



July 9, 2012

The Honorable Lael Brainard  
Under Secretary for International Affairs  
Department of the U.S. Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Deputy Director Nadia Calviño  
Deputy Director of Directorate General for Internal Market and Services  
European Commission  
B-1049 Brussels

**Re: Transatlantic Financial Markets Regulatory Dialogue**

Dear Under Secretary Brainard and Deputy Director Calviño:

On behalf of the Securities Industry and Financial Markets Association and the Association for Financial Markets in Europe, the purpose of this letter is to express our concerns over recent regulatory reform developments in the transatlantic financial markets which may result in a fragmented transatlantic capital market, to the detriment of consumers, investors, and other market participants. Indeed, the potential for increased friction over US and EU reforms is growing, and we are hopeful that US and EU officials use the upcoming US-EU Financial Markets Regulatory Dialogue (the "Dialogue") to discuss and agree to cooperative solutions, in line with their G20 commitments. We note from the outset of our letter that we continue to be strong supporters of the dialogue, and recognize the success it has had in strengthening the transatlantic financial markets. Indeed, our members are committed to the development of a truly transatlantic marketplace, and in this regard we also urge the US and EU to allow market participants to provide input prior to, and after, the Dialogue.

The Dialogue should build from the G20 principles and work to promote coordinated, consistent, and reasonable reforms that generate real benefits to firms and investors on both sides of the Atlantic. Coordinated transatlantic reforms will provide an important marker for G20 members with less developed capital markets. Indeed, following a meeting on May 12, 2010, Commissioner Barnier and Secretary Geithner stated "That the United States and the European Union, as the world's two largest economies and financial systems, have a special responsibility to promote and implement stronger global financial standards, reduce the scope for regulatory arbitrage and work toward greater regulatory convergence."

The financial regulatory reforms currently being proposed, adopted, and implemented by the US and EU directly impact our firms' ability to provide the products and services our customers demand, and the allocation of capital that is essential for economic growth and job creation. For example, the Alternative Investment Fund Managers Directive, CCPs in the EU, the Data Protection Directive/Regulation, the proposed Volcker rule, proposed CFTC guidance on the cross-border application of certain provisions of Title VII of the Dodd-Frank Act, and Basel standards

implementation, are issues where both authorities face common challenges and could use the Dialogue to achieve consistent results. In their current form, each of these proposals has an extraterritorial element, which increases the potential for jurisdictional conflict, legal risk and compliance complexity.

It is critical that US and EU reforms adhere to the G20 principles, avoiding inconsistent and divergent regulation that would impose unnecessary burdens on global markets, create barriers to market entry, distort competition, and encourage regulatory arbitrage. Importantly, we believe reforms must be made in a non-discriminatory manner. For example, we are concerned about 'equivalence' determinations that are not outcomes based, and are used as a tool to export regulations from one jurisdiction to another. Similarly, we believe that a jurisdiction's withholding an 'equivalence' determination in respect to another, solely on the grounds that the latter has not itself granted equivalence to the former, is dangerous and could cause a serious rift. To avoid this, we recommend that the US and EU strive for broadly comparable approaches, supplemented where necessary by mutual recognition based upon broad (outcomes-based) equivalence determinations, and not conditional upon reciprocity. We believe these are more appropriate tools for developing a coherent transatlantic regulatory structure, providing regulators and the regulated with substantial efficiencies.

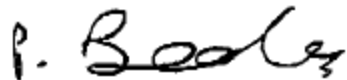
We would welcome the opportunity to discuss these concerns with you further. We believe that a more open and transparent dialogue would provide both the US and EU with useful information on transatlantic regulatory matters that add unneeded complexity, introduce overlapping measures, or highlight potential legislation which deviates from regulatory recognition prior to their introduction. It is our view that both the regulatory and supervisory community, and market participants, benefit from consultation that reduces complexity and frictions at an early stage. Engaging with stakeholders throughout the policymaking progress, and allowing reasonable time for comment and discussion, will help ensure reforms achieve the important public policy objectives we all share.

We urge the Dialogue to assume a greater sense of urgency as the US and EU both step up the pace of reforms, and move toward implementation. Importantly, we urge officials to consider mutual recognition or substituted compliance as gateways to help develop a coherent transatlantic regulatory structure, which will benefit market participants and regulators. By aiming at facilitating regulatory convergence around high quality global practice, strengthening global competition and growth, and providing leadership on eliminating and reducing third-country barriers, the US-EU Dialogue will continue to make an important contribution in the construction of the architecture for the global financial markets of the 21st Century.

Sincerely,



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