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Best for Britain, Best for Financial Services! Leading City lawyer explains how Britain can extend its global and EU lead post Brexit, in new Politeia Report

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A Blueprint for Brexit

The Future of Global and Financial Services and Markets in the UK

As ministers prepare for the UK's departure from the EU, the UK's financial services will be at the centre of the Brexit stage.

Politeia's new publication, *A Blueprint for Brexit: The Future of Global Financial Services and Markets in the UK* explains the best legal and regulatory framework for Britain after Brexit. It proposes how the UK's financial services and global markets can continue to flourish from outside the EU. The author, Barnabas Reynolds, is a lawyer and partner at Shearman & Sterling LLP, where he is the head of the global financial institutions advisory practice.

Reynolds considers the questions facing ministers as they prepare the policy for this pivotal sector. First he addresses the concerns of those keen to keep the EU's passporting system or others who press for some kind of grand bilateral deal to replace it.

He shows, in a detailed analysis of the passporting system, that it is neither critical for providing most services to EU customers, nor indispensable. In fact, continuing with it (or a replacement system for a grand bilateral deal) would lead to grave, potentially insurmountable problems:

- Britain would be obliged to make concessions to the EU e.g. on sovereignty or free movement of persons or by making payments
- It would subject the UK's financial services to the growing trend of EU protectionist and non-market-friendly rules which the UK would have no hand in formulating

Instead of the passport, Reynolds sets out two models under which the sector can succeed. With either of them Brexit ministers can confidently chart the best course for leaving:

- An 'Expanded Equivalence' model, which would extend the equivalence arrangements now in place for third countries e.g. the US or Australia, to access the single market. This would allow some removal and reworking of EU laws in the UK and prevent the UK from being subject to EU law-making, ESA oversight and ECJ decisions. However, some constraints on the UK's ability to determine its law and regulation would remain.
- A 'Financial Centre' model, which would allow the UK to establish a market-friendly regulatory framework, in accordance with global standards and the best global and UK practices. The UK has led the way in shaping global financial regulation and should continue to do so. This model would allow the UK to rework its regulatory structure more fully and to move away entirely from the unnecessary processes introduced in EU laws and to focus instead on outcomes.

Under either of these two models, almost all parts of the financial sector in this country could continue to provide services to EU counterparties and customers and globally without interruption, even without the passporting process.

Which model to adopt can depend on the political circumstances and the willingness of the EU to negotiate in its own best economic interests.

As Reynolds concludes, building upon the UK's natural advantages – of time-zone, English law and language, an established financial ecosystem and talent pool – this country can create a highly competitive environment for the City outside the EU. Either of the models proposed will bring benefits and stability to Britain. Either would enhance the legal certainty under which the law-making system operates, encourage the UK's free trade ethos and promote market competition under the rule of law.

A Blueprint for Brexit: The Future of Global Financial Services and Markets in the UK was launched on Thursday 3rd November 2016 by Politeia, 14a Eccleston Street, London SW1W 9LT. Speaking were the author **Barnabas Reynolds; Lord Bridges of Headley MBE, Under Secretary of State at the Department for Exiting the European Union; and Paul Swann, President and Managing Director of ICE Clear Europe**. The e-version can be found on Politeia's website: www.politeia.co.uk.

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