

<b>Committee(s)</b>	<b>Dated:</b>
Public Relations & Economic Development Sub-Committee	10 October 2019
<b>Subject:</b> Policy Chair Visit to Switzerland, 4-5 September	<b>Public</b>
<b>Report of:</b> Damian Nussbaum, Director of Innovation & Growth	<b>For Information</b>
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### Summary

The Chair of Policy and Resources visited Basel, Berne and Zurich on 4-5 September. The City Corporation also hosted Federal Councillor Guy Parmelin at the Trade Dinner on 5 September. The main issues were:

- **Multilateral:** intelligence on global financial stability; Brexit impact; future global regulation; and fintech challenges.
- **Bilateral:** Switzerland's equivalence difficulties with the EU; future UK-Swiss free trade agreement (FTA) and the role of financial services; and City-Switzerland common cause as similarly positioned financial centres.

### Recommendation

Members are requested to note the following visit report.

### Main Report

#### Multilateral:

1. In Basel at the Bank of International Settlements, the Policy Chair met the Deputy Secretary-General of the Financial Stability Board (FSB) and the new Secretary General of the Basel Committee on Banking Supervision. She also covered multilateral issues in depth with the CEO of the Swiss Financial Market Supervisory Authority (FINMA), the unified Swiss regulator. Key points:
  - All were interested in probing the Policy Chair's views on the politics and on the economic impact of Brexit, but there was consensus that Brexit would not pose wider systemic risks to financial stability. There had been more concern a year ago, but the Bank of England, HM Treasury and EU bodies had provided reassurance.
  - Both the FSB and Basel Committee noted that their central mandate was to implement reforms agreed at an intergovernmental level after the 2008 financial crisis, and monitor adherence. They (and the CEO of FINMA) emphasised that refreshing that mandate would require political direction.
  - The exception to this was fintech, where there was pressure to consider the impact of new technologies. While crypto currency was still niche, 'solid coin' digital currencies such as Libra would require multilateral responses. Global cyber standards were also needed.

- The UK, through the FCA, had long been regarded as the unchallenged global leader in innovative fintech regulation. It was hoped that this would continue, despite the distractions of Brexit.
- Global financial regulation and standard-setting were under pressure, as other multinational rules-based systems. Yet beneath the rhetoric, regulators were acting responsibly and were bound into the system.
- Now was probably not the time for eye-catching new initiatives on financial regulation; good ideas could be shot down for bad ('political') reasons.
- The Policy Chair offered City support in helping the Basel bodies engage more strongly with business. London was an obvious and convenient centre of global business expertise - a place not only to seek UK views, but also those of US, China and EU.

## **Bilateral**

2. In meetings and over a dinner hosted by the Ambassador, the Policy Chair met among others the Swiss regulator, chief trade negotiator, Banking Association, Ministries of Finance and Economics, Swiss Central Bank, the economiesuisse trade body and SIX Group, which provides Switzerland's financial trading infrastructure. Key points:
  - The recent EU withdrawal of equivalence for trading in Swiss shares had been clearly political, not technical. In the event, disruption had been minimised thanks to decisive political leadership at the Federal level.
  - But more importantly, the overall message was that Brexit was changing the Swiss-EU relationship, that the Swiss 'patchwork' of historic equivalence-based deals would be now squeezed, that equivalence was a political instrument and that temporary fixes would be used as levers as well.
  - There was satisfaction that the post-Brexit Trade Continuity Agreement with the UK had been negotiated so quickly and painlessly. This encouraged optimism – at least at a technical level - that a UK-Swiss FTA could be agreed quickly, with ambitious provisions on financial services.
  - The convergences of interest were many – both UK and Switzerland had large financial and professional services (FPS) sectors, both were outward-looking (trading) rather than domestically focussed, both relied on global investors, both had a liberal outlook, well-respected regulation and a strong innovation sector.
  - The Policy Chair and others praised the economiesuisse-City UK paper on future trade in FPS, in particular the emphasis on mutual recognition, an outcomes-based approach, regulatory co-operation and dispute resolution - all floated by the IRSG.
  - The Policy Chair offered to help establish a trade body-FPS business group to shadow the HM Treasury-led Economic and Financial Dialogue. This proposal was welcomed.
  - All looked forward to a deepening of the partnership; Switzerland and the City were already well-aligned for the above reasons. UK-Swiss progress in establishing new principles for FPS regulation around mutual recognition could set the tone for EU-Swiss and EU-UK future arrangements, lead global innovation and create an influential new block in intentional fora.

## **International Trade Dinner on 5 September**

3. Federal Councillor Guy Parmelin (the leading economic/trade Minister) attended and sat with the Policy and Liz Truss, Secretary of State for International Trade. The Policy Chair – and business – took the opportunity to discuss UK-Swiss FTA and mutual recognition with both him and the secretary of state during the dinner.

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