



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

Baroness Falkner of Margravine
European Union Financial Affairs Sub-Committee
Committee Office
House of Lords
London SW1A

Dear Baroness Falkner,

19th April 2018

Update following March European Council

I promised to write to update the Sub-Committee following the conclusions of March European Council, and to confirm the impact of the conclusions on the recommendations in the Sub-Committee's report, *'Brexit: Future of Financial Regulation and Supervision'*.

We have reached an important milestone in the EU exit process by agreeing the terms of a time-limited implementation period. The legal text on the implementation period has obtained approval by the European Council and now will not change. It will form part of the overall Withdrawal Agreement, which both sides aim to conclude by October. It will then be legislated for in the UK Parliament and ratified by the European Parliament.

Recommendations 11, 12, 13 and 14 in the Sub-Committee's report deal with the implementation period. On recommendation 11, the structure of the implementation period is now fixed, we will continue to have access to each other's markets on the terms that exist currently, with all the same rules in place. This arrangement will last throughout the implementation period until 31 December 2020, in order to provide businesses and consumers with certainty.

On recommendations 12 and 13, which urge a prompt agreement on the implementation period, I hope the Sub-Committee is reassured by the agreement on the terms of the implementation period at March European Council, and the subsequent announcement on 28 March by UK regulators that firms using the EU single market 'passport' to operate in the UK will still be able to operate as now for the duration of the implementation period. We recognise that there is a need for reciprocal statements from EU regulators for firms operating in the EU, and

the UK government and regulatory authorities will continue to do everything that we can to ensure a smooth adjustment for firms and customers on both sides.

The Sub-Committee rightly raise the issue of contract continuity in recommendation 14. As stated in our response to the Sub-Committee's report, both the UK and EU recognise that our exit has the potential to impact the continuity of service provision. The government has been clear that an economic partnership covering financial services is the best way to mitigate these risks. The announcement of an agreement on an implementation period is a valuable step forward towards avoiding a cliff-edge as we exit the EU. As far as we can, the UK government and our regulatory authorities are working to provide reassurance for firms that any residual cliff-edge risks will be managed, and we will continue to do so.

I would like to once more thank the Sub-Committee for producing such a valuable report and I look forward to my continuing engagement with them.

Yours sincerely

A handwritten signature in blue ink that reads "John P. Glen". The signature is written in a cursive style with a horizontal line under the name.

JOHN GLEN