

## EUROPEAN UNION (EU) — UNITED STATES (U.S.)

### FINANCIAL MARKETS REGULATORY DIALOGUE JOINT STATEMENT

**BRUSSELS** — Participants in the Financial Markets Regulatory Dialogue (FMRD) met on 18 September 2015 to exchange information on regulatory developments as part of their ongoing dialogue.

EU participants included representatives of the European Commission, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), and the European Insurance and Occupational Pensions Authority (EIOPA).

U.S. participants included staff of the Treasury, including the Federal Insurance Office (FIO), 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 issues in its respective areas of responsibility.

Participants held productive discussions and exchanged views on bank structural measures, recent developments in bank resolution, central counterparty (CCP) resolution, derivatives reforms, securitisation within the context of the Capital Markets Union, money market funds, alternative investment fund managers, benchmarks, information sharing for supervisory and enforcement purposes, cybersecurity, and cooperation on audit oversight.

#### Capital Markets Union (CMU)

EU participants presented the outlines of the EU's efforts to facilitate access to market-based finance through the creation of a CMU. In this context, the EU participants presented the EU plans to review the Prospectus Directive and to develop 'simple, transparent and standardised securitisation' building on the international work streams led by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO), and on the EBA's advice to the European Commission.

#### Derivatives

EU participants and participants from the SEC and CFTC reported that respective bilateral discussions regarding CCPs, notably recognition under EMIR, were continuing in a constructive manner.

#### Banking

Participants discussed the Federal Reserve's existing proposals for enhanced rules on capital surcharges and leverage for the largest U.S. banks. The EU participants provided an update on the state of play of the legislative developments on bank structural reform in the EU.

## Fund issues

EU participants reiterated their concerns about the effect of the Volcker Rule on foreign funds. Participants noted that the FAQs recently published by the Federal Reserve (together with other agencies) addressed many of the questions regarding foreign public funds. The EU participants urged the U.S. participants to find a solution to the remaining important issue regarding foreign private funds in a timely manner.

## Bank Resolution

Participants noted the continued progress made this year on cross-border resolution and reaffirmed the deep cooperation between the European Commission, EBA, Single Resolution Board, FDIC, and Federal Reserve on technical aspects of resolution. The U.S. banking agencies, the Treasury, and the EU participants look forward to the Financial Stability Board's finalisation of a proposal for an international minimum standard on total loss absorbing capacity (TLAC) in time for the G20 Leaders' Summit in 2015.

## CCP Resolution

Participants emphasised the importance of clear, credible, and well-designed recovery and resolution frameworks for CCPs in line with internationally-agreed standards. Participants discussed the evolving EU and U.S. approaches and options for cross-border cooperation.

## Benchmarks

Participants discussed the ongoing international review of benchmarks and the European Commission provided a status update on the draft benchmark legislation. Participants reiterated support for the IOSCO principles for administrators of commodity and financial benchmarks and reaffirmed their commitment to fight market abuse, including benchmark manipulation. The EU participants noted that EU legislators strive to create a framework which would allow well-governed benchmarks with solid checks on data inputs to be eligible for use in the EU. U.S. participants noted their hope that EU efforts to establish a framework for regulating benchmarks would continue to allow U.S. benchmarks to be used in the EU.

## Insurance

The EU participants regretted the fact that negotiations of the covered agreement have not opened. Participants from the European Commission and FIO reiterated their commitment to engage all stakeholders and to commence negotiations by the end of 2015.

## Audit

The PCAOB and European Commission participants noted that strong audit oversight is essential to the strength of capital markets. They commended the establishment of a stable framework for transatlantic cooperation among audit regulators. They 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. Regulators with cooperative arrangements in place regularly exchange views regarding risk-based file selection and inspection methodologies, and have deepened cooperation on new forms of confidential information sharing, including investigations. The above participants acknowledged the progress made in the informal working group, notably on further forms of reliance involving both quality control work and engagement reviews to the extent justified. They committed to develop further cooperation on audit oversight through a sustainable process to avoid unnecessary duplication, and look forward to the prospect of the European Commission's renewal of the Adequacy Decision.

### Cybersecurity

Participants noted the particular importance of financial sector resiliency to cybersecurity risks. They stressed the need to develop policy responses to address those risks, while recognising the cross-border nature of financial services and markets. They committed to remain vigilant to these risks, and to intensify contacts bilaterally and in international fora on financial sector cybersecurity.

The next FMRD meeting will take place in Washington, D.C., in February 2016.