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Brexit Frequently Asked Questions for Banks

What is changing for Luxembourg banks after a 'no-deal' Brexit?

A no-deal Brexit means that the European rules regulating many activities of Luxembourgish banks in the United Kingdom (UK) are no longer applicable. In particular, Luxembourg banks lose their 'passport rights' into the UK (with the passport rights into the EU27 remaining in place) and must separately request permission from the UK regulator to remain active in the United Kingdom.

In case the deal between the European Union (EU) and the UK is approved by both the European institutions and the relevant British authorities, virtually all current rules remain the same until the end of December 2020.

If there is no agreement (the no-deal scenario), the current European rules will be onboarded entirely into British law - at least that is the intention of the British government. For cross-border services there are many restrictions in that case, although some temporary emergency measures have been taken to allow, for example, the clearing of derivatives in the UK, with the aim not to jeopardize financial stability. In the UK, banks with mainly commercial banking activities have the opportunity to rely on the so-called "Temporary Permission Regime" (TPR), allowing them at least temporarily to remain active as a "third country branch" in the UK.

For the future relationship, the question is to what extent in the future there will be alignment between European and British rules in case of new legislation. In the future, the supervision and the making of rules will no longer cooperate in the same way. A new form of cooperation between supervisors and policy makers is required to guarantee financial stability and fair rules. The expectation is that this new relationship will be less strong than is currently the case. For Luxembourg-based banks, this means that cross-border activities will be less easy and efficient.

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