

Title: European Union (Withdrawal) Act – Financial Services Statutory Instruments (IV) IA No: RPC-4330(2)-HMT RPC Reference No: RPC-4330(2)-HMT Lead department or agency: HM Treasury Other departments or agencies: Department for Exiting the European Union	Impact Assessment (IA)
	Date: 07/02/2019
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary Legislation
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Summary: Intervention and Options	RPC Opinion: GREEN
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Cost of Preferred (or more likely) Option (£m) (in 2016 prices)				
Total Net Present Value	Business Net Present Value	Net cost to business per year	One-In, Three-Out	Business Impact Target Status
Unknown: likely significant	Unknown: likely significant	Unknown: likely significant	Not in scope	Non qualifying provision

What is the problem under consideration? Why is government intervention necessary?

These Statutory Instruments (SIs) form part of the wider work the government is undertaking to ensure that there will be a functioning financial services regulatory regime at the point where the UK leaves the EU, in any scenario. They are made using powers under the EU (Withdrawal) Act 2018 to prevent, remedy or mitigate any failure of retained EU law to operate effectively after the UK leaves the EU. The UK and EU have agreed the terms of an implementation period that will start on 29 March 2019 and last until 31 December 2020. However, the government has a duty to plan for all scenarios. Together with the other financial services SIs, these SIs would ensure that a functioning and stable financial services regulatory regime is in place at the point of exit on 29 March 2019, in any scenario, including in a scenario in which there is no deal in place and the UK leaves the EU without an implementation period.

What are the policy objectives and the intended effects?

These SIs are not intended to make policy changes, other than to ensure a functioning financial services framework and to provide for a smooth transition in the event that the UK leaves the EU without an implementation period being in place. The government's objectives in laying these SIs are:

- Having a functioning legislative and regulatory regime in place, in particular the financial services regulators' capability to fulfil their statutory objectives as set out in the Financial Services and Markets Act 2000 (FSMA);
- Enabling regulators and firms to be ready – by minimising disruption and avoiding material unintended consequences for the continuity of service provision to UK customers, investors and the market;
- Protecting the existing rights of UK consumers;
- Ensuring financial stability.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

As noted in the EU (Withdrawal) Bill Impact Assessment, 'the Government does not consider that there are alternative ways to prepare the domestic statute book for our exit from the European Union within the timetable dictated by the Article 50 process.' The policy positions presented in these SIs are the result of systematically applying the principles set out above to deficiencies or inoperable provisions in the statute book.

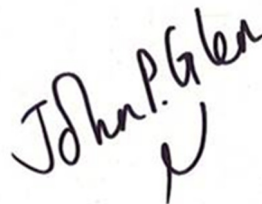
The powers in the EU (Withdrawal) Act 2018 are limited to fixing deficiencies, and cannot be used to develop new policy beyond what is appropriate to address the deficiencies. The aim is to limit the disruption to and burden on firms by maintaining the status quo as far as possible. Most of the changes to retained EU law made by these SIs will not come into effect in March 2019 if the UK enters an implementation period.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** N/A

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date:

07/02/2019

Summary: Analysis & Evidence

Policy Option 1

Description: Proceed with secondary legislation to fix deficiencies in retained EU law relating to financial services.

FULL ECONOMIC ASSESSMENT

Price Base Year NA	PV Base Year NA	Time Period Years -	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: -

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant	Total Cost (Present Value)
Low	-	-	-
High	-	-	-
Best Estimate	Unknown: likely significant	Unknown: likely significant	Unknown: likely significant

Description and scale of key monetised costs by ‘main affected groups’

The costs incurred by businesses as a result of these SIs are set out in the categories below. Since these SIs aim to broadly preserve the status quo in financial services (FS) regulation, quantifiable costs on business that are directly attributable to these SIs are marginal compared to overall costs arising from the UK leaving the EU and mainly consist of familiarisation costs. On the whole, none of the SIs present substantial familiarisation costs, however they have been monetised using a standardised methodology.

Other key non-monetised costs by ‘main affected groups’

While the majority of direct costs on business fall under the familiarisation costs category, there will be a limited set of other business costs linked to business operations that will be introduced by these SIs. These other business costs may include transition costs, such as changes to business processes, and reporting requirements. Given the wide range of firms affected by these changes, the differences in their size and the activities they undertake, and the interactions between these SIs and other legislation and regulator rules, some not yet finalised at the time of publication, it has not been possible to monetise these costs.

In addition, these SIs include a temporary transitional power for the financial services regulators that they could use to phase in any changes to the UK regulatory regime resulting from the UK leaving the EU, which could reduce the costs on business of adjusting to the new regulatory regime. It is not possible to monetise an estimate of the impact of this, as the regulators will have discretion as to how they exercise these powers.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant	Total Benefit (Present Value)
Low			
High			
Best Estimate	Significant	significant	significant

Description and scale of key monetised benefits by ‘main affected groups’

N/A

Other key non-monetised benefits by ‘main affected groups’

These SIs (when taken together with the rest of the FS onshoring SIs, and subsequent changes to FS regulator rules and associated legislation) help ensure that there will be a functioning financial services regulatory regime at the point where the UK leaves the EU, in any scenario. They also take action to avoid businesses facing a regulatory cliff-edge. Without these SIs, financial services firms would face much greater costs, and far greater uncertainty.

Key assumptions/sensitivities/risks

Discount

3.5

A number of assumptions and limitations frame our analysis, these are detailed in section III.1. Further assumptions relating to the quantification of familiarisation costs for these SIs can be found in Annex A.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual)			Score for Business Impact Target (qualifying provisions only) £m:
Costs:	Benefits:	Net:	
Unknown: likely significant	significant	Unknown: likely significant	N/A

Evidence Base (for summary sheets)

Impact Assessment of Financial Services Statutory Instruments – European Union (Withdrawal) Act 2018

This Impact Assessment is one of a set of Impact Assessments covering Financial Services Statutory Instruments under the European Union (Withdrawal) Act 2018 (EUWA). It sets out the background to the EUWA and the context for financial services, the overall approach taken by HM Treasury to ‘onshoring’ legislation through secondary legislation under the EUWA, the approach taken to assessing the costs and benefits of this legislation, and provides an assessment of the impact of 6 statutory instruments:

- Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019
- Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019
- Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019
- The Benchmarks (Amendment) (EU Exit) Regulations 2019
- The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019
- The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019

This is the final stage Impact Assessment on these SIs. THM Treasury has not undertaken a formal consultation on this legislation, and therefore no Consultation Stage Impact Assessment was prepared.

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I. Overview: the EUWA and Financial Services

1. The Financial Services (FS) industry is highly important to the UK economy: in 2017, it contributed a total £130bn in gross value added (GVA) to the UK economy, 7.1% of the UK’s total GVA.¹ Furthermore, a large amount of FS activity happens across borders, and trade between the UK and the rest of the EU represents an important element of this: in 2016, the UK exported £79bn of FS (including insurance & pension funding) in total worldwide, of which £29bn went to the EU (36%).²
2. In the context of the UK’s withdrawal from the EU, the government recognises that it is important to ensure continuity of the FS regulatory framework. The EUWA repeals the European Communities Act 1972, and converts into UK domestic law the existing body of directly applicable EU law (including EU Regulations). It also preserves UK laws made to implement our EU obligations – e.g. legislation implementing EU Directives. This body of law is referred to as “retained EU law”.
3. The EUWA also gives Ministers powers to prevent, remedy or mitigate any failure of EU law to operate effectively, or any other deficiency in retained EU law, through Statutory Instruments (SIs). We sometimes refer to these contingency preparations for financial services legislation as ‘onshoring’.
4. These SIs are not intended to make policy changes, other than to ensure a smooth transition when the UK leaves the EU, or to reflect the UK’s new position outside the EU. The scope of the power in the EUWA is drafted to reflect this purpose, and subject to further restrictions, such as the inability to use the power to impose or increase taxation or fees, or establish a public authority.

¹ ‘UK GVA(O) low level aggregates’, Office for National Statistics, July 2018 (Current prices)

² Geographical breakdown of the current account, The Pink Book, ONS, July 2018

5. However, in some cases, adequately addressing a deficiency does require policy changes to be made: for example, where supervisory functions are currently carried out by EU bodies who will not have jurisdiction in the UK after exit, it is necessary to give a UK body responsibility for these functions. This would mean that UK firms may be supervised by a different body after exit, and there will be costs associated with that transfer, but the scope of the supervision, and the way that they are required to engage with supervisors, would be maintained as far as possible.
6. The power under the EUWA is also time-limited: it can only be used for 2 years after exit day. However, any secondary legislation made using the powers is not time-limited (unless it specifically includes provision to that effect) and will remain in place after the end of that 2 year period.

1. The implementation period and contingency planning for a “no deal” exit

7. The UK and EU negotiating teams have reached agreement on the terms of an implementation period that will start on 29 March 2019 and last until 31 December 2020. Therefore, should a deal be approved, the implementation period would provide time to introduce the new arrangements that underpin our future relationship, and provide valuable certainty for businesses and individuals. During the implementation period, common rules would continue to apply, and the UK would continue to implement new EU law that comes into effect. This would mean that access to each other’s markets would continue on current terms, and businesses, including financial services firms, would be able to trade on the same terms as now until the end of 2020.
8. However, the government has a duty to plan for all eventualities, including a ‘no deal’ scenario. The government is clear that this scenario is in neither the UK’s nor the EU’s interest.
9. To prepare for the possibility of leaving the EU on 29 March 2019 without an implementation period, HM Treasury is using the powers in the EUWA to bring forward legislation (including the SIs covered by this impact assessment) to ensure that the UK continues to have a functioning financial services regulatory regime, by fixing any deficiencies in financial services legislation to ensure that it continues to operate effectively when the UK is outside the EU.
10. These SIs have been prepared solely for a “no deal” scenario. They will not take effect in March 2019 if an implementation period is in place.
11. Some or all of these SIs may come into effect at the end of an implementation period, amended as necessary to reflect the UK’s position at that point, including our future relationship with the EU, and to reflect any developments in EU law during the implementation period.
12. In the event that there is an implementation period and these SIs, or some amended version of them, comes into effect at the end of an implementation period, HM Treasury will prepare an impact assessment that considers the impact of the SIs, as amended, and in the specific scenario that is applicable at that point in time.
13. A small number of provisions in the overall package of HM Treasury’s onshoring SIs come into effect before 29 March 2019. These are provisions which allow the regulators to make the necessary preparations, but they are also specifically designed to prepare for a “no deal” scenario. Where SIs contain these provisions it is summarised in annex B.

2. Context for Financial Services

14. A significant proportion of existing UK FS legislation is currently derived from the EU. There are over 200 pieces of EU legislation that relate to FS, as well over 280 pieces of UK secondary legislation and

24 pieces of UK primary legislation. This Impact Assessment covers 6 SIs that address deficiencies in UK law and retained EU law relating to financial services regulation that arise from the UK leaving the EU.

15. Consistent with the enabling powers in the EUWA which only extend to correcting deficiencies, these SIs are not intended to make policy changes other than to ensure the UK's regulatory framework continues to operate effectively when the UK leaves the EU. In making these SIs, EU-derived laws and rules that are in place in the UK will continue to apply, as far as is practicable. The UK financial services framework on exit day will not deviate from the pre-exit framework other than to ensure a functioning regime.
16. The impact of these SIs on business is best understood when considering them as a package of interlinked reforms. Each SI contributes to the overall objective of ensuring that there is legal certainty and a functioning regulatory regime at the point of exit, but their effectiveness is dependent on other EU Exit-related SIs.
17. In addition to these SIs, there will be amendments to the financial services regulators' rulebooks, and to the EU-derived technical standards.⁵ These changes will be made by the regulators, and many of these changes will be consequential to HM Treasury's SIs. Rules made through these sub-delegated powers will be subject to broadly the same constraints as HM Treasury's use of the EUWA's powers, as well as additional mechanisms to ensure robust HM Treasury oversight. The regulators have been consulting on these rule changes since Autumn 2018.
18. There will also be changes to other relevant legislation that is not made by HM Treasury and is not specific to the financial services sector, but will have an impact on it. This includes, for example, changes to law dealing with insolvency law, data sharing and data protection, and accounting standards.

II. Approach

1. Principles of onshoring

19. Section 8 of the EUWA gives Ministers powers to make regulations to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law arising from the UK leaving the EU.
20. Examples of deficiencies in financial services legislation include:
 - Functions that are currently carried out by EU authorities and would no longer apply to the UK (for example, supervision of trade repositories, which HM Treasury proposes to transfer to the Financial Conduct Authority);
 - Provisions in retained EU law that would become redundant (for example, references to Member States, and European Consumer Credit Information);
 - Provisions that would be inconsistent with ensuring a functioning regulatory framework – for example, requirements regarding automatic recognition by a UK body of an act of an EU body where alternative arrangements for cooperating with EU bodies would be more appropriate;

⁵ EU-derived technical standards are a type of EU legislation that sets out the technical details of how requirements set in the parent legislation are to be met.

- Provisions requiring participation in EU institutions, bodies, offices and agencies (for example, joint decision making in supervisory and resolution colleges) which would no longer work after the UK leaves the EU.
21. If the UK were to leave the EU without a deal, the UK would be outside the EU's framework for financial services with no alternative bespoke arrangements in place. The UK's position in relation to the EU would be determined by the default Member State and EU rules that apply to third countries at the relevant time. The European Commission has confirmed that this would be the case.⁶
22. In light of this, our approach in this scenario cannot and does not rely on any new, specific arrangements being in place between the UK and the EU. As a general principle the UK would also need to default to treating EU Member States (and EEA states) largely as it does other third (non-EEA) countries. However, HM Treasury recognises that in some areas, given the complex and highly integrated nature of the EU financial services system, deficiencies would not be adequately resolved by defaulting to existing third country frameworks alone. In such cases, we might need to take a different approach to manage the transition to a stand-alone UK regime. HM Treasury has identified several principles that would justify taking a different approach, and has worked closely with the financial services regulators to analyse and determine the appropriate approach for each SI:
- Having a functioning legislative and regulatory regime in place, in particular the regulators' capability to fulfil their statutory objectives as set out in the Financial Services and Markets Act 2000 (FSMA);
 - Enabling regulators and firms to be ready – by minimising disruption and avoiding material unintended consequences for the continuity of service provision to UK customers, investors and the market;
 - Protecting the existing rights of UK consumers;
 - Ensuring financial stability.
23. Wherever practicable, our approach is that the same laws and rules that are currently in place in the UK will continue to apply at the point of exit, providing continuity and certainty as we leave the EU. However, some changes would be required to reflect the UK's new position outside the EU and with no new special arrangements in place, in the event of a 'no deal' scenario. These changes would not take effect in 29 March 2019 if, as is the government's priority, we leave the EU with a deal and enter an implementation period.
24. This general approach was already reviewed by the RPC in its assessment of the Withdrawal Bill Impact Assessment⁷.
25. The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 grant temporary powers to the Bank of England, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to make transitional provision waiving or modifying changes to firms' regulatory obligations where those obligations have changed as a result of onshoring financial services legislation – including in relation to all the SIs included in this impact assessment, and the other financial services EU Exit SIs covered in other impact assessments. For example, the power could be used to delay the application of onshoring changes. The power will enable transitional provisions to be made in response to changes to the regulators' own rules, onshored EU regulations (that will form part of retained EU law) and EU-derived domestic primary and secondary legislation.

⁶ European Commission notice: https://ec.europa.eu/info/publications/180208-notices-stakeholders-withdrawal-uk-banking-and-finance_en

⁷ RPC opinion: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675290/rpc-4105_1_-_dexeu-eu-withdrawal-bill-opinion.pdf

The power could be used to grant transitional relief in respect of any existing regulatory requirements that would otherwise apply for the first time on exit day to a particular category of firm, for example firms in the temporary regimes referred to above.

26. Transitional relief could be granted to particular firms, classes of firms, or all firms to which a particular onshoring change applies, including firms that have entered into one of the transitional regimes referred to above. Firms would not need to apply for transitional relief in order to benefit from it. Rather, the regulators will issue “directions” that set out the terms of the proposed transitional relief, which would be published on the regulators’ websites. It will be within the regulators’ discretion how to exercise this power. Further detail about the transitional power is given in the section on the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019.

Regulatory rules and guidance

27. The financial services regulators provide a range of information and guidance to firms and consumers, including on preparing for the UK leaving the EU.⁹ The regulators will continue to provide guidance and information to firms as appropriate in the lead up to and beyond exit day, in line with their statutory objectives. This will include guidance on complying with the onshored regime.

2. Alternatives to onshoring

28. As noted in the European Union (Withdrawal) Bill Impact Assessment, ‘the Government does not consider that there are alternative ways to prepare the domestic statute book for our exit from the European Union within the timetable dictated by the Article 50 process.’¹⁰ The policy positions presented in these SIs are the result of systematically applying the principles set out above to deficiencies in the statute book.
29. The powers in the EUWA are limited to fixing deficiencies, and cannot be used to develop new policy beyond what is appropriate to address the deficiencies. The aim is to limit the disruption to and burden on firms by broadly maintaining the status quo. Therefore, the only conceivable alternative to laying these SIs would be to do nothing, and leave the statute book unchanged.
30. Generally, fixing deficiencies does not involve different policy options. However, there are a limited number of instances where there may be more than one equally valid way of fixing a deficiency. For example, if powers are being transferred from an EU body to a UK body, there may be a choice of which body it is transferred to. Where provisions are currently EEA-wide in scope, it may be feasible to change the scope in one of two different ways so that the framework is not deficient after exit: the scope could be reduced to cover the UK only, or it could be widened to include “third countries”.
31. Where this is the case, HM Treasury has made the decision on which policy approach to take with reference to the onshoring principles set out above: i.e. it has chosen the option that will best ensure a functioning regime where regulators are able to fulfil their statutory responsibilities, that will minimise disruption and promote continuity of service provision, protect UK consumers existing rights, and protect the UK’s financial stability.

⁹ An example of information provided by regulators: FCA, ‘Preparing your firm for Brexit’ (<https://www.fca.org.uk/firms/preparing-for-brexit>)

¹⁰ EU Withdrawal Bill Impact Assessment:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/628004/2017-07-12_repeal_bill_impact_assessment_1.pdf

3. Do nothing

32. If the EUWA came into force but these SIs were not made then the EUWA would transfer EU law at the point of exit into the UK statute book, but it would not be appropriately amended to address deficiencies. Following the UK's exit, that law would, in many areas, fail to operate effectively or otherwise be deficient. Examples of this include:
- The scope of EU regulations is generally defined with reference to the EU and/or its Member States. Once the UK is no longer a Member State, it would no longer be within scope of the legislation leaving uncertainty about the regulatory requirements that apply to UK firms.
 - UK Credit Ratings Agencies and Trade Repositories, which are currently supervised by EU regulators, would fall out of the EU supervisory framework, but no UK body would have powers to supervise them. This would leave these entities unregulated, causing financial stability risks.
 - EU firms and funds could continue to access the UK market, but the UK would no longer be part of the EU regulatory framework that they were operating under. UK regulators' powers to supervise them would be limited.
 - UK regulators would not be able to recognise third country central counterparties or central securities depositories, as these are currently recognised by EU regulators. These entities would lose access to UK markets, with significant impacts for their business and their customers.
33. These deficiencies, if not addressed, would mean that the UK legislative framework would no longer be functional. This could generate legal uncertainty for financial firms' ability to conduct business and affect the UK authorities' ability to effectively regulate and oversee the financial services sector. This could pose financial stability risks from Exit, with potential wider economic impacts (such as reduction in the availability of credit or effects on interest rates) that would have a broader impact on UK businesses.
34. These SIs are laid to avoid these and other possible adverse impacts, and ensure that there is a sound regulatory system, which will follow broadly the same rules and standards as now. If we left the EU without an agreement, but took no further action to prepare our domestic statute book, we would have an incomplete and incoherent legal system for financial services.
35. As set out above, the financial services industry is highly important to the UK economy, and the cost of 'doing nothing' both to business directly, and the UK economy as a whole, would far outweigh the costs that business will incur as a direct consequence of these SIs. 'Doing nothing' clearly goes against the government's commitment to prepare for all eventualities and provide business with clarity and certainty as they plan their response to EU exit. It is therefore essential that the appropriate adjustments to legislation are made before we have left the EU.

4. Choice of baseline

36. This Impact Assessment baselines against the UK statute book as it is expected to be before the UK leaves the EU in March 2019. Therefore, the assessment considers what the marginal impact on business will be of the changes made in the SIs to fix deficiencies in the existing legislation. For example, where a supervisory function is currently carried out at EU level, and is being transferred to a UK regulator by these SIs, the relevant impact is the marginal impact of the change of regulator – not the full cost of UK regulation.
37. The impacts presented for each SI are measured against a scenario where all other financial services legislation would function as intended on exit day. This makes it possible to consider the incremental

impact of an individual SI on businesses. This IA does not consider the broader impact of the UK's departure from the EU.

38. This Impact Assessment provides an analysis of known costs that businesses will incur as a result of these SIs. Where possible, these costs have been quantified. However, these SIs represent only part of the picture for business impacts. In order to understand the full impact of the regulatory changes that will take place, it is necessary to consider these SIs alongside the rest of the set of financial services onshoring SIs, amendments to the regulators' rulebooks reflecting these SIs, the changes to EU binding technical standards made by regulators, and SIs amending other related legislation that is not specific to financial services.

5. Scope

39. This Impact Assessment measures primarily the impact on UK-based businesses of the changes to legislation resulting from these SIs. As for certain SIs the regulatory impacts stretch to EEA firms that have a branch in the UK, these firms have also been included. The Impact Assessment makes clear where figures refer to UK firms, or to UK and EEA firms.
40. In addition to measuring business impact, this Impact Assessment describes the impact of the onshoring SIs on the UK financial regulators, the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), and the Bank of England.

III. Assessment

1. Assumptions and limitations

41. As set out above, these SIs have been designed for a “no deal” scenario and this Impact Assessment considers them only from that point of view. If any of the legislation comes into effect at a later date following an implementation period, then HM Treasury will complete new Impact Assessments considering their impact in that scenario.
42. A number of assumptions and limitations frame our analysis.:
43. First, the impacts analysed in this document are limited to those that stem directly from these SIs. As explained above, in order to understand the impact on business, these SIs need to be considered alongside all other financial services SIs made under the EUWA, consequential amendments to the regulators’ rulebooks, amendments to existing EU technical standards to address deficiencies, and amendments to other related legislation – not all of which had been finalised at the time this Impact Assessment was being prepared.
44. While HM Treasury continues to engage with stakeholders within the financial services industry on the changes being made by these SIs and their impact, time constraints have meant that industry engagement has proceeded largely on an SI by SI basis, and it has not been possible to share the full package of onshoring SIs, along with accompanying regulator rule changes, with industry in parallel – meaning it has not been possible to discuss the impact of the full package of changes with firms as this impact assessment was being produced, and has therefore not been possible to produce a monetised estimate of their full impact at this stage.
45. There are complex interdependencies between these SIs and the changes they make. For example, firms entering into a Temporary Permissions Regime for inbound EEA passporting firms may become subject to the Prudential Regulation Authority’s (PRA) rules, and be affected by changes made in the legislation addressing deficiencies in other SIs. These interdependencies make it difficult to separate the effects of different SIs, and to give an assessment of the numbers of firms affected and exactly how they will be affected. In addition to these SIs, there will be amendments to the financial services regulators’ rulebooks, and to the EU-derived technical standards.⁵
46. Firms will want to consider the full package of SIs, along with the associated changes to regulator rules, when making changes to business processes, for example deciding what changes to IT systems are required.
47. Secondly, since these SIs are designed only for a “no deal” scenario, the practical impact of these SIs on affected businesses will be significantly influenced by wider factors and, for example, decisions made by the UK and EU in the event of that scenario materialising. Different scenarios and responses could change how firms must respond to the changes made by these SIs.
48. Finally, the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 provide the financial services regulators with temporary transition powers to phase in any onshoring changes. Where the powers are used, this could reduce the costs for business of adjusting to the onshoring changes. Use of these powers is at the discretion of the regulators and therefore it cannot be directly factored into this impact assessment.

⁵ EU-derived technical standards are a type of EU legislation that sets out the technical details of how requirements set in the parent legislation are to be met.

49. For these reasons, in many instances it has not been possible to quantify costs with precision or by estimation. Where this is the case, an explanation has been provided as to why it has not been possible at this stage.
50. Given these limitations, HM Treasury recognises that this impact assessment is not able to fully quantify the potential impact of these SIs on industry. It undertakes that, if the UK were to leave the EU without a deal and therefore these SIs did come into effect in March 2019, it will at the appropriate time complete further analysis considering all of the relevant SIs as a package, once some of the limitations described above are no longer relevant. This would also allow for further stakeholder engagement.
51. A number of these SIs contain temporary transitional arrangements that are designed to allow firms to adapt to the changes made by the UK leaving the EU in a smooth way, rather than facing an immediate change at the point of exit. The SIs specify the length of these temporary arrangements, and in many cases allow HM Treasury to extend these temporary arrangements if necessary.
52. Given this, we have considered what the appropriate appraisal period is for these SIs. However, for most of the SIs covered, only particular parts of the SIs are temporary: each of them also contains provisions with indefinite effect and this is the majority of the content. For this reason, we have concluded that the standard 10 year appraisal period is appropriate.
53. The one exception to this is the Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019, which does not include any provisions with indefinite effect, but implements a transitional regime of variable length depending on the firm affected (see paragraphs 110 - 114). The potential length of the regime could vary from 5-18 years with an option for HM Treasury to extend further. We have considered other appraisal periods, but have concluded that the standard 10 year appraisal period to also be appropriate for this SI.
54. There are further specific assumptions and limitations which pertain to individual SIs. These limitations are detailed in the relevant sections covering each SI.

2. Benefits to business

55. The purpose of these SIs (when taken together with the rest of the FS onshoring SIs, and subsequent changes to FS regulator rules and associated legislation) is to ensure that there will be a functioning financial services regulatory regime at the point where the UK leaves the EU, in any scenario, including where no deal is agreed. They also take action to avoid businesses facing a regulatory cliff-edge.
56. The Impact Assessment for the EUWA set out that the impact of not proceeding with this legislation would be that the UK statute book would no longer function correctly, and this would cause widespread and severe confusion for business, government and wider society.
57. Without these SIs, financial services firms would face much greater costs, and far greater uncertainty. UK legislation would be defective: meaning legislation would at times be contradictory, its scope would be unclear, and the requirements that apply to UK firms would be unclear. This could lead to firms to stop certain activities, to seek costly legal advice on their responsibilities due to the legal ambiguities that would exist, or potentially expose them to legal risks that could mean they incur costs (for example if they continued an activity which they were no longer permitted to do, or failed to alert customers to important changes). As set out in section II (3) 'Do nothing', the impact of not proceeding with this legislation would be to have a defective legislative and regulatory

framework for financial services when the UK leaves the EU. Therefore, the benefits of these SIs to directly affected firms, wider UK business and the UK economy as a whole, are highly significant.

58. In addition to the general benefit to firms from a functioning regulatory regime, these SIs put in place provisions which will be of specific benefit to firms, as the act to smooth the transition to the post-EU regulatory regime, reducing or eliminating cliff-edge risks, and costs to firms. Examples of these benefits are as follows; further benefits are detailed by SI in section IV below.
- The Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019 will ensure that prospectuses approved and passported into the UK before exit day by other national competent authorities will remain valid in the UK, meaning that re-approval by the FCA won't be required. This will also lead to less market disruption.
 - The Financial Services and Markets Act (Amendment) (EU Exit) Regulations 2019 introduce a number of transitional regimes, to benefit firms entering the Temporary Permissions Regime, as they enter the UK regulatory regime.
59. Further benefits are detailed by SI in section IV below.

3. Costs to business

60. The costs incurred by businesses as a result of these SIs are set out fall into the categories set out below.

Familiarisation costs

61. These SIs are not intended to make any substantial changes to the legislative framework beyond what is appropriate to address any deficiencies. In a minority of cases, adequately addressing the deficiency does require more substantive changes for businesses, and where this is the case, the costs associated with that are set out in other categories. In the majority of cases however, fixing a deficiency does not substantively change the regulatory regime under which firms are operating, and therefore doesn't change the regulatory requirements of firms, or require them to make changes to their businesses processes. But such cases still give rise to a requirement for impacted businesses to familiarise themselves with the regulatory changes. On the whole, none of the SIs present substantial familiarisation costs. These should be one-off costs as the regulations introduced will not require ongoing updating or monitoring for changes from business.
62. As detailed in the limitations above, HM Treasury continues to engage regularly with the financial services industry on the changes being made by these SIs and their impact. This engagement, along with the publication of SIs in draft, will help mitigate the costs of disseminating regulatory updates to the impacted parties, by giving industry an understanding of the approach that has been taken, and how that will impact on their business.
63. One component of familiarisation costs is the cost of disseminating information about regulatory changes throughout a business. As the SIs under consideration do not make regulatory changes beyond what is appropriate to address deficiencies there will be limited information that needs to be disseminated beyond the businesses' internal EU Exit compliance and legal teams.
64. The familiarisation costs below are therefore not intended to cover any wider costs of disseminating information throughout the business (where necessary), or costs of further discussions with legal advisers following the initial legal advice. They also do not include the costs of implementing

changes to business processes following familiarisation. Such costs will be dependent on the nature of the firm in question, and the types of activities they undertake, and it has not been possible for HMT to undertake the level of engagement with firms required to estimate such costs in the time available.

65. Our methodology for quantifying familiarisation costs is presented in the Annex. Given the complex interdependencies between the whole package of financial services EU exit SIs (covered in this any other impact assessments) and the changes they make, it is likely that firms would have to seek legal advice on multiple SIs.

Table 1. Quantified Familiarisation costs by SI*

SI title	Familiarisation cost per firm (£) (2 significant figures)	Total familiarisation cost to all impacted firms (3) (2 significant figures)
Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019	1000	4,000,000
The Benchmarks (Amendment) (EU Exit) Regulations 2019	520	8,300
Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019	700	1,500,000 ³
Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019	170	510,000-680,000
The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019	1,900	110,000,000
The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019*	370	3,300,000

Other business costs

66. While the majority of direct costs to business fall under the familiarisation costs category, there will be a limited set of other business costs linked to business operations that will be introduced by these SIs. These will primarily be one-off costs to adapt to the changes introduced and include changes to business processes and reporting requirements (for example, reporting to a UK regulator when previously firms had reported to an EU regulator).
67. Unless specified below, these SIs do not give the regulators the power to charge additional fees, however, any firm that is UK authorised will be subject to regulator fees by virtue of that authorisation. Under FSMA, the regulators can adjust these fees to meet their funding needs, details of which are published in their yearly annual reports.
68. It has not been possible to quantify these costs, as these SIs need to be considered alongside all other financial services SIs made under the EUWA, consequential amendments to the regulators' rulebooks, amendments to existing EU technical standards to address deficiencies, and amendments to other related legislation – not all of which had been finalised at the time this Impact Assessment was being prepared.

³ This figure is based on the number of issuers currently listed (as of 16 November 2018). This figure should be considered the minimum number of issuers that will be impacted by this SI, as other firms such as advisors will also be impacted. However, it is not possible to quantify these further costs.

69. HM Treasury has considered whether suitable proxies exist that could be used to provide an estimate of these costs – for example by drawing on the impact assessments prepared when this legislation was introduced, where they are available. However, since these SIs generally make changes to the scope of this legislation, then these were not considered suitable proxies and have not been used here.

4. Impacts on the public sector

70. Besides business, the financial services regulators are the other key group impacted by these SIs, along with HM Treasury itself. Where the functioning of the regulatory regime relies on functions currently carried out by EU bodies (the European Commission and the European Supervisory Authorities), these functions will need to be transferred to an equivalent UK body (HM Treasury or the UK financial services regulators).

71. In most cases, the UK regulators are currently responsible for supervising UK regulated firms, so they will not need to take on entirely new regulatory regimes. However, the regulators will need to take on new functions, and make changes to their operations, resulting in costs. An example of this would be transferring responsibility for determining the discount rates (usually updated on a monthly basis) that insurance firms must use to value their liabilities from the European Insurance and Occupational Pensions Authority (EIOPA) to the PRA, so that discount rates reflect market conditions and ensure insurance liabilities are correctly valued.

72. Where these SIs transfer new functions to the regulators, HM Treasury proposes to follow the model outlined in the Financial Services and Markets Act 2000 and allocate functions to UK regulators in a way which is consistent with the responsibilities already conferred on them by Parliament, and the requirements the UK domestic framework, including the Better Regulation framework, places on regulators in relation to consultation and impact analysis, providing certainty and continuity for firms.

73. Where changes to the regulators' rulebooks, or to EU technical standards, are required as a result of leaving the EU, the regulators intend to consult on these changes wherever possible.

74. HM Treasury will also need to take on responsibilities for functions currently being carried out by the European Commission. For example, HM Treasury will take on the function of making equivalence determinations - determining whether a third country's regulatory and supervisory regime is equivalent to the UK's corresponding framework, providing a certain level of market access, or preferential regulatory treatment to the third country being assessed. Where these SIs transfer functions to HM Treasury these functions will be exercised through legislation, following the usual Parliamentary procedures for secondary legislation, unless otherwise specified below.

5. Indirect impacts

75. Where firms do face increased costs as a result of these changes, they may choose to pass on these costs to their customers, which will include other UK businesses. Since this impact is determined by firm behaviour and not a direct consequence of the SIs, it is not considered further in this Impact Assessment.

6. Post-Implementation Review

76. As set out above, this secondary legislation is being made under the EU (Withdrawal) Act, and follows the approach taken by the Act. As set out in the impact assessment on the EU Withdrawal

Bill, the Act disapplies the requirement for post-implementation reviews of the statutory instruments that are brought forward under the Act, given the unique set of circumstances. As set out in that IA, these SIs make corrections to existing laws, meaning any repeal or modification could leave the statute book deficient. In addition, the regulations are being made under a power that will cease to exist after two years and therefore the power would not be available to make any changes following a review.

77. This does not remove the general need to review and improve legislation, which HM Treasury remains committed to doing in due course and where appropriate; however, the need for, timing and nature of any such review would be dependent on the circumstances in which the UK leaves the EU.
78. These SIs are specifically intended to prepare for the possibility of the UK leaving the EU without a deal on 29 March 2019. HM Treasury recognises that at some point following that, there would need to be decisions about how financial services legislation is reviewed and updated in the future. That would be likely to include a review of the effectiveness of the existing financial services framework as introduced by these SIs.

IV. Assessment by SI

1. Summary table

The table below summarises the types of costs that we have identified firms will face as a result of these SIs. Where a type of cost is not indicated for a particular SI, it is because HM Treasury is of the view that costs of those type will not arise as a result of the SI.

The types of cost considered are:

- **Familiarisation costs** - impacted businesses will need to familiarise themselves with the legislation, in order to determine whether they need to make further changes as a result of the SI;
- **Transition costs** – impacted businesses will incur one-off transitional costs in order to comply with this legislation, e.g. costs of submitting a one-off notification to the UK regulator;
- **Changes to IT systems** – impacted businesses will need make changes to IT systems in order to comply with this legislation;
- **Changes to business processes** - impacted businesses will need to amend back office processes in order to comply with a new requirement caused by the legislation;
- **Changes to reporting requirements** - impacted businesses required to provide additional information to UK regulators as a consequence of this legislation;
- **Capital requirements changes** – the legislation changes the capital requirements for impacted businesses.
- **Other costs** – as described below for the SI in question

Table 3. Summary of anticipated costs by SI

	Familiarisation Costs	Transition Costs	Changes to IT Systems	Changes to Business Process	Changes to Reporting Requirements	Capital Requirements Change	Other Costs
Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019	X	X	X	X	X		X
The Benchmarks (Amendment) (EU Exit) Regulations 2019	X	X	X				
Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019	X	X	X	X			X
Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019	X			X			
The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019	X	X	X				
The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019	X						

2. Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019

Background

79. When an issuer (a legal entity – such as businesses, investment trusts and governments – that develops, registers and sells securities – such as shares and bonds – to finance its operations) offer securities to the public or seek admission to trading on a regulated market (such as the London Stock Exchange’s main market) they must produce a prospectus (with a limited number of exception). A prospectus contains the information necessary for investors to decide whether they should invest in an issuers’ securities. A prospectus must be approved by the appropriate national regulator of an EEA state where an issuer wishes to issue their securities, before these securities can be issued to the public.

The Current Regulatory Regime

80. The Prospectus Directive (2003/71/EC) contains the harmonised rules that govern the format and content of the prospectus itself, as well as the detail of the approval process; this ensures that investors can access the information necessary for them to make an informed decision about whether to invest in a firm’s securities.

81. The current framework affords prospectuses approved by the appropriate regulator in an EEA state (for instance, the FCA in the UK) automatic validity for a period of up to twelve months, after which, they are no longer valid for use. Once approved, the prospectus can subsequently be ‘passport’ into all other EEA member states throughout this period of validity.

82. The Transparency Directive (2004/109/EC) provides for greater consistency of transparency rules across the EU by requiring issuers of securities admitted to trading on a regulated market to disclose a minimum level of information to the public. It aims to ensure transparency of information for investors through a regular flow of disclosure of periodic and on-going regulated information, and requires such information to be publicised. Regulated information consists of financial reports, information on major holdings of voting rights and information disclosed pursuant to the Market Abuse Directive (2003/6/EC). It built on and amended the Consolidated Admissions and Reporting Directive (2001/34/EC).

83. Under the Prospectus Directive, certain public sector bodies (EEA states, EEA local authorities, EEA central banks and public international bodies of which EEA states are a member) are exempted from the requirement to produce a prospectus. Under the Transparency Directive, a different, but overlapping group of issuers are exempt from the obligation to make certain ongoing disclosures to the public.

84. Combined, these Directives set the regulation in the UK of the listing regime, applicable to issuers seeking or having secured an official listing in the UK, the prospectus regime that applies when securities are offered to the public or admitted to trading on a regulated market and the transparency framework that applies to issuers with securities traded on regulated markets.

85. **Size of the sector.** This SI will affect the UK’s primary capital markets and any firms engaging with primary capital markets. This includes:

- Investment managers (asset managers, wealth managers, hedge funds, private equity and venture capital firms),
- Investment banks (including advisory boutiques and brokers),

- Professional services firms (lawyers, accountants, consultants),
- Investors (credit institutions, pension funds, insurance firms, individuals, charitable foundations, and endowments)
- Infrastructure firms (stock exchanges, post-trade services)
- Issuers (companies, banks, governments, and government agencies)

86. This SI fixes deficiencies within the retained EU law that sets the regimes regulating the UK's primary capital markets (where securities are offered to the public for the first time). However, the regimes existing amended by this SI may have an indirect impact on the UK's secondary markets (where securities are traded between investors) where an issuer's ongoing disclosures to the public (and their initial prospectus) may affect how their securities are traded. This indirect impact is not introduced as part of this SI, and existed prior to the UK's withdrawal from the EU. Instead, by fixing the deficiencies in retained EU law to ensure we have a fully functioning domestic regime, this SI provides continuity of the existing regimes.

87. Approximately £4.5tn⁵⁰ is currently invested in the UK's capital markets (both primary and secondary) through pensions funds, insurance policies and individual private savings. The combined value of the corporate bond market and of non-financial companies listed on the stock market in the UK is £1.8tn, and UK companies use capital markets to raise over £100bn every year from corporate bonds, equity issues, and venture capital⁵¹.

88. In 2018, approximately £23bn⁴ was raised on the primary markets of the London Stock Exchange's Main Market and the Alternative Investment Market (AIM) from new and further issues. While this SI may have an indirect impact on the UK's secondary capital markets, as the legislation it amends has an indirect impact on these markets, the direct impact of this SI is on the UK's primary capital markets solely.

89. **Interdependencies with other financial services EU exit SIs.** As set out above, this SI affects a wider range of firms, which are likely to be affected by other financial services EU Exit SIs, covered in this and other impact assessments. Which SIs will depend on the activities undertaken by the firm in question.

Deficiencies this SI remedies.

90. This SI amends the UK legislation implementing the Prospectus Directive⁴⁷, Consolidated Admissions and Reporting Directive⁴⁸, the Transparency Directive⁴⁹, and relevant EU regulation to ensure it operates effectively when the UK leaves the EU. This SI largely seeks to replicate the existing regulatory regime as it currently applies to issuers in the UK. It does not make policy changes, other than those necessary to

⁵⁰ OECD, Insurance Europe, Eurostat, quoted in New Financial research, 'What have the capital markets ever done for us? And how could they do it better?' <https://newfinancial.eu/wp-content/uploads/2017/03/2017.02-What-have-the-capital-markets-ever-done-for-us-New-Financial-REVISED.pdf>

⁵¹ All other figures from New Financial research, 'What have the capital markets ever done for us? And how could they do it better?' <https://newfinancial.eu/wp-content/uploads/2017/03/2017.02-What-have-the-capital-markets-ever-done-for-us-New-Financial-REVISED.pdf>

⁴ 'Main Market Factsheet December 2018' <https://www.londonstockexchange.com/statistics/markets/main-market/main-market.htm> and 'AIM Statistics – December 2018' <https://www.londonstockexchange.com/statistics/markets/aim/aim.htm>

⁴⁷ Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (Text with EEA relevance)

⁴⁸ Directive 2001/34/EC of the European Parliament and of the Council of 28 May 2001 on the admission of securities to official stock exchange listing and on information to be published on those securities

⁴⁹ Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC

reflect the UK's new position outside the EU, but rather seeks to maintain continuity with the existing regime that market participants are already operating under.

91. This SI ensures that the prospectus regime, applicable to issuers making an offer to the public or seeking to admit securities to a regulated market, the transparency framework that applies to issuers with securities traded on regulated markets in the UK, and the official listing regime, applicable to firms seeking or having secured admission of their securities to the Official List of the Financial Conduct Authority, will continue to apply and operate effectively in a UK-only context. Without these provisions, the UK's primary capital markets would not operate effectively once the UK leaves the EU, causing disruption to UK consumers, issuers and the UK financial services sector as a whole, with further impacts on the integrity and attractiveness of the UK's financial markets.
92. **Transfers of functions.** In order to ensure the continued functioning of the regulatory regime, this SI transfers functions from EU bodies to UK bodies. European Commission powers to make delegated acts and implementing acts are transferred to HM Treasury as a power to make regulations. Powers that the European Securities and Markets Authority (ESMA) has to make Binding Technical Standards (BTS) are transferred to the Financial Conduct Authority (FCA). The SI also transfers the exercise of equivalence assessments under the transparency regime and prospectus regime from the European Commission to HM Treasury.
93. **Change in scope.** Under the current regime, once a prospectus has been approved by one EEA state's appropriate regulator, it can be 'passport' into all other EEA countries for offers to the public or application for admission to trading on a regulated market, without further review of further disclosure requirements by the relevant authorities of another EEA state. When the UK leaves the EU, these passporting arrangements will cease to apply. This means that issuers wishing to issue securities or seek admission to trading on a regulated market in both the UK and EEA will need to submit a prospectus (and pay the subsequent fees) to both the FCA and the appropriate regulator in a relevant EEA state.
94. If an EEA regulator were to apply other criteria for an issuer to secure admission to trading on a regulated market (as they are entitled under the Prospectus Directive), an issuer could be required to produce marginally different prospectuses for use in the UK and the EEA. However, there is highly unlikely given this SI replicates the existing regimes, making only those changes necessary to reflect the UK's withdrawal from the EU. Additionally, as highlighted in the Prospective Directive, additional disclosure requirements for an issuer to secure admission to trading on a regulated market that could be introduced typically regard corporate governance arrangements and should not restrict the drawing up and content of a prospectus.
95. **Grandfathering of prospectuses.** In order to reduce disruption and provide continuity to market participants, this SI sets out that all prospectuses that are considered valid in the UK before exit (including those approved and passported into the UK by a regulator in a different EEA Member State) will continue to be treated as valid for the remainder of their 12-month period of validity, even if that includes a period post-exit. Without these provisions, all EEA issuers would need to secure re-approval of prospectuses with the FCA before March 2019, in order to allow them to continue to issue on UK markets. This approach will ensure the UK remains an attractive destination for capital as it will not introduce the regulatory barrier of securing re-approval of prospectuses passported into the UK by EEA issuers that are valid in the period immediately prior to exit. It is not clear, however, whether the EU will take equivalent action, without which UK issuers would need to secure re-approval of prospectuses with the relevant regulator in an EEA state before March 2019; this uncertainty arises as a result of the UK leaving the EU, and is therefore outside the scope of this assessment.

96. **Changes to public sector exemptions.** Under the Transparency Directive, issuers and holders of voting rights are subject to notification requirements in relation to major holding of voting rights. However, the European System of Central Banks (the European Central Bank and the national central banks of EU States) are exempt from this requirement. To ensure consistency with the approach taken across our other SIs to treat EU States in the same way as other third countries post exit, this exemption will be restricted to the Bank of England only, not the central banks of other third countries post exit.
97. As set out above, the current Prospect Directive rules exempt certain public bodies from the requirement to produce a prospectus when they wish to offer securities to the public or seek admission to trading on a regulated market. A different, but overlapping group of issuers are exempt from the obligation to make certain ongoing disclosure to the public. To fix this deficiency, these exemptions will be extended to the same set of public bodies (specified as exempt under the Directives) of all third countries.
98. If we were to take a UK-only approach to these exemptions, it would mean EEA public bodies currently making use of these exemption to access the UK market would be required to produce a prospectus and make ongoing disclosures (at their expense); something they would not be obligated to do to access EEA markets. This would undoubtedly impact the attractiveness of the UK as a destination for capital for these issuers. While consideration has been given to other options, such as setting criteria around the prospectus exemption and restricting the exemption to UK public sector bodies only, HM Treasury has reasoned that extending this exemption to the same sets of public sector bodies of all third countries offers the most appropriate balance between investor protection and maintaining the attractiveness of the UK market, and is therefore the most appropriate option to preserve the continuity of the UK's financial services market – in line with HM Treasury's overall approach to financial services legislation, and the framework set out in the EUWA.
99. **Removal of obligations for UK authorities to cooperate and share information with EU authorities.** Within the existing regimes under the Transparency Directive, Prospectus Directive and relevant EU legislation, UK authorities are obligated to cooperate and share information with EU authorities. After exit day, it would not be appropriate for the UK to be obligated to share information with the EU; this SI therefore removes these obligations. This does not mean the UK will not be able to cooperate with EU authorities post exit. Instead, UK authorities will be able to cooperate with EU authorities in the same way as they are currently able to cooperate with all other third country authorities.

Impact on firms

100. **Changes to business processes/ other (fees and producing separate prospectuses).** As set out above, after exit day UK issuers will no longer be entitled to EEA passporting rights. This means UK issuers wishing to access EEA markets would be required to submit their prospectuses for approval (and paying the associated fees) to the relevant regulator in an EEA State and not the FCA, including those that have been approved by the FCA and passported into the EEA prior to exit. If this regulator were to introduce additional disclosure criteria for an issuer to secure admission to trading on a regulated market, a UK issuer could need to produce separate documents, though as above, this is unlikely. This change is not a direct result of this SI itself, but rather a consequence of the UK's withdrawal from the EU and the subsequent loss of EEA passporting rights. As such, we have not made an estimation of the duplication costs (such as paying the fees to approve a prospectus in both jurisdictions) for UK issuers if they were to access both the UK and EEA capital markets.
101. Post exit, EEA issuers will require approval of their prospectus directly from the FCA before they are able to offer their securities to the public or seek admission to trading on a regulated market, mirroring the current treatment of other third countries. As above, this excludes those approved by an EEA

regulator and passported into the UK before exit day, that will remain valid in the UK until the end of their normal twelve months of validity.

102. As this SI largely replicates the current regulatory regime – except for those changes necessary to reflect the UK’s position out of the EU, UK issuers solely accessing the UK’s capital markets should see no significant impact as a result of this instrument, and will continue to operate as they had prior to the UK’s withdrawal from the EU; for example, securing approval of their prospectus directly from the FCA as they do now. This is intended to minimise impacts on firms as far as possible.
103. **Impact on firms: IT costs.** As set out above, issuers wishing to access both UK and EEA markets will need to secure approval of their prospectuses from both the FCA and the relevant EEA regulator. This will involve paying the associated fees to each regulator and could involve producing separate documents if an EEA regulator were to request an issuer comply with additional criteria to secure admission to trading on a regulated market, which could result in, where applicable, higher printing and administration costs. Compliance with these additional requirements could require changes to issuers’ IT systems as a result. This will, where applicable, be a one-off cost, and, as mentioned above, will be a result of the UK leaving the EU rather than of the SI itself given the SI replicates existing regimes, except those changes necessary to reflect the UK’s withdrawal from the EU.
104. **Impact on public bodies.** This SI introduces changes for public sector bodies, due to the extension of certain public bodies exemptions under the Transparency Directive and the Prospective Directive from the requirement to produce a prospectus to non-EEA countries.
105. **Benefits** The changes introduced by this SI offer the following benefits to firms:
- **Grandfathering of Prospectuses.** As set out above, this SI grandfathers prospectuses that have been approved by an EEA regulator and passported into the UK before exit day. The benefits of this approach will be to deliver greater continuity; prospectuses approved before exit day by other NCAs will remain valid in the UK, meaning that re-approval by the FCA won’t be required reducing the risk of any market disruption. This approach will also enable more capital markets business to continue to take place in the UK, maintaining the UK’s attractiveness as a destination for market participants.
 - **Changes to public sector body exemptions.** As set out above, this SI expands a number of the public sector exemptions under the Prospectus and Transparency Directive. This approach will therefore mitigate any risk of disruption to capital markets business and maintain UK attractiveness as a destination for capital raising for public bodies. Not doing so would undoubtedly impact the attractiveness of the UK as a destination for capital for these issuers, and therefore extending this exemption to the same sets of public sector bodies of all third countries offers the most appropriate balance between investor protection and maintaining the attractiveness of the UK market, preserving continuity in the UK financial services market.

3. Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019

106. If these providers do not enter the temporary permissions regime (TPR)—implemented by the EEA Passport Rights (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018 and the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018—or the TRR for CCPs—implemented by the CCP SI—or the TRR for TRs—implemented by the TR SI—or leave these regimes without full UK authorisation/recognition/registration, meeting existing contractual obligations could constitute criminal activity. This could lead to, for example, EEA firms being unable to legally pay out on insurance claims to UK consumers, non-UK CCPs off-boarding all UK clearing members, or UK clearing members being subject to the higher capital charges mandated for non-recognised CCP exposures.
107. **Interdependences with other financial services EU exit SIs.** As many of the providers affected by this SI will not be UK authorised, and will not have entered the TPR (or other transitional regimes), they are unlikely to be affected by any other financial services EU exit SIs. Some firms that enter the FSCR, however, will do so as an exit route from a transitional regime implemented by another financial services EU Exit SI⁵.

Deficiencies this SI remedies.

108. **The Financial Services Contracts Regime.** This SI legislates for a Financial Services Contracts Regime (FSCR) that will ensure that there is no domestic legal barrier to existing contractual obligations of EEA financial services providers to UK customers being met after the UK leaves the EU. The FSCR will additionally enable contractual obligations of passporting firms, payments and e-money institutions, by granting EEA firms automatic rights to continue servicing existing contracts in the UK. The FSCR will also ensure that any cliff-edge effect for users of third-country CCPs that fail to get recognition in the UK, or customers of financial services providers that do not enter any of the available temporary permissions or recognition regimes, is mitigated.
109. It will ensure that firms that do not gain full UK authorisation through the TPR can continue to carry out business to the extent necessary to run off pre-existing contractual obligations in the UK, but not to undertake new business. This SI provides for automatic entry into the FSCR for firms that do not enter the TPR, and those that leave the TPR without full UK authorisation. Within the FSCR those firms with a UK branch (currently operating under a freedom of establishment passport), firms who enter the TPR but exit it without UK authorisation, and firms that hold top-up permissions before the UK's exit from the EU, will be placed into a supervised run-off. Those firms without a UK branch (currently operating under a freedom of services passport) that do not enter the TPR or do not hold a top-up permission will be placed into a contractual run-off.
110. **The length of the FSCR for EEA firms.** Most (see paragraph 111) financial services providers will be able to use this regime for five years after entry into the regime (this time period is dynamic at entry, meaning all firms will have up to five years to wind down, whether they enter on exit day, or enter the FSCR after spending up to three years in the temporary permissions regime). This will allow the majority of contracts with UK customers to come to a natural conclusion. Where providers have long-term

⁵ The EEA Passport Rights (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018; The Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018; The Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018; and The Trade Repositories (Amendment and Transitional Provision) (EU exit) Regulations 2018

contracts that go beyond five years, HM Treasury considers five years sufficient time to allow firms to take mitigating action by, for example, transferring their contracts to a UK entity, to ensure that any impact on UK customers is minimised.

111. **The length of the FCSR for the insurance contracts of EEA firms.** The exception to this five-year time limit is for contracts of insurance. Many long-term policies, such as life insurance, may take more than five years to come to a natural end, and it was assessed by HM Treasury and the financial services regulators to potentially create greater risks for UK consumers than with other contract types if the FCSR for insurance contracts were set at five years. There will therefore be a longer time limit, of 15 years (similarly dynamic at entry; insurers will have 15 years from entry into the regime, whether they enter at exit day or after three years in the temporary permissions regime), for contracts of insurance, safeguarding UK customers who purchased their policies in good faith.
112. **HMT extension power.** The SI provides HM Treasury the power to extend the length of the FCSR by up to 5 years at a time in certain circumstances. Any extension will similarly be dynamic on entry, i.e. an extension of one year will add up to one additional year for each firm in the regime. This extension can also be applied to specific firm types, if necessary—for example if it was considered risky to extend the regime for a certain type of financial product while it was considered necessary to extend the regime for another type of financial product.
113. **CCPs.** Regarding CCPs, without a negotiated agreement, non-UK CCPs would be unable to provide services to UK firms until they are recognised under a UK regime for third country CCPs. If non-UK CCPs do not enter, or enter and then exit, the TRR for CCPs without full recognition, this may introduce risks to firms and, in certain cases, to the broader financial system. This SI, therefore, inserts provisions into the CCP SI to establish a ‘CCP run-off regime’. The run-off regime provides recognition to in scope CCPs for a period of up to one year, thereby allowing UK firms time to wind down relevant contracts and business with those CCPs.
114. **TRs.** Regarding TRs, without a negotiated agreement, TRs registered or recognised by ESMA would no longer be able to be used by UK firms to satisfy the EMIR reporting obligation. If TRs enter and then exit the TRR for TRs without full registration, this may also introduce risks whereby UK firms are unable to fulfil their reporting requirements under EMIR. This SI, therefore, inserts provisions into the TR SI to establish a ‘TR run-off regime’. The run-off regime provides registration to relevant TRs for a period of up to one year, thereby allowing UK firms time to make alternative arrangements in order to satisfy their EMIR reporting requirements.

Table 2. The length of the FCSR for relevant firms and contract types

Statutory Instrument	Scope	Duration	Extendable	Entry	Exit
The Financial Services Contracts (Transitional and Saving Provision) (EU Exit) Regulations 2019	EEA passporting firms (banks, insurers, investment firms, payment and e-money institutions etc) not authorised through the TPR (because they don't apply or are unsuccessful with full application)	5 years, or 15 years (insurance contracts only)	✓	Automatic	Firm successfully winds-down its business by the time the time period elapses
	Non-UK CCPs not recognised through the TRR (because they don't apply or are unsuccessful with full application)	1 year	✗	Automatic	Time period elapses, after which UK firms using FSCR CCPs will have made alternative arrangements
	TRs not registered through the TRR (they exit the TRR without UK registration)	1 year	✗	Automatic	Time period elapses, after which UK firms using FSCR TRs will have made alternative arrangements

Impact on firms

115. This SI does not apply to UK firms passporting into the EEA. The UK is unable to take unilateral action to safeguard the contractual obligations between UK firms and EEA customers; this requires action from the EU.
116. This SI impacts EEA passporting firms, trade repositories, central counterparties (CCPs) (including third country CCPs), and payments and e-money institutions. HM Treasury, the FCA and PRA estimate that there are in total just under 8,000 firms that currently hold an EEA passport that could theoretically be impacted. However, the actual number of firms expected to be affected by this SI is likely much lower, as current estimates indicate that the majority of firms with a passport have not carried out business in the UK and therefore won't need to use this after exit. We have therefore set the "maximum" number of firms affected at 4000 as this number is considered to represent the maximum population of EEA firms with ongoing UK exposures, and thus in scope of the regulations.
117. Any EEA firms that are currently operating in the UK and choose to enter the other temporary regimes (for example the Temporary Permissions Regime) will not be captured by this SI, unless they leave a temporary regime without the necessary UK authorisation.
118. Regarding CCPs, under EMIR as it currently applies, 45 non-UK CCPs are permitted to provide clearing services in the UK. This is comprised of 13 EU authorised CCPs, and 32 recognised CCPs. Regarding TRs, currently there are 8 TRs that are registered to provide services within the EU, with 5 of these being in the UK. All these CCPs and TRs could, in theory, be impacted by this SI, though in practice the number is expected to be much lower as it is not expected that many of these firms will leave their respective transitional regimes without the necessary UK recognition / authorisation.
119. As the firms impacted by this SI are not currently regulated by UK regulators due to them operating in the UK on the basis of an EEA passport, the FCA and the PRA hold limited information about these firms, so it has not been possible to monetise the impacts on these firms as a result of this SI.
120. **Familiarisation costs.** Impacted firms will need to understand these changes to the regulatory environment. This will involve legal experts examining the SI, and the relevant sections of legislation amended by this SI, to advise firms of the impact on their business, and how they should respond. This will be a one-off cost. Further details are set out in Annex A.
121. **Changes to business processes.** Impacted businesses may need to check or amend some back-office processes in order to comply with the legislation as they will no longer have permissions to write new business in the UK while in the FSCR. Firms may wish to notify their staff, through training, of the rules of the regime. This, where applicable, will be a one-off cost.
122. **Changes to reporting requirements.** Impacted businesses may need to provide additional information to UK regulators as a result of this legislation. UK branches of EEA banks or insurers, and some firms operating under a freedom of services passport, will become subject to supervision by UK regulators as a result of this SI, meaning they will need to comply with some additional UK regulatory requirements in addition to existing EU standards, insofar as these differ.
123. **Changes to IT Systems.** Firms that become subject to supervision by the UK regulators as a result of this SI will need to comply with some additional UK regulatory requirements in addition to existing EU standards, as set out above. Compliance with this additional requirement may require changes to issuers' IT systems as a result. For example, firms may wish to undertake exercises to identify their relevant UK contracts covered under the FSCR. This will result in some ongoing costs, as firms may wish to keep an up to date record of their relevant contracts.

124. **Changes to firms' terms and conditions.** Though this SI does not prescribe the amendment of FSCR firms' terms and conditions, the UK regulators may choose to require that firms in the FSCR change their terms and conditions to communicate to their customers the change in their authorisation status. Similarly, even without regulator prescription, some firms may choose to do this themselves for the sake of transparency. This will be a one-off cost.
125. **Benefits of this SI.** This SI will provide benefit to UK customers and businesses who have existing contracts with EEA service providers by automatically enabling firms to continue servicing these contracts. Additionally, the SI reduces the likelihood of legal disputes between UK customers and EEA firms, as without this SI there would be legal uncertainty as to whether firms have the necessary regulatory permissions to service their contracts.
126. **Impact on non-financial services business, charitable and voluntary organisations and individuals.** This SI does not have any direct impact on non-financial services businesses, charitable and voluntary organisations and individuals; though will have an effect on any EEA financial services firm they have an ongoing contract with that enters the FSCR. However, this SI has been drafted in such a way so as to provide maximum continuity to the UK customers of these firms, with the expectation that the activity conducted under each contract should not practically change throughout the regime.
127. **Impact on UK firms.** This SI does not have any direct regulatory impact on UK firms, but such firms would indirectly benefit as customers of EEA firms who may be using the regime. As the contracts covered by the FSCR will have been entered into either before exit day (for firms that go straight into the FSCR) or before the end of the temporary permissions regime (for firms that enter the temporary permissions regime), there will be no effect on the competitive ability for UK firms to secure new business after exit day.

4. Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019

128. **Background: regulatory regime.** The EU Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation⁶¹ introduces a standardised disclosure document (called a Key Information Document, or KID) when investment or insurance-based investment products are sold to retail investors in the EU.
129. PRIIPs are investment products that are routinely offered to retail consumers as an alternative to a savings account. This includes, but is not limited to, financial products like investment funds, life insurance policies that have an investment element, and direct investments.
130. The objective of the EU PRIIPs Regulation is to make it easier for retail investors in the EU to compare similar financial products by requiring risks, performance scenarios, costs and other information about the product to be disclosed in a standardised way.
131. The PRIIPS Regulation came into application across the EU on 1 January 2018. It creates consistent rules on:
- the requirement for a KID
 - the length, format and content of KIDs
 - the provision of KIDs to retail investors
132. **Size of the sector** The FCA estimates that over £1.2 trillion of UK retail assets is subject to the PRIIPs regulation. This is mostly held across funds, insurance products, long term savings products and structured investment products. The FCA further estimates that between 15,000 and 20,000 PRIIP products are available in the UK, and that between 3,000 and 4,000 PRIIP manufacturers (UK, EU and third country) operate in the UK on a regular basis.⁶²
133. **Interdependencies with other financial services EU exit SIs.** The Package Retail and Insurance-based Investment Products EU Exit SI captures a very wide range of financial services firms, but primarily asset managers, banks, insurers and investment advisers. These firms will collectively be affected by a range of other FS EU Exit SIs, covered in this and other impact assessments, depending on the range of activities they carry out and the products they offer.

Deficiencies this SI remedies

134. This SI corrects deficiencies in the EU PRIIPs Regulation to ensure that it works effectively once the UK leaves the EU, and ensures that the disclosure regime continues to apply and operate effectively in a UK-only context.
135. **Change in scope** Any UK, EU or third country firms selling or advising on PRIIPs to UK investors will be subject to the UK PRIIPs Regulation, with oversight from the FCA. However, the European Supervisory Authorities will no longer have any powers in relation to the sale of PRIIPs in the UK. Therefore, any firms that only sell or advise on PRIIPs in the UK to UK investors, would no longer be in scope of the EU Regulation and would only be in scope of the UK regime following exit. Any UK firms selling, or advising on, PRIIPs to EU investors will continue to fall under the existing EU regime, and under the supervision of the relevant regulator of the Member State in which the investor is based, as well as the European

⁶¹ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

⁶² Data provided by the FCA

Supervisory Authorities. Therefore, firms who operate in both the UK and EU may find that they have to comply with two sets of regulations – the retained version of the PRIIPs Regulation in the UK and the original EU PRIIPs Regulation.

136. **Amending the scope of the regulation to exclude certain issuers.** Any products which are currently outside the scope of the EU PRIIPs Regulation will also be outside the scope of the UK PRIIPs regime. This SI upholds an existing exemption for certain securities which are also outside the scope of the Prospectus Directive, such as non-equity securities issued or guaranteed by sovereigns and certain public-sector entities, and shares issued by central banks. Currently, such securities issued or guaranteed by EEA sovereigns and public-sector bodies fall under this exemption. This SI extends that exemption so that all such securities issued or guaranteed by any sovereign or public-sector body, in any country, will be exempt from the scope of the UK PRIIPs Regulation. This approach will avoid market disruption by ensuring that no new products fall within scope of the PRIIPs regime in the UK on exit day, and ensure that after exit the UK treats EEA countries in the same way as other third countries.
137. **Transfer of functions.** In order to facilitate the effective functioning of the UK PRIIPs regime, European Commission powers to make delegated acts and implementing acts will be transferred to HM Treasury as a power to make regulations. The current power that ESMA has to make Binding Technical Standards (BTS) will be transferred to the FCA.

Impact on firms

138. This SI primarily impacts asset managers, insurers, investment advisers and credit institutions, as these are the firms which manufacture and advise on PRIIPs to retail investors. These firms will have to familiarise themselves with the changes made by this SI to the retained PRIIPs Regulation in the UK. However, this SI does not change the substance of the rules on the form and content of the KID.
139. **Changes to business processes.** Currently, as of January 2018, any UK, EU 27 or third country firm selling or advising on PRIIPs to retail investors in the EU (including in the UK), has to comply with the requirements of the EU PRIIPs Regulation. This means such firms must currently produce and provide an appropriately drawn up KID.
140. This SI ensures that following exit, in a no deal scenario, as set out above, any UK, EU, or third country firms selling or advising on PRIIPs to UK investors will be subject to the retained UK PRIIPs Regulation. Any firm, including UK firms, that continue to sell or advise on PRIIPs to retail investors in an EU Member State must continue to comply with the EU PRIIPs Regulation. This means that a firm selling a PRIIP to retail investors in the UK, will have to produce a KID that complies with the rules of the retained UK PRIIPs Regulation, and a firm selling a PRIIP to retail investors in the EU will have to will have to produce a KID that complies with the rules of the EU PRIIPs Regulation. However, at the point of exit, the two disclosure regimes under the UK and EU Regulations will be essentially equivalent, so the same KID will serve both purposes, and as a result firms will only have to produce one KID. This is because the changes introduced by this SI to correct deficiencies in the retained PRIIPs Regulation in the UK do not change the effect of the rules around the content and format of the KID.
141. After exit, for the same product, a KID produced under the rules of the EU PRIIPs Regulation will also comply with the rules for the retained UK PRIIPs Regulation. This means that firms should not have to change their existing IT systems or business processes in order to comply with both the retained PRIIPs Regulation in the UK, and the EU PRIIPs Regulation. The approach taken by this SI therefore minimises the impact on firms. This SI primarily removes powers of EU authorities in relation to the UK PRIIPs Regulation, and transfers powers to UK authorities, rather than making changes to requirements for firms.

142. HM Treasury does not expect that firms will need to update their terms and conditions as a result of the changes in this SI. However, some firms may wish to inform their staff through training of the changes to the regulatory requirements, as outlined above.
143. **Benefits of this SI.** As set out above, this SI extends the current EU PRIIPs exemption for certain securities which are also outside the scope of the Prospectus Directive to, in the UK PRIIPS, all such securities issued or guaranteed by any sovereign or public-sector body, in any country. This approach has been taken to minimise market disruption by ensuring that no new products fall within scope of the PRIIPs regime in the UK on exit day, and to ensure that after exit the UK treats EEA countries in the same way as other third countries.
144. **Familiarisation costs.** Impacted firms will need to understand these changes to the regulatory environment. This will involve legal experts examining the SI, and the relevant sections of legislation amended by this SI, to advise firms of the impact on their business, and how they should respond. This will be a one-off cost, and is set out in greater detail in Annex A.

5. Benchmarks (Amendment) (EU Exit) Regulations 2019

Background: the regulatory regime.

145. Benchmarks are used in a wide range of markets to help set prices, measure performance, or work out amounts payable under financial contracts. Financial benchmarks play a key role in the financial system's core functions of allocating capital and risk. They impact credit products (including loans, mortgages, structured products, short-term money market instruments and fixed income products), and derivatives. The primary objective of the EU Benchmarks Regulation (BMR)⁶ is to ensure the accuracy, robustness and integrity of financial benchmarks after a number of high profile misconduct cases, including the attempted manipulation of crucial interest rate benchmarks, the London Interbank Offered Rate (LIBOR) and the European Inter Bank Offered Rate (EURIBOR). The BMR places requirements on administrators and supervised users of, and supervised contributors to, benchmarks. These requirements relate to a range of issues, including benchmark methodology, governance and transparency.
146. There is an existing transitional period in EU BMR which ends on 1 January 2020. Only benchmarks which are approved for use via one of the prescribed routes set out in the BMR may continue to be used within the EU after the end of this transitional period (or slightly later for in flight applications from EU administrators).
147. Routes to approval are as follows:
- EU administrators must apply for either authorisation or registration;
 - Third country administrators may become approved via equivalence, recognition or endorsement.
148. Approved administrators and/or benchmarks are placed on the publicly available European Securities and Markets Authority (ESMA) Benchmarks Register.
149. **Size of sector.** Since the EU BMR is still subject to a transitional provision for applications, it is difficult to provide final figures on the number of benchmark administrators located within the UK and EU. As of 31 October 2018, however, 19 benchmark administrators have been approved for use in the EU, 16 located in the UK, and 3 in other member states.²²
150. **Interdependencies with other financial services EU exit SIs.** The BMR is the only piece of EU legislation that contains requirements specific to benchmarks administration, but these firms may be impacted by other financial services EU exit SIs, covered in this and other impact assessments, depending on the nature of their business and the indices and benchmarks they administer.

Deficiencies this SI remedies

151. This SI makes technical amendments to the EU BMR and related legislation to ensure that an effective framework for the regulation of financial benchmarks is maintained when the UK leaves the EU. Key changes made by this SI are set out below.
152. **Transfers of functions.** In order to ensure the continued functioning of the regulatory regime, this SI transfers functions from EU to UK bodies; ESMA's functions are transferred to the FCA and the European

⁶ Regulation (EU) 2016/1011 Of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014

²² Information provided by FCA

Commission's powers to adopt delegated acts are transferred to HM Treasury as a power to make regulations. This will result in an expanded role for the FCA and HM Treasury in this regard.

153. **Creating an FCA register of benchmarks.** Currently, when a national regulator in an EU member state approves an application under the BMR, the benchmark or administrator is added to the centrally held and publicly accessible ESMA register of benchmarks. Reflecting the UK's position outside the EU, this SI changes this reference so that it refers to a new FCA register of benchmarks, which the FCA will have the responsibility for maintaining. The UK BMR use restriction will therefore apply to UK supervised entities such that they may, subject to the transitional provisions of the UK BMR, only use benchmarks which are on the UK register. Even though firms will have to consult the UK register, there are additional transitional provisions in this SI that are designed to avoid any market disruption which could result from a sudden loss of UK access at the end of the transitional period in the EU BMR.
154. **Migrating UK approved benchmarks and benchmark administrators onto UK register on exit day.** This SI ensures that, on exit day, benchmark administrators that appear on the ESMA register and that have already been authorised or registered in the UK by the FCA will be automatically migrated to the FCA register without the need to submit a new application to the FCA. This SI makes the same provision for third country benchmarks and/or administrators that have been recognised by the FCA, or endorsed by UK administrators or supervised entities (with such endorsement authorised by the FCA) prior to exit day. This will benefit firms by providing certainty and continuity following the UK leaving the EU without requiring any action on their part.
155. **Transitional provisions.** When the UK leaves the EU, benchmark administrators that are located outside the UK will be treated as being in third countries, which will require the administrator or benchmark to become approved by equivalence, recognition or endorsement in the UK to be added to the FCA register. This will apply to third country benchmarks and administrators even if they already appear on the ESMA register (unless they appear there as the result of an FCA decision, as set out in the preceding paragraph). For equivalence there will be no charge, whereas recognition or endorsement will incur the same low fees that are already currently charged by the FCA. However, as requirement to seek this approval is a consequence of the UK leaving the EU, not of this SI, it is not in scope of this assessment.
156. Indeed, the Government wishes to avoid any market disruption which could result from a sudden loss of UK access at the end of the transitional period in the EU BMR to benchmarks which already appear on the ESMA register at exit day, or benchmarks provided by administrators which already appear on the ESMA register at exit day. To this end, this SI contains an additional transitional provision which temporarily migrates over to the FCA register for a 24-month period any benchmarks or administrators which appear on the ESMA register at 5pm on the day on which exit day occurs as a result of a successful application outside of the UK. This will automatically enable continued use of these benchmarks, and use of benchmarks provided by EU located administrators that are on the register, by supervised entities in the UK for 24 months after exit day, unless and until an application for approval in the UK is refused. These third country administrators or benchmarks must become approved by the FCA through equivalence, recognition or endorsement to enable their continued use within the UK beyond this 24-month period. Otherwise, they may choose to stop operating in the UK; however, where applicable, this decision would be a consequence of the UK leaving the EU and not this SI.
157. Where a benchmark or benchmark administrator subject to this transitional provision is removed from the ESMA register after exit day, it will also be removed from the FCA register, but only if the FCA considers that doing so would be compatible with the FCA's strategic objective, or would advance one or more of the FCA's operational objectives.

Impact on firms

158. **Familiarisation costs.** EEA and UK benchmark administrators will need to understand these changes to the regulatory environment. This will involve legal experts examining the SI, and the relevant sections of legislation amended by this SI, to advise firms of the impact on their business, and how they should respond. This will be a one-off cost. Further details on this are provided in Annex A.
159. **Transitional and IT costs.** As a result of this SI, users of benchmarks will need to consult the UK rather than EU register of benchmarks. Making this change may result in a one-off cost to firms, as they change their operational systems and inform staff of the changes to the UK register. If firms use a third party service, they may incur additional charges as a result of this change.
160. **Benefits of this SI.** As described above, this SI ensures that, on exit day, benchmark administrators that appear on the ESMA register and that have already been authorised or registered in the UK by the FCA will be automatically migrated to the FCA register without the need to submit a new application to the FCA. This SI makes the same provision for third country benchmarks and/or administrators that have been recognised by the FCA, or endorsed by UK administrators or supervised entities (with such endorsement authorised by the FCA) prior to exit day. This will benefit firms by providing certainty and continuity following the UK leaving the EU without requiring any action on their part. Similarly, as noted above, this SI contains an additional transitional provision which temporarily migrates over to the FCA register for a 24-month period any benchmarks or administrators which appear on the ESMA register at 5pm on the day on which exit day occurs as a result of a successful application outside of the UK. This will automatically enable continued use of these benchmarks, and use of benchmarks provided by EU located administrators that are on the register, by supervised entities in the UK for 24 months after exit day, unless and until an application for approval in the UK is refused. This, too, will benefit firms by providing certainty and continuity following the UK leaving the EU.
161. **Impact on non-financial services businesses, charitable and voluntary organisations and individuals.** This SI does not have any direct impact on non-financial services businesses, charitable and voluntary organisations and individuals; however, it will have an indirect beneficial effect on these entities as it provides continuity and certainty to the benchmarks that are used in the credit products, such as mortgages, that some of these entities will access.

6. The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019

162. **Background: regulatory regime.** Some EU financial services legislation contains provisions that allow the European Commission to determine whether a third country's regulatory and supervisory regime is equivalent to the EU's corresponding framework. A positive equivalence decision provides a certain level of market access, or preferential regulatory treatment to the third country being assessed. The EU Regulations establishing the European Supervisory Authorities (ESAs) give functions to the ESAs to provide technical assistance to the Commission when it assesses a third country for equivalence.
163. A number of financial services SIs introduced by HM Treasury in preparation for a no-deal scenario transfer the specific functions given to the Commission to make equivalence decisions to HM Treasury from exit day. This SI is intended to complement these transfers through a number of measures, detailed in the section below, and will fix other deficiencies in retained EU law.
164. **Interdependencies with other financial services EU Exit SIs.** As described below, this SI does not directly impact firms as the specific equivalence regimes for different areas of the financial services sector are set out in other HM Treasury EU Exit SIs, covered in this and other impact assessments. The powers to make new equivalence decisions and the functions of the UK financial services regulators to assist in equivalence assessments contained in this SI may therefore interact with those other SIs which contain equivalence provisions, for example the Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019. Those equivalence provisions will set out the criteria for assessing the equivalence of a third country's regulatory and supervisory framework. These criteria will vary depending on the area of financial services activity in question.
165. **Size of Sector.** The EU equivalence framework covers a variety of sub-sectors of the financial services industry. When the UK leaves the EU, not all firms in a sector will necessarily be impacted by this SI, and the number of firms impacted is dependent on which countries are assessed for which equivalence regimes. Firms that are potentially in scope of a future equivalence decision included credit institutions, investment firms, infrastructure providers, and other financial institutions (depending on the specific equivalence regime). However, this SI has no direct impact on these firms as the equivalence regimes covering each sector are provided for in other HM Treasury Exit SIs. Among other EU Exit SIs, some examples of these equivalence regimes are included in the Capital Requirements (Amendment) (EU Exit) Regulations 2018 and the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018.

Deficiencies this SI remedies

166. This SI gives temporary, time-limited powers for HM Treasury to make equivalence decisions by direction for EEA jurisdictions that may need to be in place in time for exit day. HM Treasury may only exercise this power up to twelve months after exit day.
167. At exit, existing equivalence decisions made by the European Commission will be automatically incorporated into the UK's statute book as 'retained EU law' under the EUWA. Some of these decisions contain deficiencies which will need to be amended in order to ensure that the retained versions of these decisions operate effectively in a UK only context. This SI makes provisions to fix deficiencies in these existing equivalence decisions made by the Commission. Importantly, this will help to avoid disruption to the UK's relationships with other non-EU countries by ensuring that they continue to have the same access to the UK that their existing EU equivalence decisions currently provide, and to avoid disruption for UK firms currently using the services of foreign firms.

168. The Commission has made several positive equivalence decisions of third country jurisdictions covering a wide range of financial services activity, including (among others) decisions relating to credit rating agencies, central bank exemptions under certain EU regulations and third country reinsurers. As these decisions will be incorporated into the UK's statute book at exit, those non-EU countries who currently benefit from these equivalence decisions in their relationship with the EU will continue to benefit from these decisions in their relationship with the UK.
169. This SI directly impacts upon HM Treasury and the UK financial services regulators, as it expands their functions to undertake equivalence assessments. This SI additionally allows the Bank of England to raise fees relating to these functions (fee raising powers for other regulators are covered in other SIs). The SI only indirectly impacts firms as it establishes a UK equivalence framework, rather than creating any new decisions. Given that the EU's equivalence framework will be incorporated into the UK's statute book and amended to fix deficiencies, the UK's framework for undertaking equivalence assessments will closely mirror the framework that exists in the EU. As outlined above, existing equivalence decisions made by the Commission will become retained EU law at exit, which will provide certainty and continuity to firms and their consumers. This means that the effect of these decisions will remain unchanged for those firms at exit. and the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018.
170. **Transfer of functions.** In a no-deal scenario, HM Treasury will take on the role of making equivalence decisions regarding third countries. This SI revokes the EU Regulations establishing the ESAs (as they will no longer be relevant in the UK) and transfers the ESA functions to provide technical assessments to assist HM Treasury in its equivalence assessments to the Bank of England/PRA and FCA, as these functions do not currently exist in UK law. This SI creates an obligation for HM Treasury and the regulators to agree and maintain a Memorandum of Understanding on how they will cooperate to discharge their functions when they are brought into UK law. This is intended to give clarity on the processes underpinning the UK's equivalence framework and on the respective roles of HM Treasury and the regulators.

Impacts on firms

171. **Changes to business processes.** This SI does not create any new operational requirements for firms. However, where firms previously referred to the list of equivalence decisions made by the European Commission, after the UK leaves the EU, they will need to refer to new decisions made by HM Treasury, which may incur some small additional legal costs for those impacted firms to review these decisions. Firms may also need to update policy documents and business records in light of new decisions made by HM Treasury, which may incur some additional costs. However, as noted above, new decisions made by HM Treasury will be based on the equivalence regimes set out in other HM Treasury SIs, therefore any costs incurred will be as a result of those SIs and are not a direct impact of the Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019, and are therefore outside of the scope of this assessment. In addition, these costs cannot be quantified because the frequency of such determinations will depend on future trade negotiations which is beyond the scope of this SI.
172. Additionally, firms may want to familiarise themselves with the retained versions of existing Commission decisions that will be automatically incorporated in the UK's statute book at exit, which could incur some legal costs for those impacted firms. However, the effect of these decisions will remain unchanged at exit, meaning that non-EU firms that currently benefit from these decisions with the EU will continue to do so with the UK. UK financial services regulators, financial services firms, and their advisers, could be impacted by this SI if foreign countries or firms seek a finding of equivalence from the UK in the future. This is because firms may be required to provide information to the relevant UK

authority to assist an equivalence assessment, and the UK financial services regulators may be required to assess information and support HM Treasury in new equivalence assessments.

173. The regulators may also charge fees with respect of equivalence applications from third country jurisdictions when undertaking technical assessments. The costs of such fees for firms will vary depending on the requirements of the regulators' technical assessment, and whether the jurisdiction has already been assessed, and the charging of these fees is a matter for the regulators. These additional costs cannot be easily quantified because they will vary for each technical assessment, and because the regulators' ability to provide technical advice to HM Treasury in support of new equivalence assessments is a new function for the regulators for which they have not previously had to charge fees. Non-UK firms and regulatory authorities may be impacted by this SI should the UK undertake new equivalence assessments which require them to provide information in the context of their application for a decision. Positive equivalence decisions would be beneficial to such firms as it would support the cross-border provision of services and provide a certain level of market access or preferential regulatory treatment.
174. **Benefits of this SI.** Recognising the equivalence of third countries is a key component of financial services regulation. Equivalence decisions can help to reduce regulatory burdens on firms and can facilitate cross-border market access. This may lead to increased competition, which has benefits for UK firms and consumers by engendering healthy market incentives to lower prices and offer innovative products. By introducing a framework through which the UK can make its own technical assessments of equivalence and decisions, this SI has a significant positive impact as it fills a 'gap' which would otherwise exist in the financial services regime once the UK has left the EU. Without this SI, the UK's equivalence framework would be incomplete at exit in relation to the EU's existing framework, as the role of the UK financial services regulators and their ability to assist HM Treasury in equivalence assessments would not be clearly set out, which would create uncertainty about the process for undertaking new equivalence assessments. In addition, there would be legal uncertainty about some existing equivalence decisions made by the Commission that will become retained EU law, as some of these decisions contain deficiencies that will be fixed by this SI, which would create uncertainty for firms and consumers impacted by these decisions if they were not fixed. Finally, the temporary power for HM Treasury to make decisions by direction towards EU and EEA jurisdictions to come into effect on exit day is necessary in order to mitigate significant disruption to the financial system at exit. By establishing a functioning UK equivalence framework to be in place from exit day, this SI helps to provide certainty and continuity to the UK financial services industry.
175. **Familiarisation costs.** As this SI fixes deficiencies in some existing Commission decisions that will become retained EU law at exit, firms impacted by these decisions may need to familiarise themselves with the SI to understand the effect of these changes, which would incur some small additional costs. However, as stated above, the effect of these retained decisions will remain unchanged at exit, meaning that firms captured by these decisions will continue to benefit from them post-exit without taking any action. The SI fixes deficiencies in Commission decisions related to the European Market Infrastructure Regulation (EMIR), Markets in Financial Instruments Directive (MiFID), Capital Requirements Regulation (CRR), Solvency 2 Directive and Prospectus Directive. The five EU Exit SIs prepared by HM Treasury which relate to these equivalence regimes will impact an estimated 8,800 firms, and so some of these firms may wish to familiarise themselves with the Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019.

7. Financial Services and Markets Act (Amendment) (EU Exit) Regulations 2019

176. **Background: regulatory regime.** The Financial Services and Markets Act 2000 (FSMA) is an important part of the UK's legislative framework for financial services regulation. FSMA, and related secondary legislation, define the 'regulatory perimeter', setting out the activities and entities that fall within the scope of UK financial services regulation. These activities are regulated and supervised by the two main financial services regulators in the UK: the FCA and the PRA.
177. FSMA and related secondary legislation also set out the requirements and procedures for financial services entities (for example, a firm) to be authorised to carry on regulated activities. Authorised entities are referred to as 'authorised persons' in FSMA. The legislation also provides the financial services regulators with the necessary powers to grant authorisation to firms, to supervise their activities, and to enforce financial services requirements.
178. **Permission to carry on regulated activities.** The "general prohibition" in section 19 of FSMA provides that a person may not carry on a "regulated activity" in the UK unless he is authorised or exempt. Membership of the EU enables firms authorised in another EEA state to benefit from exemption and carry on many regulated activities in the UK via a "passport", without the need to apply for permission from the UK regulators.
179. **Interaction with other financial services EU Exit SIs.** As set out above, FSMA and subordinate legislation set out the activities and entities that fall within the scope of UK financial services regulation. Because of this, the Financial Service and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 capture a wide range of financial services firms, including insurance firms, banks, building societies, investment firms and funds, and any other financial services institutions that carry on regulated activities in the UK. These firms will collectively be affected by a range of other financial services EU Exit SIs, depending on the range of activities they carry out and the products they offer. Given the broad scope of FSMA, this SI will interact with many of these other EU Exit SIs, including (among others) the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018 (EEA Passport Rights SI), the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 and the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018.

Deficiencies this SI remedies

180. When the UK leaves the EU, it will no longer be appropriate for regulated activities to be defined in relation to the EEA, and references to passporting will become redundant. Since EEA firms will no longer be able to passport into the UK on the basis of EEA authorisation, this SI removes the exemption currently afforded by passporting that exempts firms authorised by an EEA regulator from the need to be authorised by UK regulators.

Changes to the scope of the legislation

181. Amendments introduced in this SI ensure that the scope of UK financial services legislation is consistent with the UK operating a standalone regulatory regime outside the EU. Some of these amendments are consequential to the approach taken in other financial services SIs that have been laid before Parliament as part of the government's contingency preparations for a no deal scenario. The impact of these SIs is described in this and previous impact assessments.⁶⁶

⁶⁶ European Union (Withdrawal) Act – Financial Services

182. **Temporary Permissions Regime.** This SI will work in conjunction with the Temporary Permissions Regime (TPR) which will allow EEA firms and funds operating in the UK via a passport to continue their activities for three years after exit day. EEA firms, particularly EEA firms entering the TPR, will be affected by this legislation. The Impact Assessment⁶⁷ on the EEA Passport Rights SI estimated that approximately 8,000 EEA firms and funds currently operate via a passport in the UK, of which, according to FCA working assumptions, 800-1,200 are expected, to enter the TPR, and so will fall within scope of the regulatory perimeter in UK financial services regulation after exit. This includes insurance firms, banks, building societies, investment firms and funds, and any other financial services institutions that carry on regulated activities in the UK.
183. These transitional arrangements are therefore intended to mitigate disruption to the financial system once the UK is no longer part of the EEA financial services passporting system. As a result, many of the effects of this SI are a result of the loss of passporting rights, and many of the changes made in this SI are contingent on the TPR that is introduced in the EEA Passports Rights SI. This means that changes made by this SI will, in terms of the number of firms affected, predominantly affect those firms entering the TPR. In addition, the temporary transitional power introduced by this SI will enable UK regulators to ensure that EEA firms in the TPR will move to compliance with new UK requirements for those firms in an orderly way. Further detail on the temporary transitional power introduced by this SI is set out below.
184. **Transitional provisions.** In order to minimise disruption to firms and the financial system at exit, this SI contains a number of transitional provisions, including for certain EEA firms that currently carry on regulated activities in the UK using the passport. These transitional arrangements will be of benefit to certain EEA entities who carry on regulated activities in the UK, as they are intended to allow these entities time to prepare for any change in requirements that result from exit once these transitional provisions cease. These transitional arrangements relate to:
- **EEA tied agents:** Once the UK has left the EU and its passporting arrangements, UK law will be amended by this SI to reflect the fact that UK investment firms will no longer be able to exercise passport rights to appoint agents established in EEA Member States. Such firms will remain responsible for agents they contract to provide regulated investment services on their behalf in the UK (section 39) and carried on outside the UK (section 39A) – these agents are referred to as “tied agents” in the legislation. The pre-exit requirements will continue to apply to a UK authorised person that has entered into a relevant contract with an EEA tied agent before exit day and which continues after exit day, for a maximum of three years after exit day. Once this transitional provision ends three years after exit day, firms will either have to stop carrying on business under this regime, or will need to comply with the new post-exit requirements set out in the legislation.
 - **Regulated mortgage contracts:** This SI will amend the scope of the UK’s regulatory regime for mortgages so that it covers contracts entered into after exit only if they are secured on residential property in the UK (with the regulatory status of contracts relating to property outside the UK determined under the UK’s wider regulatory regime for consumer credit). The approach taken in this SI is consistent with the amendments introduced in the Building Societies Legislation (Amendment) (EU Exit) Regulations 2018 and the Mortgage Credit (Amendment) (EU Exit) Regulations 2019.

Statutory Instruments (I) (<http://www.legislation.gov.uk/ukdsi/2018/1184/impacts>), European Union (Withdrawal) Act – Financial Services Statutory Instruments (II) (<http://www.legislation.gov.uk/ukdsi/2018/9780111174050/impacts>), European Union (Withdrawal) Act – EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018 (<https://www.legislation.gov.uk/ukdsi/2018/1149/impacts>)

⁶⁷ European Union (Withdrawal) Act – EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018 (<https://www.legislation.gov.uk/ukdsi/2018/1149/impacts>)

In order to provide continuity for contractual arrangements already in place at exit, the UK regime will continue to apply to regulated pre-exit contracts secured on property in the EEA, so that consumers' existing regulated contracts continue to be regulated by UK regulators. This amendment also has a similar effect on the UK's regulatory regime for consumer buy-to-let mortgage contracts, because provisions in the Mortgage Credit Directive Order 2015 set the scope of that regime in part by reference to regulated mortgage contracts under the FSMA regime. This transitional arrangement will provide certainty for firms and consumers about the continuity of these pre-exit contracts so that they are not negatively impacted by changes made in this SI as a result of the UK's withdrawal from the EU. This transitional arrangement will run for the duration of any pre-exit contract that has been entered into. Contracts taken out post-exit relating to property in the EEA will not result in reduced protection for UK consumers; however, UK regulators will no longer be responsible for these contracts as the relevant EEA national regulator will instead be responsible for this.

- **EEA payment institutions and EEA electronic money institutions:** As part of EU passporting arrangements, EEA payment institutions and electronic money institutions passporting into the UK are currently exempt from UK requirements relating to the activity of entering into or exercising rights under a regulated credit agreement. Given that the UK will no longer be part of EU passporting arrangements at exit, the SI revokes these exemptions for EEA payment institutions and electronic money institutions. EEA payment institutions and electronic money institutions will be able to continue to provide services in the UK after exit by entering into a temporary transitional regime provided for by the Electronic Money, Payment Services and Payment Systems (Amendment and Transitional Provisions) (EU Exit) Regulations 2018. The regime is set to last for three years after exit day. Firms entering into this transitional regime will be deemed to have UK authorisation and will be subject to UK regulatory requirements. In order to provide for a smooth transition, this SI preserves the exemptions listed above for firms in this transitional regime. This will be of benefit to those EEA payment institutions and electronic money institutions currently passporting into the UK, as it will minimise disruption for these institutions at exit and defer any new requirements with which they may need to comply as a result of exit. The exemption will end once these firms leave this transitional regime and their temporary permissions cease.
- **Alternative finance investment bonds (AFIBs, including Islamic finance or *sukuk* bonds):** AFIBs are specified kinds of investments that are not regulated as collective investment schemes, but instead are regulated as conventional debt securities. Under the current regime, AFIBs must be admitted to an official list in the EEA or traded on a regulated market in the EEA. When the UK is no longer part of EU passporting arrangements at exit, AFIBs will need to be admitted to a UK, or UK recognised, official list or regulated market to be exempt from Collective Investment Scheme regulation. To avoid unnecessary disruption to firms and investors, AIFBs issued before exit day and admitted to an official list in the EEA, or traded on an EEA regulated market, will continue to be exempt from Collective Investment Scheme regulation.
- **Part 7 insurance business transfers:** This SI amends Part 7 of FSMA to remove EU notification and consultation requirements for business transfers. The framework for insurance business transfers in Part 7 will also be amended so that transfers to the EU as set out in Article 39 of the Solvency II Directive will no longer be permitted. Instead, insurers will only be able to use Part 7 of FSMA to make transfers of business which is already carried on in the UK and which results in the business being carried on from an establishment in the UK. EEA branches authorised in the UK will be treated as third-country branches are treated now. To minimise disruption to affected EEA entities, a savings provision for insurance business transfers from the EEA to the UK that have not been sanctioned by the court before exit day will be

introduced in a separate EU Exit SI. This will allow EEA parties involved in “in-flight” insurance business transfers which meet two conditions up to two years from exit day to obtain a court order sanctioning the transfer. The conditions are that the regulatory transaction fee has been paid to the PRA and a person has either been nominated or approved by the PRA to produce a scheme report into the transfer as part of the court process.

- **Transitional provisions relating to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (FPO):** UK law related to this SI sets out restrictions that apply to any invitation or inducement for someone to enter into an agreement which constitutes a controlled activity, or to exercise rights conferred by a controlled investment. The controlled activities and investments covered by the restriction are specified by the FPO. Provisions in UK law prohibit anyone from communicating such an invitation or inducement unless either he is an authorised person, or the content of the communication is approved by an authorised person. Some of the FPO exclusions currently give EEA-wide exclusions, and it is appropriate to amend those exclusions post-exit so that they have a UK-wide scope, in line with HM Treasury’s baseline approach of treating the EEA in line with other third countries post-exit. However, this SI creates a general transitional provision for communications relating to contracts in place before exit. Such communications will not be in breach of the prohibition if the pre-exit contract required the communication to be made, and that communication would not have constituted a breach of the prohibition had it been made before exit. This will provide clarity to firms on the status of such contracts and will benefit them by providing legal certainty on the validity of these pre-exit contracts. This transitional provision will apply for the duration of these pre-exit contracts.
- Annual accounts and reports issued in EEA states are currently exempt from the financial promotion restriction mentioned above. When the UK is no longer part of EU passporting arrangements at exit, this exemption will be removed from the FPO. This SI creates a transitional provision by preserving the exemption for the duration of the financial year beginning after exit. This will prevent immediate administrative costs and disruption to EEA entities affected by this legislative change and will give them time to comply with these new requirements in the following financial year.
- Prospectuses are also currently exempt from the prohibition if approved in an EEA state. This exemption will be removed by this SI, but if a prospectus has been approved in an EEA state before exit day, it will be treated as if it had been approved by the FCA.

185. **Temporary transitional power.** This SI will also delegate a temporary transitional power to the Bank of England, PRA and FCA to delay, waive or modify requirements on firms that change as a result of exit. The power can be used where the regulators judge transitional provision to be appropriate to enable firms to adjust to regulatory obligations which will change as a result of financial services legislation made under the EUWA. As such, the temporary transitional power could not be used in respect of firms’ pre-exit obligations where they are unaltered by legislation made under the EUWA. This power can be exercised by the Bank of England, PRA and FCA, on an individual firm, a particular class of firm, or on a market-wide basis, in line with the conditions and scope set out below. However, irrespective of how the regulators may exercise this power, the temporary transitional power does not impact the regulators’ ability to carry out enforcement action against persons or entities who may be carrying out regulated activities in contravention of the general prohibition set out in FSMA.

186. **Scope of the temporary transitional power.** While the scope of this power needs to be broad to provide regulators with the flexibility they need to support firms in making an orderly adjustment to changed regulatory obligations, the scope is nevertheless clearly defined. The power can only be used in

relation to a “relevant obligation” for financial services firms. A relevant obligation is a regulatory obligation on firms for which the UK financial services regulators are responsible for supervising compliance. This will include obligations which form part of:

- PRA and FCA rules made under FSMA;
- Onshored Binding Technical Standards (BTS);
- Onshored EU financial services regulations or delegated regulations;
- Relevant UK primary or secondary legislation.

187. Other regulatory requirements, which are not the responsibility of the financial services regulators, will be out of scope. For instance, company law and data protection requirements which apply to financial services firms are not the responsibility of the Bank of England, PRA or FCA to supervise. Such requirements are outside of the scope of this power. Also, the power cannot be applied to any of the regulators’ own obligations, functions, or powers.
188. The power also sets a clear purpose for the regulators. The power can only be used to prevent or mitigate disruption to financial services firms that may reasonably be expected to arise as a result of changes made to regulatory requirements under the EUWA. The regulators will of course work closely with the firms they regulate, using their regulatory and supervisory judgement, to determine where changed requirements have potential to result in disruption, and what action would be appropriate to prevent or mitigate that disruption. The Bank, PRA and FCA are currently consulting industry on what changed requirements firms would have difficulty meeting at exit.
189. Exercise of the power must also be consistent with the statutory objectives that Parliament has set for the regulators, including those objectives for financial stability and consumer protection. The power cannot be used if its purpose would not be consistent with these existing statutory objectives.
190. Transitional provision made by the regulators could include, for example, delaying the application of requirements that have been altered by onshoring legislation so that firms can comply with pre-exit standards for a limited time after exit, rather than needing to comply with changed requirements by 29 March 2019. As well as supporting firms which are currently UK regulated to adapt to changed requirements, the transitional power should also be of benefit to EEA firms currently passporting into the UK. These firms, as a result of legislation made under the EUWA, will need to comply with UK regulatory obligations for the first time if they continue to do business in the UK through the Temporary Permissions Regime (TPR).
191. **Duration of the temporary transitional power.** The power to make transitional provisions would be available to the regulators for two years from exit. The power, and any transitional provision made using the power, would automatically cease to have effect after two years from exit.
192. **Execution of the power.** To apply the power, the relevant regulator will need to make a “direction” which should be brought to the attention of affected firm or group of firms. Before making a direction, the regulator will need to consult other regulators where the other regulator’s functions may be affected by the direction. The regulator will also need to consult HM Treasury. Directions will be published by the regulators unless doing so would adversely affect their statutory objectives. Each direction will:
- Explain the purpose of the direction in preventing or mitigating disruption to firms;
 - Provide appropriate guidance to affected firms on how they should meet their regulatory obligations as modified under the direction;

- Include a statement that the purpose of the direction is consistent with the regulator’s statutory objectives.

193. This transitional power will allow the regulators to help firms to adjust to the post-exit regime in an orderly way, and so will be of benefit to firms and consumers. It is not possible to monetise the impact as it will be at the discretion of the regulators as to how they exercise this power (within the parameters described above). This flexibility will be of benefit to firms, as it will allow the regulators to respond to circumstances at the time.

Impacts on firms

194. The majority of changes made by this SI are consequential on the loss of passporting rights, which occurs as a result of the UK leaving the EU. As the SI itself does not remove passporting rights, any costs arising from this change are out of scope of this impact assessment. There will be some marginal costs arising from this SI itself, in the form of transitional and familiarisation costs.

195. **Transitional costs.** Owing to changes introduced in this SI, some firms may face one-off costs to implement new requirements, carry out system changes, or to provide new training to staff. Firms may also incur costs on legal advice to help them adjust to these new requirements. Some of the transitional provisions introduced in this SI help to mitigate the burden on firms so that they have time to adjust to any new requirements. Changes introduced in this SI are necessary to ensure that the UK’s financial services framework operates appropriately as a standalone regime in a no-deal scenario following the UK’s withdrawal from the EU.

196. **Familiarisation costs.** Impacted firms will need to understand these changes to the regulatory environment. This will involve legal experts examining the SI, and the relevant sections of legislation amended by this SI, to advise firms of the impact on their business, and the options available to them. As the SI clearly sets out the post-exit requirements with which firms will have to comply once these transitional arrangements cease, we expect this will be a one-off cost.

197. EEA firms entering the temporary permissions regime will need to familiarise themselves with this legislation. The temporary transitional power set out in this SI is designed to benefit these firms by allowing them to comply with new requirements in an orderly way.

198. It is also designed to benefit any UK regulated entity that will face changed regulatory requirements as a result of onshoring, and any such firm will need to familiarise themselves with this legislation. Indeed, every UK regulated entity may wish to familiarise themselves with the changes made to the Financial Services and Markets Act 2000 and other key pieces of UK legislation this instrument amends, even if this instrument does not directly affect the activities of every firm. The FCA estimates the number of UK regulated entities to be approximately 58,000; and it estimates that between 800 and 1200 EEA firms are likely to enter the temporary permissions regime. HM Treasury has therefore estimated the maximum total number of firms that may wish to familiarise themselves with this instrument at 59,200.

199. Firms affected by any directions made by the regulators in exercise of the transitional power, will need to read those directions and understand the impact on their firm. Since the power can only be used to defer obligations and not to create new ones, it cannot create significant additional costs for firms. However, they will want to consider how the use of the power affects their plans for adjusting to the changes made by this and other financial services EU exit SIs.

200. **Benefits of this SI.** The transitional provisions in this SI act to minimise disruption to EEA firms and funds entering the TPR, meaning that there should be no immediate change to the regulatory burdens

on these businesses. This will be of benefit to these EEA firms and funds as these provisions will reduce any immediate costs that may be incurred from any required operational or systems changes. Some of these transitional arrangements apply to contractual agreements entered into pre-exit to allow them to continue to have effect after exit. This will avoid disruption and legal uncertainty about the validity of such contracts.

201. Some of the transitional arrangements introduced in this SI also allow certain EEA entities to adjust to changes made by this SI by phasing in new requirements. This will help to mitigate the burden on firms by allowing more time for firms to implement new requirements, or update their systems. In general, changes introduced in this SI follow the baseline approach to treating EEA states as third countries as a result of the UK's withdrawal from the EU. The overall effect of these transitional provisions will therefore benefit relevant EEA firms and funds who may be impacted by any changes made in this SI as a result of the UK's withdrawal from the EU.
202. Once these transitional provisions cease (no longer than three years after exit, in line with the length of the temporary permission regime), there will be additional authorisation requirements for certain firms and funds if these firms intend to continue carrying on regulated activities in the UK. In this instance, firms and funds would need to ensure that they are authorised by the relevant regulator before these transitional arrangements cease. However, these additional requirements arise as a result of the UK leaving the EU, not of this SI, and so the impacts of these requirements are beyond the scope of this impact assessment. As set out above, the transitional power will be available to benefit all firms within the regulatory perimeter (UK firms and EEA firms and funds entering the TPR), allowing the regulators to help them to adjust to the post-exit regime in an orderly way, and so will be of benefit to firms and consumers.

V. Small and Micro Business Assessment (SaMBA)

203. As set out above, our approach is that, wherever possible, the same laws and rules that are currently in place in the UK will continue to apply at the point of exit, providing continuity and certainty as we leave the EU. These SIs are not intended to make policy changes, other than those that are appropriate to ensure a smooth transition when the UK leaves the EU, or to reflect the UK's new position outside the EU. As such, where the existing framework includes exemptions, or other provisions, for small and micro businesses, these SIs do not remove these provisions but maintain them. Equally, they do not place new requirements on Small and Micro Businesses (SMBs), beyond those changes required to fix deficiencies arising from the UK's exit from the EU, in line with powers in the EUWA.
204. As the intention of these SIs is to prepare a workable regime for financial services firms, exempting SMBs would leave small and micro businesses disadvantaged when compared to larger businesses, as the regulations they would be subject to would not have been amended to reflect the UK's position outside of the EU and would therefore continue to be deficient. This would cause significant disruption to SMBs.
205. These SIs will indirectly impact a large number of small businesses who use financial services firms and funds in order to do business. These firms will indirectly benefit from these SIs due to the fact that they will ensure that there is a clear and workable financial services regulatory regime in "no deal" EU exit scenario, limiting disruption to firms and customers and enabling financial services firms to continue operating. The Government has also published a series of information for firms and customers on banking, insurance and other financial services if there's no Brexit deal.

1. Information for firms, including SMBs

206. The government's Technical Notice on Banking, Insurance and Other Financial Services, published on 23 August 2018⁷, provided information for personal and business customers of financial services firms and funds, and financial services firms, funds and financial market infrastructure) with information about the impact of the UK leaving the EU without a deal, and the government's approach to ensuring that we have a functioning financial services regulatory framework in any scenario.
207. HM Treasury has published the SIs covered in this impact assessment in draft, in order to provide Parliament, firms and other stakeholders with further details on our approach to onshoring financial services legislation. These publications⁸ are accompanied by explanatory information, setting out the key changes made by SI.
208. The financial services regulators provide a range of information and guidance to firms, an example of which is the FCA's guidance for firms on preparing for Brexit¹². The regulators will continue to provide information and guidance to firms, including SMBs, in the lead up to, and beyond, the UK leaving the EU as appropriate and in line with their statutory objectives. Subject to circumstances in which the UK leaves the EU, this will include guidance on complying with the onshored regime.

⁷ Banking, insurance and other financial services if there's no Brexit deal, 23 August 2018, <https://www.gov.uk/government/publications/banking-insurance-and-other-financial-services-if-theres-no-brexite-deal/banking-insurance-and-other-financial-services-if-theres-no-brexite-deal>

⁸ <https://www.gov.uk/government/collections/financial-services-legislation-under-the-eu-withdrawal-act>

¹² FCA, 'Preparing your firm for Brexit' (<https://www.fca.org.uk/firms/preparing-for-brexite>)

2. Impact of individual SIs on SMBs

209. The below table outlines whether SMBs are directly in scope of these SIs, and, where that is the case, provides some further information on the provisions made for SMBs in the regulations these SIs amend. In many cases, HM Treasury, the FCA and Bank of England/PRA do not have access to data needed to determine the number of SMBs affected on an individual SI basis, in particular, data on number of employees. Due to the nature of the activities undertaken by the firms affected, other data, such as turnover or balance sheet data, does not provide a reasonable proxy (for example, funds that may meet the headcount definition of SMB would not fall within other thresholds due to the volume of assets under management). Where these figures are available for numbers of SMBs, or previous analysis is available, this is detailed below.

Table 3. Impact on SMBs

SI title	Applicable to small (inc. micro) businesses?
Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019	Yes
Benchmarks (Amendment) (EU Exit) Regulations 2019	Yes
Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019	Yes
Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019	Yes
The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019	Yes
The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019	No

Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019

210. Any impact will be on EEA firms rather than UK firms. The intention of this SI is to ensure that existing contractual obligations between EEA firms and UK customers can continue to be met when the UK leaves the EU. This SI is therefore aimed at minimising disruption for all firms, including small and micro businesses. The legislation may indirectly apply to activities that are undertaken by small and micro businesses, although the number of these are likely to be low due to the type of firms that are covered by the legislation (such as trade repositories, central counterparties (CCPs) and payments and e-money institutions). As firms impacted by this SI are not currently regulated by the UK regulators due to the fact that they are operating in the UK on the basis of an EEA passport, the FCA and the PRA hold limited information about them and we are unable to quantify the number of SMBs in scope.

Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019

211. The legislation would apply to any small and micro businesses seeking to raise capital through issuing securities – such as shares and bonds – to the public, or seeking admission to trading on a regulated market. It will not impact other small or micro businesses. The intention of this SI is to ensure that the current regulatory regime continues to operate effectively in a wholly domestic context and to minimise the impact of the UK's withdrawal from the EU for all firms, irrespective of their size.

212. An impact assessment was published in 2011 concerning the implementation of the EU Prospectus Directive¹⁹. This impact assessment did not quantify the number of small and micro businesses expected to be impacted by the Directive, but did detail the derogations that were expected to benefit small businesses, namely exempting securities that are offered to less than 150 people, or those that offer less than €5 million, from the requirement to produce a prospectus. The threshold under which an issuer is exempt from the requirement to produce a prospectus was further increased to €8 million in July 2018. Given this SI largely replicates the existing EU legislation, except for changes necessary to reflect the UK's withdrawal from the EU (including these derogations), we would expect most small and micro businesses to be exempt from the requirements under the retained EU law. As such, small and micro businesses would not be disproportionately affected by this SI.
213. If small and micro businesses were to raise enough capital to not qualify for an exemption under these regimes, we would expect the impact on these small and micro businesses (as with all other issuers) to be minimal for those operating solely within the UK market. However, small and micro businesses wishing to issue securities in both the UK and EEA States may see increased costs due to duplication, as once the UK leaves the EU, issuers may need to submit relevant documents twice, to both UK and EEA regulators. However, this duplication is not an impact of this SI, but rather a potential consequence of the UK leaving the EU. Associated costs are therefore beyond the scope of this impact assessment.

Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019

214. The legislation applies to activities that are undertaken by small and micro businesses. The EU Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, which this SI amends, does not provide any basis for excluding small or micro businesses from the regulation. This is in order to ensure that all firms, regardless of size, are required to supply the same information to retail investors – it would not be appropriate to lessen investors protections because they use a small or micro business. Therefore, any small or micro businesses which sell or advise on PRIIPs to UK retail investors will also fall within the UK PRIIPs regime post-exit, just as they already fall within the EU PRIIPs regime pre-exit. This means such small businesses must continue to produce or provide the Key Information Document (KID) required under the PRIIPs Regulation when selling or advising on PRIIPs to retail investors in the UK. The intention of this SI is to ensure that the PRIIPs regime continues as intended when they UK leaves the EU, and is therefore aimed at minimising disruption for all firms, including small businesses.

Financial Services and Markets Act (Amendment) (EU Exit) Regulations 2019

215. This legislation applies to any entity that falls within scope of the regulatory perimeter in UK financial services regulation, which may include small and micro businesses that carry on regulated activities in the UK. In general, changes introduced in this SI should not affect the activities of UK regulated entities, including small and micro businesses, because changes to existing legislation made by this SI primarily affect EEA firms that currently carry on regulated activities in the UK via a 'passport', rather than UK authorised firms. Therefore, changes introduced in this SI will primarily affect EEA firms and funds entering into the TPR.
216. As firms entering into the TPR are not currently regulated by the UK regulators, the FCA and the PRA hold limited information about them. HM Treasury, however, expects that few firms impacted by this SI will qualify as small or micro businesses. Transitional provisions introduced in this SI are designed to minimise the disruption faced by EEA entities currently passporting into the UK. These transitional

¹⁹ Impact Assessment of UK implementation regulations making amendments to the EU Prospectus Directive
https://www.legislation.gov.uk/ukia/2011/188/pdfs/ukia_20110188_en.pdf

arrangements will therefore mitigate the impact on EEA entities and some UK consumers. These transitional arrangements should benefit relevant firms, which may include some small and micro businesses. A temporary transitional power will also be of benefit to any UK or EEA entity currently carrying on regulated activities in the UK to enable firms to adjust to the post-exit regulatory framework.

Benchmarks (Amendment) (EU Exit) Regulations 2019

217. The legislation applies to activities that are undertaken by small and micro businesses. The EU Benchmarks Regulation 2016 categorises benchmarks by significance and implements proportional provisions accordingly. Critical, significant and non-significant benchmarks are defined based on the value of the performance of the investment funds the benchmark manages. Under the EU Benchmarks Regulation, benchmark administrators may choose not to apply several provisions to non-significant benchmarks. As such, small and micro businesses will face lighter requirements than administrators of interest rate benchmarks or other benchmarks with systemic importance.

More broadly, the FCA takes a risk based approach to supervision in general, which means that businesses are supervised in accordance with the risk they present to the financial sector or consumers. This SI will maintain this proportionality in the amendments it makes to the Benchmarks regime. The changes made by this SI are therefore aimed at minimising disruption for all firms, including small businesses.

A. Annex A

1. Familiarisation Costs

Method:

The following formulae are used to estimate familiarisation costs consistently across all SIs:

$$\text{Familiarisation cost of SI for 1 firm} = \frac{N^{\circ} \text{ of words in SI}}{\text{words read per minute}} \times \frac{1}{60} \times \text{hourly wage rate}$$

Familiarisation cost of SI for all firms

$$= \frac{N^{\circ} \text{ of words in SI}}{\text{words read per minute}} \times \frac{1}{60} \times \text{hourly wage rate} \times N^{\circ} \text{ of businesses}$$

Assumptions and evidence base:

1. It is assumed that the affected business population will evenly incur costs (time and labour) in familiarising themselves with the relevant SI, specifically reading and comprehending the SI.
2. Information regarding the number of businesses affected by relevant SIs has been provided by the financial regulators (the Prudential Regulation Authority, the Financial Conduct Authority, and the Bank of England) or is based on Treasury estimates.
3. In calculating the labour cost of reading the SI, it is assumed that affected firms will procure the services of an external solicitor or legal expert to read the SI. We have based the cost of this legal advice on the government guidelines on solicitors' hourly rates, using an hourly rate of £330, based on the following assumptions:
 - a. As legal expertise in financial services resides predominantly among City law firms, we have used a London, rather than UK-wide value for legal costs.
 - b. As this work will be undertaken by a variety of individuals with varying levels of experience at different firms. Therefore, we have used the middle range value (i.e. the value for solicitors and legal executives with over 4 years' experience)
 - c. As these rates are based on 2010 figures, so we have adjusted the 2010 figure of £296, to account for inflation.⁶⁸

Under this assumption, these hourly rates would reflect the full cost incurred by businesses: no non-wage costs would be incurred since it is assumed the work is not carried out in-house. It is assumed that one professional per business is reading the SI and disseminating legal advice to firms' internal EU exit compliance and legal teams, and that this work will be billed to the firm on a per-minute basis.

Solicitors and legal executives with over 4 years' experience

Hourly wage rate	£330
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The time spent reading and familiarising is based on the word length of the SI and the difficulty of the text based on the Flesch Reading Scale.

⁶⁸ <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

It is assumed that, as legal experts, readers will generally be familiar with this type of literature so we have taken the upper bound of the reading speed of difficult text, i.e. 100 words per minute. Furthermore, it is assumed that this form of familiarisation will be undertaken on a one-off basis.

Assumed reading speed (wpm) by Flesch Reading Score:

Fleisch Reading Ease	Level of difficulty	Words per minute assumptions
90–100	Very easy	250-300wpm (assume similar reading speed as prose)
80–90		
70-80	Fairly easy	
60–70	Standard	Around 200wpm (assume average reading speed)
50–60	Fairly difficult	50-100wpm (assume similar reading speed as technical text)
30–50	Difficult	
0–30	Very difficult	

Breakdown of Familiarisation Costs:

Time spent on familiarisation (hrs)	Hourly rate (£)	Number of businesses affected	Familiarisation cost per firm	Total familiarisation cost to all impacted firms
(Number of words in SI) / (words read per minute) * 1/60	£330	Dependent on SI	(Time spent on familiarisation) * (Hourly rate)	(Familiarisation cost per firm) * (Number of impacted firms)

Monetised Familiarisation Costs by SI:

SI	Number of words in SI (rounded up to nearest 100) ⁶⁹	Words read per minute	Number of businesses affected ⁷⁰	Familiarisation cost per firm (£) (2 significant figures)	Total familiarisation cost to all impacted firms (£) (2 significant figures)
Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019	18,400	100	4000 ⁹	1,000	4,000,000
Benchmarks (Amendment) (EU Exit) Regulations 2019	9,500	100	16 ⁷¹	520	8,300
Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019	14,200	100	2,113 ¹⁰	700	1,500,000
Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019	3,100	100	3,000-4,000 [^]	170	510,000-680,000
The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019	6,800	100	8,800 [*]	370	3,300,000
The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019	33,700	100	59,200 [^]	1,900	110,000,000

⁷⁰ ^Information provided by the Bank of England, FCA and PRA, *HM Treasury estimates.

⁹ This refers to the maximum likely number of EEA firms that could be captured by the SI

⁷¹ This refers to the current number of approved benchmark administrators. Given the regime is not yet fully in force, we expect this number may increase

¹⁰ This figure is the number of issuers currently listed (as of 16 November 2018). This figure should be considered the minimum number of issuers that will be impacted by this SI, as other firms such as advisors will also be impacted, though this is difficult to quantify.

B. Annex B – Summary of SI provisions which come into force pre-exit

As set out in section I (2), a small number of provisions in these SIs come into effect before 29 March 2019. These are provisions which allow the regulators to make the necessary preparations, but they are also specifically designed to prepare for a “no deal” scenario. The table below summarises these provisions.

SI	Pre-exit provisions
Official Listing of Securities, Prospectus and Transparency (Amendment) (EU Exit) Regulations 2019	None
Financial Services Contracts (Saving Provision) (EU Exit) Regulations 2019	All provisions in this SI come into force on the day after the day the SI is made law. This is to ensure the regulators have the powers required to prepare and implement the financial services contracts regime. Relevant firms, however, will not enter the regime until exit day at the earliest.
Packaged Retail and Insurance-based Investment Products (Amendment) (EU Exit) Regulations 2019	None
Benchmarks (Amendment) (EU Exit) Regulations 2019	None
The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc) (EU Exit) Regulations 2019	Provisions to ensure the regulators have the powers required to prepare and implement the UK equivalence regime. Provisions to ensure HM Treasury has the direction power to make day one equivalence decisions; however, directions made under that power would only come into effect from exit day.
The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019	Provisions that allow the regulators to legally issue directions to firms regarding their intended use of the general transitional tool in preparation for exit. However, as the purpose of the general transitional tool is to ease the transition from the EU regulatory regime to the regulatory regime as implemented by the financial services exit SIs, the requirements of which will come into force on exit day, the effect of the general transitional tool will not be in effect until exit day. Provisions relating to fees, ensuring that onshored legislation is aligned with the current domestic functions and responsibilities of the regulators. However, any changes to fees will have to be consulted upon in the usual process under the Financial Services and Markets Act 2000 Minor and technical amendments to ensure cross-references to other legislation work effectively.