



Legal Update

New Regulatory Agreement between the EU and UK

On May 17th 2023, the European Union (“EU”) and the United Kingdom (“UK”) moved forward in their relations by entering a draft agreement known as the Memorandum of Understanding on Regulatory Cooperation in Financial Services. This will result in a framework for regulatory cooperation being established between the parties on a voluntary basis along with the creation of a joint EU-UK Financial Regulatory Forum.

Background

Following the withdrawal of the UK from the European Union on 31 January 2020, there have been ongoing negotiations. At the centre of this, for Ireland, is the dispute over trading arrangements relating to Northern Ireland.

In March 2021, the UK and EU concluded a memorandum of understanding, however this was not signed and was therefore in limbo as a consequence of the debates over trade rules in Northern Ireland. It was put on hold for 2 years due to the difficult relationship that existed following the Trade and Cooperation Agreement setting out the post-Brexit trading relationship.

In March 2023, a deal was struck between the EU and the UK known as the ‘Windsor Framework’. This replaces the old Northern Ireland Protocol, providing a new legal and constitutional framework. It has also “allowed the EU and the UK to open a new chapter in [their] partnership” as outlined by Mairead McGuinness, the EU Financial Services Commissioner.

The cooperation on the Windsor Framework has paved the way for further dialogue and is a step forward towards building and improving relations between the European Union and the United Kingdom.

Implications

Although the memorandum of understanding is a positive step forward in terms of EU and UK bilateral relations, the European Commission

has warned that it would not, in and of itself, improve cross-border access to financial markets. It was confirmed that the memorandum of understanding does not deal with EU firms’ access to the UK market or vice versa.

The arrangements to be made will provide for bilateral exchanges of views and analysis in relation to regulatory and market developments, financial stability issues, transparency and appropriate dialogue. It will allow for enhanced cooperation and coordination, all based on the shared objective of financial stability, market integrity and the protection of investors and consumers.

Next steps

For now, the draft memorandum of understanding is subject to final political endorsement by the Council before it can be formally finalised by the EU and signed on its behalf.

The UK has confirmed that while it notes that the memorandum of understanding is still subject to the internal processes of the European Union, it anticipates that it is intended for HM Treasury and the EU, respectively, to sign it in the near future.

How can Clerkin Lynch help?

The memorandum of understanding aims to promote dialogue and enhanced cooperation. Clerkin Lynch will continue to update clients on related developments as they emerge. Please contact us for any queries on how this may affect your business or to find out more about our team and services.

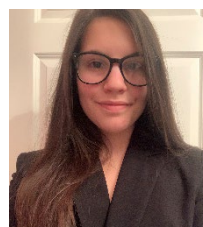


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