

UNITED STATES (U.S.) – EUROPEAN UNION (EU)
FINANCIAL MARKETS REGULATORY DIALOGUE JOINT STATEMENT

WASHINGTON D.C. – Participants in the U.S.-EU Financial Markets Regulatory Dialogue (FMRD) met on January 12, 2015 to exchange information on regulatory developments as part of their ongoing dialogue, and discuss their strong cooperation and shared interests in continuing to implement and enforce robust standards, including those on the G-20 financial regulatory agenda. Recognizing the continued importance of U.S. and EU markets for the growth and stability of the international economy, participants welcomed the progress made by U.S. and EU authorities since the crisis to bolster the resilience of financial markets and reiterated their unswerving commitment to work together to advance financial regulatory reform in a consistent and convergent manner.

EU participants included representatives of the European Commission (EC) and the European Securities and Markets Authority (ESMA).

U.S. participants included staff of the Treasury and independent regulatory agencies, including the Board of Governors of the Federal Reserve System (Federal Reserve), the Commodity Futures Trading Commission (CFTC), the Federal Deposit Insurance Corporation (FDIC), and the Securities and Exchange Commission (SEC), as well as the Public Company Accounting Oversight Board (PCAOB). Each U.S. participant discussed, and expressed positions on, those issues in their respective areas of responsibility.

EU and U.S. participants held productive discussions on an extensive agenda, including topics related to those commitments made by the G-20 Leaders: implementation of Basel III capital, leverage, and liquidity rules; implementation of over-the-counter (OTC) derivatives reforms (including a discussion of cross-border issues); and recent policy developments on cross-border resolution.

Participants also exchanged views on bank structural measures, securitization, money market funds, alternative investment fund managers, benchmarks, information sharing for supervisory and enforcement purposes, the implementation of UCITS reforms, and audit cooperation and macro-prudential oversight.

Capital Markets Union (CMU)

EU participants presented the broad outlines of the EU's new efforts to facilitate access to market-based finance through the creation of a CMU, which Treasury highlighted as a welcome step towards the development of a more resilient and integrated Single Market.

Derivatives

Participants reiterated the need for all G-20 jurisdictions to continue to address and implement OTC derivatives reforms in a timely manner. Participants also reaffirmed that jurisdictions and regulators should be able to defer to each other, consistent with the St. Petersburg Declaration.

Participants highlighted EU and U.S. efforts to implement OTC derivatives reforms and their continued efforts to settle remaining issues related to cross-border market participants, transactions, and infrastructures. Both sides welcomed the extension of the transitional period for capital requirements for exposures to central counterparties (CCPs). The extension allows the EU to continue to engage with CFTC and SEC staffs to move forward on equivalence decisions for U.S. CCPs. EC and CFTC staffs committed to resolving soon issues related to equivalence for U.S.-based CCPs under the European Markets and Infrastructure Regulation (EMIR) on the basis of an effective system of substituted compliance for dually-registered CCPs.

The EU and U.S. participants discussed the importance of minimizing divergences with regard to margin for uncleared swaps, to the extent possible.

Securitization

Participants discussed securitization, including the Basel Committee for Banking Supervision (BCBS) and International Organization of Securities Commission (IOSCO) consultation paper on criteria for identifying simple, transparent, and comparable securitizations, and EU plans to develop “high quality securitization” (HQS) as a means to increase sources of funding for the EU economy.

Banking

EU and U.S. participants recognized the major strides made globally through the Basel Committee and in their markets to strengthen bank capital, leverage, and liquidity, while noting critical work has to be carried out to implement outstanding elements of the robust banking regulatory framework globally. U.S. participants welcomed the launch of the Single Supervisory Mechanism (SSM), a major component of the Banking Union in the EU. Participants committed to continue cooperation on regulatory standards for internationally active banks, and exchanged views about the implications of the recent report in the framework of the BCBS’s Regulatory Consistency Assessment Programme (RCAP). Participants also discussed the Federal Reserve’s existing proposals for enhanced capital rules and the rule for supplementary leverage for the largest U.S. banks, and its forward agenda, as well as recent legislative developments on bank structural reform related to measures on both sides of the Atlantic. EU participants noted the extension of the conformance period under Volcker rule for legacy covered funds to July 2016. EU participants raised concerns about the effect of the Volcker Rule on foreign funds.

Resolution

Participants noted the considerable progress made this year on cross-border resolution and reaffirmed the deep cooperation between the EC, EBA, FDIC, and Federal Reserve on technical aspects of resolution. The U.S. banking agencies, Treasury, and the EU welcomed the Financial Stability Board’s (FSB) proposal for an international minimum standard on total loss absorbing capacity (TLAC) and urged that it be finalized in time for the G-20 Leaders Summit later this year following the conclusion of the FSB’s public consultation and quantitative impact study. The U.S. banking agencies, Treasury, and the EU also welcomed the International Swaps and

Derivatives Association (ISDA) Resolution Stay Protocol and the adherence of 18 major global banks to the Protocol. They discussed the next steps involved in promoting widespread adoption of the Protocol. U.S. and EU participants emphasized the importance of clear, credible, and well-designed CCP recovery and resolution strategies.

Benchmarks

Participants discussed the ongoing international review of benchmarks and the standards for determining outcomes-based equivalence in draft legislation currently under negotiation in the EU. Participants reiterated support for the IOSCO principles for administrators of interest rate, foreign exchange and other financial benchmarks and reiterated their commitment to fight market abuse, including benchmark manipulation, through appropriate means.

Insurance

Participants noted progress in the work to date toward a covered agreement and reiterated the commitment to engage all stakeholders in a transparent manner. Participants pressed for continued progress through the processes defined by each jurisdiction's relevant law, with the objective of initiating negotiations on a covered agreement in the second quarter of 2015 and agreed to provide an update on progress at the next FMRD in July 2015.

Accounting

Participants discussed recent developments regarding the use of IFRS and U.S. GAAP. Participants reiterated their commitment to convergence on high quality accounting standards and committed to continue their efforts regarding consistency in the application of accounting standards in practice.

Audit

PCAOB and EC participants committed to continue building a stable framework for transatlantic cooperation between regulators on audits to protect investors on both EU and US markets in a manner that maximizes all regulatory resources to increase market confidence and transparency to investors. Participants looked forward to further reports on the outcomes of the informal working group established between the PCAOB, EU Member States audit regulators and the European Commission. The PCAOB and EU participants agreed on the effectiveness of a cooperative framework designed to protect investors including, inter alia, joint inspections conducted under the terms of Statements of Protocol and consistent with their respective legal and regulatory regimes and a robust dialogue and exchange of views regarding risk assessment for the greatest regulatory impact as well as the possibility of appropriate levels of reliance on the quality control work of other regulators to the extent justified.

The next FMRD meeting will take place in Brussels, Belgium in July 2015.