale of shared European challenges.

Closer UK-EU cooperation in financial and related professional services would strengthen collective capacity on a pan-European basis to mobilise and allocate private capital at scale, improve the efficiency of cross-border investment, and reduce fragmentation that currently raises costs for businesses and end-investors. By better connecting pools of capital with Europe's financing needs – whether in defence, infrastructure, energy transition, or innovation – cooperation would support growth, resilience, and competitiveness. It would also enhance Europe's ability to compete globally, ensuring that European firms, savers, and investors have access to deeper, more liquid markets at a time when they are most needed, to the benefit of all.

ANNEX – Overview of report contributors

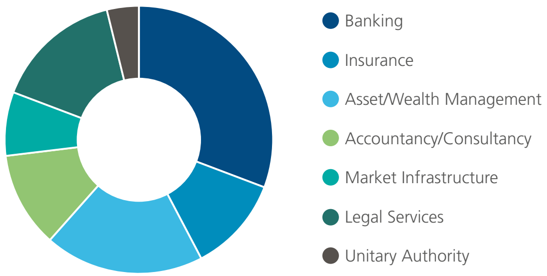
TheCityUK is the industry-led body representing UK-based financial and related professional services. The industry contributes over 11% of the UK's total economic output and employs almost 2.5 million people – with two thirds of these jobs outside London across the country's regions and nations. It is a major contributor to the government tax revenue and the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance.

This report was led by TheCityUK's Europe Market Advisory Group. This Group advises on how to best take forward the financial and related professional services relationship with the EU, its Member States, and other European countries. It provides guidance on European regulatory and policy matters to deliver the greatest value to the industry. The group brings together senior leaders, subject matter experts and regional specialists from across our membership – several of whom work for firms with significant operations in the UK, but with headquarters in the EU.

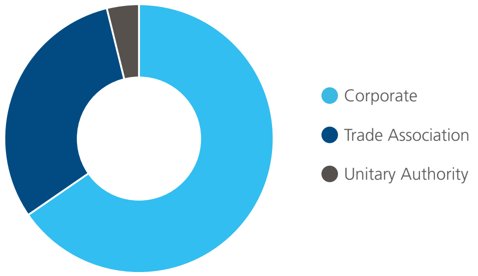
The report draws on industry perspectives shared in response to UK parliamentary inquiries, together with content from our submissions to HM Treasury on UK industry priorities before each Joint UK-EU Financial Regulatory Forum meeting. It also incorporates insights from more than 50 organisations within the UK industry, including over 25 qualitative interviews with organisations, many of them with a global reach including business in the EU. Collectively, this research provides a comprehensive assessment of industry priorities for taking account of the interests of the sector in the future development of the strategic relationship between the UK and the EU.

TheCityUK would like to thank its members, particularly those in its Europe Market Advisory Group, for their contributions to this report.

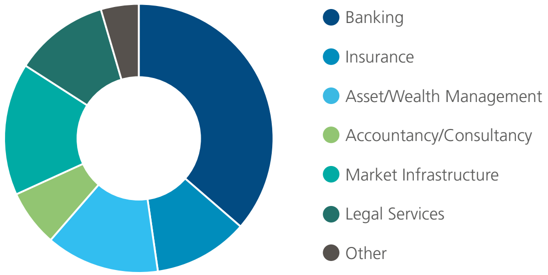
Interview Participants – Sector Breakdown



Interview participants – Entity Type Breakdown



TheCityUK Europe Market Advisory Group Membership – Sector Breakdown



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