



Invested in America

December 5 2014

The Honorable Ambassador Michael Froman
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Froman,

SIFMA strongly supports a comprehensive Transatlantic Trade and Investment Partnership (TTIP) that addresses both market access and regulatory differences for all sectors. Ahead of your meeting with Commissioner Malmström next Tuesday, we believe it is crucial to explore with the European Commission how to create a framework to enhance financial services regulatory coordination and consistency within TTIP, in a way that does not undermine the important reforms that have occurred on both sides of the Atlantic.

TTIP offers a unique opportunity to strengthen economic and foreign policy ties. However, a *comprehensive* agreement is critical for TTIP to live up to its full potential to enhance economic growth and job creation, underpinned by a vibrant, sound and stable transatlantic financial marketplace. Including a framework for financial services regulatory cooperation supports the overall policy objectives shared between the United States and the EU. We also believe that including a framework for financial services regulation would be consistent with President Obama's vision for TTIP to be "*the kind of high-standard, comprehensive agreement that the global trading system is looking to us to develop ... It is important that we get it right -- and that means resisting the temptation to downsize our ambitions or avoid tough issues just for the sake of getting a deal.*"

The financial industry continues to support financial regulatory reform and has served as a productive participant in the reform process on both sides of the Atlantic. The missing element in the reform process, however, is a defined mechanism for US and EU regulators to talk to each other. We recognize that there will be times when regulators decide to move forward in different ways but the current approach to financial regulatory reform efforts has on multiple occasions led to inconsistent, conflicting or duplicative rules between the EU and US fragmenting markets, impairing and reducing liquidity and imposing significant economic costs. As a recent Atlantic Council Report concluded: "*American and European regulatory practices have diverged in several critical areas, which could come to seriously affect the efficiency and growth of the transatlantic marketplace.*"¹

Fragmented or conflicting regulation negatively impacts the ability of market users and participants across all sectors of the transatlantic economy to raise capital and manage risk. It similarly increases complexity for regulators and supervisors. TTIP offers an opportunity to directly address the impediments to regulatory consistency across those markets giving rise to these costs.

While ad hoc financial dialogues exist between the two jurisdictions, they have been used to remediate disputes and not for consultation on future regulatory approaches. It is important for effective cross-border

¹ "The Danger of Divergence: Transatlantic Financial Reform and the G20 Agenda." The Atlantic Council, The City UK, Thomas Reuters (December 2013).

<http://www.atlanticcouncil.org/publications/reports/the-danger-of-divergence-transatlantic-financial-reform-the-g20-agenda>

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policy solutions that an avenue exists at the beginning of the process to work through the effects on market stability and institutions operating in both jurisdictions. Such an approach would encourage ongoing intergovernmental cooperation in considering, developing and implementing financial regulation, as well as government-to-industry consultation.

Going forward, a commitment in the TTIP to engage and discuss how to approach financial regulation at an early stage of development is vital, not only for regulatory policy but also for ensuring a coherent set of rules. A framework for coordination of financial services regulation between the US and EU would reduce conflict and complexity and improve the efficiency of cross border regulations to the benefit of market participants, their customers and regulators.

We share your optimism for TTIP in 2015 and applaud the Obama Administration's efforts to open markets and bring down barriers to trade and investment. We remain eager to help provide any assistance you, or any other relevant agencies, need as you seek to address these important issues.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Kenneth E. Bentsen, Jr.
President & CEO

Cc:

The Honorable Jacob Lew, Secretary of the Treasury, United States Department of the Treasury

The Honorable Nathan Sheets, Under Secretary for International Affairs, United States Department of the Treasury

Sharon Yuan, Deputy Assistant Secretary for Trade and Investment Policy, United States Department of the Treasury

Caroline Atkinson, Deputy Assistant to the President and Deputy National Security Advisor for International Economics, National Security Council

Christopher Smart, Special Assistant to the President for International Economics, Trade and Investment, National Economic Council.

Ambassador Michael Punke, Deputy United States Trade Representative.

The Honorable Catherine Novelli, Under Secretary of State for Economic Growth, Energy and the Environment, Department of State.

Ambassador Anthony Gardner, United States Mission to the European Union