

House of Lords European Union Committee Publishes Report on Brexit and The Future of Financial Regulation

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On January 27, the House of Lords European Union Sub-Committee on Financial Affairs (Sub-Committee) published a report (Report) on its inquiry (Inquiry), launched in July 2017, into Brexit and the future of financial regulation and supervision.

The Inquiry examines how financial regulation and supervision could evolve post-Brexit in order to promote the stability and development of the UK's domestic market, while enabling it to continue to serve international business.

Key recommendations made to the UK government in the Report include the following:

- Considering allowing regulators to issue guidance and set standards for the areas of European Union (EU) law that will be domesticated in the UK, where it is important that rules be flexible and dynamic. The Sub-Committee also recommends an increased scrutiny of UK regulators, assuming that UK regulators will gain increased powers following Brexit. They also suggest that the UK government consider consulting on adding a duty on UK regulators to promote international competitiveness to their current objectives, given the intensity of international competition facing the UK after its withdrawal from the EU;
- Ensuring the continuity of financial services contracts after Brexit, including the “grandfathering” (the treatment of pre- and transition-Brexit contracts according to current terms) of insurance contracts, and providing services relating to derivatives contracts within the time-limited confines of a transition period;
- Ensuring market access for financial services, such as through a free trade agreement to include services, a mutual recognition regime and possibly some form of so-called “enhanced equivalence,” but not the current equivalence regime, as the Sub-Committee has expressed that would not provide the level of market access that both sides would require;
- Ensuring that post-Brexit immigration and visa policies assure that the wider financial services sector and the UK's FinTech industry can still access skilled labor and the best global talent; and
- Considering a three-stage process of transitioning to the new relationship with the EU, the absence of which would most likely require financial services firms to activate their contingency plans:
 - a standstill period during which the UK and EU can agree on the terms of their future relationship;
 - a period of adaptation, once the future relationship between the UK and EU has been determined; and
 - the “seamless” commencement of trade under the terms of the new relationship.

A copy of the Sub-Committee's Report is available [here](#).

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Article By [Nathaniel W. Lalone](#)
[Carolyn H. Jackson](#)
[Neil Robson](#)
[Katten Muchin Rosenman LLP](#)
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