

Klas Granlund: Brexit, positive progression not a reason to stop preparations.

Despite the positive progression over the past few weeks, there is still some uncertainty surrounding Brexit. FI has previously identified the limited access to clearing services as one of the consequences of Brexit that could have a major impact on Swedish firms. The European Commission's communication that it will take action to manage risks to financial stability that are associated with clearing is therefore welcomed. At the same time, though, a hard Brexit could create other types of frictions that affect Swedish firms. It is therefore of utmost importance that Swedish firms continue to prepare for Brexit.

Date:

Speaker: Klas Granlund:

Meeting: Future of the securities market; panel discussion about Brexit

Despite the positive progression over the past few weeks, there is still some uncertainty about the pending change: will it be a hard Brexit or a soft Brexit? The political situation in primarily the United Kingdom makes it unclear if the negotiated exit agreement will be accepted by all involved parties. In a report that FI published in June of this year, FI highlighted in particular the impact of a hard Brexit on the access to derivative clearing.¹ The European Commission has communicated that, in the event of a hard Brexit, it will adopt temporary and conditional equivalence decisions for central counterparties in the United Kingdom to manage risks for financial stability in conjunction with clearing.² The British central counterparties have not yet announced their position on the European Commission's announcement.

¹ <https://www.fi.se/sv/publicerat/rapporter/2018/konsekvenser-av-brexit-for-den-svenska-finansmarknaden/>

² https://ec.europa.eu/info/publications/communication-preparing-withdrawal-united-kingdom-european-union-30-march-2019-contingency-action-plan-13-11-2018_en

However, there are still uncertainties surrounding Brexit. A hard Brexit will create frictions in the way Swedish firms can manage their risks and financing. These frictions, for example, can arise due to fragmented market liquidity and an altered selection of available counterparties or services. Even if it is FI's assessment that these risks are manageable, the underlying assumption is that Swedish firms will continue to prepare for Brexit.

FI makes the assessment that the resilience of Swedish financial firms to shocks is satisfactory. This means that, given continued contingency planning by firms and authorities, it is reasonable to expect that a hard Brexit will be manageable. FI will continue to maintain a dialogue with firms and other authorities and participate in this matter within the framework of the European supervisory cooperation.