

Insights

POST BREXIT, ARE THE WTO AND FREE TRADE AGREEMENTS THE FUTURE OF CROSS-BORDER SERVICES?

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SUMMARY

With the expiry of the Brexit transition period bringing an end to passporting from the UK, we hear a lot about trading “on WTO terms”. But what exactly does that mean for financial services? And, with “Global Britain” racing to enter free trade agreements around the world, are they the future for cross-border trading?

The WTO’s General Agreement on Trade in Services (GATS) sets out the baseline for the international trade in services, including financial services.

But GATS isn’t a single set of rules; each WTO member sets out a series of commitments for when they will allow market access, cross-border supply and establishment. Although the intention is to liberalise trade as far as possible, it is fair to say that in the area of financial services most countries’ commitments are limited, with only a few countries adopting a standard set of commitments called the “Understanding on commitments in financial services”. Even these commitments do not go very far.

The hope, therefore, is that perhaps a series of Free Trade Agreements (FTAs) may be able to provide the UK greater access to the certain financial markets. Some of the more far-reaching FTAs, however, such as the EU-Canada Agreement, only go marginally beyond the respective parties’ GATS commitments. So, for now, we will be dependent on existing unilateral measures such as equivalence for quite some time to come.

Chris Bryant wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

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