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## City of London delegation to press Brussels for free-trade deal

Hoban heads business group with blueprint for post-Brexit pact on financial services



Patrick Jenkins, Financial Editor

**A City of London delegation will head to Brussels this week with a secret blueprint for a post-Brexit free trade deal on financial services, as concern mounts about the damage facing employers if they are forced to move operations to the continent. The initiative, led by Mark Hoban, the former City minister, is independent of government but has the unofficial support of senior figures in Whitehall, according to three people close to the project.**

Financial services companies have long used London as an EU hub, relying on the “passporting” principle in single market legislation to sell their services cross-border from the City. Business leaders are nervous that the March 2019 deadline for the UK’s departure from the EU will come before a credible deal has been struck to retain easy access to EU markets. Banks in particular fear they may have to move thousands of staff to financial

centres such as Frankfurt and Dublin. Barclays has become the latest institution to move ahead with plans to shift some operations to the Irish capital.

**The City proposal is an example of how financial services are fearful of leaving their fate in the hands of official UK negotiators** while talks are focused on narrow, divorce-related issues and Theresa May's government has reasserted its goal of a hard Brexit involving leaving the EU single market. Europe eyes Brexit bank bonanza.

**The City delegation, which has already received *cautious support* from German officials** during a recent trip to Berlin, will be hoping to convince countries such as Spain and France of the merits of their plan, which could influence the European Commission during talks with the UK government's Brexit negotiators. In one of the most detailed estimates of what it would cost banks if Britain crashed out of the EU with no mutual market access, research for the Association of Financial Markets in Europe found that UK-based lenders would face €15bn of restructuring expenses and up to €40bn of extra tier one capital requirements.

The initiative is led by Mark Hoban, the former City minister. The City move also comes as the Financial Conduct Authority said the UK's financial watchdog was already being excluded from certain discussions with its European counterparts as the UK moves closer to Brexit. But Michel Barnier, the EU's chief negotiator, has said there should be specific arrangements in the withdrawal deal with the City, which provides three-quarters of EU hedging activities and foreign exchange, and half its lending and securities transactions. Brussels, however, is unwilling to discuss the future relationship with the UK until "sufficient" progress is made over the divorce. While such a deal could represent a favourable outcome for the UK, senior City figures believe Mr Hoban's free-trade plan will make a credible blueprint for government negotiations.

The plan is based on the principle of "mutual access" — allowing financial groups from the UK and the remaining 27 members of the EU to operate in each other's markets without barriers if the UK leaves the single market. It would also involve shared regulatory supervision and joint dispute resolution. Two people familiar with the plan said a "break clause" would allow either side to suspend the arrangement in certain extreme circumstances. Precise details of the plan are closely guarded, given the political sensitivity of government negotiations.

Mr Hoban, who heads the little-known International Regulatory Strategy Group, itself backed by the City of London Corporation and The CityUK, a financial services lobby group, has spent months working on the free-trade blueprint, advised by lawyers at Hogan

**Lovells**. In January, the law firm and the IRSG wrote a report on arrangements that the EU operates with “third countries” and “alternatives to passporting”. Mr Hoban has liaised closely with officials in the Treasury, led by Katharine Braddick. Senior figures in David Davis’s Brexit department and in Number 10 are also supportive, according to people briefed on the plan. The IRSG and Hogan Lovells both declined to comment.

*Additional reporting by Barney Thompson, Martin Arnold and Caroline Binham in London*