



## **Agreement between the Swiss Confederation and the United Kingdom on mutual recognition in financial services (Berne Financial Services Agreement)**

### **Key points**

**For the first time, two international financial centres have mutually recognised the equivalence of their respective legal and supervisory frameworks in a binding international treaty. This enables or facilitates cross-border business activities, while at the same time ensuring financial market stability and integrity, and guaranteeing client protection. The agreement is intended to boost the international competitiveness of the financial centre.**

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#### **Application of equivalence**

In order to enable and facilitate cross-border market access, the legal and supervisory framework for financial services has been mutually recognised as equivalent. This is supplemented by enhanced supervisory and regulatory cooperation. Equivalence was established by means of assessments based on jointly agreed criteria on financial stability, financial market integrity and client and investor protection.

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#### **Swiss banks gain access to high net worth private clients in the UK**

The agreement allows Swiss financial institutions to provide financial services to high net worth individuals (with assets in excess of GBP 2 mn) and professional clients in the UK. This can be done either on a cross-border basis or as part of temporary local operations. In principle, Swiss financial institutions can continue to apply Swiss law.

Banks, securities firms, managers of collective assets, fund management companies and asset managers, in particular, can benefit from these simplifications. The authorisation of cross-border activities is accompanied by a series of safeguards, such as disclosure and reporting obligations.

For UK financial service providers, cross-border business activities in Switzerland are already possible to a large extent, especially in the case of professional clients. This is stated explicitly in the agreement. In addition, UK client advisers may, under certain conditions, temporarily serve high net worth private clients locally in

Switzerland without having to register in Switzerland.

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#### **Cross-border access for insurance companies**

The provision of cross-border services in the UK is already largely possible for Swiss insurance companies. This is regulated more precisely in the agreement. In addition, the UK expressly confirms that the same cross-border services that UK insurers can provide into Switzerland under the agreement can also be provided by Swiss insurers into the UK.

UK insurers will now be allowed to engage in cross-border activities in Switzerland in clearly defined lines of non-life insurance. However, the agreement does not cover the provision of accident and health insurance, monopoly insurance of any kind or business interruption insurance. Liability insurance is possible only in specific, selected lines of business for professional policyholders. Furthermore, insurance services covered by the agreement may be provided exclusively to larger professional policyholders (corporate clients). The Swiss reinsurance market is already open. Based on the agreement, independent insurance intermediaries in the UK will also be relieved from the localisation requirement under the revised Insurance Oversight Act entering into force on 1 January 2024.

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#### **Asset management**

As the asset management market is already international in nature, the agreement confirms the existing framework. This concerns the respective regimes in Switzerland and the UK for the advertisement and offering of

collective investment schemes, the delegation of investment decisions, and portfolio risk management.

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#### **Stock exchanges and other financial market infrastructures**

The agreement contains rules on trading venues, central counterparties and over-the-counter derivatives (those traded outside a trading venue). In each case, the general legal and supervisory framework is mutually recognised, increased cooperation is agreed or compliance with certain obligations is facilitated.

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#### **Main positive effects of the agreement**

The agreement improves Swiss companies' access to the UK, one of the most important markets for cross-border wealth management in Europe. In the insurance sector, professional clients and large companies are likely to have a greater choice of products in selected insurance lines.

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#### **Financial stability, integrity and investor protection are ensured**

Should unforeseen risks to financial stability, market integrity or investor and consumer protection arise, both parties can react appropriately within the framework of the procedures and safeguards provided for. Dispute settlement provisions are likewise included. A joint committee will be formed to manage the agreement.

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#### **Future regulations and amendments to the agreement**

Each party retains the right to amend its regulations at any time and independently of the other party. An information and consultation

mechanism will be established with regard to the potential impact on the agreement. The agreement itself and its implementation will be reviewed after five years at the latest. If both parties agree, further sectors may be covered, such as digital financial services.

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#### **Regulatory and supervisory cooperation**

The supervisory authorities of both countries (FINMA and the SNB in Switzerland, and the Financial Conduct Authority FCA and the Bank of England BoE in the UK) have set out principles for cooperation in order to ensure financial stability, market integrity and investor and consumer protection. Where new market access is granted, additional arrangements and obligations have been defined. As with supervision, close cooperation is also required in the regulatory area. If one party envisages legal amendments that could affect how the agreement functions, the other party must be informed at an early stage and consulted if necessary.

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#### **Sustainable finance**

Both countries will cooperate more closely in this forward-looking area and draw up a work programme on the possibility of mutual recognition of corresponding rules and standards in the future.

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#### **Approval and implementation**

The agreement has to be approved by the parliaments of both countries before it can come into force. Furthermore, as the agreement will not contain any directly applicable rights and obligations for private parties, they will be unable to invoke it directly.

December 2023

