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## **As UK Chancellor says Financial Services must be in Final Brexit Trade Deal, Leading City Lawyer sets out the options for both the EU and the UK.**

**Publication:** Wednesday 14<sup>th</sup> March 2018

**Link to PDF:** [EU-UK Financial Services After Brexit: Enhanced Equivalence – A Win Win Proposition](#)

The Chancellor has made clear that Britain wants a financial services agreement as part of the final Brexit trade deal based on 'enhanced equivalence'. This, as he reminded Michel Barnier, is in essence what the EU wanted for TTIP.

Now, in *EU-UK Financial Services after Brexit: Enhanced Equivalence - a Win Win Proposition*, Barnabas Reynolds, one of the UK's leading City lawyers who leads his firm's financial and regulatory EU and global practice, sets out the legal framework and how it would work for both the EU and the UK. In a joint Politeia- New Direction publication, he explains that:

- Already aspects of US-EU financial services trade take place on an 'equivalence' basis. To put it simply, trade in a number of areas is based on the respective financial sector laws being 'equivalent'. The laws allow equivalence 'determinations' to be made for various activities.
- An EU-UK deal would build on what is already there but go further to cover additional activities in the UK's financial sector in a more predictable way. It would bring friction-free access, allow EU partners to benefit from the services and capital markets in London, and the UK to trade freely in the EU Market.
- The EU would continue its role with the UK as a leading player in shaping the sector's regulation globally.

He also provides the UK and EU negotiating teams with the draft regulations for discussion. These include a comprehensive draft EU regulation, detailed UK implementation measures and a draft bilateral UK-EU deal ready for use and to take account of options, preferences and different ways of doing things.

The arrangement would be a 'win win' arrangement for each. It would allow the EU and UK to work to mutual advantage to gain access to each other's financial sectors, promoting two way trouble free access between the bloc and the UK. The benefits would be mutual:

- For the EU: EU firms could have friction free access to the deep pools of capital and diverse services in London, with its international reach and global and domestic customer base.
- For the UK: UK-located global firms could have friction-free access to clients across the EU.
- For both, there would be greater predictability and certainty and the opportunity to build on existing business models.

If the EU negotiators refuse to engage, London could become its own free standing centre, following international law but moving more rapidly to a competitive pro-business regime, with a slimmer rule book ready to attract new businesses from the EU and worldwide. Though good for the UK, that model would be less good for the EU than enhanced equivalence.

The publication was launched at an event in the House of Lords on Wednesday 14<sup>th</sup> March 2018, with Parliamentarians from both houses responding, led by **Marcus Fysh MP**, **Anne Marie Morris MP** and **John Baron MP**.

**The Author**

Barnabas Reynolds is an EU and UK regulatory lawyer and Head of Financial Institutions Advisory & Financial Regulatory Group at Shearman and Sterling. He is the author of *[‘A Blueprint for Brexit: The Future of Global Financial Services and Markets in the UK’](#)* (2016), *[‘A Template for Enhanced Equivalence: Creating a Lasting Relationship for Financial Services between the EU and the UK’](#)* (2017) and *[The Art of the No Deal: How Best to Navigate Brexit for Financial Services](#)* (2017).

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