March 15, 2017

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: G20 Finance Ministers and Central Bank Governors

Dear Secretary Mnuchin,

Ahead of the upcoming G20 finance ministers and central bank governors meeting, the Securities Industry and Financial Markets Association (SIFMA)[1] wishes to raise a number of issues of importance to U.S. and global markets which we believe the G20 should seek to prioritize in 2017 and beyond. Addressing these issues would, we believe, positively influence U.S. and global economic growth.

International Regulatory Coordination, Cooperation and Focus on Growth

The G20 provides a powerful vehicle for the U.S. in the world economy which we encourage the new administration to seize. The G20 is also a valuable forum for promoting free and fair trade policies amongst the world's leading economies. Throughout history, a positive international trade agenda has been a powerful driver of economic growth and job creation and one which the United States has, overall, been a major beneficiary from. We encourage the G20 to reiterate its commitment to free and fair trade and trust it will provide a useful platform for the new administration as you establish relationships and alliances to help advance the U.S.'s long-standing trading strengths.

The G20 also has an important role to play in international financial regulatory coordination. At the 2009 Pittsburgh Summit, G20 Leaders recognized the importance of individual authorities implementing "…global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage." SIFMA has long advocated that the G20, and its related institutions, provide an important means towards that objective. Indeed, SIFMA and its global platform, the Global Financial Markets Association (GFMA)[2], have also taken the lead to

1 SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $20 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

2 The Global Financial Markets Association (GFMA) brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in

propose to the G20, through the auspices of the B20 Financing Growth and Infrastructure Task Force, a process for more comprehensive cross-border financial regulatory cooperation. The Task Force proposal is now in final draft form and will be submitted to the G20 in May.

But while coordination and consistency are important, they are considerably less conducive to economic growth potential and prosperity if the overall *levels* of regulation that jurisdictions are aiming for go beyond what is optimal for increasing capital formation and job creation. We need to ensure that policymakers around the world achieve the right balance between growth and stability. As former E.U. Financial Services Commissioner, Lord Jonathan Hill, said "while we want stability, we don't want the stability of the graveyard."

SIFMA applauds the Trump administration's commitment to examining existing regulations and their impact on growth, including in the financial services industry, noting, specifically, principle (e) of Executive Order 13772 to "foster economic growth and vibrant financial markets…(and) make regulation efficient, effective and appropriately tailored." The process for an improved cross-border financial regulatory consultative process will most certainly serve this goal. Contrary to some observers, the Administration's approach is not inconsistent with other jurisdictions who have come to believe that too much emphasis on stability may be unnecessarily impeding growth potential. It was that mind-set which rightly led the E.U. to launching its own Call for Evidence in 2015 "to understand (the) combined impact (of regulations) and whether they give rise to any unintended consequences (and where) there may be areas where action is needed to support……jobs and growth." Likewise, Japan's Commissioner of Financial Services Nobuchika Mori has remarked "we also need effective financial intermediation to attain sustainable economic growth….(f)inancial stability is a precondition for sustainable economic growth, but the reverse is also the case."[3]

With the U.S., appropriately, now taking steps to evaluate existing regulations impact on growth, 2017 represents the perfect time to take stock of the regulatory burden from a global perspective to help the U.S. and world economies aspire back to the growth rates enjoyed by previous generations. The U.S. is in position to lead the G20 in this endeavor and we encourage it to do so.

Brexit

Brexit will have a major global impact. To be sure, this is a matter between the people and governments of the U.K. and the E.U. Because of the size and importance of the U.K. and E.U. markets, our member firms are monitoring events closely. Indeed, they have substantial investments in the U.K. and E.U. and rely upon the single passport to service customers and clients across the E.U. Because of that potentially significant global impact, we believe there is a valid G20 interest in monitoring developments.

London and Brussels, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA. For more information, visit http://www.gfma.org.

3 http://www.fsa.go.jp/common/conference/danwa/20161130/01.pdf

Before formal negotiations begin, we ask the G20 to convey to the U.K. and E.U. the importance of maintaining market stability throughout the process. In particular, it is critical to carry out negotiations in as open and transparent manner as possible and to avoid disruption and uncertainty for market participants. To facilitate a smooth Brexit transition, we ask you to encourage U.K. and E.U. policymakers to ensure the process includes a transition period that will provide firms with ample time to navigate and adapt to any institutional or legal changes underpinning well-established inter-E.U./U.K. trade and investment relationships. Establishing such a guaranteed provisional period to ensure continuity of service to customers and clients is the best way to limit the potential negative impact on financial stability.

Cyber Security

We believe there is an important role for the G20 to play in strengthening coordination amongst its members in the areas of cybersecurity and data protection. The G20's influence will be particularly helpful in the areas of regulatory harmonization, penetration testing, data protection, and cross-border and data localization concerns.

SIFMA, along with its global partner GFMA, has consistently advocated for a harmonized, coordinated global approach to cybersecurity, as described in GFMA's International Cybersecurity, Data and Technology Principles[4]. Certain aspects of the GFMA Principles were later adopted in the G-7 Principles and Actions on Cyber[5]. GFMA's Principles promote workable and effective global regulation and governance regarding cybersecurity, and encourage: (i) the use of existing standards and frameworks, such as NIST's risk-based Cybersecurity Framework; and (ii) safe, scalable operational assessments. Shortly after publishing the GFMA Principles, the financial services industry noted with concern the increased demand by regional regulators for operational assessments, specifically penetration testing, to be carried out by financial institutions.

Penetration testing allows financial institutions to test their cyber defenses and controls to identify and remediate vulnerabilities, thereby strengthening their infrastructure against cyber threats. Increased interest by regulators has led, however, to the creation of finalized or proposed rules and regulations for regulator-led or mandated third-party penetration testing initiatives. Such initiatives may unintentionally increase a firm's exposure to IT or operational failures or external cyber-attacks through sharing of highly-sensitive test results with regulators and third-parties. To limit these risks, private institutions should be permitted to carry out their own testing as necessary, or utilize vendors of their choosing and share a summary of those results with their primary regulator. More importantly, the industry believes we should work toward a harmonized pen testing approach jointly developed by the industry and regulators, that achieves the goals of pen testing while mitigating the risks embedded in certain initiatives.

4 http://www.gfma.org/correspondence/item.aspx?id=807

5 http://www.mofa.go.jp/files/000160279.pdf

There are other pressing issues related to the technology platforms that are so pivotal to modern day financial services. The ability to transfer data across borders is crucial for U.S. companies operating in a global environment. We urge you to relay to your G20 colleagues that governments should not require financial institutions to use or locate computing facilities in their territory so long as the government has access to financial data necessary for regulatory and supervisory purposes. Moreover, it is widely recognized that localization policies add to the cyber security threat companies and their broader economies face: they multiply entry points into global platforms for cyber criminals, impede risk assessment and render compliance with anti-money laundering regulations and requirements to 'know your customer' significantly more difficult.

Global regulators frequently require private institutions to share sensitive information with regulators and governments. However, these public entities often utilize less stringent data protection controls than private companies. We urge you to relay the need for increased data protection and cybersecurity standards by governments and regulators who hold sensitive customer and company data.

SIFMA believes the G20 can be an effective forum to improve coordination of these regulator efforts to help reduce duplication of effort and, as a result, lower the risks created when the public sector attempts to regulate cybersecurity. Voicing these global concerns to the G20 will promote an efficient cross-border effort to tackle the increasing and international threats from cyber-crime.

Financial Transactions Tax

It has been the policy of the U.S. Treasury to oppose extraterritorial foreign taxes on financial transactions within the United States. In the recent past, the European Union has considered authorizing a subset of E.U. countries to impose a new financial transaction tax (FTT) under the so-called enhanced cooperation procedure. According to drafts made public, this new E.U. FTT would extend to transactions within the U.S. that lack any substantial nexus to the E.U. countries imposing the tax. Negotiations among the 10 E.U. countries pursuing FTT Enhanced Cooperation currently appear to be stalled. Nevertheless, you may wish to reiterate the United States' opposition to extraterritorial FTT laws, repeating the message delivered to European finance ministers by Treasury Secretary Lew in April 2013, soon after his confirmation. At a hearing the same month, Secretary Lew explained that he had informed E.U. officials "very clearly" that "it is not an acceptable policy, from our perspective, for other countries to create a tax that has an extraterritorial reach and would levy a tax on a transaction in the United States."[6]

In addition, as you may be aware, France and Italy in 2012 and 2013, respectively, imposed new financial transaction taxes (FTTs) that currently apply to American Depositary Receipts (ADRs) traded within the U.S. ADRs trade primarily within the U.S. and these FTTs have resulted in a substantial decline in share trading in the affected markets. Moreover, these taxes currently are being paid by U.S. residents. SIFMA opposes these ADR FTTs and we have argued in the past that the French tax is being imposed contrary to the U.S.-French tax treaty.

6 Hearing on the President's Fiscal Year 2014 Budget Proposal with US. Department of Treasury Secretary Jacob J. Lew Before the U.S. House Committee on Ways & Means, 113th Cong. 25 (2013) (response to question from Rep. Neal).

We hope you find this letter helpful. We stand ready to discuss any of these issues with you, your Treasury colleagues and others in the administration if that would be helpful. We wish you all the very best for your first G20 finance ministers and central bank governors meeting as Secretary of the Treasury.

Sincerely,

Kenneth E. Bentsen, Jr.
President & CEO

CC:

Kenneth I. Juster, Deputy Assistant to the President for International Economic Affairs
Eli Miller, Chief of Staff, Treasury