

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

### **FINANCIAL MARKETS REGULATORY DIALOGUE JOINT STATEMENT**

**WASHINGTON, DC** — U.S. and EU participants in the Financial Markets Regulatory Dialogue (FMRD) met on February 3, 2016 in Washington, D.C. to exchange views on financial regulatory developments as part of their ongoing 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 Office of the Comptroller of the Currency (OCC) and 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 Single Supervisory Mechanism (ECB/SSM) and the Single Resolution Board (SRB).

#### **Building on Constructive U.S.-EU Financial Regulatory Engagement to-date**

The FMRD, along with ongoing bilateral discussions and engagement in multilateral fora such as the G-20, the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), the Committee on Payments and Market Infrastructures (CPMI), and the Basel Committee on Banking Supervision, provides an effective platform for dialogue to help overcome financial regulatory challenges. By remaining in close contact and holding twice-yearly dialogues, U.S. and EU senior technical staff are able to identify and address potential challenges to improve the cross-border functioning of the respective regions' regimes. Fourteen years after the FMRD was initiated, both sides continue to identify areas for further engagement.

Recent achievements have included:

- Facilitating the EU equivalence determination processes in different sectors;
- Launching the U.S.-EU insurance covered agreement negotiations process to address U.S. reinsurance collateral rules and Solvency II issues; and
- Improving audit oversight for firms performing cross-border work.

At the February 3 meeting, participants held productive discussions and exchanged views on bank capital and liquidity measures, approaches to cross-border bank supervision, bank structural reform, recent developments in bank resolution, central counterparty (CCP) resolution, over-the-counter (OTC) derivatives reforms, alternative investment fund managers, benchmarks, insurance, cooperation on audit oversight, and information sharing for supervisory and enforcement purposes.

Looking forward, the participants committed to review the functioning of the dialogue with a view to improving U.S.-EU cooperation on financial regulation.

## Banking

Participants took stock of capital issues, including implementation of countercyclical capital buffers and the leverage ratio. They reflected on cross-border bank supervision, with participants from the OCC and the ECB/SSM sharing their perspectives. European Commission participants provided an update on the EU's bank structural reform proposal.

## Bank Resolution

Participants noted the continued progress made to date on cross-border resolution and reaffirmed the deep cooperation between the European Commission, EBA, SRB, FDIC, and Federal Reserve on technical aspects of resolution. The U.S. banking agencies, Treasury, and the EU participants look forward to their respective domestic implementation of the Financial Stability Board's international minimum standard on total loss absorbing capacity (TLAC). European Commission participants provided an update on the proposal for a European Deposit Insurance Scheme, intended as the third pillar of the EU's banking union, as well as a package of possible risk reduction measures to further underpin financial stability.

## CCP Resolution

Participants emphasized the importance of clear, credible, and well-designed recovery and resolution frameworks for CCPs in line with internationally recognized standards. Participants welcomed the ongoing work by CPMI-IOSCO, as well as the work by the FSB, which has been accelerated. Both groups' work will be reported to this year's G-20 Leaders' summit. Participants discussed the evolving EU and U.S. approaches, as well as cross-border cooperation.

## OTC Derivatives

EU and CFTC participants noted progress toward an agreement on a common approach regarding requirements for central clearing counterparties. EU and SEC discussions regarding CCPs are also ongoing. In addition, EU and CFTC participants reported that they are engaged in discussions regarding equivalence of U.S. trading platforms under the Markets in Financial Instruments framework. More generally, U.S. and EU participants will continue to cooperate, where appropriate, with regard to international discussions on CCP regulation.

## Fund issues

EU participants reported that the European Securities and Markets Authority (ESMA) is presently examining factors to inform the issuance of its advice by summer to the European Commission regarding the extension of the EU passport to U.S. fund managers. Participants noted recent useful exchanges to help clarify the effect of the Volcker Rule on foreign funds, and committed to continue discussions to review outstanding concerns, with a view to finding solutions.

## Benchmarks

U.S. participants welcomed European progress on benchmark reform that reflects IOSCO principles on benchmarks and intends to address benchmark manipulation. U.S. participants expressed concern about the manner of application of the forthcoming Regulation's "proportionality" provisions to third-country administrators.

## Insurance

The European Commission and Treasury welcomed the launch of the negotiations process of a covered agreement on prudential insurance matters. Both sides expressed support for moving forward 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 agreement 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 look forward to the prospect of the European Commission's renewal of the Adequacy Decision for a longer term, thus bringing greater stability to this cooperation.

The next FMRD meeting will take place in Brussels in July 2016.