

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

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

**BRUSSELS** — EU and U.S. participants in the EU-U.S. Joint Financial Regulatory Forum (Forum) met on 28 and 29 March 2017 in Brussels, Belgium, to exchange views on financial regulatory developments as part of their ongoing regulatory dialogue.

EU participants included representatives of the European Commission, European Banking Authority (EBA), European Securities and Markets Authority (ESMA), European Insurance and Occupational Pensions Authority (EIOPA), Single Supervisory Mechanism (SSM) and Single Resolution Board (SRB).

U.S. participants included staff from the U.S. Department of the Treasury (Treasury) and independent regulatory agencies, including the Board of Governors of the Federal Reserve System (FRB), Commodity Futures Trading Commission (CFTC), Federal Deposit Insurance Corporation (FDIC) and Securities and Exchange Commission (SEC). U.S. participants expressed views on issues in their respective areas of responsibility.

At the meeting, EU and U.S. participants discussed the outlook for financial regulatory reforms and future priorities. They also discussed cooperation in relevant global fora, including efforts to finalise the remaining elements of the international regulatory reform agenda. They also discussed progress in implementing measures in their respective jurisdictions consistent with the G20 reform agenda.

Participants welcomed the deepened cooperation since the launch of the Forum's enhanced dialogue last year, particularly in the areas of tailoring bank prudential standards, central counterparty (CCP) resolution, and data protection. Participants identified follow-up work of the Forum on these topics and other cross-border issues.

#### ***Banking Initiatives***

EU and U.S. participants took stock of recent legislative and regulatory developments on both sides of the Atlantic.

EU participants presented the banking package adopted by the European Commission on 22 November 2016. They highlighted that the European Commission's proposal addresses outstanding challenges to financial stability, while ensuring that banks can continue to support economic growth in the European Union. Notably, the European Commission's proposal includes more risk-sensitive capital requirements in the area of market risk, a leverage ratio, a Net Stable Funding Ratio, and a minimum total loss-absorbing capacity requirement for global systemically important banks.

EU participants also explained the newly proposed requirement to set up an EU intermediary parent undertaking for two or more banking subsidiaries with the same ultimate parent in a third country. The EU and U.S. participants discussed considerations and differences regarding

intermediate parent undertakings and intermediate holding companies for cross-border resolution.

The FRB described its final rule related to Total Loss-Absorbing Capacity applicable to global systemically important banks, and the proposed rulemaking of the U.S. banking participants on early termination provisions of qualified financial contracts.

Macro-prudential aspects of regulation and how software developed internally by banks is treated in regulatory capital were discussed. The EU and U.S. participants also heard a presentation from the SSM on progress in implementing the Supervisory Review and Evaluation Process in the Eurozone.

EU and U.S. banking participants highlighted their support for the BCBS work to finalise the Basel III framework without significantly increasing overall capital requirements across the banking sector, while promoting a level playing field.

### ***Data Protection***

U.S. participants continued to raise issues related to the transfer of data for regulatory, supervisory and enforcement purposes and to data protection in light of the entry into application of the new EU data protection framework in May 2018.

### ***Capital Markets and Derivatives Reform***

EU and CFTC participants exchanged views on the appropriate timing for engaging in discussions regarding the equivalence of U.S. swaps trading platforms under the Markets in Financial Instruments framework. The EU participants reported that they intended to implement the G-20 commitment to trade standardised OTC derivatives contracts on exchanges or electronic trading platforms, where appropriate, by January 2018.

EU and SEC participants took stock of the ongoing discussions on CCP equivalence under the European Market Infrastructure Regulation and equivalence for U.S. share trading venues under the Markets in Financial Instruments framework.

EU participants raised issues regarding the SEC security-based swap dealer registration rules and the U.S. CFTC proposed cross-border rule, and their application to EU firms.

EU participants provided an update on the European Market Infrastructure Regulation equivalence assessment on derivatives transactions. U.S. participants welcomed the EU rules for initial margin for uncleared derivatives effective in February. EU and relevant U.S. participants also noted the issuance of rules governing variation margin for uncleared derivatives that have been finalised in both jurisdictions in accordance with the March 1, 2017 deadline.

EU and SEC participants provided updates on their respective money market funds reforms.

EU participants provided an overview of the implementation of the Capital Markets Union Action Plan. A mid-term review is expected in 2017 to allow for recalibration of the plan.

### ***Central Counterparty Resolution***

Participants look forward to the CPMI, IOSCO, and FSB guidance on central counterparty resilience, recovery, and resolution planning ahead of the G20 Leaders' Summit in July 2017. These will be important elements of the G20 reform agenda including with respect to implementing CCP resolution regimes that are consistent with international standards and support effective cross-border cooperation.

### ***Insurance***

Participants provided updates on the progress of internal proceedings regarding the final legal text of the EU-U.S. bilateral agreement on prudential measures regarding insurance and reinsurance. EIOPA provided a presentation on insurance and reinsurance in a low interest rate environment.

The next Forum meeting will take place in Washington, D.C. in July 2017.

---