Dear Joan,

Thank you for the opportunity to participate in the Culture, Tourism, Europe and External Affairs Committee’s inquiry on the negotiation of the future relationship between the European Union and the UK Government and their implications for Scotland.

Scotland is home to a diverse and successful financial services industry which employs over 160,000 people across banking, life and pensions, general insurance, asset management and related professional services and serves the needs of millions of customers and clients in Scotland, the UK, and across the world.

Responding to COVID-19 is the paramount priority for Scottish Financial Enterprise (SFE) members at this time.

As an industry we recognise our vital economic role and our societal responsibilities in supporting our customers, colleagues, and communities during these difficult times. Our members are working extremely hard to ensure millions of personal and business customers continue to have access to financial services in its many forms, while our colleagues adjust to working from home and ensure the communities we live and work in are supported.

There is no question that the coronavirus crisis will continue to impact on the economy and society well into the future – perhaps for longer than we can fully appreciate at the moment. It’s difficult to untangle the potential impact of COVID-19 and the potential impact of the United Kingdom leaving the European Union without a clear path from the current transition period. What we can say is that in both circumstances our members require certainty as soon as possible for both our industry and for our customers. Certainty on the phases and triggers for the reopening of the economy as lockdown restrictions ease and certainty as to the terms of a managed transition to a new trading relationship between the UK and the EU.

Our diverse membership includes the leading UK financial institutions and global businesses who continue to invest in Scotland. Our members maintain individual positions on Brexit and on the ongoing negotiation process. Broadly speaking, our members are seeking a managed transition and an agreement that allows access to the EU as well as close regulatory cooperation to avoid a no-deal Brexit. The industry has invested in securing access to EU markets through restructuring corporate and regulatory structures to account for the loss of regulatory “passporting”. With many of our members located across the UK, they hold a UK level perspective given the uniform regulation of financial services across the UK.
Access to talent is critical for the growth and development of financial and related professional services. Our industry must be able to continue to access and retain vital talent from across the EU and the rest of the world in line with the recommendations made in TheCityUK and EY report ‘The UK’s future immigration and access to talent’.¹

The UK’s approach to negotiations with the EU, which was published in February, includes important objectives for our industry, including mutual recognition of professional qualifications, civil judicial cooperation, establishing formal regulatory cooperation arrangements and structured processes for the withdrawal of equivalence findings. Our industry continues to track the resolution of these technical issues.

As the clients and customers of our members plan their businesses through and beyond the impact of the COVID-19 lockdown, it is important that any required adjustments arising from the UK and EU negotiations are understood with sufficient time to accommodate in operational and financial plans. Our banking members have undertaken a considerable amount of engagement with their business customers over the past 18 months to support the management of the risks arising from a variety of Brexit scenarios.

Our members continue to monitor developments in the UK and EU negotiations and remain in close contact with their regulators. SFE continues to work closely with the representative body for UK-based financial and related professional services, TheCityUK, on Brexit matters. We are members of their EU Strategy Group, The Europe Group and the European Technical Advisory Group.

SFE is committed to constructively engaging with both the UK and Scottish Governments on behalf of our members on the Brexit process, the COVID-19 response and recovery and other matters relevant to the financial services industry.

Yours sincerely,

Graeme Jones
Chief Executive, Scottish Financial Enterprise