


FUTURE-PROOFING THE UK-SWISS FINANCIAL AND RELATED PROFESSIONAL SERVICES RELATIONSHIP



About TheCityUK

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

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About economiesuisse

economiesuisse is the largest umbrella organization representing the Swiss economy. It has the support of more than 100,000 businesses of all sizes, employing a total of over 2.0 million people in Switzerland and abroad. economiesuisse's direct membership includes 100 trade and industry associations, 20 cantonal chambers of commerce and several individual companies. Its mission is to create an optimal economic environment for Swiss business. In order to achieve this, it aims to preserve entrepreneurial freedom for all businesses, to continuously improve Switzerland's global competitiveness in manufacturing, services, and research, and to promote sustained growth as a prerequisite for a high level of employment in Switzerland.

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FOREWORD

The financial and related professional services (FRPS) industry performs a vital role in both the UK and Swiss economies – as an engine for growth, by servicing the communities we live in, supporting businesses across the country and by making a positive impact on customers' and clients' everyday lives. In the context of the UK having left the EU, continuity for business in both the UK and Swiss markets has broadly been achieved through a number of bilateral agreements signed between December 2018 and July 2019 on trade, citizens' rights, labour market access, transport and on insurance. These agreements sought to replicate the existing EU-Swiss arrangements as far as possible and will come into effect at the end of the UK's transition period with the EU.

As valuable as the existing UK-Swiss business relationship is more needs to be done to ensure frictionless market access for FRPS between both markets as this is an essential engine for driving even greater prosperity.

This is even more true given the significant challenges we face as we try to deal with the current rapidly evolving global COVID-19 pandemic. How industry responds and adapts to this crisis, while supporting our customers, clients and communities currently is the single most important priority for us. This is a time for united international action to ensure necessary support is in place for trade to continue.

In this context, deepening bilateral FRPS trade ties sends a strong signal on the crucial priorities of keeping markets open and addressing this and future crisis with a united front. In this regard, we strongly believe that the financial and related professional services industry has an important role to play in providing solutions to Government, individuals and companies. We are determined that the UK and Switzerland should be at the forefront of providing such leadership.

We are therefore pleased to share with you the following **joint position paper from TheCityUK and economiesuisse**, which details key joint industry asks for a future bespoke UK-Swiss FRPS agreement. It highlights specific areas which we believe both the UK and Swiss Governments should address during bilateral discussions.

This paper has been jointly produced by TheCityUK's and economiesuisse's practitioner working groups, which devoted significant amounts of time and resource to considering what an ambitious future UK-Swiss relationship should encompass. We believe that such an agreement could be a template for future agreements and demonstrate how major financial centres can work together to achieve frictionless FRPS engagement with major benefits to both markets. At the heart of such an arrangement would be the objective of **improved and reciprocal market access – to the greatest extent possible – based on a framework of mutual recognition of regulatory regimes across all FRPS sectors.**

As both Governments develop their thinking on their future bilateral relationship, industry involvement remains crucial. Therefore, the UK and Swiss FRPS industry stand ready to provide additional industry views and consultation on these key issues and questions.

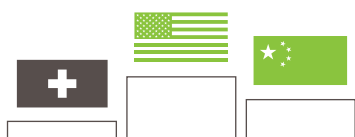


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KEY FACTS ABOUT THE UK-SWISS FINANCIAL AND RELATED PROFESSIONAL SERVICES RELATIONSHIP



OVERALL, BILATERAL TRADE IN 2018, SHOWS THAT SWITZERLAND IS A **TOP TEN DESTINATION** FOR UK GOODS EXPORTS AND THE **THIRD LARGEST NON-EU EXPORT MARKET**, AFTER THE US AND CHINA



THE UK IS SWITZERLAND'S **SIXTH MOST IMPORTANT** EXPORT MARKET FOR GOODS (CHF 17.1BN IN 2018) AND THE **THIRD LARGEST NON-EU EXPORT MARKET**, AFTER THE US AND CHINA



FOR SERVICES, THE UK IS A **TOP THREE DESTINATION** FOR SWITZERLAND IN 2018, BEHIND THE U.S. AND GERMANY.¹



FOR SERVICES EXPORTS, SWITZERLAND IS A **TOP SIX DESTINATION FOR THE UK**, WITH MORE THAN **THREE TIMES THE TOTAL VALUE** OF UK SERVICES EXPORTED TO CHINA IN 2018

TOTAL TRADE IN **GOODS AND SERVICES** BETWEEN THE UK AND SWITZERLAND WAS **£31.4BN** IN THE FOUR QUARTERS TO THE END OF **Q1 2019**



GOODS
£14.7BN
46.8%

SERVICES
£16.7BN
53.2%



Source: ONS, on a Balance of Payments ('change of ownership') basis

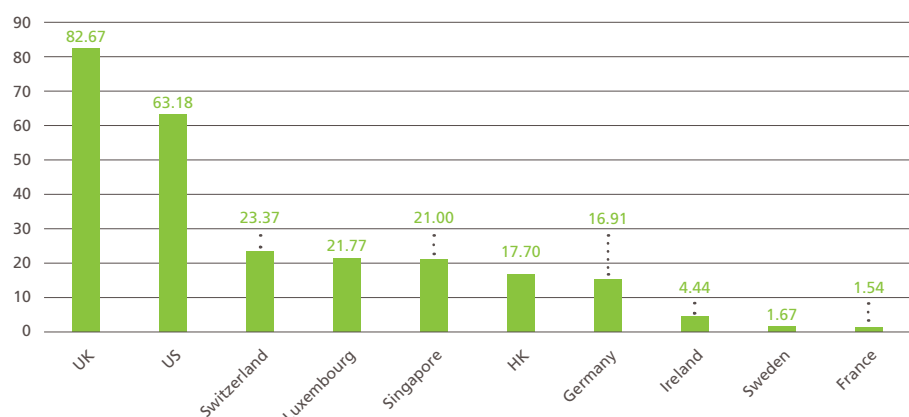
¹ Source: Swiss National Bank, Office of National Statistics (UK)

EXECUTIVE SUMMARY

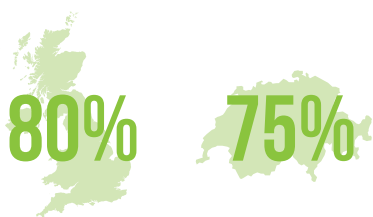
The financial and related professional services (FRPS) industries in both the UK and Switzerland are key national assets and make a significant contribution to their economies. They help people in diverse ways: to start a business, plan for retirement, buy a home, save for the future, insure their belongings and buy goods or services. The services provided by the industry, including supply chain finance, wealth and risk management, corporate finance and legal advice, help businesses grow and service their customers.

Figure 1: Largest global net exporters of financial services, \$bn, 2018

Source: UNCTAD



There are strong synergies between the FRPS industries in the UK and Switzerland. As hosts to Europe's most important financial centres, they complement each other in terms of areas of relative strength, a shared regulatory outlook and similar views and ambitions about openness to innovation and trade.



SERVICES MAKE UP 80 PERCENT OF THE UK'S ECONOMY AND ABOUT 75 PERCENT OF SWITZERLAND'S, WITH FRPS MAKING UP A SIGNIFICANT COMPONENT OF THESE FIGURES

Services make up 80 percent of the UK's economy and about 75 percent of Switzerland's, with FRPS making up a significant component of these figures. Switzerland and the UK have a very close trade and investment relationship, according to data from the Swiss National Bank, bilateral trade in services totalled CHF 19.5 (equivalent to £14.9bn) in 2018, up from CHF 17.8bn (£14.1bn) in 2017. Overall, bilateral trade in 2018, shows that Switzerland is a top ten destination for UK goods exports and the third largest non-EU export market, after the US and China. For services exports, Switzerland is a top six destination for the UK, with almost three times the total value of UK services exported to China in 2018. Likewise, the UK is Switzerland's sixth most important export market for goods (CHF 17.1 billion in 2018) and the third largest non-EU export market, after the US

and China. For services, the UK is a top three destination for Switzerland in 2018, behind the U.S. and Germany.

Between December 2018 and February 2019, the UK and Switzerland signed a number of bilateral agreements on trade, citizens' rights, transport (land and air) and on insurance (non-life) to ensure the continuation of the current bilateral economic and trade relationship after the UK's withdrawal from the European Union. These agreements sought to replicate the existing EU-Swiss arrangements as far as possible and will come into effect at the end of the UK's transition period with the EU.

As valuable as these arrangements are for the wider UK-Swiss industry, more needs to be done to ensure frictionless market access for FRPS between both markets. Given the strength and economic importance of the UK and Switzerland's services-led economies, a shared philosophy and ambition for the sector, negotiating an ambitious UK-Swiss FRPS agreement, or set of agreements, would present a significant opportunity to expand cross-border business. This would reduce costs and the administrative burden for market participants as well as for customers and clients in both markets. Such an agreement would be a template for other ambitious future agreements and demonstrate how leading financial centres can work to achieve frictionless FRPS engagement with major benefits to both markets.

Following ongoing consultation with their respective members, TheCityUK and economiesuisse have produced this paper outlining joint industry asks for a bespoke UK-Swiss FRPS agreement, post-Brexit. This paper should be viewed as an opening position for the UK-Swiss FRPS industry in an on-going process of assessment and refinement to assist both Governments to achieve a bespoke FRPS agreement. In principle, any negotiated framework should allow flexibility to enable further the bilateral integration in the future.

Scope and summary of key points

As economiesuisse and TheCityUK noted in their first joint position paper (January 2018²), the UK-Swiss FRPS relationship post-Brexit cannot be viewed in isolation from both countries continuing relationship with the EU. Given the comparability of the Swiss and UK approach to financial regulation and that industry in both markets finds the principle of financial services equivalence as applied by the EU to be unsuitable we propose that the future UK-Swiss FRPS relationship should be based on mutual recognition of regulation, focusing on comparable outcomes rather than on line-by-line comparison of the respective supervisory regimes.

Any future FRPS agreement, or set of agreement, should seek to be a next generation one, setting the template for the future trade and investment landscape by covering 21st century policy issues where possible. Furthermore, it should allow flexibility to develop the bilateral integration even further in the future. Formulated as an opening position for the UK-Swiss FRPS industry and subject to an on-going process of assessment and refinement, this paper shall assist both Governments to achieve a bespoke FRPS agreement.

² See joint position paper of TheCityUK and economiesuisse dated January 31, 2018.

Key policy objectives in the future UK-Swiss bilateral relationship should be:

- Expansion of the existing FRPS relationship through a bespoke UK-Swiss FRPS agreement, or set of agreements, which would deliver improved and reciprocal market access – to the greatest extent possible – based on a framework of mutual recognition of regulatory regimes across all the relevant sectors. This agreement should include a dynamic review process built into the agreement to allow for ongoing re-calibration of the regulations to ensure seamless cross border FRPS engagement.
- In view of preparing the way for a UK-Swiss FRPS agreement, a Memorandum of Understanding (MOU) between UK and Swiss Governments should outline their ambition for the future FRPS relationship. The MOU should include a roadmap with clear mandate and timelines to achieve this ambitious agreement. It should be signed as soon as possible.
- Facilitation of enhanced regulatory and supervisory cooperation for appropriate sectors.
- Closer co-ordination between the UK and Swiss authorities in international standard setting fora to ensure that the global regulatory and standard setting framework for FRPS evolves to deliver the best possible outcomes for industry.
- The UK and Switzerland should look to work with other like-minded jurisdictions to seek where possible to collaborate on resources and engagement strategy with third market countries.

The UK having left the EU on the 31 January 2020 but in the current transition period the rules on trade, travel and business for the UK and EU continue to apply until the end of 2020³. Until new rules take effect on 1 January 2021, and before the UK and Switzerland are able to activate a new ambitious bilateral financial services partnership, we strongly urge both sides to take immediate action to minimise potential market disruption going forward. In practice this means:

- A swift recognition decision of Switzerland's exchange regulation by UK authorities in order to allow for UK trading venues to be recognised in accordance with the Swiss Ordinance and the decision to grant relief on intra-group exemptions for clearing and margin requirements for derivatives transactions.
- The UK Authorities should also take immediate action to recognise Switzerland's relevant key regulations which will impact financial services firms in terms of prudential rules, market access, conduct, infrastructure and data are also in place.

³ According to article 132 of the agreement, "the Joint Committee may, before 1 July 2020, adopt a single decision extending the transition period for up to 1 or 2 years"

PART I – OVERARCHING PRINCIPLES

Beyond continuity to an ambitious future relationship

At the beginning of 2019, the UK and Swiss Governments announced that continuity for business post-Brexit had mostly been achieved through a range of bilateral agreements. It has allowed UK and Swiss FRPS industry to shift its focus to working with both Governments to identify the specific opportunities for an ambitious future bilateral relationship.

The dynamic of the UK having left the EU will open up the possibility of new trade & investment arrangements which could be tailored to benefit UK and Swiss industry. The FRPS industry in both markets has a strong desire to conclude these agreements as quickly as possible with high standards and ambition to secure and broaden mutual market access. Given the shared interests of Switzerland and the UK and the profile of bilateral trade and investment, this agreement could be achieved swiftly and be a win-win for both countries.

In this paper, Swiss and UK business have identified a number of sectoral and cross-sectoral issues for the FRPS industry which we believe will be important to address in any future agreement.

Mutual recognition as an objective

In view of the comparability of the Swiss and UK approach to financial market regulation and overall supervisory frameworks, the principle of financial services equivalence as applied by the EU would not be suitable for any future bilateral arrangement between Switzerland and the UK. Rather, market access to allow the cross-border provision of financial services should be expanded based on the principle of mutual recognition of each other's relevant regulations, using home country rule and based on comparable outcomes rather than on line-by-line comparison of the respective regulatory and supervisory regimes.

Furthermore, calibration in relation to any potential UK-EU deal will be essential for any future UK-Swiss FRPS relationship, particularly given the number of bilateral agreements on which the existing Swiss-EU relationship is based. Future agreements governing the Swiss and UK relationships with the EU should avoid adversely impacting a future Swiss-UK arrangement in the area of FRPS and vice-versa.

Ideally, any new bilateral FRPS arrangement, implementing mutual recognition, would come into effect as soon as the UK is legally able to enter into such an agreement.

Deepen institutional, regulatory and supervisory cooperation

A regime for market access based on mutual recognition requires a framework that promotes sound, efficient and consistent implementation of any future UK-Swiss FRPS arrangement. Confirming a strong commitment to implement the concept and industry asks outlined in this paper, a Memorandum of Understanding should be signed between the UK and Switzerland, ideally as soon as possible but definitely before the end of the UK's transition period with the EU.

Such an MoU should outline specific intentions of both countries and include the following:

- A detailed roadmap towards a bespoke bilateral agreement, or set of agreements, on financial and related services, outlining a mandate and timeframe for the supervisory authorities to deliver such an agreement.

- A commitment by both Governments to work with UK and Swiss industry to achieve this outcome.
- A commitment to support and uphold global financial regulatory standards.
- A joint approach to support increased liberalisation in trade in services at the global level.

Supervisory cooperation will be crucial for any future UK-Swiss FRPS agreement. A regime for mutual market access requires a framework that promotes sound, efficient and consistent implementation of the agreement. This should include a clear allocation of supervisory responsibility and structures for supervisory coordination and resolution of disputes. Ideally, all bilateral regulatory engagement should encompass:

- Policy coordination to ensure the continuity of any mutual recognition agreement, including regular discussion on forthcoming laws and regulation with cross-border impact and how these proposals may affect such an agreement. It should involve the appropriate UK and Swiss policymakers and the necessary supervisory authorities. This would help remove duplication and ensure a proactive culture of engagement between both jurisdictions. The importance of including the private sector in any financial or regulatory dialogue is essential for effective policy coordination and delivery.
- Closer regulatory engagement for a deeper understanding and trust in each other's positions and thinking. Overall, a culture of close collaboration between the relevant parties in both markets should be fostered. It should go beyond meetings and dialogues, to develop a deeper understanding and trust in each other's position and thinking (e.g. regular secondments of staff).
- Closer coordination between UK and Swiss authorities in international standard setting fora such as IOSCO, BCBS or IAIS and the Financial Stability Board (notably regarding the implementation of standards on capital requirements). It is in the interests of the UK and Swiss FRPS industry, policymakers and regulators to co-ordinate with like-minded markets to ensure that global regulatory and standard-setting frameworks for FRPS evolves to deliver the best possible outcomes.
- To achieve closer supervisory co-operation, it may be prudent for the responsible UK and Swiss Authorities to put in place an MOU to demonstrate their commitment to an even closer relationship.
- Closer UK-Swiss co-operation with other countries could also help to influence major markets such as the EU on FRPS issues that include delegation and recognition of CCPs.

Having left the EU, the UK will no longer be party to the Lugano Convention. It is therefore essential for the UK to become an independent signatory to the Lugano Convention as soon as possible, to ensure mutual recognition and enforcement of judgements providing legal certainty for business.

It is important to note that the wide range of issues, both industry-specific and cross-cutting, should be treated as related but not absolutely dependent on each other. Therefore, if swift advancement can be made in certain areas then this should not be held back by other areas which may require in-depth analysis in order to deliver a tangible result.

Overall, it will be essential for any future UK-Swiss FRPS agreement to have a dynamic review process with fixed intervals built into the agreement itself. A joint UK-Swiss Committee should monitor the implementation and progress of the agreement and ensure its continuity. Ongoing supervisory and regulatory dialogue will be necessary to allow for review and re-calibration of the regulation. Generally, it will be essential to have consultation and inclusion of the private sector in this process to formally input to the authorities to allow for truly effective policy coordination.

PART II – CAPITAL MARKETS AND SECTORIAL CONSIDERATIONS

Financial Market Infrastructure

A key goal for FRPS firms is to service and expand their customer and client base in the UK, Switzerland and across Europe going forward. Therefore, to ensure minimal friction between the UK and Switzerland, it is essential for the competent authorities of both countries to frame an agreement to help minimise market fragmentation and facilitate strong cross-border capital flows.

Calibrating the UK-Swiss financial market infrastructure⁴ will be a key enabler for business, ideally facilitating frictionless activity between the primary market, secondary markets, post-trade, information sharing and clearing in both jurisdictions. Once the above has been secured, it will allow new product arrangements to be added and align for example on developing rules for new FinTech products.

The Swiss Government has put an Ordinance into force as a reaction to the European Commission's decision not to extend Switzerland's stock market equivalence. As of 1 July 2019, a recognition obligation is applicable for foreign trading venues if they admit shares of Swiss companies to trading or permit trading in such shares⁵. With a view to avoiding the continued application of the Swiss Ordinance on UK trading venues, UK authorities should ensure a swift recognition of Switzerland's exchange regulation. Besides the recognition of trading venues, a smooth transition regarding all other relevant areas currently covered by EU equivalence decisions, including intra-group clearing exemptions, needs to be ensured as well.

Banking and Investment Services

In 2011, HM Treasury produced a Memorandum on the provision of cross-border financial services in the United Kingdom by firms from Switzerland⁶. The Memorandum followed the signing of an agreement between the two governments on co-operation in the area of taxation and provides Swiss financial institutes with appropriate guidance for offering financial services to clients in the UK.

While the 2011 Memorandum mainly focused on retail clients, we would want to see a mutual recognition agreement that enables the active provision of cross-border financial services and products to all client groups, including professional clients and professional counterparties.

Switzerland has traditionally been an open market allowing broad access to foreign financial services providers. While it will maintain a very open regime in the future, the regulatory landscape will evolve with revised legislation entering into force as of 2020 also affecting the cross-border provision of services⁷. On the other hand, the current UK financial services regulations, provides for a more restrictive market access which is mainly based on exemption processes on financial promotions, as outlined in the 2011 Memorandum. In addition, the scope of the UK's credit and mortgage broking regime is extensive. Overall, this makes the cross-border servicing of UK-based clients more complex and costly. In view of the future relationship between the UK and Switzerland, industry in both markets sees great potential

4 «Financial Market Infrastructure» means any legal person which holds a license as a Financial Market Infrastructure under the laws of its respective country. Examples (non-exhaustive list) include stock exchanges and other trading venues, central counterparties, central securities depositories, payment systems and trade repositories.

5 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/356887/memo_by_HMT.pdf

6 <https://www.admin.ch/opc/de/classified-compilation/20120822/index.html#fn1>

7 registration requirement for client advisors, registration with an ombudsman's office

for expanding business opportunities and opening the market further which would reduce costs for market participants and their clients. In this sense, a reciprocal and frictionless market access allowing the cross-border provision of financial services should be targeted.

Under the new regime, both the UK and Switzerland would recognise each other's relevant regulations, regulators and supervisory regimes. This would permit financial services providers⁸ in both countries to offer and promote financial, investment and related services (see examples in Annex I) to existing and prospective clients domiciled in the other country on a cross-border basis. Both the UK and Switzerland authorities would grant permission specifically under the condition that such activities are compliant with the applicable home country regulatory framework.

Funds and Asset Management

The Investment Association (IA) and the Swiss Funds & Asset Management Association (SFAMA) have established the annual UK-Swiss Asset Management Roundtable with policymakers and supervisory authorities in both countries, as well as participants from industry, to help develop the relationship for this sector between both markets going forward.

Industry has identified key areas where deepening and strengthening the UK-Swiss relationship will provide mutual benefits to clients and industry in both jurisdictions. Such benefits include accessing world-leading expertise on Sustainable and Responsible Investment (SRI), achieving improved outcomes and lower costs through adoption of Fintech solutions across the value chain of investment management, and exploiting the skills and products that will provide innovative long term investment solutions to the needs of savers in Switzerland, the UK and around the world, driven by changing demographics and investors' evolving requirements and attitudes.

As both the UK and Switzerland represent significant hubs in an industry which relies heavily on global supply chains to provide value and expertise to its clients, a key requirement of the present and any future relationship is the ability to delegate investment management activity to wherever firms are best able to provide it. This activity is upheld by a MOU between UK and Swiss supervisory authorities (the FCA and FINMA respectively) and it is crucial that delegation of investment management, as well as any associated MOUs that underpin it, are maintained continuously and unimpeded, upon existing principles, particularly as the UK departs from the EU with any regulatory and legal changes to its regulatory and funds framework that may entail as a result.

There is a strong case for the application of mutual recognition principles in the case of funds, i.e. the Mutual Recognition of Funds (MRF). Whilst acknowledging that there may be less interest from firms and clients alike in replicating UCITS-style products in an MRF framework, there may be much more potential in a more broad-based MRF arrangement which may include products which lend themselves to a longer-term investment approach.

In developing the UK-Swiss relationship in asset management as described in this section there will also be an opportunity to revise arrangements for sophisticated investors and potentially enhance access to products and services for them and professional investors on a cross-border basis between the two jurisdictions. This will require a dialogue between UK and Swiss regulators with each other, and industry, first mapping the respective definitions and then establishing a joint approach that enables fast tracking in a coherent future relationship.

⁸ «Financial Services Providers» means any natural or legal person which is permitted to provide Banking and/or Investment Services under the laws of its country. See examples in Annex I.

Beyond the delegation of portfolio management of collective investment schemes, for which the reciprocal and frictionless market access must continue to be ensured, a reciprocal and frictionless market access allowing the cross-border provision of asset management services as described in the previous section (Banking and Investment Services) should also be targeted as requested there.

Insurance

Cross-border exchange between Switzerland and the UK to a large degree focuses on the non-life and wholesale insurance markets and is facilitated, particularly in the direct non-life insurance space, by the existing freedom of establishment. The Government announcement in January 2019 maintaining the direct non-life insurance bilateral agreement currently in place between Switzerland and the EU is important as it secures the continuation of freedom of establishment for non-life insurance companies. Industry asks for the future relationship between Switzerland and the UK include:

- Expanding the right of access to each other's markets to allow reinsurance and commercial insurance business, in particular cross-border commitments for lines covering large commercial risks for large corporate customers, including business introduced by brokers, to be written via cross-border or direct establishment. This can be realised by extending the existing direct non-life insurance agreement or by concluding a separate agreement.
- Following the principle of mutual recognition, the respective UK or Swiss home jurisdiction of a company would provide the regulatory and solvency framework and be responsible for prudential supervision. Thus, allowing the removal of duplicative regulatory requirements (e.g. reporting/ public disclosure, asset localisation, branch business plan filings, limitation on intra-group transfers, collateralisation of reinsurance assets) and ensuring that existing market access benefits continue to apply (e.g. codify CH-EU equivalence assessment in a bilateral agreement).
- Increasing regulatory cooperation between the insurance supervisory authorities in both markets will be essential to streamline supervision, ensuring the necessary information sharing and removal of duplicative regulatory requirements. This could possibly be done through a supervisory college approach.

Professional services (related to financial services)

Although professional services co-operation between the two markets is strong it could be even stronger. Visas to allow movement of professional services providers are a crucial area which will need further consideration within any future agreements to ensure full mobility of consulting specialists for individual projects and full recognition of professional qualifications. This includes mutual recognition of qualification for statutory audits once practitioners can demonstrate sufficient knowledge of local law and regulation based on passing an appropriate test.

On legal services, the UK needs to become a signatory to the Lugano Convention as soon as possible after leaving the EU to help ensure mutual recognition and enforcement of judgements providing legal certainty for business with the Swiss and EU markets.

Further engagement will be required with professional services providers (related to financial services) to ensure that any additional demands the industry may have are adequately represented in any future bilateral financial and related services arrangement.

PART III – CROSS-CUTTING POLICY ISSUES

In addition to the specific sectoral issues (see Part II), any future UK-Swiss FRPS agreement will need to incorporate the following cross-cutting policy issues. These cross-cutting issues, while non-exhaustive, will be crucial to underpin effective and seamless UK-Swiss cross-border business and are as follows:

Data protection and transfer

In principle, Switzerland and the UK should refrain from introducing any unnecessary or disproportionate restrictions that could create obstacles for the flow of data between the two jurisdictions. This includes rules on data processing, storage, data localisation (especially around enhanced localisation rules for financial services) or data guarantees required by the authorities for regulatory purposes.

The UK will look to secure an adequacy determination under the EU's General Data Protection Regulation (GDPR) to avoid costly and complex solutions for FRPS industry. At the same time, it should be noted that Switzerland is revising its domestic regulation in the area of GDPR adequacy. Both the UK and Switzerland should look to establish an enhanced relationship with the EU based on improved equivalence of standards for data protection and transfer.

Longer term, the UK and Switzerland should explore ambitious arrangements on data which will enable further technical innovation going forward. At the same time both countries should ensure alignment with EU GDPR knowing that it may require domestic implementation.

Switzerland and the UK should also work to ensure an appropriate standard of data protection in their respective jurisdictions so to address legitimate data protection concerns in the context of new opportunities and challenges presented by technology.

Talent

The current EU-Swiss agreement on the free movement of persons, has greatly benefited businesses with very favourable access to a skilled workforce and recognition of professional qualifications. With the UK exiting the EU, this regime will no longer apply between the UK and Switzerland.

In December 2018, UK and Swiss industry welcomed the announcement that both governments had reached an agreement on citizens' rights post-Brexit which will guarantee broadly the same rights as currently enjoyed under the Free Movement of Persons Agreement. Service providers will continue to benefit from the current EU-Swiss 90 days' services provision rules for up to five years for existing service contracts. On mutual recognition of qualifications, it has been agreed that UK and Swiss professionals will continue to have their qualifications recognised in each other's markets. The UK-Swiss agreement will come into force at the end of the UK-EU transition period.

For the future migration regime between Switzerland and the UK, we would want both countries to agree an approach for achieving reciprocal open movement of FRPS professionals and mutual recognition of FRPS qualifications, including professional qualifications, as well as university or commercial degrees and practice rights to the widest extent possible. There should be the continued provision of services by natural persons (90 days') rule. It is important that the right balance can be achieved, and that potential

quotas and requirements are sufficient and least burdensome for UK and Swiss staff that may want to transfer (at all levels) between the two countries.

In the meantime, the industry welcomes the communication⁹ by both Governments on the mutually granting of visa-free entry for short-term business stays as well as the additional quota which the Swiss government introduced specifically for UK citizens.

Tax

A strong working relationship already exists between the UK and Swiss Authorities on the prevention of tax evasion. In 2017, Switzerland and the UK implemented the automatic exchange of information (AEOI) along with other countries in accordance with OECD standards, which makes an important contribution in this regard. The industry looks forward to a continuing close relationship between the respective UK and Swiss Authorities in the future.

FinTech

Developing expertise in specific transformative technologies for the FRPS industry (for example, AI, blockchain and quantum computing) will be essential for the UK and Switzerland. Focusing on the development of these technologies will also have the potential to further social progress in areas such as financial wellness and inclusion. Switzerland and the UK should look to develop and promote technology-friendly national and international regulatory environments for financial services providers, while strengthening cooperation and investment in research & development between both jurisdictions.

Although the Swiss and UK Authorities differ on their approach to a Fintech regulatory sandbox, industry on both markets urge for closer regulatory cooperation and would strongly encourage further consideration on the formation of a UK-Swiss FinTech Bridge. This would allow start-ups in both countries to grow rapidly and help increase capital flows and investment.

Strong consideration should also be given to boosting joint research between UK and Swiss universities in order to support the financial services sector particularly in the areas of technical innovation and development. Hence, joint efforts and increased cooperation in the areas of FinTech, cyber-crime, reducing regulatory restraints to digitalisation and increasing innovation, alignment of FinTech regulation and improved access to venture capital financing of FinTechs will provide mutual benefits.

Financial / Cyber-crime

In July 2019, the UK's Home Office and the Swiss Federal Council signed an MOU pledging to boost security cooperation between the UK and Switzerland. This agreement set out the two countries commitment to working closely on counterterrorism and financial crime, while also looking to increase information sharing and closer working between police forces. Industry in both jurisdictions welcome this commitment by the two

⁹ See media release.

Governments to work together and believe it signals a joint intention to reinforce and build upon this cooperation in the future.

Securing closer UK-Swiss regulatory cooperation for data and information sharing between enforcement agencies and various public sector bodies will be key. It will be critical to continue to strengthen collaboration between public and private sectors to reduce the threat of cyber-attacks, exchange best practices on cyber security and help build future talent and develop joint technical expertise in the FRPS industry. The UK and Switzerland should look to work with like-minded jurisdictions to develop and encourage the use of international standards for cyber security and minimise regulatory fragmentation. The basis for such efforts should be the OECD guidelines, along with other relevant emerging international regulation such as the Second Additional Protocol of the Budapest Convention and FSB recommendations.

Strengthening financial crime co-operation between authorities will also prove mutually beneficial, as both countries remain fully committed to these activities.

PART IV — CONCLUSION

This paper should be viewed as a starting point for a continuing dialogue between government and industry which we believe is the only way to identify clearly and comprehensively the relevant content and most suitable framework for the UK and Switzerland's future FRPS relationship. TheCityUK and economiesuisse both have established independent practitioner working groups which stand ready to provide industry views and to be consulted on key issues and questions as both Governments develop their thinking on their future bilateral relationship.

LIST OF CONTRIBUTORS

economiesuisse and TheCityUK would like to express sincere thanks to their practitioner working groups who devoted a significant amount of time and resource to considering what an ambitious future Swiss-UK relationship should look like. Both working groups consist of industry associations and individual companies of all relevant sectors. The following UK and Swiss business organisations have contributed and fully subscribe to this position paper (alphabetical order):

Association of British Insurers (ABI)
Association of Foreign Banks in Switzerland (AFBS)
Association of Swiss Asset and Wealth Management Banks (VAV)
Association of Swiss Private Banks (ASPB)
BlackRock
Clifford Chance LLP
Credit Suisse
economiesuisse
Eversheds Sutherland LLP
EY
Freshfields Bruckhaus Deringer LLP
HSBC
KPMG
Lloyd's
London Market Group (LMG)
London Metal Exchange
London Stock Exchange Group
Refinitiv
Simmons & Simmons LLP
SIX Group
Standard Life Aberdeen
Swiss Association of Asset Managers (SAAM)
Swiss Bankers Association (SBA)
Swiss Funds & Asset Management Association (SFAMA)
Swiss Insurance Association (SIA)
Swiss Organization for Self-Regulation of Financial Advisers (OAR-G)
Swiss Re
The Association of Chartered Certified Accountants (ACCA)
The City of London Corporation
The Investment Association (IA)
The Law Society of England & Wales
TheCityUK
UBS
UK Finance
Zurich Insurance Group

APPENDIX 1

Practical examples of services

This list makes no claim to completeness and is intended solely for illustrative purposes:

Type of service	Request
Solicitation of new clients	Free access to solicit new clients in the UK
Offering and provision of investment services (on a remote basis and on travel) of reception / transmission / execution of orders related to financial instruments, dealing on own account, investment advice, investment banking, portfolio management, brokerage services, custody services, Lombard loans, research for existing and new clients, underwriting/ placing of financial instruments, foreign exchange services, advice and services relating to mergers and the purchase of undertakings.	Free provision of services without further authorisation for all client categories (analogous regime like in the EEA). Tax regime should support cross-border provision on a travel basis.
Distribution of Financial Products	Free provision of services without further authorisation (analogous regime like in the EEA).
Offering and provision of banking services (on a remote basis and on travel) such as account opening, deposit taking and lending for existing and new clients	Free provision of services without further authorisation for all client categories (analogous regime like in the EEA). Tax regime should support cross-border provision on a travel basis.
Financial Market Infrastructures Services	Free provision of services without further authorisation (analogous regime like in the EEA).
Marketing activities, including financial promotion pursuant to UK definition	Liberalisation of marketing activities (e.g. cold calls allowed, product and service specific marketing in the UK at events or in meetings with existing or new clients). Free provision of services without further authorisation (analogous regime like in the EEA).
Wealth planning (including advisory services, services relating to the set-up of wealth structuring or life insurance products)	Free provision of services without further authorisation (with simplified authorisation) (analogous regime like in the EEA).



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