

# Overseas Recognition Regimes

## **Guidance Document**

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# Contents

<b>Chapter 1</b>	<b>Introduction</b>	<b>6</b>
<b>Chapter 2</b>	<b>Overseas Recognition Regimes</b>	<b>9</b>
<b>Chapter 3</b>	<b>Assessment and Decision-Making Process</b>	<b>14</b>
<b>Chapter 4</b>	<b>Ongoing Monitoring of Designations</b>	<b>17</b>

# Chapter 1

## Introduction

**1.1** The UK's historic strengths in global financial markets are built upon its international openness and reach. The UK is home to the world's largest international bonds, foreign exchange, and over-the-counter derivatives markets, alongside being home to Europe's largest equity markets.<sup>1</sup>

**1.2** The UK has established this position due to a range of factors such as its time zone, language, and legal system, as well as effective market access arrangements with overseas jurisdictions. This ensures the availability of significant pools of capital, expertise in connecting this capital with productive investment opportunities, and the ability to safely rely on trusted, well-regulated international partners.

**1.3** Financial stability and adherence to international standards in financial services are pre-requisites to growing a resilient economy and enhancing the growth and competitiveness of the UK financial services sector. The UK plays an active role in multilateral forums such as the G20, the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the Committee on Payments and Market Infrastructure (CPMI) and the International Organisation of Securities Commissions (IOSCO) in developing international regulatory standards and supporting supervisory cooperation. The UK considers consistent implementation of these standards around the world a vital tool for managing global risk.

**1.4** Partnerships between established and fast-growing financial centres is also critical to enabling the growth and competitiveness of the sector through productive investment and increasing global trade. Through its approach to international partnerships and trade, the government aims to advance four key objectives for financial services:

- Enhance cross-border financial flows and access to global markets;
- Encourage overseas firms to invest in the UK economy;
- Strengthen and champion the UK's international financial centre as a global good, and the location of choice from which to seize opportunities of the future;

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<sup>1</sup> [State of the sector: Annual review of UK financial services 2024](#)

- Uphold and shape international financial regulatory norms and standards.

**1.5** An important tool to support cross-border financial services is the UK's ability to provide unilateral "recognition", where the regulatory framework in an overseas jurisdiction provides for similar outcomes to the UK's. So called "recognition" can provide a range of regulatory benefits, including enabling overseas firms to provide services directly into the UK, aligning requirements on UK authorised firms whether they are engaging with UK or overseas markets or counterparties, or providing regulatory relief by removing duplicative requirements on cross-border business.

**1.6** Other jurisdictions also maintain provisions that allow them to recognise overseas regulatory frameworks.

For example:

- The European Union (EU) maintains equivalence regimes;
- The United States of America makes "comparability" determinations in respect of other jurisdictions; and
- Australia operates a system that allows it to judge foreign regulatory regimes as "sufficiently equivalent".

**1.7** Some jurisdictions also maintain similar provisions allowing specific firms in another jurisdiction to be recognised. For example, both Switzerland and Singapore operate systems where the financial services regulator can recognise a firm in another jurisdiction, so long as it is subject to comparable regulation and supervision in its home state.

**1.8** These provisions promote consistent regulatory standards, provide the foundation for long-term regulatory cooperation between jurisdictions and support financial stability.

**1.9** The European Union Withdrawal Act 2018 ('EUWA'), as amended by the European Union (Withdrawal Agreement) Act 2020, converted the existing body of directly applicable EU law (including Regulations and Directions) into UK law on 31st December 2020. This was incorporated into the UK's statute book and is known as assimilated law as per section 5 of the Retained EU Law (Revocation and Reform) Act 2023.

**1.10** Assimilated law included the EU's framework for financial services equivalence and more than 270 EU equivalence decisions and 40 EU equivalence regimes.

**1.11** To ensure that assimilated law was operable in a UK-only context, it was necessary to amend certain aspects of the legislation to reflect the UK's position outside the EU. The EUWA therefore also gave ministers a power to prevent, remedy or mitigate any failure of EU law to operate effectively, or any other deficiency in assimilated EU law, through Statutory Instruments ('SIs') – this was referred to as "onshoring". Under the onshoring process, the European Commission's

role in making equivalence decisions for overseas jurisdictions was replicated and transferred to HM Treasury. Furthermore, the functions of the European Supervisory Authorities with regards to equivalence decisions were replicated and transferred to the Bank of England, the Prudential Regulation Authority, and the Financial Conduct Authority (“the regulators”).

**1.12** The Financial Services and Markets Act 2023 repealed assimilated law relating to financial services, subject to commencement. This was so that it could be brought in line with the UK’s domestic model of regulation, where the UK’s independent and expert regulators set rules for firms, operating within a framework established by government and Parliament.

**1.13** This means that the government has a programme of work to replace the existing equivalence regimes inherited from the EU with legislation which is tailored to the UK’s needs, and which fully reflect the government’s outcomes-focused approach to the unilateral regulatory recognition of overseas jurisdictions. These are called ‘Overseas Recognition Regimes’.

**1.14** Overseas Recognition Regimes are legislative provisions that allow HM Treasury ministers, with Parliamentary oversight, to recognise the regulatory framework of the financial services of any country or territory outside of the United Kingdom (an “overseas jurisdiction”). Similarly to equivalence regimes, Overseas Recognition Regimes are designed to provide a range of regulatory benefits and support safe and stable cross-border activity in financial services.

**1.15** The recognition by HM Treasury of an overseas jurisdiction’s regulatory framework in legislation, through use of Overseas Recognition Regime powers, will be referred to as a ‘designation’.

**1.16** The consideration of an overseas jurisdiction under an Overseas Recognition Regime is initiated by HM Treasury, although overseas jurisdictions are welcome to indicate an interest to HM Treasury in being assessed.

**1.17** Overseas Recognition Regimes are part of the UK’s Overseas Framework – the UK’s full framework for cross-border financial services activity. The government will use Overseas Recognition Regimes as one of a range of tools to support the safe openness of the UK’s financial services sector and facilitate cross-border financial services. This Guidance Document outlines the principles and processes which will govern the operation of the UK’s Overseas Recognition Regimes.



# Chapter 2

## Overseas Recognition Regimes

### The objective of Overseas Recognition Regimes

2.1 HM Treasury has designed Overseas Recognition Regimes in order to support the open and diverse nature of financial services and the role of the UK as a global financial centre. The regimes reflect the UK's commitment to strong regulatory standards, including those set by the international standard setting bodies, while recognising that there may be differences in an overseas jurisdiction's specific regulatory approach.

2.2 Moreover, Overseas Recognition Regimes provide an approach that allows both the UK's and overseas jurisdictions' regulatory frameworks to evolve whilst providing stable arrangements on which financial services firms can base their long-term activities.

2.3 Overseas Recognition Regimes can support the growth and competitiveness of the UK financial services sector by facilitating increased inbound and outbound cross-border activity. This enables access to new markets, can increase foreign investment into the UK, and encourages the adoption of international standards. Designations under Overseas Recognition Regimes will support the growth and competitiveness of the sector within a framework that is compatible with the objectives of the UK's regulatory regime, as set out in the Financial Services and Markets Act 2000 (FSMA 2000), including appropriately safeguarding financial stability, market integrity, consumer protection and promoting competition.

### The features of each Overseas Recognition Regime

2.4 HM Treasury has adopted a standardised approach to the development of Overseas Recognition Regimes, with the key features consistently structured across different regimes. Each piece of legislation will set out:

- The **scope** of the Overseas Recognition Regime, which describes the type of financial services firm or activity covered by the regime.
- The **effect** of the Overseas Recognition Regime, which sets out the result of designating an overseas jurisdiction. That result may

be to enable overseas firms to provide services directly into the UK, align requirements on UK authorised firms whether they are engaging with UK or overseas markets or counterparties, or provide regulatory relief by removing duplicative requirements.

- **Policy outcomes** are the outcomes that HM Treasury considers the overseas jurisdiction's regulatory framework must be compatible with to be designated. The outcomes are expected to be aligned with the objectives of the UK's regulatory regime.
- The legislation of the Overseas Recognition Regime also sets out the relevant aspects of the UK's regulatory framework which HM Treasury considers are important in helping it determine whether a designation would be compatible with the policy outcomes. These are referred to as the **"matters to consider"**. These provide clarity to overseas jurisdictions and industry on the matters HM Treasury will seek to examine in any given assessment.

## How Overseas Recognition Regimes designations will be decided

**2.5** The decision to designate an overseas jurisdiction is made by HM Treasury ministers, on the basis of an assessment undertaken by UK government officials, with support from the regulators.

**2.6** The assessment of an overseas jurisdiction is undertaken in relation to the policy outcomes of the regime.

**2.7** HM Treasury's assessment considers, amongst other information, the relevant elements of regulation in an overseas jurisdiction, in line with the **matters to consider** set out in the legislation of the Overseas Recognition Regime. The assessment will look at whether the outcomes of the overseas jurisdiction's regulatory framework are likely to lead to any material difference in outcome to those intended by the UK's framework. The overseas jurisdiction's regulatory framework can have different combinations of rules and supervisory practices, including similarities to the UK's regulatory framework and compliance with internationally agreed standards, so long as those practices achieve similar outcomes to the UK's approach.

**2.8** The assessment informs a judgement on whether a designation would be compatible with the **policy outcomes** specified in legislation. Whether the designation would be compatible with those policy outcomes is the 'test' of the Overseas Recognition Regime.

**2.9** The policy outcomes specified in each Overseas Recognition Regime differ depending on the financial services activity covered by the regime. It is expected that these outcomes will follow the government's objectives for the UK's regulatory framework, as set out in FSMA 2000. When undertaking this approach, HM Treasury considers and seeks to mitigate any risks to the UK before designating the overseas jurisdiction.

**2.10** By taking an approach that uses policy outcomes as opposed to specific comparison of individual rules, the expectation is that Overseas Recognition Regimes will enable overseas jurisdictions to adapt their regulatory frameworks over time, whilst maintaining a designation. This is provided the designation remains compatible with the policy outcomes specified. This reflects the reality that regulatory frameworks will adapt and respond to market developments and emerging risks. HM Treasury therefore wants to ensure Overseas Recognition Regimes are flexible enough to allow other jurisdictions to make such changes without putting designations at risk and creating uncertainty for market participants.

**2.11** The Financial Services (Overseas Recognition Regime Designations) Regulations 2025, sets out central powers and obligations in relation to Overseas Recognition Regimes. This includes the power to impose conditions on a designation, and the power to request advice from the regulators.

**2.12** Assessments under Overseas Recognition Regimes will be evidence-based, ensuring that proportionate analysis of available evidence, including technical advice from the relevant regulator(s), is at the core of decision-making.

**2.13** Overseas Recognition Regime designations will be aligned with the UK's wider obligations, including those relating to the rule of law, international sanctions, human rights, and efforts to combat money laundering. Accordingly, where a designation may compromise these wider priorities, HM Treasury will engage in dialogue with overseas jurisdictions in order to resolve any material issue or withdraw the designation if necessary, according to the process outlined in chapter 4.

## **Ensuring the operation of Overseas Recognition Regimes keeps pace with wider market and regulatory developments**

**2.14** HM Treasury will consider whether it is appropriate to adapt Overseas Recognition Regimes to ensure they keep pace with global developments. For example, HM Treasury will keep the scope of activities covered by Overseas Recognition Regimes under review to ensure that the regimes reflect the realities of cross-border financial services and the globally interconnected nature of the UK's financial markets.

## **Application of Overseas Recognition Regimes designations to existing recognition of overseas jurisdictions' regulatory frameworks**

**2.15** HM Treasury assimilated c.270 equivalence decisions from the EU and has made a number of decisions under assimilated equivalence regimes. It is HM Treasury's intention that these decisions will be restated in UK law with the same effect when the relevant equivalence legislation is replaced with an Overseas Recognition Regime. This was

done with both ‘The Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023’,<sup>2</sup> and ‘The Short Selling Regulations 2025’.<sup>3</sup> These decisions will continue to have effect in UK law until and unless they are revoked. This approach aims to ensure there is continuity for financial services decisions, providing stability for firms and overseas jurisdictions.

**2.16** While the process of replacing assimilated equivalence regimes with Overseas Recognition Regimes is ongoing, HM Treasury expects that it will, in certain cases, continue to take decisions under assimilated equivalence regimes, in the interests of providing certainty to market participants.

## **Regimes outside of the scope of HM Treasury’s responsibilities**

**2.17** Some areas of legislation that relate to matters of cross-border financial services activity sit outside of the scope of HM Treasury’s responsibilities and therefore will not be incorporated within HM Treasury’s Overseas Recognition Regimes. These areas of legislation constitute part of assimilated EU law and are the responsibility of the Department for Business and Trade (DBT). They are: the UK’s Accounting Directive (Directive 2013/34/EU), the Non-financial Reporting Directive (Directive 2014/95/EU) and the Audit Directive (Directive 2006/43/EC as amended by Directive 2014/56/EU). For these regimes, DBT receives technical advice from the Financial Reporting Council and other relevant bodies to inform its analysis.

## **Interaction with the UK’s wider Overseas Framework**

**2.18** The UK’s full framework for cross-border financial services activity includes a number of different elements. Having developed over time, the Overseas Framework allows firms to access UK markets in varying ways across different sectors, types of activity, and types of customer. Overseas Recognition Regimes are one aspect of this wider framework, which includes the Overseas Persons Exclusion, the Recognised Overseas Investment Exchanges regime, exemptions within the Financial Promotions Order, mutual recognition agreements, and branching policies operated by the regulators. Together, these elements constitute a framework that facilitates the benefits of maintaining an open and globally integrated financial system whilst ensuring resilient and safe financial markets.

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<sup>2</sup> <https://www.legislation.gov.uk/uksi/2023/1347>

<sup>3</sup> <https://www.legislation.gov.uk/uksi/2025/29/contents/made>

An example of the implementation of an Overseas Recognition Regime is in The Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023.

The legislation sets out:

- the **scope** of the designation, in this case being reinsurance contracts, insurance group capital requirement calculations and insurance group supervision;
- the **effect** of a designation, which can align prudential treatment of reinsurance contracts with overseas reinsurers to treatment with UK reinsurers; reduce duplicative supervisory requirements for insurance groups headquartered overseas; and allow for the use of local capital requirements in overseas jurisdictions when calculating group capital;
- the following **policy outcomes** that a designation must be compatible with;
  - (i) the protection of those who are, or may become, policyholders of an insurance undertaking or a reinsurance undertaking,
  - (ii) the safety and soundness of insurance undertakings and reinsurance undertakings, and
  - One or both of -
  - (iii) promoting effective competition in the interests of consumers in financial services and markets, or
  - (iv) facilitating the international competitiveness of the economy of the United Kingdom and its growth in the medium to long term; and
- the **matters HM Treasury may consider** when considering whether to designate an overseas jurisdiction under the regime, which includes the law and practice of that overseas jurisdiction.

# Chapter 3

## Assessment and Decision-Making Process

### Assessment of an overseas jurisdiction

3.1 The decision to designate an overseas jurisdiction will be informed by an assessment of whether such a designation would be compatible with the specified policy outcomes. These specified policy outcomes will be set out in the legislation for each particular Overseas Recognition Regime. As set out in Chapter 2, a key element underpinning this assessment will be a consideration of the regulatory framework of an overseas jurisdiction.

### Engagement with stakeholders

3.2 Each Overseas Recognition Regime assessment will be informed by an evidence-based approach and dialogue with the relevant overseas jurisdiction that builds mutual understanding and encourages cooperation.

3.3 This engagement will provide an opportunity for the overseas jurisdiction to engage with HM Treasury and the relevant regulator(s) on the compatibility of the overseas jurisdiction's regulatory framework with the policy outcomes specified in the relevant Overseas Recognition Regime.

3.4 Engagement with UK industry will also be an important part of the process, and HM Treasury will discuss the impact of Overseas Recognition Regimes designations with UK stakeholders. Where appropriate, HM Treasury will take this engagement into account as part of its process for deciding whether to undertake assessments.

3.5 After informing the relevant overseas jurisdiction(s) that they are being assessed under an Overseas Recognition Regime, HM Treasury will engage with UK stakeholders to ensure there is transparency over any assessment the UK is undertaking.

### Advice and evidence

3.6 Where HM Treasury is considering a new designation, HM Treasury will request advice from the relevant regulator(s), other than in exceptional circumstances. This advice would summarise any significant differences in outcomes between the regulatory framework of the UK and the overseas jurisdiction which the regulator thinks are important for HM Treasury to consider as part of the assessment process and in accordance with the matters to consider.

**3.7** As part of their advice, the relevant regulator(s) will provide their view on whether any difference in outcomes identified could pose a material risk to any of their statutory objectives, in accordance with the legislative requirements of the regime. This advice will support HM Treasury's assessment.

**3.8** Alongside the advice of the relevant regulator(s), HM Treasury will incorporate other evidence it considers relevant to inform its assessment on the compatibility of a designation with the specified policy outcomes.

**3.9** In July 2025, HM Treasury agreed a Memorandum of Understanding with the regulators, the Bank of England, the Prudential Regulation Authority, and the Financial Conduct Authority.<sup>4</sup>

**3.10** The Memorandum of Understanding seeks to provide clarity on how HM Treasury and the regulators will coordinate their functions and activities in relation to Overseas Recognition Regimes. This includes, among other things, the operational processes for:

- initiating assessments of overseas jurisdictions;
- requesting UK regulator advice to support HM Treasury's assessment of overseas jurisdictions;
- receiving UK regulator advice to support HM Treasury's assessment of overseas jurisdictions;
- cooperating with overseas finance ministries and financial services regulators; and
- working with the UK regulators in the monitoring, review and withdrawal of Overseas Recognition Regime designations.

## **Process for making Overseas Recognition Regime designations**

**3.11** If a HM Treasury minister is satisfied that a new designation of a jurisdiction is compatible with the policy outcomes specified in the Overseas Recognition Regime, a designation will be made by Statutory Instrument (SI) and therefore be subject to normal Parliamentary procedure and scrutiny for such instruments. These SIs will be accompanied by an explanatory memorandum (EM) that outlines the basis for HM Treasury's decision, including, where appropriate, an account of the advice from the relevant regulator(s).

**3.12** HM Treasury will be able to make designations which are partial, time-limited, or subject to other conditions. HM Treasury will also be able to review and amend or revoke any designation at any time, in accordance with the provisions for making any Overseas Recognition Regime designation.

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<sup>4</sup> <https://www.gov.uk/government/publications/memorandum-of-understanding-overseas-recognition-regimes>

**3.13** In some instances, once an Overseas Recognition Regime designation has been made, it may be necessary for overseas firms to register with, or be recognised by, the relevant regulator(s) to provide ongoing reporting or information that is relevant to the designation. Details of these requirements will be set out in the relevant legislation for each Overseas Recognition Regime.



# Chapter 4

## Ongoing Monitoring of Designations

### Monitoring of Overseas Recognition Regime designations

4.1 The regulatory frameworks of both the UK and designated overseas jurisdictions will change over time. Monitoring these changes will be important to ensure that changes in the UK or overseas jurisdictions' regimes are compatible with existing Overseas Recognition Regime designations.

4.2 HM Treasury and the regulators will therefore take proportionate steps to monitor any changes over time, taking account of the risks posed to the UK. As part of this, HM Treasury will maintain, where possible, ongoing engagement with designated overseas jurisdictions to identify and discuss material changes in circumstances relevant to existing Overseas Recognition Regime designations.

4.3 Engagement between the UK and overseas jurisdictions will support ongoing discussions on regulatory framework changes and transparency on the extent to which changes would impact an existing Overseas Recognition Regime designation. Specific changes in the regulatory framework of a designated overseas jurisdiction need not compromise Overseas Recognition Regime designations, so long as the designation remains compatible with the stated policy outcomes.

4.4 Nonetheless, engagement may identify aspects, such as material changes in regulation or changes in circumstances relating to an Overseas Recognition Regime designation, which would require a more formal structured review of the designation.

### Review of Overseas Recognition Regime designations

4.5 When it initiates consideration of a review of an existing designation, HM Treasury will inform the relevant regulator(s) in writing. HM Treasury would also expect to request appropriate advice to inform its review of a designation.

4.6 The regulators may also request that a review of an Overseas Recognition Regime designation is undertaken, for example if there are concerns arising from their statutory objectives. After a review has been initiated, HM Treasury would notify the designated overseas jurisdiction that their designation is under review.

4.7 During a review of an Overseas Recognition Regime designation, HM Treasury intends for there to be continued engagement with the relevant overseas jurisdiction.

## **Amending an Overseas Recognition Regime designation**

4.8 If HM Treasury or the relevant regulator(s) identify a material change in circumstance of an Overseas Recognition Regime designation, HM Treasury will have the power to amend the designation where necessary. HM Treasury will maintain a dialogue with the relevant overseas jurisdiction when deciding whether to amend a designation.

4.9 In these circumstances, HM Treasury will inform the relevant regulator(s) when it considers amending an existing designation and will, other than in exceptional circumstances, request appropriate advice from the relevant regulator(s) to assist in its consideration of an amendment or the application of conditions.

4.10 In amending an Overseas Recognition Regime designation, HM Treasury will be able to impose conditions, or alter the scope and effect of a designation, by creating limits on the firms who can benefit from a designation or adapt a designation's effect on the relevant cross-border activity covered.

## **Withdrawal of an Overseas Recognition Regime designation**

4.11 While HM Treasury will retain the ability to revoke existing Overseas Recognition Regime designations at any time, withdrawal will be considered as a last resort.

4.12 Withdrawal may occur if HM Treasury judges that the designation is no longer compatible with the specified policy outcomes, or the UK's wider legal obligations, including those relating to the rule of law, international sanctions, human rights, and efforts to combat money laundering. HM Treasury will only seek withdrawal if both sides have been unable to agree a solution to satisfactorily address concerns but would ensure there is appropriate engagement with the overseas jurisdiction prior to seeking withdrawal.

4.13 HM Treasury, working with the relevant regulator(s), will seek, where possible, to mitigate any adverse effects of withdrawal on financial stability and market disruption, bearing in mind the full range of regulatory tools available. This includes appropriate adaptation periods to allow firms, clients, and consumers time to prepare for the changing circumstances. The length and nature of any adaptation period will depend on the circumstances of withdrawal, in relation to the specific Overseas Recognition Regime involved. HM Treasury will look to engage with affected parties and where possible and appropriate and will take feedback into account when determining the adaptation period. This is important to ensure the adaptation period avoids creating stability risks and that Overseas Recognition Regime

designations remain a reliable platform on which firms can conduct their business.

4.14 Nevertheless, there may be instances when HM Treasury needs to withdraw a designation more quickly for reasons such as, but not limited to, ensuring UK financial stability or the protection of consumers. In such circumstances, HM Treasury will endeavour to provide as much clarity or transparency regarding withdrawal as is possible in the circumstances.

# Glossary

**Assimilated Law** - the existing body of EU law (including Regulations and Directions) that was converted into UK law on 31st December 2020.

**Conditions** – specific changes to the effect of a designation to ensure compatibility with the specified policy outcomes.

**Designation** – a legal decision by HM Treasury recognising that an overseas jurisdiction's regulatory framework is compatible with specified policy outcomes as set out in the relevant Overseas Recognition Regime.

**Effect** – the result of designating an overseas jurisdiction under an Overseas Recognition Regime. That result may be to enable overseas firms to provide services directly into the UK, align requirements on UK authorised firms whether they are engaging with UK or overseas markets or counterparties, or provide regulatory relief by removing duplicative requirements.

**Matters to consider** – the relevant aspects of the UK's regulatory framework which HM Treasury considers are important in helping it determine whether a designation would be compatible with the policy outcomes set out in the legislation of an Overseas Recognition Regime.

**Onshoring** – the use of Statutory Instruments to amend certain aspects of assimilated law to reflect the UK's position outside the EU.

**Overseas Framework** – the UK's full framework for cross-border financial services activity. It includes Overseas Recognition Regimes, the Overseas Persons Exclusion, the Recognised Overseas Investment Exchanges regime, exemptions within the Financial Promotions Order, mutual recognition agreements, and branching policies operated by the regulators.

**Overseas Recognition Regimes** - legislative provisions that allow HM Treasury ministers, with Parliamentary oversight, to designate the regulatory framework of the financial services of an overseas jurisdiction.

**Overseas Jurisdiction** – any country outside the United Kingdom, or any international organisation or authority composed of territories, including the European Union.

**Policy Outcomes** - the outcomes that HM Treasury considers an overseas jurisdiction's regulatory framework must be compatible with to be designated. The outcomes are expected to be aligned with the objectives of the UK's regulatory regime.

**Scope** - the type of financial services firm or activity covered by an Overseas Recognition Regime.



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