



ROSE BRIEFING 37  
28 FEBRUARY 2021

### **NEGOTIATIONS WITH THE EU ON FINANCIAL SERVICES**

These began on 14 January and were attended by the Chancellor Rishi Sunak and John Glenn Economic Secretary to the Treasury. Financial Services had been largely excluded from the negotiations leading up to Trade and Cooperation Agreement concluded on 30 December – mainly, it would seem, because there was a considerable likelihood of no agreement being reached.

There are forty different areas of financial trade that require agreement for trade to continue as before. For almost all London has long been the dominant centre for the EU. They range from trading in currencies, shares, debt and commodity futures to banking, fund management, company floatation and mergers and acquisitions. The most important and lucrative area for the City is in fund-management and the associated areas of company floatation and mergers and acquisitions. London controls around \$10trillion dollars of fund management investments out of a global total of around \$60trillion. New York is the biggest centre. Other European centres, Paris, Frankfurt, Milan and Amsterdam have less than \$3T. In total financial services make up the biggest single area of the UK economy – contributing, at around 10 per cent, more than manufacturing. Most of the big operators are, however, US-owned – with some Swiss and Japanese.

The EU Commission has sought to impose its own regulations on trading in investments and securities and did so in 2014 and 2018. These were felt to hamper the operations of the City investment companies – with the 2018 regulations leading to the removal of Swiss share trading from London (the Swiss returned in January 2021 when the EU regulations no longer governed trading in London). The EU Commission has also sought to create a Capital Markets Union bringing together all EU trading centres to give the EU control over investment flows. Although this objective has been held back by the rival ambitions of Paris, Frankfurt and Amsterdam, it remains a central objective of the Commission. It was originally intended to come into force by 2019. A new action plan was launched in 2020. This has been strongly resisted by London.

When Britain left the EU on the basis of the Agreement on Trade and Cooperation in December, the UK offered temporary 'equivalence' terms to all EU financial centres. This was not reciprocated by the EU Commission. In early February London lost a significant section of its market share trading to Amsterdam (although leading City of London figures claimed most such trading was now done online by computer: Financial Times 12 and 13 February 2021).

The negotiations currently appear to be logjammed. Andrew Bailey, the Governor of the Bank of England, told the Commons Treasury subcommittee on 23 February 'there is a point beyond which a deal is not worth having' and noted that the UK would not be a 'rule taker from the EU'. He warned the subcommittee that the EU 'risks serious escalation' if it sought to 'force the transfer of all trading in euro-denominated derivatives' to the EU. Existing equivalence agreements for this area end on 20 March 2021. He estimated that about a quarter would transfer. Any attempt to transfer the other three-quarters would result in 'serious conflict'. Earlier that week Lord Frost, previous EU negotiator, took over political control of EU relations from Michael Gove.

### **THE NORTHERN IRELAND PROTOCOL**

Unionist parties, DUP and UUP, are demanding that the British government renegotiate the Protocol to remove the current customs border for British goods in the Irish Sea. On 28 February DUP Westminster MP with responsibility for Brexit Sammy Wilson said that his party would be waging guerrilla war on the issue – rejecting calls from the British government that the renegotiation

take place when next due in 2024. Earlier that week Gordon Lyons, the DUP Stormont minister responsible for the construction of new port facilities, had ordered a cessation of further work.

Earlier in February the President of the EU Commission Ursula Von der Leyen had sought to trigger Article 16 in the Protocol to prevent the delivery of COVID vaccines across the Irish Republic's border to Northern Ireland. Representations from the Irish government resulted in the ban being lifted.

#### COVID IN THE EU 25 FEBRUARY 2021

Country	Deaths per 100,000	Percent vaccinated
Belgium	191	6.3
Bulgaria	140	2.7
Denmark	40	9.3
France	125	6.0
Germany	81	6.8
Ireland	84	7.3
Italy	158	6.5
Netherlands	88	5.2
Portugal	155	7.3
Spain	144	7.3
United Kingdom	180	28.5