

## UNITED STATES (U.S.) — EUROPEAN UNION (EU)

### JOINT U.S.-EU FINANCIAL REGULATORY FORUM JOINT STATEMENT

**WASHINGTON, DC** — U.S. and EU participants in the Joint Financial Regulatory Forum (“Forum”) met on July 18 and 19, 2016 in Washington, D.C. to exchange views on financial regulatory developments as part of their ongoing dialogue previously characterized as the U.S.-EU Financial Markets Regulatory Dialogue.

U.S. participants included staff of the U.S. Department of Treasury (Treasury), including the Federal Insurance Office (FIO), and independent regulatory agencies, including the Board of Governors of the Federal Reserve System (Federal Reserve), the Commodity Futures Trading Commission (CFTC), the Federal Deposit Insurance Corporation (FDIC), and the Securities and Exchange Commission (SEC), as well as the Public Company Accounting Oversight Board (PCAOB). Each U.S. participant discussed and expressed positions on issues in its respective areas of responsibility.

EU participants included representatives of the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the Single Resolution Board (SRB).

This was the first meeting of the Forum since the U.S. Treasury and the European Commission decided on enhancements to the dialogue. Jacob J. Lew, Secretary of the Treasury, and Valdis Dombrovskis, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, joined the meeting at its outset to deliver opening remarks welcoming the understanding on the new Forum.

#### **Issues Discussed by the Forum**

##### Banking

Participants took stock of bank capital and liquidity issues, including legislative and rulemaking plans for the net stable funding ratio and the leverage ratio. Participants exchanged views on the upcoming steps in finalizing the international regulatory reform agenda in banking, and its potential impact on the overall capital and liquidity requirements across the banking sector.

##### Bank Resolution

Participants noted the continued progress made to date on cross-border bank resolution and reaffirmed the deep cooperation between the European Commission, EBA, SRB, FDIC, Federal Reserve, and Treasury on technical aspects of resolution. The relevant U.S. and EU participants provided an update on U.S. rulemaking and EU legislative proposals for their respective domestic implementation of the Financial Stability Board’s international minimum standard on total loss absorbing capacity (TLAC). They look forward to more in-depth discussions on potential cross-border implementation approaches.

## Central Counterparty (CCP) Resolution

Participants exchanged views on CCP resolution to understand respective approaches and to identify potential cross-border considerations in advance. Discussions covered various issues, including those under discussion in international workstreams.

## OTC Derivatives

EU and CFTC participants discussed the importance of engaging in discussions regarding the equivalence of U.S. swaps trading platforms under the EU's Markets in Financial Instruments framework. In response to concerns expressed by CFTC, Federal Reserve, FDIC, and U.S. Treasury participants regarding the delay in the EU to issue implementing rules requiring margin for uncleared derivatives beyond the international deadline of September 1, 2016, the EU participants indicated that the relevant technical standards will be issued as soon as possible.

## Fund Issues

ESMA reported that it is issuing its advice to the European Commission regarding the extension of the EU Alternative Investment Fund Managers Directive (AIFMD) passport to U.S. fund managers. Participants noted recent useful exchanges to help clarify the effect of the Volcker Rule on foreign private funds. Participants committed to continue discussions to review outstanding concerns, with a view to finding solutions as soon as possible.

## Insurance

The European Commission and Treasury welcomed the continuation of negotiations for a covered agreement on prudential insurance and re-insurance matters between the United States and the EU. Both sides expressed support for completing negotiations in a timely manner.

## Audit

The PCAOB and European Commission participants acknowledged the progress being made on transatlantic cooperation in audit oversight that has already produced an arrangement on joint inspections, including certain forms of reliance, and a commitment to avoid unnecessary duplication of work. Participants took note of ongoing efforts to more clearly define approaches to cooperation, including the prospect of further degrees of reliance in the future to the extent justified. The participants also welcomed the European Commission's renewal of the Adequacy Decision for a longer term, thus bringing greater stability to this cooperation.

## Data Protection

Following on constructive discussions in recent months, participants expressed support for continuing data transfers between Europe and the United States for regulatory, supervisory and enforcement purposes in the context of a changing data protection landscape. Authorities' need for timely and complete access to information is critical, among other things, for regulatory

oversight and for the effective investigation and prosecution of misconduct. Both sides acknowledged the importance of continuing these discussions.

### G-20 Financial Regulatory Reforms

Participants highlighted their support for G-20 efforts to build a stronger and more resilient financial system, and their continued desire to work with other G-20 members to finalize the remaining core elements of the financial regulatory reform agenda. Given recent financial market volatility, both sides emphasized the importance of implementing the G-20 financial regulatory reforms.

The next Forum meeting will take place in Brussels in February 2017.