



**NAFTA Modernization**

**June 29, 2017**

**Testimony of Peter Matheson, SIFMA Managing Director at the NAFTA  
Modernization Hearing**

**U.S. International Trade Commission Building**

Thank you for allowing me to testify for SIFMA today. The Securities Industry and Financial Markets Association (SIFMA) represents 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 \$18.5 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans.

Financial services are crucial to the success of the United States economy. Ensuring trade agreements are comprehensive, and include financial services, better enables our industry to support its clients in manufacturing, agriculture and other parts of the US economy.

There are several issues in the financial services sector that can be improved in the modernization of the North American Free Trade Agreement (NAFTA). Canada and Mexico are important export markets for American financial services firms—reflected strongly in trade surpluses in the sector with both Canada and Mexico. Financial institutions from Canada and Mexico also make valuable contributions to the U.S. economy, through direct investments and job creation. SIFMA therefore welcomes the opportunity to share the perspective of the financial services industry in this important process.



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SIFMA encourages negotiators to improve upon the existing agreement by focussing on four key aspects.

(i) First, maintaining and expanding on the existing market access that U.S., Canadian and Mexican financial services institutions enjoy in each other's economies - NAFTA modernization should not only codify existing levels of openness in financial services, but also expand market access to benefit broader economic goals.

(ii) Secondly, Modernizing the agreement to address the rise of digital protectionism. Technology has evolved significantly since 1994 and the ability to transfer data across borders and locate servers where needed, as well as decide where and how to structure information technology infrastructure, is crucial for U.S. financial services firms operating in a global environment.

(iii) Thirdly, updating the agreement to improve financial regulatory coordination, Building on the Financial Services Committee established by the original agreement, the NAFTA modernization process presents an opportunity to enhance existing regulatory cooperation, strengthening areas such as anti-money laundering as well as helping prevent unnecessary regulatory divergences that risk hampering cross border investment and growth.

(iv) Fourthly, enhancing investor protections in the investor-state dispute settlement mechanism - NAFTA should ensure that the financial sector has the same broad coverage of investor protections, and Investor State Dispute Settlement as the enforcement mechanism, as afforded to other sectors.

Trade agreements represent valuable opportunities to grow the US economy. SIFMA wants to see a successful renegotiation of NAFTA. We



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believe recognizing the important issues at stake for US financial services firms in the process will help achieve that and allow the U.S. economy overall to benefit more from an updated agreement. Thank you for your attention to these important issues.