



Brexit - Implications for Financial Markets Regulation, Tax Policy and Competition Policy

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Background:

The citizens of the United Kingdom narrowly voted to leave the European Union in a referendum taking place on 23 June 2016. According to Article 50 of the European Treaty the exit negotiations must be completed within two years after the withdrawal notification has been received.

What are implications of a Brexit for London as a financial centre?

The United Kingdom voted to leave the European Union and by doing so the internal market - this also applies for the financial services sector which makes about an eighth of UK GDP. At the end of the withdrawal procedure, the United Kingdom will be a third country like any other and will not have automatic access to the internal market for financial services. Without this access to the internal market, London will be a far less attractive place to do business. This applies especially for international market participants who used to see the UK as a gateway to the European Union.

Will British providers of financial services be able to access the Single Market for financial services nonetheless?

There is no automatism. Access to the Single Market will only be possible if equivalence of the British legal framework with the European one is safeguarded. The United Kingdom will essentially have to apply European standards that it can no longer influence.

Will there be a change of course in financial markets regulation following the resignation of Lord Hill?

The British Commissioner in charge of Financial Stability, Financial Services and Capital Markets Union has announced his resignation on 25 June 2016, which will

take effect in mid-July. Commission Vice-President Valdis Dombrovskis will take over Lord Hill's former portfolio. However, there will be no change of course as Lord Hill as well as Valdis Dombrovskis have a similar understanding of financial markets legislation. Hence, there will be stability in those troubled times.

What will happen to the London-based European Banking Authority?

When the United Kingdom withdraws from the European Union, the European Banking Authority (EBA) can no longer be based in London. EBA will therefore have to be relocated to a different location within the European Union.

What will be the implications of Brexit for the exchange of information regarding tax issues?

When the United Kingdom withdraws from the European Union, it will no longer take part in the automatic exchange of information with regards to tax issues. The stricter provisions against tax evasion, aggressive tax planning and money laundering that have been passed in recent years will not apply anymore either. Furthermore, the European Commission will no longer be able to investigate state aid issues taking the form of favourable tax treatments. International obligations such as those agreed in the framework of the OCED action plan against base erosion and profit shifting (BEPS) will still apply.

What are the implications of Brexit for competition policy?

When the United Kingdom withdraws from the European Union, it will not have to comply with EU competition law and EU state aid rules any longer. The Competition and Markets Authority will be in charge of applying and enforcing competition policy in the UK.