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# Smoothing the cliff edge

48 steps to mitigate disruption after the Brexit transition period

December 2020

Brexit and EU Negotiations

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# Introduction

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With just a fortnight to go before the end of the transition period on 31 December 2020, there is still no certainty on the outcome of the UK's departure from the EU. Firms have committed significant time and resources to prepare for the end of the transition period. Rolling deadlines have left too many business-critical questions unanswered. It is now impossible for many businesses to be ready on 1 January.

Will my staff be able to travel across borders for work? Will IT teething problems mean delays at borders? Will we be hit with tariffs that not only undermine the competitiveness of my business, but its very existence? Even if we get a deal, what are the new rules of origin unlocking tariff free trade?

These are all questions without answers.

Many of the outstanding issues are technical in nature. But they will have a very real impact upon people's day-to-day lives across the UK and the EU. But it doesn't need to be like this. Political leaders across Europe have provided extensive support for our economies during the pandemic. The UK and the EU must now work together to build on that support by giving businesses the time and the guidance to smooth the cliff edge at the end of the transition period.

Securing a deal in the next two weeks remains both essential and possible. It will provide the foundations to usher in a new relationship between the UK and the EU, based on cooperation and collaboration, not division and distrust.

A deal will bring benefits, but firms will need time to realise them. To help keep businesses running and supply chains moving, both sides need to take steps to minimise disruption no matter the outcome. Without them, much of the progress made recovering from the pandemic will be lost.

To help policy makers, the CBI has published 48 practical recommendations for the UK and the EU that will help mitigate disruption on 1 January and aid the post-COVID recovery across Europe. These recommendations have been jointly developed with the CBI's membership and Trade Associations across key sectors, representing the views of thousands of firms affected. The recommendations underpin five key principles:

- **Customs and Movement of Goods** - leaving the EU Customs Union will create new costs and checks, but both sides can take steps mitigate day one disruption and give firms the time they need to adjust
- **Regulated Goods** - leaving the EU Single Market will lead to additional burdens for exporters – from veterinary checks to relabeling – but phasing in these changes will allow businesses to put precious resources into building back from a difficult year, not unproductive administrative procedures
- **Data** - the free-flow of data across borders underpins virtually all elements of trade in the modern economy; maintaining its seamless flow between the UK and the EU will help support the UK's thriving digital and tech sectors and keep red tape and costs low for small firms
- **People** - allowing employees to continue to travel between the UK and the EU in the short term – including short term business trips – is a key facilitator of services trade and will avoid complexities and costs for firms and their clients
- **Regulated Services** - maintaining the provision of services between the UK and the EU on day one will preserve consumer choice and keep costs down for clients.

With complex issues to solve before the end of the transition period, business is offering to help. The CBI and its members are keen to make their expertise available to both sides to secure the most prosperous future possible for economies across Europe.

# Summary of recommendations

## Customs and Movement of Goods

Issue	Policy Recommendations
<b>Customs &amp; Border Readiness (GB/EU)</b>	<b>Joint EU &amp; UK:</b> <ul style="list-style-type: none"> <li>Implement a <b>grace period of six months</b> for traders who have made minor errors in completing their customs paperwork, mirroring the Border Operating Model timeline.</li> </ul>
	<b>UK:</b> <ul style="list-style-type: none"> <li>Implement technical contingencies in the event of the IT systems not being fully operational/are operating at a reduced functionality.</li> <li>Provide guidance that impact customs and border operations if FTA is agreed.</li> <li>Provide traders with support in connecting with third party customs intermediaries.</li> </ul>
	<b>EU:</b> <ul style="list-style-type: none"> <li>Mirror the UK's phased approach in the Border Operating Model with phased checks over 6 months.</li> <li>Provide clear guidance on new requirements for moving goods in and out of the EU.</li> </ul>
<b>Rules of Origin</b>	<b>Joint EU &amp; UK:</b> <ul style="list-style-type: none"> <li>Agree a <b>grace period for a minimum of one year</b> on Rules of Origin compliance for businesses if FTA is agreed.</li> </ul>
	<b>UK:</b> <ul style="list-style-type: none"> <li>Issue guidance on Rules of Origin quickly if FTA is agreed.</li> </ul>
<b>Northern Ireland Protocol</b>	<b>Joint EU &amp; UK (via the Joint Committee and Specialised Committee on the Protocol)</b> <ul style="list-style-type: none"> <li>Agree a formal periodic engagement mechanism with NI business to discuss progression on implementation.</li> <li>Phase in customs administration and SPS controls that at a minimum, reflect the EU-GB trade under the Border Operating Model.</li> <li>Agree a <b>grace period of 12 months</b> for all other product labelling, packaging and importation requirements for GB goods being placed on the market in Northern Ireland.</li> </ul>
	<b>UK:</b> <ul style="list-style-type: none"> <li>Test IT systems supporting the implementation of the Protocol as soon as possible.</li> <li>Issue complete guidance on all aspects of the operation of the Protocol that is clear and uncontested, as soon as possible.</li> </ul>

## Regulated Goods

Issue	Policy Recommendations
<b>CE/UKCA Marking</b>	<b>UK:</b> <ul style="list-style-type: none"> <li>Mirror the extension of registration and re-labelling for medical devices until 2023 for all products.</li> </ul>
	<b>EU:</b> <ul style="list-style-type: none"> <li>Provide a <b>grace period of 12 months</b> for UK products which have complied with UK testing houses, and previously adhered to CE mark standards.</li> </ul>
<b>Medicines</b>	<b>Joint UK &amp; EU:</b> <ul style="list-style-type: none"> <li>Agree an MRA on Good Manufacturing Practice, including batch release, testing and inspections.</li> </ul>
	<b>UK:</b> <ul style="list-style-type: none"> <li>Pressure test new border arrangements and Government IT systems whilst prioritising Category 1 goods and avoiding unexpected delays at ports.</li> <li>NI Protocol – Create framework with business that guarantees security of supply of medicines to NI after December 2021.</li> </ul>
<b>UK REACH</b>	<b>UK:</b> <ul style="list-style-type: none"> <li>Remove the UK REACH fee structure and set UK fees to reflect market size.</li> <li>Provide guidance on first time imports or manufacture after notification deadlines.</li> </ul>

## Data

Issue	Policy Recommendations
<b>EU Data Adequacy Decision</b>	<b>Joint UK &amp; EU:</b> <ul style="list-style-type: none"> <li>Identify bridging mechanism to avoid temporary data cliff edge if a positive data adequacy decision is reached but cannot be completed before the end of the transition period.</li> <li>Agree temporary standstill non-enforcement arrangement if a data adequacy agreement is not granted before the end of the transition period.</li> </ul>
	<b>EU:</b> <ul style="list-style-type: none"> <li>For the EU Commission to reach a positive adequacy decision on data before the end of the transition period to enable the continued free flow of data.</li> </ul>

## People

Issue	Policy Recommendations
<b>Access to Skills</b>	<p><b>UK</b></p> <ul style="list-style-type: none"> <li>• Work with business to build understanding of changes to short term business travel.</li> <li>• Make Intra-Company Transfers (ICTs) and short-term business stays easier.</li> <li>• Expand and refine the Global Talent Visa (GTV) and the Youth Mobility Scheme (YMS).</li> </ul>
<b>Mutual Recognition of Professional Qualifications</b>	<p><b>Joint UK &amp; EU:</b></p> <ul style="list-style-type: none"> <li>• Strike bilateral agreements to recognise professional qualifications if an FTA is not agreed before the end of the transition period.</li> </ul>

## Services

Issue	Policy Recommendations
<b>Aviation and Aerospace</b>	<p><b>Joint UK/EU:</b></p> <ul style="list-style-type: none"> <li>• Review the Air Services Agreement with a view to future liberalisation if agreed before the end of the transition period.</li> </ul>
	<p><b>EU:</b></p> <ul style="list-style-type: none"> <li>• Revive 2019 no deal mitigation measures by recognising UK design, production and maintenance approvals for <b>9 months</b>.</li> <li>• Update the European Council Regulation 581 on Customs Duty to recognise the Civil Aviation Authority (CAA) Form 1 as a certificate of airworthiness, and therefore eligible for the temporary suspension of duties.</li> </ul>
<b>Broadcasting and Creative Industries</b>	<p><b>UK:</b></p> <ul style="list-style-type: none"> <li>• Provide assurance on protection of Intellectual Property rights. <ul style="list-style-type: none"> <li>• Clarify future UK participation in Horizon Europe.</li> <li>• Confirm Creative Europe replacement funding.</li> </ul> </li> </ul>
<b>Energy</b>	<p><b>UK:</b></p> <ul style="list-style-type: none"> <li>• Continue work linking the UK and the EU ETS schemes ahead of COP26.</li> <li>• BEIS and Ofgem to develop legislation that will allow the two Power Exchanges to work together.</li> <li>• Start work on alternative cross-border trading arrangements in collaboration with industry to ensure that cross-border trading returns to an optimal level of efficiency.</li> <li>• Work with industry and the EU to develop a cooperation platform for the development of the North Sea Offshore Wind Grid and offshore developments in waters shared with European neighbours.</li> </ul>

<b>Financial Services</b>	<p><b>Joint UK and EU:</b></p> <ul style="list-style-type: none"> <li>• Move to full regulatory collaboration if an FTA is agreed.</li> <li>• UK and EU FS regulators to issue their respective equivalence determinations on financial services.</li> <li>• Sign a Memoranda of Understanding to confirm ongoing regulatory and supervisory dialogue between the UK and EU.</li> <li>• Provide solutions to the remaining technical cliff edge FS regulatory issues around derivative trading obligations, SEPA data requirements and pension scheme derivative trading arrangements.</li> <li>• Guarantee all necessary equivalence and adequacy mechanisms are in place on a non-time limited basis at the point at which they become necessary to underpin continued supply of services between the UK and the EU.</li> </ul>
	<p><b>EU:</b></p> <ul style="list-style-type: none"> <li>• Put in place equivalence determinations by the EU across the various pieces of EU regulation.</li> <li>• Approve the UK's application to join the Lugano Convention on the Recognition and Enforcement of Civil Judgments.</li> </ul>
<b>Professional and Business Services</b>	<p><b>UK</b></p> <ul style="list-style-type: none"> <li>• Provide support and guidance for businesses on understanding the new rules for establishment and how this differs across individual member states.</li> </ul>
	<p><b>EU</b></p> <ul style="list-style-type: none"> <li>• Put in place equivalence determinations by the EU across the various pieces of EU regulation.</li> </ul>
<b>Transportation Services &amp; Travel</b>	<p><b>UK</b></p> <ul style="list-style-type: none"> <li>• Mirror the EU's no deal contingency measures allowing a <b>6-month period</b> enabling basic connectivity period for haulage.</li> </ul>
	<p><b>EU</b></p> <ul style="list-style-type: none"> <li>• Agree to UK participation in the Green Card Free Circulation Zone.</li> </ul>



# Detailed analysis

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## Customs and Movement of Goods

### Key Timelines

#### Day 1:

##### **EU-GB**

From day one, businesses moving goods between the EU and Great Britain (England, Wales and Scotland) will encounter new and increased customs administration, checks and costs.

For businesses importing to GB from the EU, the UK Government's Border Operating Model will come into effect. This will allow businesses to choose to defer declarations and duties on non-controlled goods imported from the EU after they enter the UK until 1st July 2021.

Business exporting from the UK to the EU will experience sudden and significant changes, with goods facing export declarations and checks once they reach the EU and varying approaches to compliance when entering via different Member States. It is possible that different Member States will take a pragmatic approach to errors in compliance, though this will vary in approach and length of period with each country and customs authority.

##### **GB-NI**

The Northern Ireland Protocol comes into effect. Grace periods in key areas will be applied as set out below.

#### Months 1-6:

##### **EU-GB**

Over the first six months, the phased mitigations for imports will fall away, raising the level of friction that goods will face when imported from the EU. From April, all products of animal origin (POAO) will require pre-notification and health documentation and physical checks will be conducted at the point of destination.

##### **GB-NI**

For firms trading between Great Britain and Northern Ireland, they will begin to fully access all aspects of the Trader Support Service (TSS) – however, many businesses will also find that to continue transporting goods from GB, additional checks and paperwork that cannot be completed in TSS will be required – this includes many shipments of food, and animal livestock.

Certain goods entering Northern Ireland from Great Britain can avail of the following grace periods:

- 3-month grace period**  
 Authorised traders such as supermarkets and their trusted suppliers will be given a 3-month grace period from official certification for products of animal origin, composite products, food and feed of non-animal origin and plants and plant products.
- 6-month grace period**  
 A 6-month grace period has been agreed to facilitate authorised movements of restricted products such as chilled meats from GB-NI.

**Months 1-6:**

**GB-NI**

Goods entering Northern Ireland from Great Britain will be subject to certain checks and/or controls, on a phased basis.

- 12-month grace period**  
 There will be a 12-month phasing in period of regulatory requirements for medicines to avoid disruption to the flow of medicines from GB-NI.

**EU-GB**

From July, the UK Border Operating Model will end, the full burden of customs declarations will become permanent, facing the full declarations at the point of importation and tariffs with additional paperwork and checks taking place.

Issue	Situation	Business Challenges	Policy Recommendations
<b>Customs &amp; Border Readiness (GB/EU)</b>	With the UK leaving the EU Customs Union and entering a new border and customs relationship there will be substantial changes to the UK border and customs for trade with the EU, with many new processes and checks covering customs, safety & security and sanitary & phytosanitary.  The UK Government has put in place a series of processes	Business concern about the customs and border changes is high, with a CBI survey from October 2020 showing that firms were extremely or somewhat concerned by delays at the border (71%), regulatory non-tariff barriers (71%), and additional customs costs and administration (68%) <sup>1</sup> .  <b>Lack of time to prepare.</b> Whilst it has	<b>Joint EU &amp; UK:</b>  To avoid penalising traders for mistakes in the initial stages of the new relationship by implementing a <b>'grace period' of six-months</b> for traders who have made mistakes on their customs paperwork, mirroring the Border Operating Model timeline.  <b>UK:</b>

<sup>1</sup> The CBI Growth Indicator, 670 respondents from a composite of three surveys – the Industrial Trends Survey (ITS), Distributive Trends Survey (DTS) and Services (SSS) conducted between 25th September and 16th October

	<p>to try to help the flow of goods described by the Border Operating Model for imports from the EU to GB. As well as new IT systems and traffic management procedures to manage the impact of delays on supply chains and surrounding regions of busy ports such as Kent. Import checks will be phased in over six-months, with export checks required from 1<sup>st</sup> January 2021.</p>	<p>been known that customs, SPS and S&amp;S checks will be needed for many months, the details of these has only become recently known. The Haulier Handbook has just been released and a final version will not be available in different languages until mid-December. The new systems and processes will only be tested for real on 1<sup>st</sup> January.</p> <p><b>Impact of low business readiness.</b> Low business readiness is not only a challenge for governments on both sides of the Channel, but also for other businesses in the supply chain. The Cabinet Office's own Reasonable Worst Case Scenario<sup>2</sup> for business readiness estimated 40-70% of trucks travelling to the EU might not be ready for new border controls. This could lead to queues and tailbacks at critical border crossings and ports as well as widespread disruption in supply chains.</p>	<p>To implement technical contingencies in the event of the IT systems not being fully operational/are operating at a reduced functionality because of unforeseen bugs or other complications.</p> <p>If a UK/EU FTA is negotiated, provide guidance on the new aspects of the agreement that impact customs and border operations as quickly and comprehensively as possible so that businesses can get as up to speed as possible.</p> <p>To provide traders with support in connecting with third party customs intermediaries.</p> <p><b>EU:</b> To mirror the UK's phased approach in the Border Operating Model as much as possible, with a phased introduction of checks over 6-months.</p> <p>To provide clear guidance on new requirements for moving goods in and out of the EU.</p>
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<sup>2</sup> Cabinet Office, [Reasonable Worst Case Scenario for borders at the end of the transition period on 31 December 2020](#)

		<p><b>Readiness of IT systems.</b> With critical systems such as the Goods Vehicle Movement Service (GVMS) only being tested in December, business is anxious about its operational readiness and the lack of time to fix any unexpected bugs before 1<sup>st</sup> January.</p>	
<p><b>Rules of Origin</b></p>	<p>If a UK/EU FTA is negotiated, the new system of Rules of Origin will determine whether a good will qualify for access to the zero tariff and quota regime in the new trading relationship between the UK and EU.</p> <p>This is to prevent companies from third countries benefitting from trade deals their nations aren't a party to. For simple goods produced entirely in one country, such as minerals or live animals, origin is simple to determine. For manufactured goods however, from cakes to industrial machines, it is more complex as products often contain many components or parts from different markets across the world.</p>	<p>With the detail of the thresholds and requirements tied up in the text of the deal, businesses still do not know the possible new Rules of Origin. With only weeks to go until the transition period ends, there are two areas where business will struggle to be ready:</p> <p><b>Compliance with paperwork</b> – origin certification is complex, and many businesses will never have had to manage it before and therefore run a high risk of errors alongside the other new customs paperwork.</p> <p><b>Lack of time to prepare or adjust supply chain</b> – depending on the contents of the FTA's Rules of Origin</p>	<p><b>Joint EU &amp; UK:</b></p> <p>If a UK/EU FTA is negotiated, the EU and UK to jointly agree a grace period for a minimum of one year on Rules of Origin compliance for businesses. This will ensure both EU and UK businesses have sufficient time to prepare their supply chains and learn the new skills required so that they can access zero tariffs. It is critical that, after this grace period expires, exporters are given the opportunity to rectify their claim of preferential origin and, where applicable, pay duties.</p> <p><b>UK:</b></p> <p>If the UK/EU FTA is negotiated, the next version of the Border Operating Model to</p>

	<p>It can be extremely difficult to calculate origin, particularly for businesses with established and locked in supply chains to comply with origin requirements quickly. To calculate origin, firms have to show that a product “wholly originates” in a particular market or show that a product’s components have been sufficiently transformed in the market to make the product they constitute a local or “originating” product. They do that, for example, by showing that they’ve “transformed” an imported roll of fabric into a dress. However, transformation is not black and white. It is harder to prove that a dress which was imported and then dyed another colour is sufficiently transformed, for example.</p>	<p>chapter, some businesses could suddenly find out that the components from their supply chain mean that their good is not able to meet the origin requirements and would not be able to make supply chain adjustments in time before 1<sup>st</sup> January. Businesses might also find that while they could meet the origin requirements, that they do not have time to get the supporting documents together in order to show compliance with the rules, and therefore will face tariffs.</p> <p>Together both these issues mean that there is a very high risk of many businesses, particularly those with global supply chains, not being compliant with the new rules or able to sufficiently demonstrate that they are before 1<sup>st</sup> January 2021.</p>	<p>include guidance on Rules of Origin and to be published and communicated very quickly once the arrangements are finalised.</p>
<p><b>Northern Ireland Protocol</b></p>	<p>The NI Protocol will be operational from 1<sup>st</sup> January 2021 whatever the</p>	<p>Firms in NI have prepared as much as they can with the information available and, as at the date of</p>	<p><b>Joint EU &amp; UK (via the Joint Committee and Specialised Committee on the Protocol)</b></p>

	<p>outcome of the negotiations.</p> <p>This will mean that products originating in Great Britain (England, Scotland and Wales) will be subject to additional controls before progressing into Northern Ireland.</p> <p>Many of the mutually agreed wider facilitations outlined here would also apply to the implementation of the Protocol.</p> <p>But given the additional regulatory barriers that apply to goods moving from GB into NI, it is being reported that many firms will simply not be ready to be fully compliant to serve the NI market from 1<sup>st</sup> January – notwithstanding the flexibilities agreed in principle between the EU and UK.</p>	<p>writing, the guidance in respect of the implementation of the Protocol remains incomplete.</p> <p>Notwithstanding the agreement in principle reached by the Joint Committee in mid-December, the principal concerns for 1<sup>st</sup> January 2020 remain readiness for the application of customs administration and regulatory changes (in particular, labelling and packaging) for GB-NI movements. The customs issue in particular could lead to significant disruption at NI Ports.</p> <p>In addition, concerns remain over the operation of IT systems required to underpin and facilitate the movement of goods into NI from 1<sup>st</sup> January.</p> <p>Notably, firms will only be able to access the full portal of the Trader Support Service (TSS) on 21<sup>st</sup> December. There are concerns that firms (both in GB and NI) will not have sufficient time to familiarise</p>	<p>As the Protocol commits both the EU/UK to keeping the arrangements under constant review, a formal periodic engagement mechanism to be established with NI business to discuss progression on implementation and the impact on business and households.</p> <p>The application of customs administration and SPS controls to be phased in a manner that at least reflects EU-GB trade under the Border Operating Model to ensure that NI businesses and households are not disadvantaged, and time is afforded to support operational systems and processes.</p> <p>In addition to the phasing in of customs administration and SPS controls, a 12-month grace period for all other product labelling, packaging and importation requirements to be provided for GB goods being placed on the market in Northern Ireland</p> <p><b>UK:</b></p>
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		<p>themselves with the system. It is also understood that some aspects of the system will not be available until January.</p>	<p>For IT systems supporting the implementation of the Protocol to be tested and deemed fit for purpose as soon as possible.</p> <p>To produce complete guidance on all aspects of the operation of the Protocol that is clear and uncontested, as soon as possible. And then work with business through the Business Engagement Forum and other channels to assess and understand the potential impact on business and communities, to develop the necessary supports for acute areas of need.</p>
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# Regulated Goods

## Key Timelines

### Day 1:

UK exporters of regulated manufactured goods will immediately find the requirements for exporting goods to the EU have changed. If they have not made the necessary adjustments to their testing processes, there is the possibility of goods being seized, refused entry to the EU, and disruption in commercial relationships.

For example, some UK chemicals companies will no longer be able to legally export many of the substances that they produce if the right registration processes have not taken place. Companies importing chemicals will have a 120 day grace period to register these products under the UK REACH system. In addition, there will be some continuity for exports, but this will rely upon UK firms having registered their Only Representative with the European Chemicals Agency (ECHA), which will see that appointment kick in automatically.

Firms in the UK will also face a new system of labelling for a number of products. Whilst CE marking will continue to be accepted on the UK market until 31 December 2021, some firms will have to switch to UKCA compliance from 1<sup>st</sup> January 2021, depending on whether the conformity testing body used was based in the UK or EU.

### Month 3:

The grace period under REACH for UK companies importing chemicals to make initial registrations will have expired. If firms cannot import the substances they need, because of cost or complications, this could cause risk to available products. Products may have to been withdrawn from market if chemicals are not registered. Additionally, companies may face extra costs in sourcing alternative chemicals if products cannot be brought to market in the UK.

### Year 1:

From 31<sup>st</sup> December 2021, the UK's grace period on CE marking will end. Meaning that firms must have switched to UKCA compliance by this date (GB products only). Temporary easements on regulated manufacturing will start to wane, creating a new rush to complete adjustments. Some exporters will be prohibited by the cost and additional red tape of separate UK and EU product testing. They may therefore cease trading to either UK or EU markets, reducing choice for consumers and the competition that drives down prices. There are some concerns about the ability of existing UK testing houses to take on the additional load of products to be tested.

### Year 2 onwards:

While UK and EU rules and testing processes will remain broadly the same for regulated goods in the immediate years after no deal, possible future divergence will increase the barriers to doing trade across borders for firms as they will have to cope with new and different requirements being introduced unevenly across the UK and the EU.



The grace period for providing all the data needed to fully register chemicals in the UK will expire. For the long-term, costs of double registration risk being unsustainable for many companies, creating potential for the UK to become a distinct market outside of Europe with a lesser offering of chemical substances.

Issue	Situation	Business Challenges	Policy Recommendations
<p><b>CE/UKCA Marking</b></p>	<p>Firms in the UK will face a new system of labelling for a number of products. While CE marking will continue to be accepted on the UK market until 31<sup>st</sup> December 2021, some firms will have to switch to UKCA compliance from 1<sup>st</sup> January 2021, if the conformity testing body used was based in the UK.</p> <p>Products destined for Northern Ireland will continue to apply CE, and UKCA will not be applicable in the Northern Irish market. However, products will require UK (NI) marking for UK-only goods manufactured in NI.</p>	<p><b>UKCA application from 2021</b></p> <p>Whilst a grace period will enable firms some time to transfer goods across from CE to UKCA, those firms which have used UK testing authorities will face an immediate barrier to market. One manufacturer has estimated the cost of new registrations and compliance at up to £50,000.</p> <p><b>Availability of products</b></p> <p>The UK government have provided a grace period for the compliance of UKCA, to replace CE marks, but not all firms will be able to apply this. For example, those products which were tested under UK testing bodies, products will have to adhere to UKCA from 1<sup>st</sup> January 2021. Because of this, products risk being removed from sale in the EU.</p>	<p><b>UK:</b></p> <p>To agree an extension to registration and re-labelling in line with other products, which is already extended to 2023 for the likes of medical devices. This will give firms time to increase capacity to repackage products, ensuring they remain available across the UK and the EU to the benefit of consumers on both sides of the Channel. A commitment to re-labelling would also help encourage greater take-up of product re-registration.</p> <p><b>EU:</b></p> <p>To provide a 12-month grace period for UK products which have complied with UK testing houses (including under the NI Protocol), and previously adhered to CE mark standards.</p>

		<p>Supply chain and production</p> <p>UK supply chains face being split. Products that were once suitable for the whole UK and EU markets will now need to begin to diverge in order to accommodate new labelling requirements.</p> <p>Access to UK testing houses</p> <p>Firms are concerned that UK testing houses simply won't have the capacity to re-register products for UKCA, which in turn will cause delays in the approval of new products to market.</p>	
<p><b>Medicines</b></p>	<p>Firms across the pharmaceutical industry have worked to prepare for the end of the transition period while simultaneously tackling a global pandemic. Pharmaceutical firms continue to meet significant challenges in the distribution of highly regulated goods – such as medicines – due to divergence in rules along existing routes of supply.</p>	<p>Under the Northern Ireland Protocol, medicines in Northern Ireland will be governed by EU rules, enforced by the UK medicines regulator, the MHRA. A 12- month grace period has been agreed in principle to protect security of supply but challenges remain for protecting flow after December 2021.</p> <p>Every medicine must be tested to make</p>	<p><b>Joint UK &amp; EU:</b></p> <p>To agree an MRA on Good Manufacturing Practice, including batch release, testing and inspections would see both sides accept each other's certifications – as they do now – which would in turn avoid the threat of delays and increased costs along the supply chain.</p> <p><b>UK:</b></p> <p>To urgently pressure test new border</p>

	<p>A 12 month “phasing in period” has been agreed in principle between the UK and the EU to ensure that medical supplies continue uninterrupted from 1 January 2021. An effective grace period has therefore been agreed in principle in respect of batch testing, regulatory importation requirements and the requirements of Falsified Medicines Directive.</p>	<p>sure it conforms to strict quality and safety standards before it can leave the production line. In the absence of a technical agreement, such as a Mutual Recognition Agreement (MRA) company inspectors would be expected to undertake expensive and time-consuming duplicative processes.</p> <p>Certainty in the supply of medicines from the EU to the UK is not simply within the gift or control of individual companies, and multi-layered supply mitigations and contingencies rely on the accuracy of the Governments own Reasonable Worst Case Scenario forecast and the avoidance of further border disruptions.</p>	<p>arrangements and Government IT systems whilst prioritising Category 1 goods and avoiding unexpected delays at ports.</p> <p><b>NI Protocol</b> – to engage with industry to create a framework that ensures security of supply of medicines to NI after December 2021</p>
<p><b>UK REACH</b></p>	<p>Businesses in the UK will have to use the phased re-registering process to ensure that chemicals can continue to be used in products for the GB market.</p> <p>Whilst there is a phasing-in period to enable the re-</p>	<p><b>Re-registration costs</b></p> <p>The cost of re-applying for REACH licenses is adding a financial burden during an already tough business environment. In many cases, these costs are being pushed down the supply</p>	<p><b>UK:</b></p> <p>To remove the current UK REACH fee structure and set UK fees to reflect market size. This will ensure the UK remains an attractive trading partner and would not impinge inadvertently on SMEs.</p>

	<p>registration for chemicals, some firms are already facing challenges with chemical components having been withdrawn from the UK market due to duplicate registration processes.</p>	<p>chain onto SMEs, which is seriously undermining their viability.</p> <p>The cost of a single registration could be up to €300,000 simply to gain access to the testing data owned by European companies, as data sharing rules under EU REACH do not extend to UK REACH.<sup>3</sup></p> <p>Analysis by the CIA has shown that 60% of UK chemical exports are destined for the EU27, with 75% of chemical imports coming from the EU.<sup>4</sup></p> <p><b>Loss of access to products</b></p> <p>Consumers face losing access to products, with 7% of UK firms and 27% of non-UK firms having already taken the decision not to register substances as part of UK REACH.<sup>5</sup></p>	<p>Immediate clarity on first time imports or manufacture after notification deadlines. Without this, firms could face products being inadvertently banned from being used in the UK.</p>
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<sup>3</sup> Chemical Business Association

<sup>4</sup> Chemical Industries Association

<sup>5</sup> Chemical Watch: [Brexit and Chemicals Registration](#)

# Data

## Key Timelines

### Day 1:

In the event of no positive data adequacy decision by 1<sup>st</sup> January, the UK will be treated as a third country for personal data transfers, creating new legal requirements immediately and resulting in increased legal costs, interrupted data flows and reduced investment in data centres.

### After 6 months:

Without a data adequacy decision, more UK companies will shift jobs abroad in data-intensive areas such as HR, and increasingly invest in data centres in EU countries in place of UK ones as they see an increase in the loss of contracts with EU customers who no longer wish to deal with UK partners.

Issue	Situation	Business Challenges	Policy Recommendations
<b>EU Data Adequacy Decision</b>	<p>Cross-border data flows underpin virtually all elements of trade in the modern economy, from sectors such as advanced manufacturing, financial services, logistics and IT.</p> <p>Data sharing is also critical for the functioning of the Northern Ireland Protocol, and has been identified as underpinning areas of North-South Co-Operation on the island of Ireland, protected under the Protocol<sup>6</sup></p>	<p>The process for implementing safeguards is time consuming and has huge cost implications. Some businesses will need to re-do hundreds of contracts, which takes significant admin and legal expertise.</p> <p>New modelling estimates the following costs firms will incur if they wish to set up SCCs to cover EU-UK data transfers. Average compliance costs for a business that is affected are:</p> <ul style="list-style-type: none"><li>• £3,000 for a micro business</li><li>• £10,000 for a small business</li></ul>	<p><b>Joint UK &amp; EU:</b></p> <p>If the Commission grants adequacy but the required processes of scrutinising that decision cannot be completed before the end of the transition period, then the UK and EU should look to identify a bridging mechanism to avoid a cliff edge. For example, a temporary standstill non-enforcement arrangement with Member State Data Protection Authorities.</p> <p>However, if adequacy is not granted, given the</p>

<sup>6</sup> Technical Explanatory Note: North South Co-Operation (2019)

	<p>Over 75% of UK data transfers are made with EU countries,<sup>7</sup> making the continued free flow of data between the UK and the EU crucial for businesses and vital to facilitating healthy trade between two close partners such as the UK and the EU.</p> <p>The decision sits outside the free trade agreement, but a data adequacy decision from the European Commission by the end of the transition period is required to ensure the free flow of data to the benefit of businesses and customers.</p> <p>New legal rulings mean firms are faced with increased uncertainty. The recent Schrems II impact means safeguards like Standard contractual clauses (SCCs) are being updated by the Commission and the European Data Protection Board (EDPB), with firms concerned by some</p>	<ul style="list-style-type: none"> <li>• £19,555 for a medium business and</li> <li>• £162,790 for a large business.<sup>8</sup></li> </ul> <p>While they await the decision, many businesses are simply taking a wait and see approach as they cannot afford to do things twice.</p> <p>If there is no adequacy decision by 1<sup>st</sup> January, businesses might not have the right safeguards in place and will therefore face a data cliff edge. They will need to continue to adapt as the wider environment changes.</p> <p>If firms do not comply with data protection legislation, they could be levied with fines up to €20 million, or 4% of the firm's worldwide annual revenue in the preceding financial year, whichever amount is higher.<sup>9</sup></p>	<p>unprecedented alignment on data standards between the UK and EU, the two jurisdictions should look to support a temporary standstill non-enforcement arrangement. Member State data protection authorities should look to take a pragmatic enforcement approach while businesses on both sides seek to adjust.</p> <p><b>EU:</b></p> <p>For the EU Commission to reach a positive adequacy decision on data before the 31<sup>st</sup> December to enable the continued free flow of data.</p>
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<sup>7</sup> TechUK, Priorities for European Exit Negotiations (2017).

<sup>8</sup> New Economics Foundation, UCL European Institute, 2020, The Cost of Data Inadequacy - The Economic Impacts of the UK Failing to Secure an EU Data Adequacy Decision.

<sup>9</sup> New Economics Foundation, UCL European Institute, 2020, The Cost of Data Inadequacy - The Economic Impacts of the UK Failing to Secure an EU Data Adequacy Decision.

	aspects of the EDPB's recent Recommendations 01/20 on supplementary measures for international data transfers.		
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# People

## Key Timelines

### Day 1:

From 1<sup>st</sup> January the UK's points based immigration system comes into effect, providing a framework for businesses hiring workers from anywhere in the world.

Business visitor rules of the UK and relevant EU27 countries will change from 1<sup>st</sup> January. While the rules will depend on the EU27 country being visited, visa-free travel will generally only be possible for UK passport holders for a limited number of permitted business activities.

The Mutual Recognition of Professional Qualifications (MRPQ) changes from the 1<sup>st</sup> January. UK-qualified individuals may need to re-qualify to practice in the EU (and vice versa). A lack of mutual recognition could also impact who firms recruit in future.

Issue	Situation	Business Challenges	Policy Recommendations
<p><b>Access to Skills</b></p>	<p>With the UK's points-based immigration system coming into full effect on 1<sup>st</sup> January 2021, all businesses looking to hire migrant workers from anywhere in the world will do so through the points-based system.</p> <p>The rules on short term business travel are likely to change from 1<sup>st</sup> January. Businesses will need to comply with business visitor rules of the UK and relevant EU27 countries. The key concern for business travellers is the restrictions around what activities are allowed under business visitor,</p>	<p>We must not underestimate the scale of change for firms, particularly those that are not already licensed sponsors and do not have experience of the existing visa regime and sponsorship processes.</p> <p>Short term business visitors to the EU27 will need to understand the restrictions around the activities they are allowed to carry out. Short term business visitors are likely to have to comply with new passport and border requirements, and for businesses this means</p>	<p><b>UK</b></p> <p>To work with business to support understanding of new requirements for short term business travel, including permitted activities, and provide guidance for how to comply with member states requirements on visas and / or work permits.</p> <p>A top priority for UK trade policy should be to make Intra-Company Transfers (ICTs) and short-term business stays easier, supporting "Mode 4" services trade.</p> <p>Other routes, such as the Global Talent Visa (GTV) and the Youth Mobility</p>



	<p>including the movements of EU citizens on the island of Ireland who cannot benefit from the Common Travel Area (non-British and non-Irish Citizens). Under the FTA this is unlikely to go further than precedence in other FTAs like CETA. Therefore, it is likely that visa-free travel will generally only be possible for UK passport holders for a limited number of permitted business activities (such as attending a conference).</p> <p>For UK employers with employees in the EU, EEA and Switzerland there are also impacts on social security contributions due to EU Social Security Coordination.</p>	<p>understanding and planning for the business visitor rules of the UK and relevant EU27 countries in which they wish to carry out services in.</p> <p>Businesses will have to understand post-Brexit short term mobility rules to be able to prepare and avoid disruption in services provision from 1<sup>st</sup> January.</p> <p>The ability to action “fly in fly out” services, allowing workers to travel overseas to carry out short-term work and training, unlocks opportunities for business.</p>	<p>Scheme (YMS), could be expanded and refined to facilitate easier mobility and provide firms with access to the full range of skills they need to grow.</p>
<p><b>Mutual Recognition of Professional Qualifications (MRPQ)</b></p>	<p>The benefits of securing a dynamic mutual recognition agreement for professional qualifications, that simplifies the process of highly-skilled workers providing services across borders, is of great importance for UK services firms.</p>	<p>For individuals to operate across borders or to work temporarily abroad, these qualifications must be recognised by national authorities. The recognition of professional qualifications and the regulation of professions is of huge significance for the UK’s world leading services</p>	<p><b>Joint UK &amp; EU:</b></p> <p>If a UK/EU FTA is not agreed before 31<sup>st</sup> December, or provisions do not meet the requisite level of ambition on MRPQs, the UK and individual EU member states could look to strike bilateral agreements to recognise professional qualifications (only</p>

	<p>The EU has a system of preferential recognition of qualifications which dramatically simplifies the process for practitioners. Those in regulated professions currently benefit from automatic recognition across the EU. This has never been extended to countries outside of the EEA.</p> <p>The Withdrawal Agreement ensured the continued recognition for those nationals who had already had their qualifications recognised prior to 31<sup>st</sup> December 2020.</p> <p>The UK negotiating mandate seeks an ambitious 'pathway' for the mutual recognition of professional qualifications, which goes beyond the EU mandate which is more limited, mirroring EU–Canada FTA (CETA).</p> <p>However, under the provisions in CETA,</p>	<p>providers, who rely on this provision to sell their services abroad.</p> <p>In practice, this means an architect who studied and qualified in France can work on a project in Madrid and establish their own architectural practice in Birmingham. Qualifications for lawyers, auditors, insurance intermediaries, commercial agents and other professionals go through a general process for mutual recognition.</p> <p>Other examples include engineers doing cross-border maintenance and repair.</p> <p>It will also be critical to see whether the deal restricts the UK from striking bilateral agreements which would become an issue for businesses in the future and whether it allow pathways for the recognition of new qualifications as the importance of technology increases</p>	<p>possible if any UK/EU FTA allows for such agreement). This is particularly important for mutual recognition between the UK and Ireland to afford British and Irish citizens the ability to exercise the right to work, in full, as envisaged under the Common Travel Area<sup>10</sup>.</p>
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<sup>10</sup> Memorandum of Understanding on the Common Travel Area (2019) <https://www.gov.uk/government/publications/memorandum-of-understanding-between-the-uk-and-ireland-on-the-cta>

	no MRAs have been adopted, with the legal text only 'encouraging' professional and representative bodies in their jurisdiction to negotiate bilateral MRAs.	within existing industries.	
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# Services

## Key Timelines

### Day 1:

UK financial services firms will immediately lose unrestricted access to EU markets for products and services not covered by any of the UK or EU enacted contingency measures. UK financial services firms will have to ensure that assets and staff are transferred to the EU to continue servicing their contracts with EU counterparties and clients.

The UK's security of energy supply will initially be unaffected, but energy businesses may face supply chain difficulties at borders, as parts are caught in the same queues as manufacturers and retailers.

From 1<sup>st</sup> January, commercial broadcasters operating in the EU using a UK license will need to make sure that they have the appropriate license in an EU member state to continue operating.

The UK will no longer be a participant in the European Common Aviation Area (ECAA) or the European Aviation Safety Agency (EASA) systems. This means that mutual recognition of safety certificates and licences between the UK and European systems will end unless an agreement on aviation safety regulation is negotiated.

New barriers, including minimum numbers of locally resident staff for different roles; restrictions on the number of establishments; and foreign ownership rules, could be placed in front of UK firms on 1<sup>st</sup> January 2021.

### Month 1:

Firms will experience higher costs and longer time periods to complete contracts. UK and EU financial markets may become more volatile and less liquid, particularly if derivative trading venue equivalence decisions are not in place from 1<sup>st</sup> January 2021 day. Issues around contract continuity may also arise.

### Year 1:

Without a third country equivalence determination and a data adequacy decision, financial services firms will make further transfers of staff and assets to the EU. Or stop some EU business and move to non-EU locations to optimise their business models and react to the requirements set by EU regulators.

Without an aviation deal with the EU, or at the very least an extension of temporary arrangements, flights between the UK and the EU will cease as there are no World Trade Organisation (WTO) provisions for aviation.

### Year 2:

The time-limited decision to give financial market participants 18 months to reduce their exposure to UK central counterparties (CCPs) will end in June 2022.

Issue	Situation	Business Challenges	Policy Recommendations
<p><b>Aviation and Aerospace</b></p>	<p>Aviation does not form part of the WTO. This will have to be negotiated separately from the UK-EU FTA.</p> <p>Both the UK and EU negotiating mandates make clear that the UK would no longer participate in European Aviation Safety Agency (EASA) systems after the end of the transition period on 31<sup>st</sup> December 2020.</p> <p>The UK and EU are negotiating a Bilateral Aviation Safety Agreement and an Air Transport Agreement, which will set out the relationship between the UK &amp; EU regulatory systems for aerospace manufacturers and air connectivity for airlines respectively.</p>	<p><b>Air transport/services</b></p> <p>Businesses need as much time as possible to prepare for the changes to the sector from 1<sup>st</sup> January. It is likely that UK access to the EU aviation market will be limited. For example, the agreement may not go as far as other agreements, such as that between the EU and Switzerland. This is complicated further by the discussions on the level playing field commitments around competition, which we know continues to be a sticking point in the negotiations and could further undermine any agreement on aviation between the UK and EU.</p> <p>It is also likely that for UK-based air operators that continue to operate intra-EU flights after the end of the transition period will need to set up establishment in an EU member state, which many affected businesses have taken steps to do.</p> <p><b>Aviation safety</b></p> <p>In the EU no deal contingency plans, there are two specific proposals on basic air connectivity for a period</p>	<p><b>Joint UK/EU:</b></p> <p>If agreed, to regularly review the Air Services Agreement with a view to liberalising it when and where possible.</p> <p><b>EU:</b></p> <p>To revive previous EU no deal mitigation measures by recognising UK design, production and maintenance approvals for 9 months from the end of the transition period. This should apply regardless of an agreement on aviation safety as it will cushion the blow to industry at a highly challenging time. Having the detail of a bilateral aviation safety agreement 2-3 weeks before it comes into force does not give industry anywhere near adequate time to prepare.</p> <p>To update the European Council Regulation 581 on Customs Duty to recognise the CAA Form 1 as a certificate of airworthiness, and</p>

		<p>of six-months and aviation safety, these measures are subject to UK reciprocating.</p> <p>UK based aerospace manufacturers will face significant increased costs from 1<sup>st</sup> January as there is unlikely to be mutual recognition of airworthiness approvals and certificates.</p> <p>The UK will accept existing EASA approvals and certificates for up to 2 years from 1<sup>st</sup> January. In the EU no deal contingency notice there is also a proposal for a Regulation ensuring that various safety certificates for products can continue to be used in EU aircraft without disruption, thereby avoiding the grounding of EU aircraft.</p> <p>UK companies are able to obtain 3<sup>rd</sup> country production and maintenance approvals from EASA in the event there is no deal. There is however no provision for design approvals, so UK based design organisations are unclear as to how to ensure continued EASA certification in this area from 1<sup>st</sup> January.</p>	<p>therefore eligible for the temporary suspension of duties (as is the case with other bilateral aviation safety agreements).</p>
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		<p>Finally, the European Council Regulation 581 on Customs Duty does not currently include a provision to recognise a Civil Aviation Authority (CAA) Form 1 as a certificate of airworthiness, therefore the part would not be eligible for temporary suspension of duties.</p> <p><b>Cross-cutting</b></p> <p>Leaving EASA leaves a requirement on the CAA to take over all functions previously undertaken by EASA. The CAA has acknowledged that it will need to continue to build capability in certain areas beyond the end of the transition period and there will be costs and new demands on regulators.</p> <p>Absence of an agreement on aircraft certification standards hugely adds complexity and cost to certification process for businesses.</p>	
<p><b>Broadcasting and Creative Industries</b></p>	<p><b>Broadcasting</b></p> <p>Commercial broadcasters operating in the EU using a UK license will need to apply for a license in an EU member state to continue operating beyond the end of the transition period.</p>	<p>Broadcasting and Creative Industries depend on the ability to access skills and mobility as well as other unilateral decisions such as the EU data adequacy decision.</p> <p><b>Creative Industries</b></p>	<p><b>UK:</b></p> <p>To provide assurance on protection of Intellectual Property rights to allow value flows back to the UK's creative industries.</p>

	<p>From 1<sup>st</sup> January the Audiovisual Media Services Directive and the country of origin principle will no longer apply to services under UK jurisdiction broadcast into the EU. However, the European Convention on Transfrontier Television (ECTT) framework will still apply.</p> <p>The EU's 'Notice to Stakeholders' for audiovisual media services has confirmed that works originating in the UK will continue to be classed as European Works from 1<sup>st</sup> January 2021.</p> <p><b>Creative Industries</b></p> <p>Access to world-leading creative talent and the ability for the UK's creative practitioners to tour the EU without undue cost or red tape has been a major contributor to the success of the UK's creative industries, enabling the sector to grow five times as fast as the wider economy.</p>	<p><b>Intellectual Property</b></p> <p>Waiting for assurance from government on the protection of rights to ensure value flows back to the UK's creative industries. This is now of heightened importance given the recent confirmation that there will be no reciprocity between the EU and UK on unregistered community design protection and copyright exhaustion, a major blow to UK creators.</p> <p><b>Funding and investment</b></p> <p>Assurance needed that vital funding received through Creative Europe - due to come to an end at the end of this year - will be replaced by UK government with equivalent funds, and urgent clarity on an interim package given confirmation of a one-year Spending Review.</p> <p>Businesses are also concerned about the next steps for Horizon 2020, which is due to be replaced by Horizon Europe. The commitment to continued participation of Horizon by the Chancellor of the Duchy of Lancaster in the Brexit Business</p>	<p>To clarify future UK participation in Horizon Europe, which is the EU's next funding programme for research and innovation.</p> <p>To confirm Creative Europe replacement funding to support creative industries.</p>
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		Taskforce meeting was welcomed by business.	
<b>Energy</b>	<p>The energy sector has been very engaged and has been preparing in the best possible way to ensure they are as ready as can be for the changes in January 2021.</p> <p>Energy companies have been reviewing their business operations and strategies to identify where issues might arise and put in place mitigating measures where possible.</p> <p>However, there are many aspects in the process of exiting the EU on 1<sup>st</sup> January 2021 that are out of their control and will depend on the level of preparedness of the UK overall.</p>	<p><b>Carbon pricing</b></p> <p>Business welcomes the clarity provided on the UK commencing its own Emissions Trading System from 1<sup>st</sup> January 2021. The priority is now to link this to the EU's ETS in a timely way as the smaller scale of the UK ETS brings challenges.</p> <p><b>Electricity Day-ahead trading</b></p> <p>From 1<sup>st</sup> January 2021, there will be two Day-ahead prices in the UK from the two Power Exchanges (PXs) as they will no longer be sharing their order books and therefore will not offer a common price. This effectively creates two separate markets for the same product. We understand that the two PXs have tried to come to a solution but have not managed to do so.</p>	<p><b>UK:</b></p> <p>Following the confirmation of the UK ETS, for progress to be made on how this is linked to the EU's, to continue the work in 2021 on linking the two ETS schemes ahead of COP26.</p> <p>For BEIS and Ofgem to develop the necessary legislation that will allow the two Power Exchanges to work together in order to deliver a single Day-ahead price.</p> <p>For BEIS to start work on alternative cross-border trading arrangements in collaboration with industry to ensure the cross-border trading returns to an optimal level of efficiency.</p> <p>For BEIS to work with industry and the EU to develop a cooperation platform for the development of the North Sea Offshore Wind Grid. This also applied to other offshore</p>

			developments in waters shared with European neighbours.
<b>Financial Services</b>	<p>UK financial services firms will immediately lose unrestricted access to EU markets for products and services not covered by any of the UK or EU enacted contingency measures.</p> <p>Financial services firms are continuing to complete strategies for the end of the transition period which involve the moving of pertinent business units, people, and assets into their EU hubs. However, some of the smaller FS firms may not as ready as they should be.</p> <p>There are some FS firms who will withdraw from markets where they do not have sufficient scale to justify the costs of establishing an EU hub and co moving operations into it – so their clients will have to find alternative providers.</p>	<p>A number of challenges remain, notably the novation of EEA clients to an EU entity and the ability to meet expectations set out by EU regulators, in particular local governance and risk management requirements. Many smaller institutions are much less well prepared and a number only now seem to be realising they have issues that must be resolved.</p> <p><b>Reciprocity</b></p> <p>EU authorities have not reciprocally legislated to guarantee UK-based banks can continue serving EU households and businesses after transition. Major UK-based banks are now transferring EU clients to subsidiaries in the EU.</p> <p>A handful of EU authorities have indicated that they will not adhere to EIOPA's <a href="#">recommendations</a> and may not allow UK insurers to service existing contracts without authorisation in that Member State.</p>	<p><b>Joint UK and EU</b></p> <p>To move to full regulatory collaboration if a UK/EU FTA is agreed.</p> <p>For UK and EU FS regulators to issue their respective equivalence determinations on financial services.</p> <p>For a Memoranda of Understanding to be signed to confirm ongoing regulatory and supervisory dialogue between the UK and EU may also help reduce fragmentation costs.</p> <p>To provide solutions to the remaining technical cliff edge FS regulatory issues around derivative trading obligations, SEPA data requirements and pension scheme derivative trading arrangements.</p>

	<p>Given deep uncertainty about all the changes as the UK leaves the Single Market on 1<sup>st</sup> January there is a possible risk of short-term service disruption while firms and clients seek to establish new patterns of relationship.</p> <p>For example, possible volatility on FX rates could impact on hedging and pricing.</p> <p>Financial markets across Europe are also increasingly likely to become fragmented which will result in reduced choice and higher costs for corporates.</p>	<p><b>Establishment</b></p> <p>UK businesses setting up a presence in the EU could face additional restrictions on their ability to provide services, and they could lose preferential rights to establish a presence in the EU at the end of the transition period. New barriers, including minimum numbers of locally resident staff for different roles; restrictions on the number of establishments; and foreign ownership rules, could be placed in front of UK firms on 1<sup>st</sup> January 2021.</p> <p><b>Lugano Convention</b></p> <p>The UK's accession to the Lugano Convention is an issue that will impact all businesses and individuals across the UK and EU, including financial services.</p> <p><b>Green Card</b></p> <p>The UK's entry into the Free Circulation Zone - with no agreement, anyone taking their vehicle to the EU will be required to carry with them a Green Card.</p>	<p>To guarantee all necessary equivalence and adequacy mechanisms are in place on a non-time limited basis at the point at which they become necessary to underpin continued supply of services between the UK and the EU. Sustaining these should be the default position thereafter.</p> <p><b>EU</b></p> <p>To put in place equivalence determinations by the EU across the various pieces of EU regulation.</p> <p>To approve the UK's application to join the Lugano Convention on the Recognition and Enforcement of Civil Judgments, Lugano Convention is necessary to confirm that the legal status of transactions and contractual relationships is sound and enforceable, regardless of the terms of the underlying trade.</p> <p>To agree UK participation in the</p>
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			Green Card Free Circulation Zone.
<b>Professional and Business Services</b>	<p>Professional and Business Services (PBS) firms are dependent on unilateral decisions such as equivalence decisions as well FTA agreements such as mutual recognition of professional qualifications to provide services. There is no certainty as to when or whether equivalence decisions will be granted in favour of the UK, and whether the recognition of qualifications will be included in any FTA that might be agreed. UK businesses setting up a presence in the EU could face additional restrictions on their ability to provide services, and they could lose preferential rights to establish a presence in the EU at the end of the transition period.</p>	<p>The limited time left to prepare for the changes from 1<sup>st</sup> January is a concern for PBS firms, who face significant changes and barriers to providing cross border services. For PBS firms there are a number key challenges that these businesses will face at the end of the transition period. This includes the likelihood of an EU data adequacy decision, mutual recognition of professional qualifications and continued access to skills.</p> <p><b>Access to Skills</b></p> <p>For PBS firms preparing for 1<sup>st</sup> January, they need to understand what type of activity they will be able to carry out to continue servicing clients in the EU or whether specific permits and visas will be required – and this could vary from member state. For example, an engineer doing cross-border maintenance and repair is required to quickly travel to provide a service.</p> <p><b>Mutual Recognition of Professional Qualifications (MRPQ)</b></p>	<p><b>UK</b></p> <p>To work with business to support understanding of new requirements for short term business travel, including permitted activities, and provide guidance for how to comply with member states requirements on visas and or work permits.</p> <p>A top priority for UK trade policy should be to make Intra-Company Transfers (ICTs) and short-term business stays easier, supporting “Mode 4” services trade.</p> <p>Other routes, such as the Global Talent Visa (GTV) and the Youth Mobility Scheme (YMS), could be expanded and refined to facilitate easier mobility and provide firms with access to the full range of skills they need to grow.</p> <p>To ensure that there is appropriate support and guidance for businesses on understanding the new rules for establishment and</p>

		<p>PBS firms rely on the recognition of professional qualifications to sell their services abroad. An ambitious agreement on MRPQ could remove the need to re-qualify in each member state or seek work permits.</p> <p><b>Establishment</b></p> <p>New barriers, including minimum numbers of locally resident staff for different roles; restrictions on the number of establishments; and foreign ownership rules, could be placed in front of UK firms on 1 January 2021. Establishment restrictions are typically higher for regulated professions, For example, equivalent qualifications or nationality requirements that would limit access to the European Market.</p> <p><b>Lugano Convention</b></p> <p>It is in the interest of the citizens and businesses of the EU and the UK for the UK to accede to the Lugano Convention, which underpins the rule of law and respect for obligations across our region with common rules on jurisdiction and enforcing court judgments.</p>	<p>how this differs across individual member states.</p> <p><b>Joint UK and EU</b></p> <p>If a UK/EU FTA is not agreed before 31<sup>st</sup> December, or provisions do not meet the requisite level of ambition on MRPQs, the UK and individual EU member states could look to strike bilateral agreements to recognise professional qualifications (only possible if any UK-EU FTA allows for such agreement).</p> <p><b>EU</b></p> <p>EU Commission to reach a positive adequacy decision on data before 31<sup>st</sup> December to enable the continued free flow of data</p> <p>To put in place equivalence determinations by the EU across the various pieces of EU regulation.</p> <p>For the UK to accede to the Lugano Convention, failure to do so would impact business and consumers and could lead to slower</p>
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		<p><b>Equivalence</b></p> <p>There are a number of equivalence decisions which have not yet been granted by the European Commission which are significant for the audit and accounting sector. For example, lack of equivalence would mean UK audit firms would be required to register with EU regulators and be subject to regulatory inspections leading to further complexity and uncertainty for auditors and clients.</p>	<p>enforcement and higher legal costs.</p>
<p><b>Transportation Services &amp; Travel</b></p>	<p>Millions of heavy goods vehicles cross between the UK and the EU each year, 86% of the tonnage of which are unloaded in one of five EU countries: Irish Republic (31%), France (22%), Belgium (15%), the Netherlands (9%) and Germany (9%)<sup>11</sup>. Those vehicles and their trailers then often return to the UK with goods for import.</p> <p>To ensure the UK haulage industry is able to deliver goods to and from Europe, it will be important to avoid permits and quotas on haulage.</p>	<p>To operate across borders, haulage companies have to achieve a Standard International Operator License and a specific Community License for the EU. Without the Community License, a permit system would come into place. There is an existing permit system available (ECMT), but this is a multilateral permit system that is severely limited by quota and insufficient to meet the needs of UK or EU hauliers.</p> <p>Road haulage will have knock on effects across a wide range of sectors. In the event of a non-negotiated outcome,</p>	<p><b>UK</b></p> <p>If there's failure to reach an agreement on road transport, the UK should provide the same assurance as in the EU no deal contingency measures which allows for a 6-month period allowing basic connectivity period for haulage.</p> <p><b>EU</b></p> <p>To agree UK participation in the Green Card Free Circulation Zone.</p>

<sup>11</sup> Department for Transport, International Road Freight Statistics, 2018

	<p>Businesses are preparing as much as possible for the end of transition and are getting ready to switch to new systems and new methods of trading from 1<sup>st</sup> January 2021.</p> <p>But they can only prepare as fast as information is made available by Government.</p> <p><b>Travel</b></p> <p>There is an impact on UK travellers to the EU if there is no agreement on the UK's participation in the Green Card Free Circulation Zone, which is separate from the main negotiations.</p>	<p>road hauliers will also immediately encounter further additional challenges through new rules for vehicles, licences for drivers and permits for trailers, creating complexity upon complexity and – ultimately – costs for customers.</p> <p>In a no deal, the mutual recognition of driving licences would end. This means hauliers using UK licences would not be eligible to work in the EU and haulage firms would need to apply for international driving permits to undertake cross-border assignments involving EU and EEA countries. EU haulage operators would also need certificates of professional competence issued in the EU, not the UK.</p> <p>The EU have announced no deal contingency measures for haulage basic connectivity with regard to both road freight, and road passenger transport for 6 months, provided the UK assures the same to EU hauliers.</p> <p><b>Travel</b></p> <p><b>Green Card</b></p>	
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		<p>This is a concern that affects multiple sectors from travel and tourism to logistics and insurance.</p> <p>There will be some important implications for UK travellers to the EU if there is no agreement on the UK's participation in the Green Card Free Circulation Zone. With no agreement, anyone taking their vehicle to the EU will be required to carry with them a Green Card.</p>	
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