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Speech of Gérard Rameix, AMF Chairman - Chatham House Conference on 'Global Capital Markets' - 23 March 2017

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Good afternoon, ladies and gentlemen.

I am honoured to have been invited to speak to you today about the post-Brexit landscape for financial services.

We are living in uncertain and difficult times. Before all, I would like to express our sincere and profound solidarity with the UK in the wake of yesterday's horrifying attacks.

Coming back to our topic today: tough political and technical challenges lie ahead.

First of all, as a continental regulator and a European by conviction, frankly speaking Brexit is not good news.

EU regulators are losing a key partner at the European Securities and Markets Authority, ESMA. From my own experience, cooperation amongst the EU28 regulators within ESMA has worked very well. The UK regulator has contributed constructively to the common work and has been a Member State we could count on.

Most European regulation has been adopted with input from and in agreement with the UK authorities. In particular, tribute can be paid to the Financial Conduct Authority's teams for

their commendable contribution over the years to the common work we completed altogether in the field of financial services.

Now the British government has made it clear that it wants hard Brexit and a full exit from the European Union and its Single Market. We have to acknowledge this decision and respect it.

Against this backdrop, the priority for the EU and the 27 remaining Member States is to go forward, even if the UK is no longer part of the team.

I hear a lot of strong language here and there: talk of threats, fears of "punishment"; of course this is a far cry from what is in mind. It is in our common interest to maintain constructive relations and find positive solutions to the situation brought about by the British referendum.

The EU must carry on and function efficiently, and it most certainly cannot end up being damaged by this political choice.

Well before pondering how to shape the new relationship between the UK and the EU, it is crucial for the Union to refocus on its core objectives and to pursue the development of the Single Market. The EU27 must maintain their capacity to work together and take this opportunity to push EU development forward.

In the field of financial services, we need to go ahead with the completion of an effective Capital Markets Union. The Commission is currently assessing the progress made by its CMU plan at mid-term: some progress has undoubtedly been made and efforts now need to be continued to deepen CMU and to enable better allocation of savings and more effective financing of the real economy.

It is also the opportunity to optimize the legislative decision making process, to increase efficiency and agility at EU level.

There is not a shadow of doubt that the City of London will remain a key player in the financial services sector.

Today, links are strong between the economic actors operating from the UK and those based on the continent and in Ireland; and a significant proportion of financial operations are done cross-border, thanks to the Single Market and the European passport.

Furthermore, what the financial industry, ties between the UK and the EU, and indeed, activity therein will look like after Brexit, remains an unknown.

However, clearly much will depend upon how regulation evolves in the UK. Whether and to what degree this differs from the European regulatory framework. In any case, this will be pivotal to the shaping of future EU/UK relations.

In due course, this new post-Brexit relationship will need to be structured – and it will not be a straightforward exercise.

The ensuing negotiation will encounter complexities in all fields, and especially so in the financial services sector, where the UK plays a key position.

Europe's economic efficiency will be a concern for us all. We must be wary to avoid fragmentation and to preserve financial stability as well as to ensure proper investor protection.

In any case, EU players must not find themselves at a disadvantage within this future relationship. A paradoxical outcome must be avoided, where economic actors based on the continent and in Ireland, find themselves in an environment of unfair competition.

Brexit is an unprecedented situation. And it will certainly require major adjustments.

Financial services EU legislation will probably have to be adapted to take the political landscape and the new European dimension into account.

Notably, existing third country regimes in the various financial regulations were defined at the time for other EU partners and would, in my view, not be appropriate for the UK. Indeed, the UK will become a very particular third country on its departure from the EU, considering the importance and size of its financial markets, its location and its historical relationship with EU Member States.

The application of such a regime to the UK would therefore be inappropriate and would either paradoxically leave the EU and its economic players at a disadvantage, or create so many uncertainties that nobody in the UK would benefit.

Thus the third country regime must be carefully re-assessed within the Brexit context. This would require a more granular assessment of the equivalence criteria ab initio than the present outcome-based approach. It would also require ongoing monitoring of compliance with the equivalence decision, not to mention supervisory arrangements.

Furthermore, as EU regulators, we must retain the ability to supervise activities that impact EU financial markets, even if such activities are undertaken by firms outside the EU. Hence we must consider carefully at EU level the tools needed to ensure the proper monitoring of our markets, of the activities and actors that impact them, as well as of the entry points for such activities and actors to the EU market.

It is also particularly important to ensure a high level of supervisory convergence, notably regarding the conditions in which delegation and outsourcing can be put in place in the Brexit context.

Another key topic is data, and more precisely access to data. EU supervisors must retain the ability to perform their market surveillance mission efficiently; hence cooperation between the FCA and the EU national competent authorities must continue, to preserve the same level of data flows exchanged today.

Overall, the EU must adequately manage the risks for financial stability, market integrity and investor protection, which may arise from activities provided from outside the Union.

A crucial issue is euro-clearing.

Euro-area financial stability is of paramount importance. Hence to have the bulk of euro-denominated contracts cleared in London raises concerns. Access to central bank liquidity, for UK-based major players in euro-denominated instruments, is an issue that will have to be addressed. We therefore tend to consider that the clearing of such instruments, which plays a systemic role in the European financial system, should come under the supervision of EU regulators, in order to allow them to address the risks inherent to this specific field of activities.

Last but not least, Europe as a whole must remain globally competitive.

In a funding pool that may become more fragmented, we must all make particular efforts to maintain the efficiency of our financial markets. Financing costs for issuers, as well as transaction costs for investors, must be contained if we are to avoid a flight of business to non-European competing financial centers. To address these risks, the EU must make its markets all the more efficient and frictionless, and build a clear relationship with firms based in the UK.

In sum, after the UK's departure, the EU will work harder than ever to develop its financial markets and ensure its voice is heard clearly in the global regulatory debate.

At the beginning of my speech, I alluded to a number of challenges or obstacles that lie ahead: water is one that both Great Britain and continental Europeans have had to live with

over the centuries. And of late, there has been much talk of post-Brexit cliff edges. As we all know, there are cliffs on both sides of the Channel. These are hazards to which those on both sides could fall foul, and, so-to-speak, get wet feet. However the Channel is not going to get any wider because of the UK's Brexit decision and if anything, our commercial ties must remain strong in spite of last June's historic decision.

Our work is cut out, and it is up to us all to dauntlessly ensure an outcome that is as durably workable, as it is satisfactory for all parties.

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