

Brexit and Switzerland-UK relations in financial matters

Switzerland and the United Kingdom have fostered close and multifaceted bilateral relations for many years. The two nations are also home to leading global financial centres and benefit mutually from their close economic ties. The UK market is a key segment of the export business of the Swiss banks.

A large number of Swiss banks have a presence in London's financial centre and operate subsidiaries and/or branches there. These focus primarily on the wealth management and asset management business, as well as on the provision of investment banking services.

Planning certainty necessary in relations with the UK

- The implementation of Brexit jeopardises the solid legal framework that has contributed significantly to the successful bilateral relations between Switzerland and the UK. The affected financial institutions therefore face major legal uncertainty. The legal and regulatory framework conditions for cross-border financial services between Switzerland and the UK are a top priority for the Swiss banks, and they therefore call for the status quo to be upheld.
- It is also imperative that the shaping of the envisaged EU-UK deal (incl. the transitional regime) be monitored in order to ensure that Switzerland does not suffer any disadvantages in its relations with the EU.
- Swiss banks require planning certainty before the UK leaves the EU. Because the related business decisions are largely irreversible decisions, timely and clear messages from the competent authorities are very important. Also needed are reasonable transition periods as an integral component of the post-Brexit Switzerland-UK regime.
- With regard to the shaping of bilateral relations that go beyond the status quo, the banking sector is generally in favour of a substantial liberalisation of reciprocal market access for financial services that also encompasses the mutual recognition of regulations and supervision. This should be the subject of a tailored agreement.

The withdrawal of the United Kingdom from the European Union will result in the reorganisation of the country's international trade relations. This will also have repercussions for future relations between Switzerland and the UK, as their close and multifaceted relationship is currently largely based on the bilateral agreements with the EU.

Against this backdrop, Brexit jeopardises the legal framework that has contributed significantly to the successful bilateral relations between Switzerland and the UK. The affected companies therefore face major legal uncertainties.

Top priority: safeguarding the status quo in relations with the UK

It is in the interests of both nations to safeguard the **status quo** in the area of reciprocal market access. The Swiss banks therefore support the Federal Council's 'Mind the gap' strategy, which aims to secure the mutual rights and obligations in Switzerland-UK relations after Brexit and whenever possible, further optimise these relations. In addition, reasonable transition periods should be an integral component of such a post-Brexit regime.

For the financial sector, the primary focus of the post-Brexit Switzerland-UK regime is the “**grand-fathering**” of existing licences and decisions regarding equivalence as part of the incorporation of the “*Acquis Communautaire*” into UK national law. The UK authorities have not yet made any binding commitments in this regard. The Swiss authorities should therefore work towards reaching a binding agreement with the UK administration as soon as possible. In particular also in light of the fact that in principle, the affected financial intermediaries already require planning certainty now. Above and beyond this, close alignment with a potential EU-UK deal (incl. the corresponding transition periods) are imperative in order for Switzerland to avoid experiencing any disadvantages in its relations with the EU.

Due to the nature of the cross-border banking business, Swiss banks depend on skilled workers with specific expertise in the respective focus markets. A limitation of the **free movement of persons** in Switzerland-UK relations would therefore result in a substantial obstacle for the affected institutions. The envisaged post-Brexit Switzerland-UK regime must therefore also ensure reciprocal access to the labour market and comprehensive recognition of higher education diplomas. Further to this, it is also important for the financial sector that the liberalisation of **civil aviation** agreed under the Bilateral Agreements I continue to apply in Swiss-UK relations.

Further liberalisation of Switzerland-UK relations in the financial services segment

Because the trade policies of both the UK and Switzerland pursue open, liberal markets, the Swiss Bankers Association is open to a further liberalisation of reciprocal market access for financial services. The financial sector and the government are already in close contact and have an open dialogue about the developments in this area.

In terms of shaping bilateral relations beyond the status quo, the sector is in principle striving for sector-specific solutions that are as far reaching as possible for all relevant business segments (private banking, asset management, investment banking). These should also comprise the concept of mutual recognition of regulation and supervision. The concrete scope of mutual recognition should be defined with due regard for the overall interests of Swiss financial services providers. Liberalisation should become the subject of a tailored agreement between Switzerland and the UK.