



CONSULTATION ON TRADE NEGOTIATIONS WITH THE UNITED KINGDOM – SIFMA TESTIMONY

The Securities Industry and Financial Markets Association (SIFMA) looks forward to the development of a comprehensive and forward-looking U.S.-UK free trade and investment agreement (FTA). We thank you for the opportunity to be here today. SIFMA is also proud to be a member of the UK-U.S. Financial and Related Professional Services Industry Coalition which is a cross-industry group of 17 trade associations from the US and UK working towards strengthening trade and investment between the two economies.

A trade policy negotiation between the United States and the United Kingdom is a unique opportunity to push out the boundary of what is possible in international commercial and economic relations. That is particularly true of financial services where the two countries exhibit striking similarities. New York and London remain the world's leading financial centers. Financial services account for around seven per cent of GDP in both economies.² Both are capital market-based financial systems, with similar regulatory philosophies.

I can also personally attest from the five years I spent as Economic Counsellor at the British Embassy here in Washington D.C. as to the quality of the relationships between UK and US policymakers and officials. Those relationships are also in many ways unique and are a hugely positive foundation on which to build an ambitious trade and investment agreement.

In short, a future U.S.-UK trade agreement offers an unprecedented opportunity for putting financial services at the heart of a new, 21st century economic relationship. SIFMA is enthusiastic about playing a role in helping achieve that outcome.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. 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 See <https://www.bea.gov/> and <https://www.ons.gov.uk/>

There are two important pieces of context as we look towards these negotiations. First, the eventual terms that the UK and EU reach on their future relationship are yet to be determined. But that future relationship with the EU will form part of the context in which the UK makes its own trade policy, including with the U.S. But that does not make trade with the EU either/or and SIFMA very much hopes to see continued and increasing trade, investment and regulatory cooperation between all three jurisdictions – the UK, U.S. and EU - in the future.

Second, this important process is taking place shortly after the signing of the U.S., Mexico and Canada Agreement (USMCA). That agreement includes some valuable benchmarks that provide an excellent starting point for a future trade relationship with the UK. However, SIFMA believes that the U.S. and the UK can go further.

The details of what we think an agreement should include were covered within SIFMA's Submission. I will not recount each of them here but will highlight four aspects that we believe deserve prominence:

- First, maximizing cross-border market access in trade and investment; A UK-U.S. FTA could build on this further, by enshrining a gold standard in terms of mutual market access, enhancing volumes of cross-border financial services transactions and foreign direct investment.
- Second, comprehensively addressing the role of technology including prohibiting data localization measures and ensuring the free flow of data; the USMCA is vital here in that it prohibits data localization as long as financial institutions provide the access to data to regulators for their regulatory and supervisory purposes. it is critical that U.S. policy is affirmed in the UK context.
- Third, securing investor protections and effective dispute resolution systems for financial services; Cross Broder Investments should be protected and there should be credible, effective means of resolving disputes.
- Finally, pushing out the frontier of bilateral regulatory cooperation. There is a strong record of U.S.-UK regulatory co-operation in financial services (for example, the resolution strategies jointly developed in 2012 for their largest financial institutions).³ The U.S.-UK trade agreement is a unique opportunity to use *the negotiation* of a trade and investment agreement to establish a formal and comprehensive mechanism for cross-border financial regulatory cooperation. There are several specific features it will be important to get right with such a mechanism, but we highlight two specifically:

- **First, the degree of Stakeholder Engagement:** Robust transparency obligations that ensure stakeholders can review and comment on proposed measures will be vital to the success of such a mechanism.
- **Second, the Basis for Future Regulatory Cooperation:** There are a range of options for *how* improved regulatory cooperation is codified. One possibility would be to enshrine, *within* the text of a trade agreement, a joint regulatory coordinating mechanism. Another is to house regulatory cooperation *outside* of a trade agreement, in some ways comparable in nature to the existing U.S.-UK Regulatory Dialogue but with far more rigor regarding outcomes as well as stronger transparency and industry engagement. Independent of how it is done – within or outside of the trade agreement – strengthening existing Regulatory Cooperation is crucial. We therefore believe these options should be evaluated and discussed between industry and the respective Governments in coming months. This should also be considered within the context of the entire suite of trade and investment agreements the United States is currently pursuing.

In conclusion, this is the moment for the UK and U.S. authorities and their respective financial services industries, to begin laying the groundwork for how the new UK-U.S. relationship can develop. Further trade, investment and regulatory co-operation between the U.S. and the UK will lead to greater U.S. job creation, enhance U.S. economic growth, support increased competitiveness, and strengthen U.S. transatlantic leadership. Thank you.