PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT CENTRAL COUNTERPARTIES (AMENDMENT, ETC., AND TRANSITIONAL PROVISION) (EU EXIT) REGULATIONS 2018

Monday 5 November 2018

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Friday 9 November 2018

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The Committee consisted of the following Members:

Chair: Mr Adrian Bailey

† Blackman, Bob *(Harrow East)* (Con)
† Bowie, Andrew *(West Aberdeenshire and Kincardine)* (Con)
Champion, Sarah *(Rotherham)* (Lab)
Cooper, Rosie *(West Lancashire)* (Lab)
† Docherty, Leo *(Aldershot)* (Con)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Ford, Vicky *(Chelmsford)* (Con)
† Glen, John *(Economic Secretary to the Treasury)*
† Jones, Mr Kevan *(North Durham)* (Lab)
† Kwarteng, Kwasi *(Spelthorne)* (Con)
† Prisk, Mr Mark *(Hertford and Stortford)* (Con)
Reeves, Ellie *(Lewisham West and Penge)* (Lab)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Sturdy, Julian *(York Outer)* (Con)
† Thewliss, Alison *(Glasgow Central)* (SNP)
† Walker, Thelma *(Colne Valley)* (Lab)
† Whittaker, Craig *(Lord Commissioner of Her Majesty's Treasury)*

Kenneth Fox, Anwen Rees, *Committee Clerks*

† attended the Committee

First Delegated Legislation Committee

Monday 5 November 2018

[Mr Adrian Bailey *in the Chair*]

Draft Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018

4.30 pm

The Economic Secretary to the Treasury (John Glen): I beg to move,

That the Committee has considered the draft Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018.

It is a pleasure to serve under your chairmanship, Mr Bailey.

As part of contingency preparations for a no-deal scenario, the Treasury is laying between 60 and 70 statutory instruments under the European Union (Withdrawal) Act 2018, to ensure that, in the unlikely scenario of the UK leaving the EU without a deal or an implementation period, a functioning legislative and regulatory regime will continue to be in place for the UK financial services sector. The SIs will do that by fixing deficiencies in applicable EU law that would be transferred directly on to the UK statute book at the point of exit, and in existing UK law to ensure that it continues to operate effectively after exit day. The SIs do not change policy; instead, they are intended to provide continuity as far as possible at the point of exit by maintaining current legislation.

Where existing EU legislation would not operate properly in a UK context in a no-deal scenario, we need to amend it, to ensure that it works effectively after we leave. The regulations deliver on a commitment made last December, when the Treasury announced that it would give the Bank of England functions and powers in relation to non-UK central counterparties and establish a temporary regime to enable those firms to continue to operate in the UK for a limited period after exit. That is similar to the approach we have taken to the European economic area firms that currently operate in the UK under the financial services passport, creating a temporary permissions regime that will allow them to continue operating in the UK for a limited period after exit, while they apply for authorisation. The debate on the instrument implementing that regime took place on 24 October.

Central counterparties stand between counterparties in financial contracts, becoming the buyer to every seller and the seller to every buyer, and they guarantee the terms of trade even if one party defaults on the agreement, reducing counterparty risk. As such, they are central to the UK and global financial system, reducing risk and making the system as a whole more resilient.

UK firms currently receive services from non-UK central counterparties under the framework set out within the European market infrastructure regulation. Under EMIR, non-UK central counterparties are permitted to provide services to UK firms if they are either located in the EU and authorised by their home regulatory authority, or located in a third country that has been deemed equivalent by the European Commission and the central counterparty is recognised by the European Securities and Markets Authority.

Should the UK leave the EU without a deal or an implementation period, it would be outside the single market for financial services, meaning that non-UK central counterparties would be unable to provide services to UK firms until they were recognised under the UK's domestic regime. Given that many UK firms rely on non-UK central counterparties to provide clearing services and for mitigating transaction risks, such a sudden dislocation in the provision of services would introduce risks to those UK firms and financial stability risks to the broader financial system. The draft regulations therefore introduce measures to mitigate the risks and ensure a smooth continuation of services from non-UK central counterparties to UK firms.

First, the draft SI establishes a UK framework for recognising non-UK central counterparties while maintaining the same regulatory criteria for non-UK central counterparties to provide services in the UK. To do that, the European Commission's responsibility for determining the equivalence of a third country jurisdiction's regulatory and supervisory framework in respect of EMIR is transferred to the Treasury, and the Bank of England may provide technical advice from the Treasury on such decisions, in the same way as the European Securities and Markets Authority may, and does, provide such advice to the Commission currently.

In addition, functions of the European Securities and Markets Authority that relate to recognising individual central counterparties located in third countries will be transferred to the Bank of England, including the mandate to make technical standards specifying the information to be provided by CCP applicants. The Bank is the appropriate authority to take on that role, as it is already responsible for the authorisation of UK central counterparties.

Secondly, the statutory instrument will provide powers to the Bank to consider recognition applications ahead of exit day, so that the necessary steps to recognise non-UK central counterparties can be taken as soon as possible after exit day. In response to a point raised by Baroness Bowles when the SI was debated in the other place last week, I note that central counterparties are not required to apply for recognition ahead of exit day. Although they are able to do so and are encouraged to engage with the Bank on such matters as soon as possible, they will also be able to apply for full recognition after exit day.

Finally, the draft regulations will establish a temporary recognition regime for central counterparties. The regime will provide temporary recognition for a period of three years to non-UK central counterparties that intend to continue providing clearing services in the UK. The purpose of temporary recognition is to allow additional time for applications to be processed and for equivalence decisions to be made by the Treasury. Although non-UK CCPs are encouraged to engage with the Bank as early as possible, the TRR will ensure continuity of services in the event that a recognition decision cannot be made

ahead of exit day. The statutory instrument also gives the Treasury a power to extend the regime for 12 months at a time if it is

"satisfied that it is necessary and proportionate to avoid disruption to…financial stability".

The SI is essential to ensure that we have a functioning financial services regime in a no-deal scenario. It provides reassurance for non-UK central counterparties and the UK businesses and customers they serve that they will continue to be able to operate here, no matter the outcome of negotiations. The importance of the SI's provisions is reflected in our announcement last December, which made it clear to industry well in advance of exit day that the Treasury would introduce legislation to deliver such a regime. The Bank of England is in the process of engaging with industry to ensure that the regime functions properly when the UK leaves the EU.

It should be noted that if, as expected, we enter an implementation period when we leave in March 2019, non-UK central counterparties that meet the current requirements will continue to be able to provide services to UK firms, because access to each other's markets will remain the same during the implementation period. However, it remains prudent to continue to prepare for a no-deal scenario to provide certainty to the financial services sector that we are ready for all outcomes. In that context, the measures in the SI are a pragmatic approach to ensuring that UK firms can continue to access non-UK central counterparties if the UK leaves the EU without a deal.

I hope that colleagues from all parties will join me in supporting the draft regulations. I commend them to the Committee.

4.38 pm

Anneliese Dodds (Oxford East) (Lab/Co-op): It is a pleasure to see you in the Chair, Mr Bailey, and to be opposite the Minister once again. I am grateful to him for his explanation of the SI.

As we know, the Government have taken the decision to undertake the bulk of preparation for our EU withdrawal through secondary legislation. The Opposition have voiced our concerns on many occasions about this unprecedented transfer of powers to our Executive. I appreciate the work of the Minister, his staff and the civil service, and their collective efforts to brief us on the process, but it is unquestionable that in a normal environment, a change of this magnitude would and should be treated as primary legislation and given the scrutiny that it demands. The number of Treasury SIs and the speed with which they are set to unfold is deeply concerning. The Opposition are committed to making every effort to ensure that the Government are held fully accountable, but this is a constitutionally unprecedented and enormously resource-intensive task that leaves room for error.

It is also disappointing that we have reached a stage at which such contingency measures, which occupy significant time and resource both for the Government and for the Opposition, must be brought before the Committee against the possibility of no deal. The UK is perilously close to the EU exit date, which is just five months away. Financial services firms lack the certainty they need about the shape of things to come; as a result, many have already adopted contingency plans, some of which are leading to jobs leaving our country.

As the Minister explained, the SI deals with an enormously important issue: the nature of our clearing arrangements if there is a no-deal Brexit. As colleagues will be aware, and as the Minister explained, clearing houses are the buyer to every seller and the seller to every buyer in a financial trade that is cleared. They protect trading parties from the risk of default by the other parties. CCP clearing significantly reduces the cost of having that security to the trading parties, because they can net off the cost of collateral between different trades. CCPs significantly increase the resilience of the financial system by de-risking trades for the parties involved.

More and more trades have come to be cleared in that manner, not least following the landmark EMIR legislation to which the Minister rightly referred. Of course, that forces over-the-counter derivatives to be cleared through CCPs. Lord Sassoon said in the other place when the UK's resolution framework for CCPs was introduced back in 2012, in tandem with EMIR, that it was

"the previous Labour Government…who identified this general area as one that needed to be dealt with, particularly in the context of deposit takers, where the need was identified to put additional provisions in place for resolution regimes."—[*Official Report, House of Lords,* 15 October 2012; Vol. 739, c. 1266.]

That approach was then of course extended to other systemically important parts of the system, not least the trading operations of banks and other financial actors, which we are discussing.

Although introducing extensive requirements to clear through a CCP increased the overall resilience of the system, it concentrated default risk within CCPs, so disruption to their operation may have a significant impact. Indeed, Benoît Cœuré, an executive board member of the European Central Bank, indicated last year his concern that the failure of a CCP may have a destabilising impact, behoving very careful supervision. Ensuring that UK-based firms can continue to clear in a compliant and transparent manner is very important, but it is also important that UK-based CCPs can continue to clear EU27 trades. That point is not covered in the SI, but as I am sure the Minister anticipates, I will return to it.

I note that no fewer than 24 questions were posed during the discussion of the draft regulations in the other place. That is understandable given the significance of this area and the considerable uncertainty that persists as the SI is drafted. I am grateful to the Minister for his helpful explanation and clarification of exactly when CCPs will be expected and required to seek recognition, but there are still six outstanding questions to which I hope he can respond.

Mr Mark Prisk (Hertford and Stortford) (Con): I am listening carefully to the hon. Lady, who cites the real dangers to the UK of having no deal. Will she explain why she and her colleagues have made it clear that they intend to vote down any deal the Government bring back?

Anneliese Dodds: The House voted to have a meaningful choice over the deal that was presented to us. Sadly, we have not yet been presented with such a choice. The deal the Government appear to be negotiating does not appear to the Opposition to protect jobs, the environment or workers' rights, or to meet the other tests we set out, and all that has been set out thus far is a choice between that flawed deal and no deal. For a vote to be meaningful,

[Anneliese Dodds]

we would need to be able to amend the deal, which possibility seems to have been removed from us, going against the undertaking that many people on both sides of the House thought we been given.

We are also not being given the additional option whereby the deal is remitted to Parliament to discuss a way forward, which most of us anticipate is what would make the choice meaningful. If a gun is held to one's head and one is told, "You have to support this deal; otherwise it will be necessary to jump off a cliff," that is not a meaningful choice. It is enormously disappointing that the Government have chosen to interpret that vote in that manner. Given the hon. Gentleman's question, I hope he will work hard to persuade his Government colleagues of the need to offer the House a genuinely meaningful choice rather than what currently appears to be in front of us.

Mr Prisk: I certainly am doing that—

The Chair: Order. The question is rather wide of the core issue that we are debating. The hon. Gentleman did very well to slip it in, so I had to let the shadow Minister reply, but I will not allow the debate to continue.

Anneliese Dodds: Thank you, Mr Bailey. Perhaps the conversation can continue after the Committee, if the hon. Gentleman wishes to discuss it further.

My first question to the Minister relates to consultation about the provisions. I was grateful to him for holding what was described as a teach-in with his civil servants and the relevant regulators on the whole statutory instrument process. Obviously, the regulators were invited because potentially an enormous amount of power is being transferred to them through this and other secondary legislation.

Other Opposition Members and I were informed that we would be provided with an indication of the reasons for certain decisions being taken in individual statutory instruments and with details of the consultations that had been undertaken on them, but when my office asked about the consultation in relation to the draft regulations, it was informed that it had not been undertaken. When asked about that in the other place, the Minister answering the debate stated merely:

"The Treasury has continued to engage the financial services sector on issues relating to no-deal legislation and will continue to do so."—[*Official Report, House of Lords,* 30 October 2018; Vol. 793, c. GC127.]

As it happens, my contact with interested parties suggests that there are no major concerns about the Government's approach in this statutory instrument, but there is a general question about the level and type of consultation that should occur in relation to financial services no-deal statutory instruments. Will there be any formal consultation or will it all be informal? Will it be in relation to the whole body of statutory instruments, which could be difficult, given that several have not been formulated? Will it be done case by case, and if so, how will we ensure that that happens appropriately for every statutory instrument? It would be helpful to hear the Minister's thoughts on that.

My second question is about the Minister's interesting remarks about why decisions have been taken to vest different aspects of regulatory responsibility in the Treasury as opposed to in the Bank. It was helpful to hear his explanation, which I had not been able to glean from the accompanying documents. As I understand it, the Bank will focus on individual CCPs for individual decisions about equivalence and the Treasury will look at the overall regulatory framework and attempt to have discussions with the EU27 and presumably ESMA for co-ordination purposes. Have I understood that correctly? That is a big departure from the existing EU system for looking at that and for its equivalence provisions, and from how the system works within the EU.

The Minister probably knows that, in relation to every CCP, there will be a regulatory college that includes representatives from the member states that have the biggest stake in the operation of that CCP, relevant central banks, the European Central Bank—where required—and ESMA. It would be helpful to know more about the rationale behind those regulatory decisions.

My third question is about an issue that came up in the other place, but which I want to press today. It is unclear why the affirmative procedure will not be used to extend the implied recognition provided by the statutory instrument. As was stated in the other place, a small number of CCPs are involved, and surely it would be appropriate for Parliament to be made aware of a situation where the Treasury had been unable to create an agreement for future regulatory co-ordination, despite having had several years to do so.

In my experience in the European Parliament of achieving equivalence decisions when it came to EMIR and in other fields, parliamentarians were informed when there had been problems and there was a debate about the timescale. It is not clear that that will occur in this Parliament. Perhaps we can get more background on that question. Related to that, the Minister will know that the scope of EMIR has been under discussion at EU level, including whether trades by pension funds should become subject to the clearing obligation as well. That would require some additional margin, which is why there has been controversy around it. It would be interesting to hear his thoughts about whether the UK would be likely to wait for EU agreement on this subject and whether it would feel that it was necessary to comply if the situation changed. The current approach appears to be to postpone that decision indefinitely.

I note that regulation 14(1) states

"The Treasury may before exit day by regulations specify that—

(a) the legal and supervisory arrangements of a third country ensure that central counterparties authorised in that country comply with legally binding requirements which are equivalent to the requirements laid down in Title IV of the EMIR Regulation, as it has effect in EU law as amended from time to time".

That seems quite vague, for example, about whether we would always keep step with EMIR as it is amended. It is unclear to me what the process would be for ensuring that we comply with any amendments, if there is a time lag and so on.

Fifthly, the huge elephant in the room when it comes to this SI is not what happens to UK trades cleared through the EU27 and third-country-based CCPs, important though that issue is, but what happens to EU27 trades cleared through UK-based CCPs. Of course ESMA runs the third-country regime, as the Minister mentioned, and it is unclear—to me, anyway—where exactly that is headed at the moment. As I am sure the

Minister is aware, London currently clears about 90% of euro interest rate swaps and about 40% of euro credit default swaps. It is surely essential that LCH.Clearnet and others remain as zero-risk counterparties in the eyes of the EU and are able to continue this type of clearing.

If there were to be a wholesale transfer of trades away from the UK CCPs, we would be talking about hundreds of thousands of trades worth trillions of euros that would have to be cleared elsewhere, which would lead to traders having to ensure sufficient margin for often smaller CCPs, thus reducing liquidity and increasing the overall cost because of the decreased scope for trades to be netted off against each other within smaller CCPs.

As I am sure the Minister is aware, in June 2017 the Commission proposed amendments to the EMIR and ESMA regulations that would have included a different regulatory regime for systemically important CCPs. That approach was reported on in the European Parliament before the summer. As I understand it—it would be interesting to hear whether the Minister shares my understanding—that approach is being reviewed by the Council. Therefore, my penultimate question is this: are our Government doing everything that they can to underline to the rest of the EU, and particularly to the Council, the potential for disruption and additional cost if an over-restrictive approach to clearing within the EU27 is adopted in the short, medium or long term? The Minister referred to financial stability risk; surely that applies in spades if we are talking about trades from the EU no longer being cleared through our very successful and high-quality CCPs here in the UK, just as much as in the opposite direction.

Finally, we are told that the draft regulations will be put into practice if there is a no-deal Brexit, but the provisions are presumably in place pretty much as soon as this Committee has accepted them, and it is not clear to me that the SI includes a mechanism to switch off the extant provisions. If it does contain such a mechanism, can the Minister explain where it is, and if it does not, how will the provisions here be disapplied in the event of a deal covering financial services? I know that the Minister is a very honourable person and I would take his word on many things, but we need to know how a measure that is on the statute book can be switched off, as well as how it can be switched on, and it is not very obvious to me how the former can happen.

4.53 pm

Alison Thewliss (Glasgow Central) (SNP): It is a joy to be here with everyone again this afternoon.

I echo the comments of the hon. Member for Oxford East about the whole process and about the way in which the measure is being scrutinised. I too have huge concerns about how close we are to the point of Brexit, which is 144 days today—not very much time at all. It is quite worrying to hear that the Bank of England is only now consulting, with 144 days to go; that seems a little late in the day, considering how far we now are from the point of the vote.

There are still many, many more SIs to come before us in this time and I am concerned about the burden that puts upon everybody—on financial firms, on Government, and on the Bank of England and other institutions—when they could be doing far better things with their time. They could be regulating and reforming the financial services sector, trying 10 years after the crash to fix the problems that we have not yet fully repaired. Instead, all we are doing is copying and pasting, and spending a huge amount of time and effort doing these things when we could be doing something far more useful.

I remind Members that Scotland did not vote for this. Scotland voted to remain by a considerable margin, and we would very much like to remain in the EU single market and customs union as the best worst option, as it seems to be the only mechanism by which the financial sector would be able to continue with market access and with the connected jobs investment. That would be the greatest means of reducing the risk of Brexit.

I remain concerned about the lack of certainty, and I am not the only one. Mark Carney has also been clear that there is not a great deal of certainty about the relationship between the EU and the UK over future derivative trading. In June, on the publication of the Bank of England's financial stability report, Bloomberg reported:

> "Firms may find themselves unable to service insurance policies and as much as 96 trillion pounds…of cleared and uncleared derivatives contracts".

That is deeply worrying, and I would be grateful if the Minister gave us an update on what is being worked on with the EU in that respect. The temporary recognition regime relies on co-operation with the EU, with the EU making good on its side of the bargain. The Government's own Brexit paper states that

> "without EU action, EEA clearing members and trading venues will no longer be able to use UK CCPs to provide their clearing services. In addition, EEA customers could no longer meet the requirement to centrally clear for some products that are in scope of the clearing obligation by clearing through UK CCPs, such as interest rate swaps."

That is from the UK's own no-deal Brexit publication, and it remains very worrying that that is the case.

I am also concerned, as I have previously mentioned, that we are burdening the Bank of England with an extra layer of responsibility in addition to the regulatory responsibility in the other SIs—we saw the huge list of responsibilities in a previous SI Committee. I seek further reassurance that the Bank of England has not just the skills but the staff it requires to meet the obligations, to ensure that the resources are in place in good time and that everything runs smoothly. There would be nothing worse than having the regulations and no one to enforce them. That would be a huge concern.

I note that regulation 26 states:

> "The Bank of England may require central counterparties to pay fees in connection with the discharge of any of its functions under this Part."

I would be interested to know what the scale of fees might be and whether they could lead to a lessening of competition or to further barriers to markets as we leave the EU—perhaps we will become a less desirable place to do financial services. Putting an additional financial burden upon firms as a result of the Bank of England fees could create a serious problem. I wonder whether the fees are to meet the cost of the extra staff and legislation, and everything else that is being done, and I seek clarification on that.

Finally, paragraph 17 of the impact assessment states:

> "Transitional relief could be granted to particular firms, classes of firms, or to all firms to which a particular onshoring charge applies, including firms that are entered into one of the transitional

[Alison Thewliss]

regimes referred to above. Firms would not need to apply for transitional relief…regulators will issue 'directions'… It will be within the regulators' 'discretion' as to how to exercise this power."

I seek clarification on that; it sounds a little woolly.

I am concerned about enforcement. If there are many other things to do, will that aspect of enforcement and regulation go by the wayside and we will let firms get on with it? We need to be robust and to ensure that when things move over, regulation and enforcement move along with them, so we do not end up as we did with the crash, due to light-touch regulation. We cannot use Brexit as a means of moving away from the regulations that the financial services sector needs to have in place.

We need more clarity about the detailed points that the hon. Member for Oxford East and I have raised, and the concerns of Members in the Lords. It is a matter of concern that such measures come along with great regularity, with huge questions being unasked, and with little underlying scrutiny.

5 pm

John Glen: I shall do my best to answer the questions that have been raised. I think it would also be helpful if I were to set the context with respect to powers under the European Union (Withdrawal) Act 2018. What is being done through the statutory instruments may be disputed by the Opposition, but it is ultimately a matter of the legislation that was passed. I am using the provisions to do everything I can to ensure that we have the right arrangements should there be a no-deal scenario. I recognise the points about the unusual nature of the process—the large number of statutory instruments. That is why I am committed to doing everything I can to facilitate meaningful scrutiny, dialogue and exchange of information in advance of Committee sittings.

The regulations are tightly constrained to fix deficiencies, not to make wider changes; this is not a power grab. The temporary recognition regime and other transitional arrangements are in line with the expectations of the industry, which needs certainty. It needs the contingency arrangements. I propose to go through the six questions and the additional points raised by the hon. Member for Glasgow Central and, I hope, answer them meaningfully.

First, as to the consultation, it is right to say that there has been long-standing engagement. It is done case by case, on the basis of the most appropriate mechanism. We announced it in December 2017 and published three letters over the course of this year. Engagement with relevant stakeholders in the industry has to vary according to different statutory instruments. In the case we are considering, I think it is fair to say that the arrangements we have undertaken have been well received by the industry, which welcomes the certainty we have given. Obviously there are a small number of players, and we have done what is necessary.

Secondly, the hon. Member for Oxford East is correct about the alignment of the Commission to the Treasury and the transmission of the ESMA powers to the Bank of England. The Treasury will make the equivalence decision, but the authorisation process will be carried out at a technical level with the appropriate skills in the Bank of England. That is purposefully aligned to the same distribution of roles from the Commission to ESMA.

Thirdly, on the question whether, if there were a need for an extension, it would be appropriate for the Treasury to make that provision using the negative procedure, that is an administrative, managerial decision. It is not based on any extension of the existing powers. It would be on the basis of a clear need to do so. The principle of what we are doing and the criteria for doing it are being discussed now; it is a translation of what already existed. The three years plus one arrangement is designed with industry convenience in mind.

Fourthly, as to the scope of EMIR and any changes, we are retaining most of EMIR as it currently applies in the EU and are unable to make significant policy changes, as I said, under the 2018 Act, so the legislation provides a good basis for discussions on equivalence with the EU. The hon. Lady raised the issue of regulation 14(1)(a) and the equivalence, as compared to EMIR,

"as it has effect in EU law as amended from time to time".

Regulation 14 applies only before exit day. After exit day our approach to equivalence will be to compare third-country regimes to EMIR as onshored and part of domestic law. We will not necessarily as a matter of policy be following changes to EMIR in EU law; but equally it would not be our aspiration to deviate wilfully. There is obviously a lot of alignment. We start from a common starting point, and obviously we anticipate securing a deal on the basis of the alignment that currently exists.

Fifthly, the hon. Lady rightly pointed out the need for clarity the other way, in how the Commission deals with trades carried out through UK CCPs. It is welcome that, according to Tuesday's *Financial Times*, Vice-President Dombrovskis has indicated a willingness to act to mitigate. That outcome is a function of the technical group dialogue that has been going on since April, and it has been welcomed in the City. More details are needed, but we have acted proactively to give as much assurance as we can, and that significant step forward is very welcome.

Sixthly, the hon. Lady asked about the mechanism to switch off the regulations. The SI itself does not include provision for switching itself off in the event of a deal, but the White Paper on the withdrawal agreement Bill confirmed that it would contain provisions to allow SIs like this one to be repealed, delayed or amended should a deal be secured. In the circumstances of a deal, we will do whatever is appropriate, and clearly this SI would not be necessary. The hon. Lady is looking at me quizzically.

Anneliese Dodds: I am grateful to the Minister for that explanation. Are we to understand that the decision whether to switch off any SI produced in the context of the withdrawal Act is ultimately in the gift of Ministers?

John Glen: To be honest, I will have to write to the hon. Lady to clarify that detail. The essential point is that the statutory instrument is for a no-deal scenario; if we get a deal, we will not need the SI because we will be in a close working partnership and we will have the implementation period. I will need to write to her about the precise mechanism that we would use to get rid of the SI or withdraw its provisions, but that is my attempt to answer her six questions.

The hon. Member for Glasgow Central asked about fees and, quite reasonably, echoed a number of other points. There has been dialogue with the industry on

the fees, which will be proportionate to the process that the Bank of England will need to go through. In practice, these firms do not exist in massive numbers. I cannot give her the cost in pounds and pence, but it will be aligned to industry expectations and will not impede the choice to register.

Alison Thewliss: Can the Minister give any indication whether the fees will start straight away, or be phased in over a longer period?

John Glen: On the fees that will be necessary to go through the process of authorisation with the Bank of England, it would be best if I wrote to the hon. Lady to give clarity on how they will be applied.

I have had conversations with the relevant people in the Bank of England and am confident that it is making adequate preparations and effectively allocating resources ahead of March 2019. As demonstrated by the letters published in December 2017 and in March and October this year, the Bank will continue to work closely with CCPs to provide guidance on applications with a view to making the process run as smoothly as possible.

The hon. Lady made a wider point about resourcing and skills. I have checked the position, after previous debates in which the right hon. Member for North Durham made similar reasonable points, and there is provision for regulators to extend their resources if required.

I hope that I have adequately responded to points raised, that the Committee has found this afternoon's sitting informative, and that it will join me in supporting the draft regulations.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018.

5.9 pm

Committee rose.