



2020/2023(INI)

25.5.2020

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on Foreign Affairs and the Committee on International Trade

on recommendations on the negotiations for a new partnership with the United Kingdom of Great Britain and Northern Ireland (2020/2023(INI))

Rapporteur for opinion: Pedro Silva Pereira

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Foreign Affairs and the Committee on International Trade, as the committees responsible, to incorporate the following suggestions into their motion for a resolution:

1. Recalls its resolutions of 15 January 2020 on implementing and monitoring the provisions on citizens' rights in the Withdrawal Agreement¹ and of 12 February 2020 on the proposed mandate for negotiations for a new partnership with the United Kingdom of Great Britain and Northern Ireland²; takes note of the fact that the negotiations on the future relationship are still at a very early stage, and underlines the major impact of the coronavirus crisis on this process and its timetable;
2. Stresses that the full implementation of the Withdrawal Agreement, including the Protocol on Northern Ireland, which ensures that there will be no hard border on the island of Ireland, is a prerequisite for and a basic component of a new partnership between the EU and the UK; expresses concern at the UK Government's statements demonstrating a lack of political will to fully comply with its commitments under the Withdrawal Agreement, namely regarding border controls in the Irish Sea; notes that no concrete reassurances were given on this matter at the Joint Committee; underlines that mutual trust between the Parties is essential in these negotiations;
3. Notes that the EU and the UK will remain close neighbours and will continue to have many interests in common; highlights the considerable level of integration and interdependence of the EU's and UK's economies; recalls that, now it has left the EU, the UK is still one of EU's closest allies, a NATO Partner and an important trade partner; insists, therefore, that any agreement on a new relationship between the EU and the UK must take into account the status of the UK as a third country, be coherent and adapted to the geographical proximity of both parties and to the high level of interconnectedness of both economies; recalls that the Political Declaration, based on the existing unique relationship, serves as the basis for an ambitious, broad, deep and flexible partnership;
4. Welcomes the fact that the Commission has presented and published a comprehensive legal proposal for a new partnership, broadly in line with its negotiating mandate and Parliament's resolution; urges the Commission to continue its transparency with the co-legislators, the financial services industry and consumers, and deeply regrets the fact that the UK Government has refused to accept a similar level of transparency; stresses that clarity and certainty are crucial to business continuity and a seamless provision of services to consumers, and when it comes to preventing market volatility;
5. Notes the substantial divergences between both Parties at this initial stage of the negotiations, including on the scope and the legal architecture of the text to be negotiated; expresses deep concern at the limited scope of the future partnership envisaged by the UK Government, and points out that the UK's proposals fall short of its commitments under the Withdrawal Agreement and the Political Declaration;

¹ Texts adopted, P9_TA(2020)0006.

² Texts adopted, P9_TA(2020)0033.

6. Believes that the UK's geographic proximity and current economic interdependence with the EU make it in both Parties' mutual interests to establish an ambitious and reliable new economic partnership covering the widest number possible of sectors; underlines that, in any case, a level playing field must be ensured and EU standards safeguarded in order to avoid a 'race to the bottom' and the creation of unfair anticompetitive advantages through the undercutting of levels of protection or other regulatory divergences; highlights that public procurement procedures should remain mutually open as a prerequisite for an effective level playing field between the Parties; considers that any new framework should safeguard fair competition, workers' rights, EU financial stability, investor and consumer protection, transparency in the promotion and support given to knowledge industries, the integrity of the single market and commitments to combat climate change that guarantee the non-regression of the current level of protection and standards; stresses that the resulting framework must be clear and transparent, and must not impose a disproportionate burden on micro, small and medium sized enterprises (SMEs); calls on the Parties to preserve the need and interests of these enterprises in the future agreement, especially with regard to market access facilitation including, but not limited to, the compatibility of technical standards and streamlined customs procedures; notes, in particular, the potential distortion of the economy in border areas in Ireland by the absence of the full panoply of level playing field provisions, particularly with regard to labour and social standards; underlines the importance of maintaining close and structured cooperation on regulatory and supervisory matters, at both political and technical levels, while respecting the EU's regulatory regime and decision-making autonomy;
7. Believes that the future partnership must ensure a high level of environmental, labour and social protection and shall not undermine future initiatives to increase such level of protection; supports, in this context, the clause of non-regression of the level of climate protection and encourages both Parties to increase measures and cooperate in matters relating to sustainable production and consumption, promoting the circular economy and fostering green and social inclusive growth; welcomes the Parties' commitment to achieving the objective of economy-wide climate neutrality by 2050 and aligning their policies with the objectives set out in the UN Sustainable Development Goals (SDGs) and in the Paris Agreement; calls for a regular policy dialogue to monitor the implementation of the Paris Agreement and the SDGs;
8. Calls for robust and comprehensive guarantees in the areas of competition, State aid control, state-owned enterprises, antitrust, and merger control to ensure and enforce a level playing field between the UK and EU economies and to prevent and ban unfair competition and the distortion of trade; stresses the need to uphold common high standards in competition law and State aid control; stresses the need to ensure investor and consumer protection, the integrity of the single market and for the UK's alignment with EU competition and State aid rules; calls for the effective enforcement and provision of remedial action as described in the EU Treaties;
9. Takes the view that, in the context of financial services, the EU's regulatory and supervisory dialogue with the UK should be conducted on the basis of a voluntary regulatory dialogue among policy-makers, regulators and supervisors in order to foster regulatory alignment and share supervisory concerns and best practices, including those on new innovative services and on issues of mutual interest; is of the opinion that the future agreement should include specific provisions on cooperation between the

European Supervisory Authorities and the UK financial supervisory authorities to provide regular notifications on changes regarding the legal framework and its implementation; acknowledges the fact that the EU's financial ecosystem has been heavily interconnected with services provided by UK-based banks and market infrastructures; believes that efforts should be made to retain a smooth level of cooperation, ensure a level playing field and limit regulatory divergence by the UK on financial services thereby maintaining integrated capital markets and access for EU financial institutions to appropriate market infrastructure in the UK;

10. Recalls that passporting rights, which are based on mutual recognition and harmonised prudential rules and supervisory convergence in the internal market, will cease to apply between the EU and the UK at the end of the transitional period, as the UK will become a third country; underlines that, thereafter, access to the European financial market must be based on the EU's autonomous equivalence framework; recalls, however, the limited scope of equivalence decisions; stresses that additional specific measures and requirements might be established and maintained for prudential reasons and to safeguard financial stability; underlines that any future partnership with the UK should include robust prudential carve-outs in order to legally guarantee both parties' rights to regulate in the public interest;
11. Highlights that EU legislation provides for the possibility to consider third-country rules as equivalent on the basis of a proportional and risk-based analysis; stresses that equivalence examinations are a technical process that should be based on clear, objective and transparent criteria; recalls its position in the report on relationships between the EU and third countries concerning financial services regulation and supervision that equivalence decisions on financial services should be subject to delegated acts; notes, in this regard, that an assessment of the equivalence of UK's financial regulations will be made by the Commission and that equivalence can only be granted if the UK regulatory and supervisory regime and standards are fully equivalent to those of the EU in order to ensure a level playing field; welcomes the Parties' commitment in the Political Declaration setting out the Framework for the Future Relationship between the EU and the UK' to endeavour to conclude the equivalence assessments by the end of June 2020; urges both Parties to continue their efforts to meet this objective; believes that if equivalence has been granted towards the UK, efforts should be made to maintain it, but recalls that the EU can withdraw unilaterally the status of equivalent at any time;
12. Points out that the changes introduced via Regulation 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms³ to the equivalence framework for investment firms require the European Securities and Markets Authority to 'monitor the regulatory and supervisory developments, the enforcement practices and other relevant market developments in third countries'; notes that such provisions could serve as a blueprint for an effective monitoring regime;
13. Recalls that a substantial amount of euro-denominated derivatives are cleared in the UK, which potentially could have financial stability implications for the European Union; welcomes the new supervisory regime put in place via Regulation 2019/2099 of

³ OJ L 314, 5.12.2019, p.1.

the European Parliament and of the Council of 23 October 2019 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs⁴; invites the newly established central counterparty (CCP) supervisory committee to make use of the powers conferred to them via this regulation in order to safeguard financial stability in the EU and calls on the Commission to consider a similar approach for other areas established in the UK marketing, clearing or when underwriting financial instruments denominated in euros;

14. Reiterates the importance of ensuring a framework for swift cooperation and information exchange between the EU and the UK, in preventing, detecting and punishing money laundering and the financing of terrorism, and of maintaining a level playing field; calls on the Parties to include provisions on anti-money laundering and countering the financing of terrorism (AML/CFT) policy in the future partnership agreement, including an exchange of information mechanism; recalls that, in the Political Declaration, the EU and the UK committed to go beyond the Financial Action Task Force standards on AML/CFT with regard to beneficial ownership transparency and to end the anonymity associated with the use of virtual currencies, including through customer due diligence controls; underlines that the UK must comply with international standards and should continue to adhere to EU regulations on and to its evolving standards in the field of anti-money laundering, which, in some respects, sets higher standards of protection and more transparency than the current international standards; recalls the existence of the EU list of third countries with strategic deficiencies in their anti-money laundering and counter-terrorist financing frameworks and urges that the UK, with its overseas territories, continuously commit to the EU framework on AML/CFT after the transition period;
15. Welcomes the requirements listed in Article LAW.AML.130 and Article LAW.AML.131 of the Commission's draft text of the Agreement on the New Partnership with the United Kingdom of 18 March 2020⁵ regarding beneficial ownership transparency for legal entities and legal arrangements; recalls that it is of utmost importance for both parties to ensure that information contained in central registries, is available according to the same standards as outlined in Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing⁶, especially taking into account its Recital 42 on the notion of legitimate interest;
16. Calls on both Parties to include in the new partnership agreement specific provisions regarding the supervision of financial and non-financial obliged entities in the context of the anti-money laundering framework; recalls the Commission's communication towards better implementation of the EU's anti-money laundering and countering the financing of terrorism framework (COM/2019/0360) and its report on the assessment of recent alleged money laundering cases involving EU credit institutions, concluding that EU anti-money laundering supervision was largely deficient;
17. Believes that free movement of EU nationals – including future frontier workers – and free movement of services on the island of Ireland are important in order to limit

⁴ OJ L 322, 12.12.2019, p. 1.

⁵ <https://ec.europa.eu/info/sites/info/files/200318-draft-agreement-gen.pdf>

⁶ OJ L 156, 19.6.2018, p. 43.

damage to the all-island economy and that a future agreement should cover this issue;

18. Recommends that, given the increasing digitisation of trade, which includes services, the Parties agree, as part of the governance framework of the new partnership, provisions for facilitating digital trade, addressing unjustified barriers to trade by electronic means, and ensuring an open, secure and trustworthy online environment for businesses and consumers; stresses that these provisions should facilitate necessary data flows, subject to exceptions for legitimate public policy objectives, while not undermining the EU's personal data protection rules, and should be subject to appropriate judicial control;
19. Emphasises that, in order to facilitate cross-border trade, significant investments in customs controls facilities at common transit points will be required, and comprehensive customs cooperation mechanisms should be provided for in the future agreement;
20. Considers that any future agreement should provide for clear mechanisms to ensure the effective implementation, enforcement and dispute settlement of legislation in the above-mentioned areas; welcomes the fact that, in the draft legal agreement presented by the Commission, the Court of Justice of the European Union is to have jurisdiction to give binding preliminary ruling on the interpretation of a concept of EU law or a question of interpretation of a provision of EU law;
21. Calls for the EU and the UK to reach a strong commitment to ensure compliance, including in the UK's Overseas Territories, its Sovereign Base Areas and its Crown Dependencies, with good tax governance in accordance with current and evolving international and European standards, notably on the exchange of tax information, tax transparency, fair taxation, anti-tax avoidance measures and on OECD standards against Base Erosion and Profit Shifting; calls, furthermore, on the Parties to uphold Financial Action Task Force standards;
22. Calls the Parties to prioritise a coordinated fight against tax evasion and tax avoidance; calls for the Parties to address harmful tax practices by pursuing acts of cooperation under the EU Code of Conduct on business taxation; highlights, in this regard, the Commission's country report for the UK as part of the 2020 European Semester process, in which the UK's dividend tax regime and the UK's high number of bilateral tax treaties are features that may be used by companies to engage in aggressive tax planning; notes that the UK is ranked high according to the Commission on indicators that identify a country as having features that can be used by companies for tax avoidance purposes; calls on the future agreement to specifically address this matter and lay out how the UK will remedy this situation in the future; notes that at the end of the transition period, the UK will be considered as a third country and will have to be screened by the Code of Conduct Group on Business Taxation according to the criteria established for the EU list of non-cooperative jurisdictions; calls for the Parties to guarantee full administrative cooperation to ensure compliance with VAT legislation and with the protection and recovery of VAT revenues;
23. Welcomes the commitment from the UK to maintain the implementation of DAC 6⁷; calls on the Parties to ensure the provisions included in the different directives

⁷ Directive (EU) 2018/822 of 25 May 2018 (OJ L 139, 5.6.2018, p. 1).

providing for mandatory automatic exchange of information in the field of taxation (DAC⁸, DAC 2⁹, DAC 3¹⁰, DAC 4¹¹, DAC 5¹²) on income, financial accounts, tax rulings, country-by-country reports, beneficial ownership remain in place; recommends that the Parties set up a dedicated platform on maintaining administrative cooperation in order to ensure the continuation of information exchange and coordination of future proposals for information exchange, such as for online platforms;

24. Invites the Parties to ensure their respective tax policies support delivering the objectives outlined in the Paris Agreement and invites the Parties to cooperate in the framework of a future EU Carbon Border Adjustment (CBA) Mechanism, notably to avoid any form of double taxation while delivering on the environmental objectives of an EU CBA;
25. Recalls that, according to Article 132 of the Withdrawal Agreement, the Joint Committee may adopt a decision extending the transition period; believes that a possible extension of the transition period deserves serious consideration in the light of the remaining divergences and the impact of the COVID-19 crisis, in order to see if more time is needed to conclude the negotiations on a comprehensive future partnership, while safeguarding citizens' rights, legal certainty and economic and financial stability; reiterates its position that given the complexity of the negotiations and the limited timeframe, there is a real risk of a 'cliff edge' in economic areas where the contingency measures or the international framework may not provide to be a sufficient legal framework to prevent severe disruption; believes that it is in the mutual interest of the EU and the UK that their future relationship is set in an orderly way;
26. Recalls that the liquidity of the Member States' bonds market and the liquidity of exchange of national currencies of non-euro zone Member States have been relying on the infrastructure offered by investment banks in the UK; notes that, since it is banned in many EU legal systems to conduct primary trading of state bonds in third countries, there is an important need to take the above-mentioned issue into consideration in the new EU-UK partnership negotiations;
27. Considers that Brexit can create a new momentum for furthering the capital markets union project, which could help to channel credit into the real economy in particular for SMEs, further enable private risk sharing, reduce the need for public risk-sharing and complement funding through banks.

⁸ Directive 2011/16/EU of 15 February 2011 (OJ L 64, 11.3.2011, p. 1).

⁹ Directive 2014/107/EU of 9 December 2014 (OJ L 359, 16.12.2014, p.1).

¹⁰ Directive (EU) 2015/2376 of 8 December 2015 (OJ OJ L 332, 18.12.2015, p. 1).

¹¹ Council Directive (EU) 2016/881 of 25 May 2016 (OJ L 146, 3.6.2016, p. 8).

¹² Council Directive (EU) 2016/2258 of 6 December 2016 (OJ L 342, 16.12.2016, p. 1).

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	20.5.2020
Result of final vote	+: 48 -: 3 0: 9
Members present for the final vote	Gunnar Beck, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Francesca Donato, Derk Jan Eppink, Engin Eroglu, Markus Ferber, Jonás Fernández, Raffaele Fitto, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Luis Garicano, Valentino Grant, José Gusmão, Enikő Győri, Eero Heinäluoma, Danuta Maria Hübner, Stasys Jakeliūnas, Herve Juvin, Othmar Karas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtos, Aurore Lalucq, Aušra Maldeikienė, Pedro Marques, Costas Mavrides, Jörg Meuthen, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Piernicola Pedicini, Lídia Pereira, Kira Marie Peter-Hansen, Sirpa Pietikäinen, Dragoş Pîslaru, Evelyn Regner, Antonio Maria Rinaldi, Alfred Sant, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Paul Tang, Cristian Terheş, Irene Tinagli, Ernest Urtasun, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin, Marco Zanni, Roberts Zīle
Substitutes present for the final vote	Karima Delli, Chris MacManus, Ville Niinistö, Mikuláš Peksa, Mick Wallace

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

48	+
ECR	Johan Van Overtveldt
GUE/NGL	José Gusmão, Chris MacManus, Mick Wallace
NI	Piernicola Pedicini
PPE	Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Enikő Győri, Danuta Maria Hübner, Othmar Karas, Georgios Kyrtzos, Aušra Maldeikienė, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Sirpa Pietikäinen, Ralf Seekatz, Inese Vaidere
Renew	Gilles Boyer, Engin Eroglu, Luis Garicano, Billy Kelleher, Ondřej Kovařík, Caroline Nagtegaal, Dragoş Pîslaru, Stéphanie Yon-Courtin
S&D	Marek Belka, Jonás Fernández, Eero Heinäluoma, Aurore Lalucq, Pedro Marques, Costas Mavrides, Csaba Molnár, Evelyn Regner, Alfred Sant, Joachim Schuster, Pedro Silva Pereira, Paul Tang, Irene Tinagli
Verts/ALE	Karima Delli, Stasys Jakeliūnas, Ville Niinistö, Mikuláš Peksa, Kira Marie Peter-Hansen, Ernest Urtsun

3	-
ID	Gunnar Beck, Herve Juvin, Jörg Meuthen

9	0
ECR	Derk Jan Eppink, Raffaele Fitto, Cristian Terheş, Roberts Zile
ID	Francesca Donato, Valentino Grant, Antonio Maria Rinaldi, Marco Zanni
NI	Lefteris Nikolaou-Alavanos

Key to symbols:

+ : in favour

- : against

0 : abstention