

Title of SI: Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025 Other departments or agencies: Bank of England, Financial Conduct Authority, Prudential Regulation Authority Contact for enquiries: Matthew Thompson	HMT de minimis impact assessment
	Date: 21/07/2025
	HMT BRU RP Register Ref: HMT082
Date measure comes into force: 01/01/2026	
Cost of Preferred Option No additional direct cost on UK business	

1. Policy overview

This Statutory Instrument (SI) makes legislative changes required to implement the Agreement between the United Kingdom of Great Britain and Northern Ireland and the Swiss Confederation on Mutual Recognition in Financial Services (the Agreement). The Agreement was signed in December 2023 and is commonly referred to as the Berne Financial Services Agreement (BFSA).

The Agreement seeks to support cross-border financial services trade between the UK and Switzerland including facilitating market access in specific sectors. The Agreement is based on mutual recognition. This means that the UK and Switzerland recognises the other’s regulatory and supervisory regimes for specific sectors as achieving similar outcomes to their own. These outcomes relate to market integrity, financial stability and the protection of consumers and investors. The Agreement covers most wholesale financial services sectors: insurance, banking, asset management, capital markets, financial market infrastructures, as well as the provision of investment services to sophisticated high net worth clients. The Agreement provides new cross-border market access for investment services for wholesale clients and high-net-worth individuals from Switzerland into the UK and for (re)insurance from the UK into Switzerland. For greater detail, see the Berne Financial Services Agreement Explanatory Memorandum published as part of the Constitutional Reform and Governance Act scrutiny of the BFSA.¹

The “Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025” (the SI) is necessary to make changes to UK domestic law to implement the Agreement. This is because the current UK domestic regulatory framework does not currently provide for the negotiated outcome of the BFSA. For example, the Agreement commits to new market access for Swiss investment services firms to provide investment services into the UK. There is currently no legal framework for this cross-border access so one needs to be created through this SI.

To ensure the UK meets its commitments under the Agreement, the SI makes changes to domestic law in three broad areas:

- Giving effect to new market access for Swiss investment services firms to provide cross-border services into the UK without requiring authorisation in the UK. This includes making arrangements for the FCA to publish a register of approved Swiss investment services suppliers.
- Providing new functions for the Financial Conduct Authority (FCA), the Bank of England and the Prudential Regulation Authority (PRA) (together, the UK regulators) to support the effective functioning of the Agreement.
- Providing new powers and duties for UK regulators to manage the risks in the UK associated with the activity of Swiss investment services firms supplying cross-border into the UK and ensure an orderly wind down of firms if required.

¹ <https://www.gov.uk/government/publications/ukswitzerland-agreement-on-mutual-recognition-in-financial-services-cs-switzerland-no12024>

A separate negative SI has been prepared to implement specific commitments by the UK relating to central counterparties and over-the-counter derivatives, "The Central Counterparties and Bilateral Derivative Transactions (Equivalence) (Swiss Confederation) Regulations 2025". The SIs have been laid alongside each other and will come into force at the same time, on 1 January 2026, the planned entry into force of the Agreement. This de minimis impact assessment only relates to the "Financial Services and Markets Act 2023 (Mutual Recognition Agreement) (Switzerland) Regulations 2025".

2 & 3. What are the intended effects of the policy? What problems will the policy address? What are the expected costs of the policy?

A summary of the intended effect and costs of the provisions in the SI is included in Table 1.

Benefits of the BFSI SI

Broadly, Mutual Recognition Agreements (MRAs) are designed to facilitate cross-border trade by reducing market access costs and improving economic benefits through increased trade flows. A 2016 OECD report highlights the economic benefits of MRAs through a reduction in the costs of complying with trading partners' technical standards which presents a major advantage when exporting products.² The report suggests that MRAs can boost trade volumes through enhanced cooperation between countries, though the impact may vary depending on existing trade levels and the other party to the agreement. Improved regulatory cooperation is thought to enhance administrative efficiency and knowledge sharing among regulators, potentially leading to more efficient regulation and reduced future burdens on firms. Although the report does not specifically address financial services, these findings are extrapolated to that sector.

The BFSI itself has several key benefits that will help to reduce costs for UK business. These benefits include:

- Reduced regulatory burdens, as the UK and Switzerland recognise each other's supervisory and regulatory regimes. This recognition enables, for example, UK regulated insurers to supply cross-border into Switzerland without needing to comply with Swiss regulatory rules.
- Establishing new market access for the cross-border supply of investment services from Switzerland into the UK and for (re)insurance from the UK into Switzerland.
- Stabilising existing market access through regulatory cooperation to maintain the status quo, which helps increase certainty for firms.

It is difficult to quantify these benefits, given the Agreement covers the majority of wholesale financial services.

The Agreement will bring about new market access for UK insurers to provide wholesale services into Switzerland. In addition, UK insurance brokers will be exempt from new Swiss law requirements on non-Swiss insurance brokers to localise in Switzerland. UK insurance firms wishing to take advantage of the Agreement are able to benefit from providing business on a cross-border basis, rather than having to set up a branch in Switzerland, which lowers the costs of doing business in Switzerland.

For further detail on the benefits of the overall Agreement to the UK, refer to the Berne Financial Services Agreement Benefits document.³

² Correia de Brito, Anabela; Kauffmann, Céline & Pelkmans, Jacques (January 2016), "The contribution of mutual recognition to international regulatory co-operation", OECD Regulatory Working Papers No.2

(https://www.oecd.org/en/publications/the-contribution-of-mutual-recognition-to-international-regulatory-co-operation_5jm56fqsfxm-en.html)

³ https://assets.publishing.service.gov.uk/media/65842ebcfc07f3000d8d462f/Berne_Financial_Services_Agreement_-_Benefits_for_the_UK.pdf

Costs of the BFSA SI

For MRAs in general, published research notes that mutual recognition can lead to information, transaction, and compliance costs (e.g., through internal familiarisation), which will vary between goods and services.⁴ Firms may face costs to understand their eligibility before engaging in cross-border activity permitted by an MRA. Any potential information and compliance costs are dependent on use of the Agreement – i.e., the costs will not be imposed on the entire sector but may affect firms in the UK and Switzerland who decide to use the Agreement. These costs are therefore difficult to quantify and could vary by firm.

Given that this SI will affect Swiss firms looking to access the UK, UK firms will not be exposed to these costs as a result of this SI. Regarding the costs of the SI itself, the SI contains provisions that broadly fall under three buckets: (a) market access for the cross-border supply of investment services into the UK (b) new functions for UK regulators, and (c) safeguards. This SI creates the legislative framework to give effect to the commitments in the Agreement in UK domestic law. This SI primarily affects the UK regulators and the provision of investment services from overseas (Swiss) firms, so it does not impose significant requirements, costs, or burdens on UK businesses. Analysis of this is outlined below and summarised in Table 1.

Market Access

This SI makes legislative changes to allow eligible Swiss firms to lawfully offer cross-border investment services to UK wholesale clients and certain sophisticated high net worth clients, relieving them of the obligation to comply with most of the UK authorisation and prudential measures that apply to suppliers of financial services in the UK. The SI creates a new category of firm allowing Swiss firms to supply investment services in the UK without authorisation, subject to registration with the FCA. This is done by introducing an exclusion in the Financial Services and Markets Act 2000 (Regulated Activities Order 2001).

The market access provisions also include a requirement for the FCA to establish and maintain a public register of Swiss firms providing cross-border services into the UK under the Agreement. It is expected that the costs of maintaining the register will be absorbed within the FCA's existing budget. This does not create significant new requirements or costs for UK businesses, as the registration requirement in this SI applies to Swiss firms.

Functions

The SI confers new functions to UK regulators to support HMT in performing its obligations under the Agreement. For example, HM Treasury may request the UK regulators to provide advice, assistance, or support in relation to these functions. HM Treasury will consult with the regulator before making a request. It is expected that any costs are absorbed within regulators' existing budgets.

Furthermore, many of the provisions in the SI give effect to the Agreement's commitments to enhanced supervisory cooperation practices between the UK and Swiss financial service regulators, building on cooperation that already exists under Section 345 of the Financial Services and Markets Act 2000 ("FSMA 2000"). It is expected that such provisions would have a low impact on business and is not quantifiable.

Safeguards

The SI provides safeguard powers for the FCA and PRA to manage any residual risk in the UK that may arise as a result of new market access under the Agreement. These powers would only be used in the following circumstances:

- (i) failure of a Swiss firm to comply with requirements pursuant to the Agreement which are not otherwise dealt with by the Swiss supervisors (for example, if the conduct of a Swiss firm operating cross-border imposes a risk to UK financial stability, consumer protection, market integrity),

⁴ Pelkmans, Jacques (March 2003), "Mutual Recognition in Goods and Services: An Economic Perspective, European Network of Economic Policy Research Institutes (https://aei.pitt.edu/1852/1/ENEPRI_WP16.pdf)

- (ii) wind-down down of a Swiss firm’s activities if the risk persists or if the UK withdraws from the Agreement, or
- (iii) to address severe or urgent prudential risk.

It is highly unlikely that these powers will be deployed and they are considered a backstop.

Where the SI provides new powers to the FCA and PRA, it is expected the costs of exercising the powers will be absorbed within their existing budgets. Although the FCA, Bank and PRA are funded by a levy on regulated financial firms, the overall cost is not expected to be high enough to make a difference to the amount that registered firms are charged.

The safeguard powers are a last resort and, except in urgent cases, the use of these powers is conditional on the UK regulator first cooperating with Swiss Financial Market Supervisory Authority (FINMA) to seek to resolve the issue. Should supervisory cooperation between the UK and Swiss regulators fail to resolve a risk, powers for the FCA and PRA to manage residual risk include: the ability to request information directly from Swiss firms; the ability to restrict a Swiss firm’s ability to provide certain activities, and ability to impose additional requirements on Swiss firms if there is a perceived risk of serious harm to consumers or the UK financial system (e.g. additional reporting requirements to the UK regulators).

The SI also creates a new appeal right for Swiss firms to have the same rights that would be accorded to an authorised firm in the UK where a regulator takes disciplinary action against a firm, such as an injunction. The impact of this appeal right on the justice system has been considered as part of the Justice Impact Test analysis.

Impact on firms

Under the Agreement, a Swiss firm that wishes to use the Agreement to provide investment services into the UK must satisfy a certain number of conditions and eligibility requirements. This SI does not impose any additional requirements or burdens on Swiss firms beyond what is set out in the Agreement. The regulators will provide further detail on the processes firms need to follow in order to supply under the Agreement through operational guidance.

The provisions in this SI do not impose any significant requirements, or costs or burdens upon UK businesses. This is because the SI is primarily about opening up the market access to Swiss investment firms who wish to provide certain services cross-border; and giving the necessary powers for UK regulators to manage the processes and possible risks that arise as a result of this access.

Table 1: Intended Effects and Costs of BFSI SI measures

Measures in the SI	Intended Effect and Costs
<p>Providing market access for the cross-border supply of investment services by Swiss firms into the UK by:</p> <ul style="list-style-type: none"> a. Allowing eligible Swiss firms to offer cross-border investment services to UK clients, including sophisticated high net worth individuals, without needing UK authorisation or to comply with UK prudential measures. b. Requiring the FCA to maintain a public register of Swiss suppliers, with the ability to remove or amend entries. 	<p>These measures facilitate cross-border market access for Swiss investment service suppliers into the UK with no direct effect on UK businesses.</p> <p>The SI introduces an exemption in the Financial Services and Markets Act 2000 (Regulated Activities Order 2001), allowing Swiss suppliers to supply services without UK authorisation, provided the firm has registered those services with the FCA.</p> <p>This does not impose new direct costs on UK firms, but UK firms may be affected by increased competition in the provision of these services.</p>

<p>c. Ensuring that Swiss firms must still adhere to specific UK regulations, such as product intervention rules, which allow the FCA to restrict or ban financial products to protect consumers and market integrity. Swiss firms must also comply with general measures like anti-money laundering rules. This is in line with the Agreement.</p>	<p>The FCA will maintain a register of Swiss suppliers, with any associated costs absorbed within existing budgets. This does not create significant new requirements or costs for UK businesses, as the registration requirement applies to Swiss firms.</p> <p>The cost of the extension of FCA's product intervention powers and other rules to Swiss registered suppliers is uncertain, as they depend on future use, which cannot be predicted. Any costs to the UK regulators are expected to be absorbed within existing budgets.</p>
<p>Functions</p> <p>The SI grants powers and duties for the UK regulators, equipping them with the tools necessary to fulfil their roles under the Agreement. It ensures that UK regulators can support HM Treasury to meet its obligations under the Agreement including the operation of the Joint Committee (which is comprised of representatives of the UK and Switzerland and governs the Agreement) and regulatory co-operation commitments.</p>	<p>It is difficult to quantify these costs at this time as the frequency at which the regulators would need to carry out these functions is dependent on the number of firms that choose to supply under the Agreement. Any costs to the UK regulators from utilising these new powers are expected to be absorbed within existing budgets.</p>
<p>Safeguards</p> <p>This SI provides safeguard powers for the FCA and PRA to address any residual risk that might arise as a result of new access under the Agreement.</p> <p>This includes:</p> <ul style="list-style-type: none"> a. information gathering powers and powers to restrict a Swiss firm from supplying certain services. b. A separate regulatory regime for an orderly exit / wind-down for Swiss firms if required. c. the prudential safeguard (the ultimate backstop power to manage the most severe or urgent risks, only to be used in exceptional circumstances). The powers under the prudential safeguard enable the FCA and PRA to take action in the face of severe or urgent risks from Swiss firms supplying services in the UK market. <p>These safeguard powers are accompanied by enforcement powers where relevant which allow the FCA and PRA to publicly censure a Swiss firm if it does not comply with an information gathering request.</p>	<p>These powers for the FCA and PRA (and associated enforcement powers) may have an indirect cost on Swiss firms supplying services to the UK, if the FCA and PRA need to use the powers against these firms. There is no direct effect on UK firms. The costs are unquantifiable at this stage due to the unpredictable nature of risks and regulatory responses.</p> <p>Any additional costs to UK regulators are expected to be absorbed within existing budgets. Under the BFSa, we expect that the exercise of safeguards is likely to happen on an exceptional basis. For those rare circumstances where enforcement powers may be used, we anticipate that the FCA and PRA will undertake a proportional supervisory approach (in line with their general supervisory approach), where considerations may be given to possible impact and cost implications.</p> <p>Potential impacts on the UK justice system arising from the appeal right for Swiss firms are dealt with in a Justice Impact Test. Given enforcement action is a last resort by regulators and given there are supervisory cooperation arrangements for the FCA and PRA with FINMA, we anticipate that additional costs are unlikely to be incurred.</p>

4.Options analysis

Option 1: 'Do Nothing'

The 'do nothing' option would be not amending domestic law to implement the Agreement. This would not be an appropriate option as we would not be giving effect to certain commitments under the Agreement, which would mean the UK not meeting its international commitments. This could have severe international reputational consequences for the UK.

Option 2: 'Preferred Approach'

Our preferred approach is to amend domestic law to implement the Agreement, as outlined in the previous sections. This will ensure that we meet our commitments under the Agreement, given that international agreements, including MRAs, cannot be ratified in the UK until they have been fully implemented domestically.

Full implementation of the Agreement leading to ratification will ensure the benefits to the UK of the increased market access, including direct benefits for UK insurance businesses who will be able to supply certain wholesale business into Switzerland. This will also avoid the reputational damage of failing to implement an international agreement.

5. Monitoring, evaluation and review

This SI does not require a review clause, given the Agreement already makes arrangements to monitor and review the implementation in the UK and Switzerland. Specifically, the Joint Committee, established under Article 23 of the Agreement, has the function to monitor and review the implementation and application of the Agreement. Furthermore, unless otherwise agreed, the UK and Switzerland will jointly review the implementation of the Agreement and any matters related thereto five years after the Agreement enters into force, and every five years subsequently.

Sign-off for de minimis assessment: SCS

I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

SCS of International Policy and Partnerships Team, Financial Services

Signed: ***Rohan Lee***

Date: 27/06/2025

Cleared off by HMT Better Regulation Unit

Yes/No: **Yes**

Date: 26/06/2025

Sign-off for de minimis assessment: Minister

I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Emma Reynolds, Economic Secretary to the Treasury and City Minister

Signed: ***Emma Reynolds***

Date: 09/07/2025