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P R O C E E D I N G S

MR. BAER: (in progress) or trying to interpret or deflect some comments about Brexit from our President which were truly remarkable, and maybe some of you could ask about those as well. But I think what we're going to do is he'll give you some remarks. I'll ask a few questions and then we'll throw it open to all of you.

So thank you and welcome.

MR. PHILLIPSON: Thank you very much indeed, Greg. It's a real pleasure to be here. I'm not entirely sure, I could be wrong, I'm not sure I was actually your first choice, because I think, at one point, we had hoped that Charles Roxburgh who's the Second Permanent Secretary from our treasury was going to be here, and that would have been great. Because unlike me, he is a direct policymaker and right in the thick of it, as we say in terms of Brexit.

But anyway, his loss is my gain. I'll leave you to decide at the end which side of that ledger you fall, but thank you again for welcoming me here.

As I say, I'm not a regulator. I'm not a direct policymaker. My roles here in New York and across the North American, US and Canada, is I define it as being to talk to people about how we deepen and strengthen the relationship between the UK, the US and Canada. And how we do so in a way that delivers a relationship in the future that's focused on jobs and growth and our mutual interest between the countries in delivering and through growing UK-US trade and investment I'm going to focus on specifically today.

I would just point out, for the record, we start, I think, with an incredibly strong base and this is actually one of the points I made on CNN. The UK and the US are the biggest investors in each other's countries. The US is the single biggest export partner of the UK, accounting for almost 20 percent of our exports. So this is not a relationship that we're starting from scratch.

It is, though, a relationship that we want to grow. And the point that the President was making, and actually, I would say I agree with him that this is a point that is important to focus on in the context of Brexit, which I'll come back to in a second, is what is it that Brexit allows us to do in the future? And I would like to make the case that it allows us to take this very deep, very strong relationship and make it even more special.

At Davos, in January this year, and in July at Chequers in the UK, the Prime Minister and the President reiterated their joint commitment to strengthening this relationship, both through trade and investment, not only through an ambitious FTA, but also any other way that we can find, in my view, to do even better.

We believe, and I will argue today, that our exit from the EU offers an unprecedented opportunity to build on that relationship with other markets, including, and especially, the US through free trade agreements, and to make the case globally for open markets. And I'll come back to that in a second as well.

So let me just pause on where we are with the negotiations. As you say, it's been pretty fast-paced over the last few weeks, although it's fast-paced at the end of a process that started nearly 19 months ago. So for some people it looks as if we've sort of been sitting around doing not very much. But I would just say, not only through having been in the Brexit department until I came here a year ago, but where we got to over last weekend is a result of an incredibly complex and difficult negotiation as the UK sought to find an orderly, smooth way out of an organization that we have baked ourselves into over the last 43 years.

We always knew that wasn't going to be straightforward and that, I think, is what has proved to be the case. And at the risk of misquoting Churchill, this is not really the beginning of the end, but it certainly is the end of the beginning. And the beginning was always going to have to be a smooth withdrawal, and that is what we reached in a document that's almost 600 pages long, and that was endorsed, not only by my Prime Minister, but the other 27 heads of state and government in Brussels yesterday.

It includes, crucially in my view, in it something we call the implementation period. Other people have called the transition period, but we call it the implementation period. And it lasts out until December 2020, the end of December 2020. And what that does is it says that on March the 29th next year, 11:00 in the evening in the UK, 7:00 in the evening here in New York, because our clocks would have gone forward, but yours won't, or the other way around, we will leave the EU. We will leave the Customs Union. We will leave the single market and we will leave the treaties that we entered in the mid-1970s.

But the crucial point is that we will just stay trading with each other the same in that implementation period, during which we will complete our negotiation on the future partnership. And what that does is it gives business and citizens security, continuity, and certainty that when we get to that moment, end of March next year, it will not be a cliff edge. That is something we have prioritized. It's something the EU has prioritized, and it is something that we have heard repeatedly from business.

I would recognize -- I don't want to be naïve about this -- that does not mean that it's 100 percent banked, because we still need to get this deal approved in the UK Parliament. And the Prime Minister intends to spend the next two weeks making the case for that. And then, we will need to turn it into a piece of legislation in the UK. And I fully appreciate, because I've been told many, many times by business, and I fully understand the logic that until that legislation is through and on the books of the UK system of laws, you cannot guarantee it will happen. So while I think this is a positive moment in terms of the withdrawal agreement, the implementation period, I do recognize that we still have to complete quite a lot of process here.

But what it does mean in my view is that we can also start to look to the future and along with the 600-page withdrawal agreement published yesterday, or blessed yesterday in Brussels, is a shorter document that we call the future framework political declaration. This one is a mere 26 pages. And again that suggests to some that this is undercooked, or that we're not ready. Why haven't we done more? Why isn't it more of an agreement between us?

To which the answer is that the EU has always been very, very clear with us that they cannot negotiate the future relationship with us until we have left. There is no provision in the treaties, whether within Article 50 or anywhere else in the treaties, for the EU to effectively negotiate with itself. So what we have to do is we have to leave under the terms of Article 50, and then we turn to another bit of the treaty, Article 218 and begin a process of negotiating the future relationship between UK and the EU 27.

And what it does, though, is it sets out a shared ambition. It's a joint text that, as I say, has been endorsed by both sets of leadership on the EU side and the UK side, that talks about the type of relationship that we now share an ambition to develop. And when it comes to our economic partnership, it talks about aiming for a free trade area for goods that provides for no tariffs or quotas, and ensures a trading relationship that is as close as possible combining deep regulatory and customs cooperation.

The extent of our commitments, including the alignment of rules, will then be taken into account when we work out what that future needs on the board are. We intend to make that, as I say, as close as possible, and we intend to turn that into the type of free trading relationship that is deeper and stronger than anything the EU has with any other third country. A lot of you will have seen terms in some of the commentary on this, are we going for Canada, are we going for Norway.

The Prime Minister has always said that we will go for a deal that works for Britain, reflecting our existing partnership with the EU, reflecting the fact that we are the fifth biggest economy in the world. And I would argue that that is what this document aspires to and that's the ambition that's set out.

And as I say, it is a joint document. This is not just us asserting this is what we want to do. It is what we and the EU are saying that we will do over the course of completing this future partnership.

When it comes to services and investment, which, of course, I know is of keen interest to those in this room, we also make clear that we want ambitious arrangements that go well beyond WHO commitments; build on all recent EU free trade agreements, including new arrangements on financial services alongside timely equivalence decisions under existing frameworks. And again, I'd like to come back to that in a moment.

We also talk -- I'm not going to go through the whole document, don't worry -- but we talk about other issues that I think really affect the future of the global economy in areas that you all care about. So we talk about arrangements on digital that cover a wide range of areas including e-commerce, telecoms and emerging technologies. We also talk about temporary entry arrangements for people traveling for business from the EU, as well as visa-free travel for short-term visits consistent with our commitment to end free movement of people, but also consistent with our commitment to put in place an overall immigration scheme that reflects the needs of the British economy that doesn't privilege travel from the EU versus non-EU. And therefore, really, truly makes the UK globally open to the businesses of the future.

Now just pausing on financial services, if I may, given the audience, the Prime Minister, throughout this process, as indeed has my chancellor, the treasury secretary equivalent, they've been clear on what we want when it comes to financial services. And they have both said consistently that we want to see EU-UK collaboration as deeply and as intertwined as possible given our status as a third country.

Some have said from the beginning, the financial services simply can't be part of an FTA with the EU. But we believe that making it part of the EUK-EU future relationship is possible and, indeed, desirable for both sides. The markets are already deeply interconnected. Our rulebooks are identical at the moment, and again, I think this ambition is reflected in the political declaration which has a whole chapter on financial services reflecting their importance to both sides.

The text there commits us to agreeing new arrangements for financial services. It reaffirms our shared principles such as those in relation to financial stability and market integrity, while also recognizing that both sides will be able to take their own decisions on financial services including in relation to access to their markets.

And we've also agreed to continue to work closely together in relevant international bodies. The political declaration goes on to say that the EU has specific arrangements to recognize another country's regulatory regimes as equivalent to its own. Of course, through equivalent frameworks -- equivalence frameworks and decisions in individual areas through equivalence decisions that I'm sure you'll all be familiar with. And this equivalence can have a range of benefits including allowing businesses from another country to operate across borders and reducing overlaps in compliance with regulations.

The EU, of course, has a range of equivalence frameworks in the field of financial services, and we intend to establish our own frameworks through our own legislation. Where these frameworks are in place, the EU has committed to assess the equivalence in the UK's regimes and to conclude these assessments by June 2020, so six months before the end of the implementation period. And the UK has committed to doing the same for the EU's regimes.

These arrangements on equivalence frameworks will also apply to equivalence decisions on accounting, audit regulatory equivalence and content authority adequacy decisions in audit, and the UK and the EU overall have committed to keeping their financial services equivalence frameworks under review going forward. And we've also agreed that it would be in the interests of both sides to have a close and structured approach to the regulation and supervision of our financial service sectors as part of the deep future economic partnership between us.

This cooperation, in our view, will offer greater transparency, consultation, and information exchange between the UK and the EU providing the industry with greater predictability around the adoption and withdrawal of equivalence decisions. All of this reflects what we see as being a shared priority to preserve Europe's financial ecosystem given that market fragmentation will lead to increased costs that would be passed on to businesses and consumers.

And we continue to see the UK and, indeed, the city of London as an absolutely crucial part of that European ecosystem. At the end of the day, I would just sum up by saying that as we prepare for a new relationship outside the European Union, the ties and the shared philosophies between the UK and the US are also the starting point for an even closer economic relationship between us.

The UK-US trade and investment working group, which was set up between International Trade Secretary Liam Fox and USTR Robert Lighthizer in July 2017 is one of our main vehicles for this. Through that working group, which has now met five times, we are looking at all ways that we can improve the already strong trade and investment relationship between our countries. This includes ensuring continuity in terms of replicating the existing frameworks that we are part of as members of the EU, as well as looking for short-term opportunities while we are still in the EU.

And to that end, we also announced in March this year the formation of a US-UK financial regulatory working group with a view to the further promotion of financial stability, investor protection, fair, orderly and efficient markets, and capital formation on both sides of the Atlantic.

I'd just like to touch briefly, though, on one other important aspect in my view which is the global picture. As I said earlier, the US and the UK are two of the world's great services economies with a particular strength in financial and professional business services. So in my view, we should be thinking not only about how we deepen and strengthen between us the corridor across the Atlantic, but also about the future of global frameworks and rules. About the future development of financial services sectors, the challenges, and the opportunities, and the role of financial services in supporting other sectors in the US, the UK, and the wider world.

And I think we need to be clear about where and how the UK and US can bring their voices to bear, whether it's through the G7, the G20, IMF, OECD, the

Financial Stability Board, Davos, Aspen, and indeed events like today here in New York.

Finally, I'd just like to end with a few thoughts on where we are more generally. I'm very conscious this year marks the tenth anniversary of the depths of the global financial crisis. And I'm sure many in this room remember it all too well and have been thinking about those events a lot throughout the year. The regulatory outcome of that crisis has arguably been, for the banking sector, the most important change in the last decade. The international regulatory response led, I would say, by the UK and US, amongst others, was built around Basel III's reiteration of capital requirements, as well as rules for liquidity and leverage.

I know that the Bank Policy Institute -- and congratulations again on your launch this year -- has studied the resultant macro prudential framework in great detail, and has published its thoughts through many databased articles. It appears to some, at the minute, that major jurisdictions are diverging though in certain aspects of their economic regulatory and trade policy. Some commentators appear to think that they're moving away from multilateral coordination in favor of unilateral measures including increasing tariff barriers.

Some have described this as a process of deglobalization, and some also cite Brexit as part of this trend. But I'd like to make clear that I don't think this is the case. In short, the UK remains committed to our status as an open, innovative, and major free trade economy, and to adherence to a global set of rules and norms. The post-crisis regulatory framework and global fora will be even more important to the UK as we leave the European Union.

We aim, as I hope I've set out, to build a new relationship with the EU across these issues, and to deepen and strengthen our engagement with the US and other global players to ensure that we can all benefit from a global economy that creates jobs, growth, and future prosperity for us all. And at the heart of that, because I would also go on to say, before anyone points it out to me, that governments don't create jobs and growth. You create jobs and growth.

That at the heart of all of that discussion needs to be a strong, honest, and forward-looking partnership with business, which is why it's a pleasure and a privilege to join you here today. Thank you very much indeed.

MR. BAER: I don't think I can get out of this chair. Sorry, we should be on a riser, but we'll all -- we'll both sit up very straight so you can see us. So I think I'll just kick off and ask a few, probably, of the obvious questions and then leave it to you all to ask some of the more subtle, clever questions. There's plenty to ask though.

So you noted that there would be a vote in a couple of weeks. I guess the first question is is there a set date, and then, I think more importantly, or mischievously, what coalition of members of Parliament is going to end up adopting that? Is labor a lost cause? What's the coalition look like?

MR. PHILLIPSON: So the factual one first, the Prime Minister announced today that there will be a week's worth of debate on the withdrawal agreement and the political declaration that begins on the 4th of December. So the meaningful vote, which is what we call it, because we always said we would give our Parliament a meaningful vote, and a decision, and a choice to be made in the future of the direction of the country, a big part of the Brexit, you know, the government's ambitions for Brexit is reclaiming our sovereignty and the role of Parliament. So that's important. And the meaningful vote will be on the 11th of December.

On the coalition, if you may, I probably won't get into counting noses for you, but what I would just say is that the Prime Minister has been very, very clear over the last few weeks including at least two very big statements in Parliament, and also in a letter that she wrote, quite unusually, to the nation yesterday. She has been very clear that she believes that this deal delivers on the results of the referendum and the will of the people who said that they wanted the UK to leave. It also delivers a Brexit that works for the British economy, both in terms of minimizing disruption to our existing relationships, and leaving us with the scope to go further and deeper with the likes of the US, but also others who we've talked about FTAs with, but also just wherever we can find growth opportunities in the world.

And that is the case that she will be making over the next week. And that is the case that she will be taking to the Commons.

MR. BAER: I've actually read that letter, which was an extraordinary document in a good way, and I would commend it to anyone who wants to learn a little history. Without counting noses, though, I mean what do you see as sort of the pressure points on the vote? Is it is there more opposition from the true remainers or the true Brexiteers? How much of it is free movement which seem to be satisfied, versus Ireland versus anything else?

MR. PHILLIPSON: I think there are a number of -- when people want to sort of think about what makes a successful Brexit, there are, obviously, some personal positions and some particular points of focus. And but from the very beginning, the government has set out, including in the manifesto for the election in June 2017, which I know didn't deliver a majority for the government, but the manifesto commitments of both the major parties were pretty consistent that what we wanted to see was a Brexit that was smooth and orderly, gave us the opportunities in developing an independent trade policy in the future, took back control of our laws and our borders and our money, and delivered on the will of the people.

The Prime Minister would argue, has argued, and I believe will keep arguing, that that is what the withdrawal agreement does. There are some who, I think, would like to have felt that we would be able to have the withdrawal agreement and the future relationship all in legal text at the same time. But as I explained that was not going to be possible.

There are some -- you mentioned Northern Ireland. I think this is important because this issue of the backstop has become contentious in the last few weeks and months. But again, the Prime Minister has been clear, the backstop --

MR. BAER: Actually, I was going to ask about that. You should probably -- I think there are some here who probably don't know what the backstop exactly is.

MR. PHILLIPSON: Okay. So the backstop dates back to an agreement between the UK and the EU in December last year where we have always been very clear that we did not want to do anything that would risk the Good Friday Agreement and the peace process between Northern Ireland and the Republic, and indeed, between the UK and Ireland over the last 20 years.

And we have always argued that our ambition for the future partnership, not least because of the things I touched on about the deep economic integration that we want to maintain in the future relationship, we need to fix those border issues in the context of the future partnership, which, of course, the EU has said we can't negotiate until we have left. So the implementation period gives us sort of a period in which we can complete that future partnership in a way that takes away the need to have a border between Northern Ireland and the Republic.

But what has emerged, or what emerged in December last year, was the question, well, what happens if we don't quite get there? What happens if we're not ready? What happens if, at the end of the implementation period, the UK falls out of the implementation period and we don't have a future partnership ready to go? What does that mean for the border?

To which we have said, well, A, our ambition is to not have a gap, and where we have ended up now is there are two options. One is provided for, again, in the withdrawal agreement which is that we could extend the implementation period for a one-time extension of --

it doesn't say the date but it talks about one to two years, and we will make an assessment in June 2020 as to whether that is necessary.

The alternative is to agree this concept called the backstop, which means that whatever happens, Northern Ireland will remain within a customs territory with the EU, and will remain in alignment on the issues that are affected by the Good Friday Agreement. The backstop, though, doesn't only affect Northern Ireland. It affects the whole of the UK. So it will keep the whole of the UK in a customs arrangement with the EU but not the customs union.

And this, I think, is important because there are a number of people who are very critical of the government for agreeing this because they feel it locks us into a customs arrangement in perpetuity. What happens if we can't get out of the backstop? Do we just stay in?

To which I think I would just observe there are a number of people on the EU side who are also very unhappy with it, because does it effectively allow the EU -- sorry, the UK to stay within the customs arrangement and some aspect of the single market, but without being members. And therefore, without the obligations of membership, and that's always been one of their red lines.

So I think I would just make two points about the backstop. It's not either side's chosen vehicle for covering any gap that emerges. Both sides are committed to negotiating that future partnership as fast as possible and putting in place the necessary arrangements so that we can move into it at the end of the implementation period. And there is still an alternative which is that we just extend the implementation period rather than bring the backstop.

MR. BAER: And I don't even know if it's cynical, but one would -- I mean, I would certainly expect you would see that extension and then people getting used to the backstop as a permanent state of affairs. I mean, isn't that a fairly likely outcome?

MR. PHILLIPSON: I think, at this moment in time, we should focus on getting through the withdrawal agreement, providing that certainty through the implementation period so that we can finally remove the risk of cliff edge in March 29th next year, pick up on the references in the political declaration beginning now to really start ramping up the momentum towards the full-blown future partnership negotiations which can then kick in as fast as possible after the 29th of March.

MR. BAER: Right.

MR. PHILLIPSON: That's where I would focus.

MR. BAER: So let me switch a little bit to financial services which, obviously, is the greater concern here or the greatest, although, there may be some Irish or Northern Ireland residents here. So I think a lot of it just comes down to, I mean, clearly as you noted under the agreement, there's the potential for future equivalence determinations which each party can do in its own best interests, and so, I mean, really, it seems a lot of it just is going to be determined by what Europe considers to be its own best interest with respect to equivalence determinations.

You know, one could certainly imagine a world where they wish the city of London to remain the capital of financial services, not only for the UK, but largely for Europe, and grant equivalence quite readily. They would be on good grounds in doing so as the last time I checked, the UK was a very good place to be regulated, and is a very thoughtful regulator.

On the other hand, I mean, it does seem that the potential for a lot of jobs and industry moving onto the continent has been greeted with some enthusiasm in Paris, Frankfurt, maybe even Dublin, Luxembourg, other places, Amsterdam. So a lot of it does seem to come down to whether they want to agree, not whether they can agree. That was a very long question, but I think you have the gist. How do you see that going?

MR. PHILLIPSON: I think I recognize everything you say and the way you frame the question, and it is certainly something that colleagues of mine in London have spent an awful lot of time thinking about both on the government side, the policy side, and on the regulatory side.

I think I would, again, just let's focus for one second, but not to be sort of simplistic about it, and I don't want to sort of look as if we're trying to duck the issue. But if we just focus on the shared ambition that's in the political declaration, the challenge for us is how do we make that work? How do we set up the processes?

And we've, you know, we've actually set out quite a lot of our own thinking on this, if you go back to some of the documents that were published by the Treasury. In March this year, the Chancellor was quite explicit in designing a system of enhanced regulatory equivalents which shared rules and shared dispute settlement.

And one point that a couple people have said to me over the last few days is that they're quite struck by the fact that the political declaration at one level feels less detailed than some of the material that we've put out to date. To which I think I would say that what the political declaration does is it describes a shared ambition between the two sides as to the end, close and structured cooperation, a shared ambition for financial stability, recognizing the autonomy and sovereignty of each other's regulators, but doing so in a way that retains a pretty high degree of integration.

The challenge now will be, okay, what does that actually look like in terms of governments' arrangements? And if you -- absolutely taking your point, although all of you in this room are more expert on this than I am, if it is deemed, as I think we have said in the past, that some of the equivalence arrangements that the EU has with third countries don't feel that they're robust enough given the significance of the city of London and the UK, well, the conversation we need to have is how do we enhance those arrangements?

And that's what I believe we will be spending quite a lot of time over the next few months doing. Because I would always feel that, again, to point in your question, that there's been a lot of talk about either whole sectors or whole bits of the sector moving to somewhere else in Europe, but -- and we know that companies and firms have sort of made some contingency plans. But I don't think we have seen that sort of big sort of everyone out type moment. And I believe that we will continue to be able to argue that UK and London is one of the great financial centers, a combination of a whole host of policy and regulatory issues, especially in the context of the future of the sector. If you look at Fintech, continue to attract record levels of investment outstripping most of our EU partners put together.

So I think there's a -- we know that people will want to see more clarity and more certainty and will want to know that they can -- they are operating in a framework that is robust and stable. And that, I think, is our ambition to put that in place over the next few months.

MR. BAER: So actually, I mean, I've periodically spoken to people at Bank of England and HMT who have been working on these equivalence determinations for some time. But sort of going forward now, whose responsibility is it really to negotiate that? Is that still with Barnier, and, sort of, what's that process going to be now that we've reached this point?

MR. PHILLIPSON: Actually, that's a very good question which I'll be very honest. I'm not sure I entirely know the answer to except that I would expect to see, and again, I think this is reflected in the political declaration, the Commission certainly had the lead on the withdrawal agreement. It specifically states in Article 50 that it is the Commission that will negotiate with any member state that's seeking to leave operating to a mandate set by the European Council.

In terms of the future partnership, I think there are two dynamics that will come into play. One, it is not as explicit that the Commission have that sole point of focus. And I think, as I say, it is reflected in some of the documents and some of the statements from people like Donald Tusk, the president of the European Council, that the Council will play more of a role now.

And secondly because at the end of the process, whatever we end up agreeing in the context of the future partnership, it will almost certainly be what an EU policy is a mixed agreement and will require authorization not only by the European Parliament and the European Council but by national parliaments. Now that, I think, means that there will need to be more of a role played by the member states.

How that is structured, I think, is again something that we should spend the time between now and when we can actually start full-blown negotiations working out.

MR. BAER: Right, and then on the UK side you think this will continue to be sort of a partnership between Treasury and the Bank, or other --

MR. PHILLIPSON: I imagine in this space they will be the leading lights, yes.

MR. BAER: Okay. Interesting. And I'll invite, at some point, I mean I think others here probably have thoughts on some of this and maybe want to make either statements or requests. But a lot of it does come down to everyone, as you know, has a plan B, at least the larger nationally active banks, which, to some extent, they've been effectuating through limited movement on shore and a lot of obtaining of licenses and things like that.

I mean, I assume it's hoped in the UK that this is the moment where they can decide, no, we don't have to execute plan B, but I don't know enough to know whether and some of you may know better than I whether now is the moment where they say, no, actually now is when we do need plan B because this is not enough certainty to go on like this. I mean, I don't know what you've heard or what the party line is as it were.

MR. PHILLIPSON: Well, I mean, I think as I said earlier, I think I would recognize that in terms of those who are sitting down with their compliance departments and their general counsels, they will be saying until that is a piece of vellum signed by the Queen then it's not law. But I think I would hope that we can continue to sort of maintain a dialogue with the industry that keeps them briefed on where we are, keeps them briefed on where we want to go next, and continues to sort of provide that certainty between now and the end of March.

MR. BAER: So I'm curious of you just up to now, I mean, at this point you're practically an American, but I would ask you, what's been the impact on the city of London thus far? Is it limited? Or is it more significant than that?

MR. PHILLIPSON: Again, I'm not sure I would be able to sort of quantify it. I mean, I would observe that there were a lot of assessments made about what would happen at particular points in the process, not all of which have happened. But we know from talking to, as you say, either the larger institutions or indeed a lot of them, they have made contingency plans. They have had to. They've been told to by the regulators and the ECB.

But I don't think if you were to compare the reports at the beginning of the process to what has happened, I don't think they are the same, but this is why, as I say, I think we will want to keep maintaining the dialogue as we can be more precise and more specific about what the future looks like, and when. Because I think there's always -- I always feel in this process there's sort of two crucial sort of dynamics. There's what do we want to get to and when are we going to get there, and both of those matter to those in this room and many, many other conversations like this about what they can make concrete assumptions about and then make business decisions on.

MR. BAER: Yep, I mean, it's unfortunate just to talk around our book a little bit that this is all coming at the time when there is increased ring-fencing. I think you're not going to potentially the 90 percent internal t-like requirement which, unfortunately, the Federal Reserve did a couple of years ago. I think the Bank of England has been the only one to resist that kind of ring-fencing at that level thus far, but it is kind of interesting when you consider that debates about post-Brexit, not only the Brexit agreement itself, but also how are the US, the UK, and Europe going to regulate banks that are coming in either through branches or subsidiaries going forward which I think is just going to make this even more complicated.

MR. PHILLIPSON: I think that's right, but the reason why again, in a rather simplistic way, I mean, earlier I said that as well as looking at what happens between the UK and the EU in today's context, what my context, what happens between the UK and the US. We should also be looking at what's happening between the US and Asia, between the UK and Asia. Let's look at the corridors. Let's look at where, sort of, the direction of travel is, and then can we have a conversation about what the UK, US, and EU ought to be thinking about when they sit in these bodies that set the future frameworks. And we want to make a case that we should keep thinking about a set of rules for the global financial services out of the economy that are transparent and predictable. That regulate where we need to but don't crush innovation where we don't need to.

What does that discussion look like? And how does the UK -- I mean, in a way we've always had quite an independent voice in this because I think one of the interesting things about financial services in an EU context is it's not simply a matter of a single market. It's more complicated than that, but I don't think that means that we shouldn't take the challenge of thinking, all right, where do we want to get to and who are we going to talk to, where and when to get there? I still think the UK and the US needs to lead that discussion.

MR. BAER: Okay. Is there any -- before we turn to the more sophisticated questions; are there any obvious questions I forgot to ask you wish I had?

So anyone out there in the crowd? Yes, sir.

QUESTIONER: We're saying a couple of years ago that -- there was different conversations about certain (inaudible) and I kept saying, you know, I looked at it, and it seemed like the UK had a trade deficit and Europe would be hurt. And even though you could look into the percentage of that relative to the European GDP and saying it's not huge, I think it was something in the area of 80 billion in terms of the trade deficit, but in looking at the EU, and when you talk about that, and like I said it doesn't matter because Europe was so intent on making certain nobody else would consider this that there was sort of almost a punishment mentality.

Do you feel things have abated in that regard and that this -- the documents that have come forth reflect upon that, and you're no longer seeing that emotion that was so strong (inaudible)?

MR. PHILLIPSON: I think in short, yes, I think I do, and I think the importance of the document is, as I've said, you know, the reflection of a shared ambition on both sides, that doesn't hide the fact that there is now is why I sort of say mangled Churchill earlier. This is sort of the end of the beginning, but we've now got quite a long way to go.

But I think if we can keep our eyes fixed on that horizon of the shared ambition, if we can keep finding ways for the UK and the EU, UK and US, and indeed US and EU to keep having a discussion that recognizes that although we will compete with each other, we should do it in a way that isn't a sort of beggar thy neighbor approach. This is not about, I mean, again, people sometimes ask us, are we about to engage in a race to the bottom in terms of regulation in the UK. And I think our ministers have been clear repeatedly that, no, we're not.

This is not time just to, sort of, you know, junk all of our principles. And the other phrase that the Prime Minister certainly has used a lot is that the UK will be leaving the EU, but we're not leaving Europe. We will still have a very high degree of commitment to, sort of, prosperity and indeed the security of the

European continent. Challenge for us is how do we take ourselves out of one context where for the last 40-odd years we have basically done that from within the EU.

But still, I would say, and especially in the context of financial services, and especially, again my rather limited understanding, but I was in a different part of government at the time, but the role played by Gordon Brown and the UK Treasury back in 2008, 2009. I mean, they weren't only speaking with a European voice. They were in global for a talking with US partners and EU partners and Japanese partners, et cetera, et cetera.

And so I think we have a backstory to build on. And if we can keep that sense of the ambition and that we do actually have mutual interests in deepening and strengthening these relationships going forward and that is a better place to be.

MR. BAER: Yes, Mr. (inaudible).

QUESTIONER: Assuming the agreement gets approved by Parliament in the next few weeks, what happens on the 29th of March both with respect to financial services and more broadly? What changes at the beginning of implementation?

MR. PHILLIPSON: So assuming -- sorry, I find it hard to break out my internal monologue on some of this stuff. So the UK Parliament needs to agree it.

QUESTIONER: Yes.

MR. PHILLIPSON: The European Parliament needs to agree it, and then the UK Parliament needs to turn the agreement into a piece of legislation. Now assuming that all happens, on the 29th of March in the evening, the UK leaves the treaties, and the previous withdrawal agreement kicks in which transposes -- two things happen I would say, probably many more, but two at least for the purpose of this answer.

One is that all of the existing equis gets transferred into UK law so that we remain in equivalence one minute after 11:00 as we were one minute before. And then secondly, the implementation period kicks in which makes clear that although the UK has left the treaties, the EU will treat the UK as an existing member state for the purpose of those treaties until the end of December 2020.

And what will need to happen there is that any time during that process that a decision is made within the EU 27 bit of the discussion now that changes EU law, then we will have to mirror that in the UK, but we won't -- obviously, we won't be sitting at the table anymore. But that is only for that specific period.

And then just for completeness, one thing we will still be able to do in that period, though, is to begin to look to our own future economic ambitions with the rest of the world. So we will be able to -- there's a paragraph on our independent trade policy that says we'll be able to scope, negotiate, sign, even ratify trade agreements with third countries. What we won't be able to do is implement them until we have left the implementation period.

MR. BAER: So effectively, if you're a US or for matter Asian bank trying to decide on whether you need to effectuate plan B, after March every trade or transaction that was good before March will continue to be good until the end of 2020. So in effect, if you wish to delay that decision, you've effectively bought another (inaudible) or so.

MR. PHILLIPSON: Yeah.

MR. BAER: Is that a fair summary?

MR. PHILLIPSON: Yeah, I mean the principle that the government set out at the beginning of this process, which remains true, is that we know that at some point business is going to have to transition to future arrangements, sort of different to the ones that you trade under now. What we have always wanted to do is make that only have to happen once, and it only happens at a time when you know what it is that you need to do and you have time to do it before you need to flip to the new system. And that's what the implementation period is designed to do.

MR. BAER: Okay. If I were a cruel person, I would ask what would happen if the vote was against it in the Parliament and how that would transpire, but I don't think you really want to answer that, but we can talk about it over cocktails maybe. Or would you like if --

MR. PHILLIPSON: No, no, no, cocktails.

MR. BAER: Okay. We won't even go there, as it were. Somebody had some question.

QUESTIONER: Sorry, picking up on the answer you were just giving, so to put a finer point on it, does that mean -- my limited understanding is that banks based in London currently can conduct business with persons in the EU 27 as a result of their passporting rights. So are you indicating that those passporting rights will continue on March 30 through the end of December 2020?

MR. PHILLIPSON: Yes.

QUESTIONER: So that's a certainty?

MR. PHILLIPSON: Once it becomes legislation, yes. Yes.

QUESTIONER: Okay.

MR. PHILLIPSON: Yeah.

MR. BAER: Okay. Thank you. It's more of a visa than a passport at this point but it works the same.

MR. PHILLIPSON: I think we'll still call it a passport.

MR. BAER: Will we? Okay.

MR. PHILLIPSON: It might just be blue.

MR. BAER: All right, anyone else? Well, this has been lovely. Thank you for your time --

MR. PHILLIPSON: Thank you very much indeed.

MR. BAER: -- and knowledge. It's been really wonderful. Thank you for coming.

MR. PHILLIPSON: Pleasure.

MR. BAER: Thank you.

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