
Press release

AFME publishes new paper highlighting the need for early clarity on transitional arrangements post-Brexit

6 September 2017

AFME has today published a new paper, “The Need for Early Clarity on a Brexit transition”. The paper is intended to explain in more detail the importance and necessity of transitional arrangements and summarises AFME’s views on what such arrangements should look like.

Simon Lewis, Chief Executive of AFME, said: “Banks are conducting extensive planning and putting in place arrangements to minimise disruption to their businesses and clients. However, additional time is required to adapt to the post-Brexit framework and to minimise disruption for end users of financial services, including ensuring the continuity of existing contracts.”

Under a transition period, AFME believes that:

- existing market arrangements should be maintained to provide certainty and stability to businesses and market participants as they prepare to adjust their operations to the final permanent relationship. Existing legislation, regulation, permissions and authorisations should continue to be effective during the transitional period;
- the EU27 and UK Government should commit to a period of transition in a legally binding agreement as soon as possible. Pending the conclusion of such agreement, they should at least commit by the end of 2017 on the principle of a transitional period in a formal political joint EU27/UK statement. However, any such political statement will need legal and regulatory underpinning before it can be relied upon.

Transitional arrangements should comprise:

- a bridging period to avoid short-term disruption until the new relationship between the UK and the EU27 is ratified, should that prove unachievable within the two-year Article 50 period. This period should avoid damaging ‘cliff edge’ effects; and
- an adaptation period, following the bridging period, which would enable phased adjustment to the new trade relationship.

In addition to the transitional period, the following steps should also be taken to minimise disruption and support transition:

- Cross-border trades and contracts which are executed prior to Brexit, but which continue after the point of Brexit, should be grandfathered;
- Regulators should adopt a flexible and pragmatic approach to the new structures and operating models that firms propose, including accelerating the approvals process and leveraging prior regulator-approved risk models (possibly followed by a longer-term reassessment). Regulatory flexibility during this period of change could be provided by the EU27 and UK authorities making use of No Action relief when necessary and available;
- Regulators, central banks and national governments should continue to support financial market stability. This may require particular attention during the uncertain period around Brexit, and in particular during the transition, and may involve more regular market communications and targeted support in case of market need (e.g. access to liquidity schemes); and

- Public authorities in both the EU27 and the UK should identify whether the individual measures needed to implement a transitional period in their own jurisdiction require bilateral agreement between the EU27 and the UK, or could be implemented on a unilateral basis. Measures that can be taken on a unilateral basis are not dependent on the outcome of any negotiation, and thus could be taken earlier, thereby providing market participants with additional information and reassurance at an earlier point in time.

The full AFME paper is available [here](#)

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About AFME:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.
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