

<b>Committee</b> Public Relations & Economic Development Sub-Committee Policy & Resources	<b>Dated:</b> 14 January 2021  21 January 2021
<b>Subject:</b> City of London EU Strategy	<b>Public</b>
<b>Report of:</b> Damian Nussbaum, Director of Innovation & Growth	<b>For Information</b>
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### Summary

As of the beginning of 2021 the relationship between the UK and EU will significantly change with the end of the transition period.

For three reasons, that relationship will remain crucial, and will require continued engagement with the EU:

- The EU remains an important market for the UK. The UK currently has almost twice as much FPS trade with the EU as with the US.
- The EU's regulatory framework is an important standard setter.
- The UK will remain committed to international standards and will need to influence key players at an international level. The EU will remain an important international player.

Policy & Resources have recently agreed a market plan for Europe, as part of our wider international strategy. This document builds on and complements this work.

### Recommendation(s)

That Members note the contents of this report.

### Main Report

#### Background

1. The Corporation's Brussels office coordinates our EU engagement, both there and across EU capitals. We do this through thought leadership, advocacy and engagement with policymakers, regulators and industry. The aim is to improve international market access, regulation and the business environment to support a thriving economy. We work to strengthen the UK's competitiveness to be the world's leading open, sustainable and innovative global hub for FPS.
2. In line with the market prioritisation exercise we have undertaken, the European market remains of strategic importance for UK financial and professional services. The EU is a significant customer for UK financial and

professional services. We export £36.1bn<sup>1</sup> in financial services to the EU. We do almost twice the amount of trade with the EU as we do with our next largest trading partner, the US. The sheer numbers involved in EU trade will mean they remain a significant trading partner.

3. The EU will also remain an important standard setter. The EU often looks to export its standards to other jurisdictions, and is increasingly acting to exploit “first mover advantage” in new areas of policy development (as we have seen recently in green finance). The standards the EU develops will directly and indirectly influence the UK and its competitiveness, either through linking market access to following the EU rules or by setting the policy direction through the development of innovative rules.
4. The UK will continue to be committed to international standards, and therefore we will need to influence other players in these fora. The EU and its Member States actively engage with the FSB, Basel and IOSCO and of course 3 of the G7 are EU members. Therefore, it is clear that the EU is committed to these bodies, and have considerable influence there. Influencing the EU will be important to drive our agenda and achieve our policy outcomes at the international level.

## Objectives

5. Based on these identified reasons for engaging with the EU, we have the following objectives:
  - Promote two-way market access and ease of doing business with the EU. Given the importance of the UK/EU relationship to financial services export and inward investment, securing appropriate market access will be important for the future success of the City; this means access for UK entities into the EU, but also access for EU entities to the UK market.
  - Ensure the EU regulatory framework does not adversely affect the competitiveness of the UK industry. As outline above, the development of the EU regulatory framework will impact on the competitiveness of UK financial and professional services. Therefore, influencing this agenda will be key to the City’s future success.
  - Work constructively with the EU in international fora to advance our objectives and policy outcomes. Given both the UK and EU’s commitments to international standards, engaging with the EU to advance shared agendas in these fora will be important. This is also a key part of advancing the UK’s competitiveness, as commitment to and alignment with international standards will help reduce regulatory fragmentation – including between the UK and EU.

## Measurement

6. To measure our success in achieving our objectives we will consider the following success measures:

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<sup>1</sup> Figure taken from ONS Pinkbook 2018

- A meaningful regulatory dialogue between the UK and EU is established.
- EU companies' commitment to UK presence is continued and there is no significant loss of investment.
- Third country interests are protected in the development of the EU regulatory framework.

## Implementation

7. The Corporation has an office in Brussels which coordinates the majority of our EU engagement. Having a presence on the ground gives us access to key EU stakeholders, and we are establishing the Corporation as a centre of knowledge and expertise in the financial sector. Additionally, our physical presence in Brussels acts as a hub for financial sector lobbying in the EU, particularly because many of our key UK stakeholders do not have their own presence in Brussels.
8. We will deliver on these objectives and measures through the development of policy content and an engagement plan to deploy this messaging. The annex to this note sets out in more detail the development of this policy content and engagement targets.
9. An important aspect of our messaging will be to underline that now is the time to move beyond the difficult relationship of the past few years of negotiations. A healthy EU-UK relationship is key for us in the City, not just for the financial and professional services sector, but also the wider economy. Successful financial markets in Europe will be a benefit to the UK and vice versa. We believe that both the EU and UK can succeed and thrive.
10. We also see several shared challenges that it will be important to cooperate with the EU to address. This includes the recovery from COVID-19, building capital markets in Europe, sustainable finance and the digitalisation of the economy.
11. For our engagement targets we will engage with stakeholders in Brussels, but also in Member State capitals. Based on the market prioritisation exercise, we will aim for the following frequency for Member State visits:
  - Twice a year: France, Germany, Netherlands
  - Once a year: Luxembourg, Ireland, Italy, Spain, Poland, like-minded Member States (including Scandinavia, Baltics)

We will also cooperate on a programme of EU engagement with TheCityUK which will complement the above engagement to ensure we meet all key EU stakeholders with appropriate frequency.

12. It will also be key to engage with other third country jurisdictions to discuss areas of common interest (as outlined above) and third country treatment

under EU law. We can then identify areas where we can build coalitions to amplify our messaging.

### **Corporate & Strategic Implications**

13. Strategic implications – this EU strategy is complementary to the Corporate Plan. Specifically, our work with the EU and its Member States will be key to ensure ‘we have the world’s best legal and regulatory framework and access to global markets.’

14. Equalities implications – there are no equalities implications of this strategy.

### **Conclusion**

15. Engaging with the EU will remain important for the success of the City. We need to rebuild the relationships that have been damaged by the difficult political environment of the past few years. The focus of our messaging will be on how we can work together to address shared challenges, whilst also considering the impact of EU actions on the competitiveness of London as a financial hub. We have designed a programme of intensive EU engagement to ensure that we reach the Corporate Plan objective of having ‘the world’s best legal and regulatory framework and access to global markets’

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