



30 September

The European Commission's Article 50 Task Force is set to start work on 1 October, and the European Central Bank hints at a need to relook at existing arrangements for clearing euro-denominated derivatives outside the Eurozone.

EU

EU's Article 50 Task Force set to start work from 1 October

The European Commission's Article 50 Task Force begins work on 1 October, to prepare for any upcoming Brexit negotiations.

The Article 50 Task Force will be led by former European Commissioner, Frenchman Michel Barnier. It is his deputy however, Sabine Weyand, who is expected to do much of the hard work. Weyand, a German national, is an experienced trade negotiator with a solid reputation in Brussels and internationally for her work on international trade deals. Other Task Force members are set to include Frenchwoman Stephanie Riso, a budgets expert, and more 'political' appointments who will help shape the negotiating agenda.

On 28 September, the college of European Commissioners gave away additional details of the Article 50 Task Force. Michel Barnier may be supported by a maximum of two Deputy Chief Negotiators - meaning that Sabine Weyand may come to have a co-worker as time goes on. A team of advisors was also mooted. This team will include one principal adviser and three advisers. A secondment programme, allowing officials to join the Task Force, has also been agreed.

Michel Barnier will be advised by a team of Directors-General, accustomed to dealing with the issues that would arise during the negotiations. The composition of this team will be decided on at the very highest level, with all appointments coming from European Commission President Jean-Claude Juncker.

It is also expected that each Directorate-General and service (akin to Government ministries) would designate a single point of contact to assist the Task Force in identifying the specific resources required. Staff from elsewhere in the European Commission will be allowed to be seconded into the Task Force team for a maximum of six months. Procedurally, to ensure the rapid creation and efficient operation of the Task Force, Jean-Claude Juncker will be authorised to depart, where necessary, from certain provisions of current European Commission rules to allow the Task Force to operate.

The plan will be for the Task Force to be in the best position possible when Article 50 is triggered by the British Government. This is expected to happen in early 2017.

European officials concerned by 'mixed messages' from British Government

Many Brussels officials are reportedly at odds with the British Government's handling of the post-referendum messaging coming from British officials. Some senior EU officials are reportedly expecting that the UK Government will move towards a 'hard Brexit' model, whereby it is completely outside of the European Union. A lot of eyes will be on the governing Conservative Party's conference this weekend to see if more information will be forthcoming.

To date, both Donald Tusk, European Council President, and Martin Schulz, the European Parliament President, have expressed surprised at finding Theresa May reluctant to divulge concrete views on how the Brexit process will ensue during their recent visits to the United Kingdom.

Michel Barnier is expected to travel around Member State capitals to visit EU capitals to get a feel for Brexit as part of his preparatory work for the Article 50 Task Force.

European Parliament President visits the United Kingdom

On 22 and 23 September, European Parliament President Martin Schulz travelled to London as part of the preparations for future Brexit negotiations. He visited British Prime Minister Theresa May, Mayor of London Sadiq Khan and leader of the Opposition Jeremy Corbyn in a two day stopover tour.

Schulz used the opportunity to reiterate many of the Parliament's primary concerns. These included a swift triggering of Article 50 in early 2017 and to have preparations in place for a formal withdrawal from membership by 2019. The concerns he raised are not new in and of themselves and much of the narrative reflects earlier comments at an informal meeting of the continuing Member State leaders in Bratislava several weeks ago.

Despite talking a firm game during his trip, Schulz has relatively little power in the Brexit negotiations process. Any negotiation will be led by the European Commission, but with a firm grasp of the reins by Member States. Germany and France have already begun positioning allies into key positions in the Article 50 Task Force which will formally conduct the negotiation work.

Belgian Liberal politician Guy Verhofstadt will take a formal 'informer' role in the negotiations to keep the European Parliament abreast of developments during negotiations. Internally, many in the largest political Groups (the centre-right EPP and centre-left S&D) are pleased with the appointment, as this decision takes out Verhofstadt of the race for the position of President of the European Parliament. Besides his bilateral meetings, Schulz also gave a speech at the London School of Economics titled 'The EU and the UK – parting ways but working together'. Its tone was both sad and constructive, and pointed towards continued partnership between the European Union and the United Kingdom.

European Central Bank hints at need for changes to clearing rules for euro denominated derivatives

At a hearing with the European Parliament's Committee on Economic and Monetary Affairs, European Central Bank President Mario Draghi hinted that the central bank is looking into ways to gain jurisdiction over euro-clearing.

Germany

German relations with France warm after Brexit vote

Brexit did not garner much media attention in Germany recently. Nevertheless, it is worth noting how the announced departure of the UK from the EU has brought Paris and Berlin closer together. In a meeting this week in Paris, the Finance Ministers of both countries, Wolfgang Schäuble and Michel Sapin, dismissed potential "British salami tactics" (divide and conquer) and refused any sector- or nation-specific preliminary talks with the UK. The reinvigorated Franco-German alliance also becomes apparent with regards to economic and financial policy: the ministers agreed on a common agenda to strengthen the Eurozone, such as extending the ESM to a sort of currency fund, completing the banking union and setting conditions to payments from structural funds. They also discussed how to bring German and French industrial companies closer together.

France

French Financial Authorities to Offer Simplified, Expedited Path from London to Paris

The French Prudential Control and Resolution Authority (l'Autorité de contrôle prudentiel et de résolution- ACPR) and the French Financial Markets Authority (l'Autorité des Marchés financiers-AMF) announced new procedures that will give companies faster and simpler ways to base themselves in France. This accelerated authorization process is aimed at attracting British companies, more specifically companies offering investment services, e-payments, and virtual currencies, who fear the loss of European passporting rights following Brexit.

French authorities also announced that companies arriving in France will have access to an Anglophone coach who will "guide them through the procedure and who can provide all the necessary advice ahead of the filing of their application." Furthermore, the AMF has launched 'Agility', a support mechanism for management and fintech companies. Agility will allow companies to obtain a '2Week Ticket', or a label of pre-authorization indicating that the organization has met all the necessary conditions to receive a final authorization, which will then be presented within two months.

This announcement comes the same week as the first ever organization of a roadshow in Beijing by AMF for companies listed on Euronext. More than 20 French companies were present at the meeting along with over 80 Chinese investment companies. This presented another occasion for

France to show that it can be the leading European marketplace, with Arnaud de Bresson, Delegate General for Paris Europlace, asserting that, “Chinese investors must begin taking into account the fact that London will lose importance, with a foreseeable return to operations in euros within the Eurozone due to regulatory reasons.