

EU and U.S. trade associations and representative bodies call for financial services to be fully covered in TTIP to help address market fragmentation

Today, the undersigned trade associations and representative bodies, based in the United States and the European Union, issued the following statement reinforcing their strong support for a Transatlantic Trade and Investment Partnership (TTIP) that includes financial services regulatory coordination, in advance of the 12th round of negotiations to be held this week in Brussels beginning on February 22nd.

As the United States (U.S.) and the European Union (EU) enter the 12th round of negotiations of the Transatlantic Trade and Investment Partnership (TTIP) the financial and related professional services industry continues to support an “ambitious, comprehensive, and high-standard trade and investment agreement”. In order for TTIP to realize its full potential, we believe any agreement should treat financial services like every other sector in the negotiations and be dealt with in a comprehensive manner, primarily by including a framework for financial services regulatory cooperation but also through solutions to outstanding market access issues.

The financial services industry urges their representatives to step up negotiations on financial services which would help generate greater momentum in talks by resolving one of the most important outstanding issues in the ongoing discussions between the United States and the EU.

Financial services are extremely important to economies on both sides of the Atlantic. In the U.S., this industry directly accounts for over 7 per cent of GDP and 6 million jobs. In the EU, banks alone provide nearly 3 million jobs while the financial sector accounts for over 5 per cent of GDP.

But while financial services make an important economic contribution in their own right, they also create real economic growth by serving the companies and communities that function as the backbone of the economy – helping innovators develop technologies and supporting manufacturers and service suppliers by providing them with much needed capital.

The most pressing impediments to cross border finance between U.S. and EU capital markets are the result of insufficient regulatory cooperation. In addition, there are citizenship or residency requirements for managers or similar kinds of barriers in some EU countries or U.S. states which are outdated hurdles that should be removed.

Despite similar *levels* of standards, discrepancies between the two regimes often inhibit market participants from complying with both simultaneously. As a result, there has been increasing market fragmentation between the EU and U.S. markets but this at a time when leaders through the G20 and other fora have recognized the premium that should be attached to effective regulatory coordination. Neither the EU-U.S. Financial Markets Regulatory Dialogue nor the broader G20 processes have prevented these growing divergences and the associated economic costs. Something new is urgently needed.

TTIP provides a unique opportunity to create a strong structure for regulatory dialogue that would assure that regulators focus on cross-border issues as they are developing, heading off conflicts or unnecessary differences that could be avoided. A robust regulatory dialogue between the U.S. and EU, carried out under clear requirements agreed within TTIP by the respective financial supervisors, would reduce conflict and complexity and improve the efficiency of cross border regulations to the benefit of market participants and, as important, their customers and regulators.

There are three important characteristics that any successful regulatory dialogue should include and TTIP should recognize these:

- **A focus on discussion at an early stage in the policymaking process** - It is important for effective cross-border policy solutions that an avenue exists at the *beginning* of the process to work through the effects on market stability and institutions operating in both jurisdictions. A framework within TTIP could provide assurances that cross-border issues would be considered before, not after, they become problems.
- **A focus exclusively on future policymaking** – We are not seeking changes in existing regulations via a TTIP agreement. However, as cross-border capital flows continue to grow, the transatlantic policy landscape will not stand still: rather, new rules and regulations affecting the financial services industry will continue to be devised as the industry and the world around it evolves. For example, almost six years after the U.S. passed the Dodd-Frank Act into law, there is increasing attention being paid by policymakers around the world to market conduct, data transfer, cyber security and fintech and these and other issues will require close regulatory coordination. In the EU, important questions regarding Capital Markets Union and Structural Banking Reform are being discussed – questions with policy implications that go well beyond the EU. Instituting a workable framework through TTIP would allow the international implications of these, and other emerging

issues, to be discussed in a timely and effective way and increase the potential for delivering workable rules.

- **Retention of the prudential exemption** – Financial services are covered in trade agreements but have long been subject to the so called prudential exception under which a financial regulator may impose regulation that is inconsistent with an FTA obligation for legitimate prudential reasons. This would continue with a new TTIP based framework. Policy on financial services regulation would, as now, remain entirely the preserve of financial regulators.

The financial services industry strongly supports further transatlantic economic integration in which TTIP would play a fundamental part. A comprehensive financial services chapter can play an important role in creating real growth and jobs on both sides of the Atlantic. We stand ready to work with you to help ensure that TTIP meets these goals.

Association For Financial Markets in Europe (AFME)

BritishAmerican Business (BAB)

British Bankers Association (BBA)

Bundesverband der Wertpapierfirmen (BWF)

European Banking Federation (EBF)

European Services Forum (ESF)

Financial Services Forum (FSF)

Financial Services Roundtable (FSR)

Institute of International Bankers (IIB)

Institute of International Finance (IIF)

Securities Industry and Financial Markets Association (SIFMA)

TheCityUK

Trans-Atlantic Business Council (TABCC)

