



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon. Nicky Morgan
House of Commons
London
SW1A 0AA

2 February 2018

Dear Nicky,

Publication of a position paper on Financial Services and Brexit

I am writing further to the exchanges you had with the Chancellor on 28 November 2017 and myself on 16 January 2018, on the Government's approach to the publication of a position paper on financial services.

The Government's extensive engagement with the financial services industry, alongside the work done by policy officials, has played an integral role in forming our vision of the UK's future relationship with the EU. In our regular meetings with industry, we have discussed all issues relating to the UK's withdrawal from the EU and its impact on financial services.

These discussions have shaped our negotiating strategy both on financial services and on cross-cutting related issues, such as citizens' rights, as well as informing the public speeches and statements the Chancellor and Secretary of State for Exiting the EU have given detailing the principles of our vision for the future economic partnership. Most recently, the Secretary of State for Exiting the EU set out further detail on our priorities for the implementation period on 26 January.

It is important to be cognisant of the fact that the UK's intentions for our future relationship with the EU form an integral part of our negotiating strategy. Negotiations are highly sensitive and we want to secure the best possible outcome, including for our financial services industry. In the first phase of negotiations, it was a pragmatic approach that secured us the announcement of sufficient progress. We must carefully consider the timing of any publications that could be used to undermine the UK's negotiating position.

However, this does not prevent us from representing the interests of the financial services sector in the strongest terms in our private discussions with the EU, which form a key strand to our negotiating strategy and have thus far been fruitful. We continue to work intensely with our European partners to map and resolve issues relating to financial services market access.

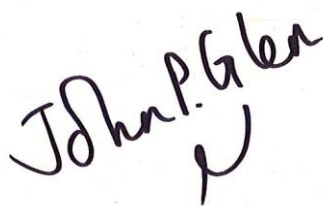
Beyond this critical issue, there are a number of cross-cutting questions of high importance to the financial services sector on which we have been able to set our aims without damaging our negotiating position. In the summer the government set out a vision for the future relationship with the EU on data, which is fundamental to the work of so much of the sector. And on citizens' rights, another important question for financial services firms, we were able to make concrete progress during phase one of the negotiations.

And we have been clear that a priority for the Government, and the focus of our current efforts to influence the EU, is agreeing a swift and legally binding implementation period with the EU by March. This aligns with industry's key priority in the coming months and is essential to avoid unnecessary disruption for businesses.

In addition to our engagement with the EU, the government is carrying out a programme of work focused on ensuring the financial services sector retains its world leading position after we withdraw from the EU. The recent inbound firms' announcement, made in conjunction with the regulators, is a sign of the importance this government places on the continued success of the UK's financial services sector.

I appreciate the work that you are doing to ensure this issue is properly addressed, and I hope this letter demonstrates the action this Government is taking to secure a deal that works for the financial services sector. I would be happy to provide regular updates to you as the Brexit negotiations progress.

With very best regards,

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN MP
ECONOMIC SECRETARY TO THE TREASURY