



**BANK OF ENGLAND**

# News release

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## **Update on the regulatory approach to preparations for EU withdrawal**

The Bank of England welcomes the agreement between the UK and EU27 that there should be an implementation period until the end of 2020 as part of the UK's Withdrawal Agreement with the EU.

The foundation of the Bank of England's approach to preparations for EU withdrawal remains the presumption that there will continue to be a high degree of supervisory cooperation between the UK and the EU. This reflects the UK's financial system's role as both a national asset and a global public good, bringing shared risks as well as wide benefits.

The Bank has made clear that it would be difficult, ahead of March 2019, for all financial institutions to have completed all of the necessary steps required to mitigate the risks to the provision of financial services in the EU and the UK.

In light of the agreement at the EU Council, the Bank considers it reasonable for firms currently carrying on regulated activities in the UK by means of passporting rights, or the EU framework for central counterparties, to plan that they will be able to continue undertaking these activities during the implementation period in much the same way as now. In letters published today, the Bank has made clear to relevant firms that they may plan on the assumption that UK authorisation or recognition will only be needed by the end of the implementation period.

The Government has committed to bring forward legislation, if necessary, to create temporary permission regimes to allow relevant firms to continue their activities in the UK for a limited period after withdrawal. In the unlikely event that the Withdrawal Agreement is not ratified, this provides confidence that a back-stop will be available.

The Financial Policy Committee (FPC) continues to track a wider checklist of actions that authorities and firms must take in order to mitigate risks of disruption to financial services. The FPC [published](#) its most recent quarterly assessment of these actions on 16 March.

Today the Bank also confirms its approach to the authorisation and supervision of international banks, insurers and central counterparties (CCPs). In the context of their future preparations for the UK's withdrawal from the EU, EEA banks and insurers may (if they are not conducting material retail business) apply for authorisation to operate as a branch in the UK. Non-UK CCPs should continue engaging with the Bank on the UK recognition process.

In light of the responses to the public consultation which started on 20 December, the PRA has increased the level of the threshold of FSCS-protected liabilities indicating an insurer should potentially operate as a subsidiary from £200 million to £500 million.

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#### **Notes to Editors**

1. Letter from Jon Cunliffe; [CCPs' preparations for the UK's withdrawal from the European Union: update following March 2018 European Council](#)
2. Letter from Sam Woods; [Firms' preparations for the UK's withdrawal from the European Union: update following March 2018 European Council](#)
3. Policy Statement 3/18; [International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision](#)
4. Supervisory Statement 1/18; [International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision](#)
5. Policy Statement 4/18; [International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision](#)
6. Supervisory Statement 2/18; [International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision](#)