



BANK OF ENGLAND

News release

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The Bank of England's approach to financial services legislation under the European Union (Withdrawal) Act

Today, 27 June 2018, HM Treasury (HMT) set out its approach to onshoring financial services legislation under the European Union (Withdrawal) Act (EUWA). This is intended to ensure that there is a complete and robust legal framework for financial regulation in the UK, whatever the outcome of negotiations between the EU and the UK, when the UK withdraws from the EU on 29 March 2019. HMT plans to lay a number of Statutory Instruments (SIs) to make the legal changes required to achieve this aim. HMT has set out that this is necessary as a contingency against a scenario in which the implementation period, which has been agreed in principle as part of the UK's Withdrawal Agreement with the EU, does not take effect on 29 March 2019.

HMT also confirmed its intention, subject to parliamentary approval, to delegate powers to the financial services regulators (Bank of England, PRA, FCA, Payment Systems Regulator) to make the required changes to onshored Binding Technical Standards (BTS). The regulators will be responsible for maintaining those BTS going forward. The regulators would also be able to make changes to their own rulebooks using delegated EUWA powers.

The Bank as regulator intends to consult, in co-ordination with the FCA when appropriate, on proposed changes to onshored BTS and rules this autumn. We plan to do this following HMT's publication in draft, or laying before parliament, of SIs relating to most of our regulatory remits. This will allow firms, including financial market infrastructures (FMIs), to be able to review and comment upon the proposed changes to BTS and the regulators' rulebooks in the context of HMT's proposed amendments to relevant onshored legislation. The changes set out in HMT's SIs, and the Bank's changes to BTS and rules, would largely only come into force on 29 March 2019 in the eventuality that the implementation period is not put in place.

We do not expect firms providing services within the UK's regulatory remit to have to prepare now to implement these changes. HMT has set out that it intends to provide regulators with powers to grant transitional relief, where appropriate, to ensure that, in a scenario in which an implementation period is not in place, firms and FMIs have sufficient time to comply with the changes.

Against the possibility that the implementation period does not take effect on the 29 March 2019, HMT today confirmed that it will bring forward legislation under the EUWA shortly to create temporary permissions and recognition regimes. This will allow firms, including non-UK central counterparties, to continue their activities in the UK for a time-limited period after the UK has left the EU even if there is no implementation period. Those firms that wish to continue carrying out business in the UK in the longer term will also be able to use this time limited period to seek to obtain full authorisation (or recognition) from UK regulators without disruption to their business.

If the implementation period, which has been agreed in principle as part of the UK's Withdrawal Agreement with the EU, takes effect on the 29 March 2019, the UK would continue to be treated as part of the EU's single market in financial services, meaning that EU law would continue to apply to UK firms as it does now, and firms will be able to operate on the same basis as they do now. The Bank expects firms to comply with EU law during the implementation period. Under the terms of the draft Withdrawal Agreement, EU law would continue to apply in the UK during that period, from 29 March 2019 until 31 December 2020. UK firms should therefore plan on the assumption that requirements arising from new EU legislation that come into effect during this period will apply to UK firms and FMI's.

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