

12 Endeavour Square
London
E20 1JN

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

Rt Hon Nicky Morgan MP
Treasury Select Committee
House of Commons
London
SW1A 0AA

1 March 2019

Our Ref: SA190228A

Dear Nicky

RE: The FCA's approach to amendments to financial services legislation under the EU (Withdrawal) Act 2018 – Publication of our Brexit Policy Statement and related material

I am writing to inform you that yesterday we published¹ a series of measures that will apply in the event the UK leaves the EU without an implementation period.

The package includes near-final rules and binding technical standards (BTS), guidance, and draft directions that would give effect to the Temporary Transitional Power, which I discussed with you on 29 January.

We have coordinated the measures closely with the Bank of England and Prudential Regulation Authority, who have also published a similar package.

We have published the following:

- Confirmation of our approach to making changes to the FCA Handbook and BTS as a result of EU withdrawal. This follows from a series of public consultations we held between October 2018 and January. Our Policy Statement outlines changes to obligations that will largely come into effect after the transitional relief effected by the Temporary Transitional Power falls away. These changes are being made to ensure there is a functioning legal framework in place when the UK leave the EU. These changes do not reflect any policy changes, except to reflect the UK's withdrawal from the EU. We are publishing these rules and BTS in near-final form.
- The roles and responsibilities the FCA will be assuming as of exit day in the event the UK leaves the EU without an agreement in place. These include supervision of credit ratings agencies (CRAs) and trade repositories (TRs).

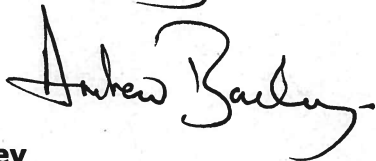
¹ <https://www.fca.org.uk/news/press-releases/fca-confirms-proposals-event-no-deal-brexit>

- The approach communicated to firms on 1 February that we intend to use the Temporary Transitional Power broadly – with targeted exceptions. As noted in the hearing on 29 January, this means we generally do not expect firms to prepare now to comply with changes to their regulatory obligations made under the EU (Withdrawal) Act 2018. We have also set out the areas in which we do not intend to grant transitional relief because we consider it would not be consistent with our statutory objectives to do so. Today, we are publishing draft directions that would implement transitional relief for a period of 15 months from exit day. We have shared draft directions with HM Treasury and the Bank of England/PRA. We are also publishing guidance to firms, detailing how the transitional power will operate, as required under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 Statutory Instrument (FSMA SI). Our final use of this power is subject to this SI being made law.

We intend to publish the rules, BTS and directions under the Temporary Transitional Power in final form in late March, to take effect from exit day.

As required under the FSMA SI, we will report on our use of sub-delegated powers (including the Temporary Transitional Power) to Parliament on an annual basis and remain at your disposal to discuss these issues with you.

Finally, I would like to take this opportunity to thank you for your constructive engagement on these important issues.

Yours Sincerely


Andrew Bailey
Chief Executive