

TTIP and Financial Services

Keysource by [Baeverstroem, Jan](#) | Posting date: 15/06/2015

According to a study from the Congressional Research Service: [EU-U.S. Economic Ties: Framework, Scope, and Magnitude](#), February 2014, total EU foreign direct investments in the United States amounted to \$1,647.6 billion at the end of 2012 (62.2% of total). Out of this, \$356.8 billion (21.7%) was in banking and other financial services. While the EU [has supported](#) financial services inclusion in TTIP, in the US, Members of the Congress [disagree](#) whether or not to include financial services in these negotiations. Business groups on both sides of the Atlantic, including the Trans-Atlantic Business Council (TABC), [support](#) the inclusion of financial services in the negotiations. Against it are consumer organisations, like Transatlantic Consumer Dialogue (TACD) who have [voiced fears](#) that TTIP would deregulate the financial services or harmonise rules towards the lowest common denominator. In June 2014, Commissioner Barnier [reiterated](#) the need for a framework within the TTIP to handle differences between the EU and the US, but later the same month, U.S. Treasury Secretary [restated](#) that "financial regulatory cooperation should continue in existing and appropriate global fora". US fears a dilution of safeguards created with the [2010 Dodd-Frank Act](#). In July 2014 US financial services associations published a [statement](#) underlining the importance of including financial services in TTIP.

In June a restricted document from 5 March was leaked: [Regulatory Co-operation on Financial Regulation in TTIP](#) (to be included to the EU proposal for services and investment chapter, Section VI – Financial services). See also the [Secret Trade in Services Agreement \(TISA\) - Financial Services Annex](#), a leaked US document from 19 June 2014. In an analysis by Elfriede Bierbrauer, in the European Parliament DG EXPO Policy Department, [TTIP : the sluggish state of negotiations](#), published in October 2015 before the eleventh rounds of negotiations, there is an overview of the situation on pp. 10, 28-29. After the 11th round of negotiations, on 30 October, Inside US trade wrote that TTIP Negotiators were going [to hold talks on Financial Services](#) in the following weeks.

Analyses

[TTIP and regulation of financial markets: Regulatory autonomy versus fragmentation](#) / Laura Puccio, In-Depth Analysis, European Parliamentary Research Service, 15 June 2015, 25 p.

Financial services trade is currently one of the most controversial service chapters in the Transatlantic Trade and Investment Partnership negotiations. One of the main concerns is how the trade agreement may affect the ongoing reform of domestic financial regulations. Trade agreements ensure regulatory independence in the field. However, regulatory independence has also led to substantial divergence in regulatory requirements. Regulatory fragmentation and the extraterritorial reach of domestic financial regulation have been shown to result in potential conflict, which might raise transaction costs in transatlantic trade in financial services. The US is currently opposed to negotiating stronger cooperation within TTIP, as they fear that the cooperation framework proposed by the EU could slow their domestic reform process.

[Overview and Structure of Financial Supervision and Regulation in the US](#) / Joseph R. MASON, Professor Louisiana University & Policy Department A, on request of the Committee on Economic and Monetary Affairs (ECON), EP, September 2015

The study distinguishes 'regulation' and 'supervision' in the US and provides a concise overview of the structure of US financial supervision. The US legal system limits financial supervision to financial institutions/ products that investors cannot comprehend on the basis of published financial reports, namely banks. But US supervision has historically overlooked the parent institutions of supervised firms. Moreover, the different legal set-up limits direct comparison of US supervisory arrangements with EU objectives.

[The Services Dimension of TTIP](#) / Patrick Messerlin, CEPS, 8 May 2015

This paper is the sixth in a series produced in the context of the "TTIP in the Balance" project, jointly organised by CEPS and the Center for Transatlantic Relations (CTR) in Washington, D.C.

This CEPS Special Report examines the main facets of the debate about TTIP and services. First, it looks at the political and economic context and the various alternatives in terms of political support, stressing that only a partnership that ensures substantial economic gains will attract the support of the top policy-makers. Second, the paper makes the point that large economic gains in services require deep discussions on regulatory issues, and third, such discussions cannot rely on the negotiating techniques normally used for goods.

Financial services -Prevailing standards by transatlantic comparison p. 37-40

In: [Risks and Opportunities for Consumer Welfare Arising from the Transatlantic Trade and Investment Partnership \(TTIP\)](#) / Jana Diels, Christian Thorun, Economic and Social Policy Unit of the Friedrich-Ebert-Stiftung, February 2015

[The Politics of 'Third Country Equivalence' in Post-Crisis Financial Services Regulation in the European Union](#) / Lucia Quaglia, West European Politics, Volume 38, Issue 1, 2015

After the global financial crisis, the European Union has adopted a new regulatory approach towards foreign countries by making use of equivalence rules in finance. Why? This paper argues that it is the EU's attempt to restore financial stability in its territory and maintain the competitiveness of its financial industry. However, this 'old' dilemma between stability and competition in financial regulation is further complicated in a regional jurisdiction, such as the EU, because different regulatory paradigms play off in the dilemma

[Financial Services in EU Trade Agreements](#) / Andrew LANG & Caitlin CONYERS, Doris KOLASSA. Policy Department Economic and Scientific Policy, November 2014

This document prepared by Policy Department A for the Economic and Monetary Affairs Committee (ECON) provides an overview of rules concerning trade in financial services in a range of recent preferential trade agreements (PTA) to which the EU is a party, in view of ongoing negotiations with the US over the Transatlantic Trade and Investment Partnership (TTIP)

[Critical perspectives on regulation of international financial markets : assessing the possibilities for transatlantic regulatory cooperation](#) / Tuomo Heikkinen, Helsingin yliopisto, 2014

[TTIP, Financial Services, and the Prudential Exception](#) / International Economic Law and Policy Blog, by Simon Lester on September 10, 2014

[EU Trade in Financial Services with ASEAN, Policy Coherence for Development and Financial Crisis](#) / Robles, Alfredo, Journal of Common Market Studies. Nov 2014, Vol. 52 Issue 6, p1324-1341. 18p.

This article asks whether the EU's policy undermines coherence between EU trade and development policies. It argues that the EU and Association of Southeast Asian Nations (ASEAN) agree that financial services are crucial for development, but that they differ on the approach to liberalization: the EU advocates broad-ranging liberalization, whereas ASEAN countries favour a cautious approach, conditioned by their experience of the Asian financial crisis. In view of this divergence, the EU will have to rethink its approach to financial services trade liberalization in negotiations with ASEAN countries.

[Transatlantic consistency? : Financial regulation, the G20 and the TTIP](#) / Klaus Deutsch, Deutsche Bank Research, 9 July 2014

All new instruments and requirements will be phased in by 2019. Differences between the EU and the US will remain in terms of the instruments that qualify as core capital (silent participations are still allowed in the EU, as is the consolidation of banking and insurance business into a single group and simply adding together the capital holdings) and with respect to specific legal provisions for groups of financial institutions.

[Financial services in the TTIP : making the prudential exception work](#) / Inu Barbee and Simon Lester, Georgetown Journal of international law, Vol. 45(2014), pp. 953-970

This Article argues that concerns about an ineffective prudential exception have been overstated, but nevertheless, improved language in this area could bring certainty and reassure critics that trade liberalization will not undermine domestic regulation

[The "Europeanization" of the Basel process: Financial harmonization between globalization and parliamentarization](#) / Justin Greenwood andChristilla Roederer-Rynning, Regulation and Governance , 24 SEP 2014

[Financial Services and the TTIP: Why Is The EU Insisting?](#) / Madariaga - College of Europe Foundation, 28 February 2014

A Citizen's Controversy with Almoró Rubín de Cervin, Deputy Head of Unit for Financial Services Policy and Relations with the Council, DG MARKT, EU Commission, and Benoit Lallemand, Co-head of Policy Analysis, Finance Watch.

Understanding Finance #2 - Financial services in TTIP? / Finance Watch.

The Debate and Finance Watch's Position -Do we really need further financial liberalisation? -- "You cannot fight fear with darkness" -- Debunking the financial lobby myths -- What does Finance Watch think?

Special Issue: [The EU in global financial governance](#) In: Journal of European Public Policy Volume 21, Issue 3, 2014

Europe's regulatory role in post-crisis global finance / Daniel Mügge -- The sources of European Union influence in international financial regulatory fora / Lucia Quaglia -- Shattered expectations: the defeat of European ambitions of global financial reform / Hans-Jürgen Bieling -- Losing abroad but winning at home: European financial industry groups in global financial governance since the crisis / Kevin Young -- Distinctions, affiliations, and professional knowledge in financial reform expert groups / Leonard Seabrooke & Eleni Tsingou -- Experimentalism in European Union and global financial governance: interactions, contrasts, and implications / Malcolm Campbell-Verduyn & Tony Porter -- The European Union as hardening agent: soft law and the diffusion of global financial regulation / Abraham Newman & David Bach

[U.S.-EU Trade Talks: Why Financial Regulation is Proving a Hard Nut to Crack](#) / Ken Monahan & Christopher Payne, Bloomberg Government, 20 Feb.2014

Arguments for an against formal TTIP financial regulatory cooperation -- What's at stake - EU position vs the Obama Administration

[Financial Services and the Transatlantic Trade and Investment Partnership](#) / Lannoo, Karel, CEPS Policy Brief, No. 302, 20 November 2013

"Given the size of the financial markets on both sides of the Atlantic and the symmetry in the follow-up of the G-20 standards, Karel Lannoo argues in this Policy Brief that the TTIP provides a good opportunity to put in place a more institutionalised framework. He finds that both blocs have reacted in similar ways to the financial crisis in strengthening their regulatory and supervisory frameworks and incorporating the G-20 recommendations into federal law. He also notes that consumer protection has been reinforced, certainly in the US, with the creation of the Consumer Financial Protection Bureau. And on the EU side, the Single Supervisory Mechanism (SSM) will radically change banking supervision."

[The Danger of Divergence: Transatlantic Financial Reform and the G20 Agenda](#) / Atlantic Council of the United States, Washington, D.C., 10 Dec. 2013

Take a second look / Andrew Shoyer and Marinn Carlson. *International Financial Law Review*, Vol. 30 (2013), 39-40
Discusses the implications for financial services firms of the likely inclusion in the Transatlantic Trade and Investment Partnership (TTIP), under negotiation between the EU and US, of protection for foreign investors and their investments abroad

[Financial Services in the Transatlantic Trade and Investment Partnership](#) / Simon Johnson, Simon ; Schott, Jeffrey J., Peterson Institute for International Economics, October 2013

Transatlantic Trade and Investment Partnership (TTIP) can deepen the already substantial ties that bind the United States and the European Union in the world's largest economic and strategic alliance. Since both sides have included financial services in prior trade pacts, they implicitly recognized that the TTIP would also cover this sector. But what will be included in the financial services chapter is still subject to debate

[A Wall Around Europe? The European Regulatory Response to the Global Financial Crisis and the Turn in Transatlantic Relations](#) / Stefano Pagliari, *Journal of European Integration*, Volume 35, Issue 4, 2013

This article explores the impact of the European regulatory response to the global financial crisis in the governance of transatlantic financial markets. The main argument is that European regulatory initiatives have sought to expand European regulatory clout over market actors domiciled in third countries but operating in European markets, thus departing from the authority-sharing arrangements that had informed the construction of an integrated transatlantic market for financial services in the period preceding the crisis

[Transatlantic Convergence of Financial Regulation: A European Perspective](#) / Klaus Ilmonen, Hannes Snellman, In: *Research Handbook on International Financial Regulation*, 2012, pp. 148-70. Publisher Information: Cheltenham, U.K. and Northampton, Mass.: Elgar

[Liberalization of Financial Flows and Trade in Financial Services under the GATS](#) / Bart de Meester, *Journal of World Trade*, 2012, v. 46, n. 3, p. 733-775

"The structure of the present paper is as follows. In section II, the link between financial services and financial flows is discussed. Thereafter, section III examines the definitions of financial flows for current transactions, on the one hand, and for capital transactions, on the other hand. It will be shown that this distinction is far from evident. Section IV then specifically examines the legal rules that determine the leeway WTO Members have to regulate financial flows for current transactions. The important role of the IMF will be stressed. In section V, attention turns to the legal rules relating to financial flows for capital transactions. It will be shown that the WTO takes the lead in this respect, but that the relevant legal obligations still leave quite some ambiguity. In a concluding section, some criticisms on the present legal framework are set out"

Extraterritorial reach of the US financial laws / James Cox pp.445-469 In: [Financial regulation and supervision : a post-crisis analysis](#) / edited by Eddy Wymeersch et.al., Oxford University Press, 2012

[Making Rules for Global Finance: Transatlantic Regulatory Cooperation at the Turn of the Millennium](#) / Elliot Posner, *International Organization*, Vol. 63, No. 4 (Fall, 2009), pp. 665-699

Financial services and international trade agreements pp. 289-337. In: [A handbook of international trade in services](#) / edited by Aaditya Mattoo et al., Oxford University Press, 2008

EU Institutions

[Cooperation on financial services regulation](#) / EU negotiating Position on Financial Services, EC, 27 Jan 2014

The EU aims at establishing a framework for regulatory cooperation on financial services in the TTIP. The goal is not to define the substance of international standards, which shall be discussed in the respective fora outside the TTIP negotiations. The goal is to create an institutional framework of EU and US regulators to make sure the EU and US rules work together, which shall contribute towards preventing future crisis.

[Joint Statement by U.S.-EU Financial Markets Regulatory Dialogue](#) . Washington, D.C., January 30, 2014

[Transatlantic Trade and Investment Partnership \(TTIP\)](#) / Question for written answer to the Commission Georgi Pirinski (S&D), 17 July 2014

"— Is it appropriate to open up markets to goods and services, including financial ones, without establishing coherent financial regulation, as required?"

[Transatlantic treaty and financial services](#) / Question for written answer to the Commission, Marc Tarabella (S&D), 22 July 2014

[Financial Services in EU Trade Agreements](#) / Andrew LANG, Caitlin CONYERS / Policy Department Economic and Scientific Policy, October 2014

This document prepared by Policy Department A for the Economic and Monetary Affairs Committee (ECON) provides an overview of rules concerning trade in financial services in a range of recent preferential trade agreements (PTA) to which the EU is a party, in view of ongoing negotiations with the US over the Transatlantic Trade and Investment Partnership (TTIP). EU Member States are

collectively the world's largest exporters of financial services, and the sector is of strategic importance in the EU's trade policy. In its trade agreements with Korea, Singapore, Colombia/Peru, Central America and CARIFORUM, and its ongoing negotiations with Canada, the EU has sought and obtained considerable concessions in the sector which go beyond those agreed in the WTO

[Consumer protection aspects of financial services](#) / Patrice Muller, London Economics et al & European Parliament Policy Department A, 2014

Inadequate consumer protection, especially in the U.S. mortgage market, not only led to considerable consumer detriment but was a major contributor to the global financial crisis. In the EU, mis-selling of financial products has also resulted in significant consumer harm. Considering the significant potential detriment that financial services can cause to individual consumers and to the Single Market, consumer protection policy needs to properly focus on this area. Improved transparency and better informed transactions resulting from such policy will lead to better solutions for consumers and greater market efficiency. A number of recommendations to strengthen consumer protection in the area of financial services are put forward in this study

US institutions

[Hearing on U.S.-EU Trade and Investment Partnership Negotiations](#) / Hearing House Committee on Ways and Means, May 16, 2013

Witness: [Outline of Industry Objectives & Relationship Between Transatlantic Trade and Investment Partnership \(TTIP\) & EU-U.S. Insurance Dialogue](#) , American Council of Life Insurers and Insurance Europe

[U.S. Trade in Services: Trends and Policy Issues](#) / Rachel F. Fefer, September 22, 2015

p. 26: The Proposed Transatlantic Trade and Investment Partnership (T-TIP)

'The United States has advocated including market access for financial services in T-TIP. However, the United States is currently opposed to discussing financial regulation, unlike the EU which seeks to include both financial services market access and regulatory cooperation in T-TIP, viewing the two as connected. According to some observers, U.S. opposition is due to concern over the potential impact to ongoing implementation of financial services regulation under the Wall Street Reform and Consumer Protection Act (frequently referred to as Dodd-Frank, P.L. 111-203).'

Member States views

[The Transatlantic Trade and Investment Partnership](#) / House of Lord's European Union Committee, Inquiry & Report, 13 May 2014

Financial Services pp. 35-40

Investment Protection and Investor-State Dispute Settlement pp. 48-

[Written evidence volume](#)

HM Treasury –Financial Regulation in the TTIP pp. 101-103

Financial & professional services within TTIP p. 149

Civil Society

[TTIP Threatens to Undermine Financial Reform](#) / 52 EU & US organisations & Global Policy Forum, 1 October 2014

We believe it is highly inappropriate to include terms implicating financial regulation in an industry-dominated, non-transparent "trade" negotiation. Financial regulations do not belong in a framework that targets regulations as potential "barriers to trade"

[Leaked document shows EU is going for a trade deal that will weaken financial regulation](#) / by Kenneth Haar of Corporate Europe Observatory (CEO) and Myriam Vander Stichele of The Centre for Research on Multinational Corporations (SOMO), Corporate Europe Observatory, July 1st 2014

According to a [leaked document](#) , the EU is bent on using the TTIP negotiations with the US to get an agreement on financial regulation that, according to this analysis will weaken reform and control of the financial sector.

[Speech at ECON hearing on TTIP and Financial Services Regulation](#) ,18 March 2014

Finance Watch's Secretary General, Thierry Philipponnat, spoke at the European Parliament's ECON hearing on the topic "The Transatlantic Trade and Investment Partnership (TTIP) and Financial Services Regulation".

[Financial services in the planned EU-US trade agreement TTIP](#) / World Economy, Ecology and Development (WEED) - fact sheet November 2013

Financial services trade liberalisation has taken centre stage in the on-going EU-US negotiations for a trade and investment agreement "Transatlantic Trade and Investment Partnership". This fact sheet examines the main challenges that will have to be settled by the negotiating partners.

[TTIP Negotiations and Financial Services. Issues and Problems for Financial Services Regulation](#) / by Myriam Vander Stichele, SOMO, 16 October 2013

Transatlantic Consumer Dialogue (TACD) is a forum of US and EU consumer organisations which develops and agrees on joint consumer policy recommendations to the US government and European Union to promote the consumer interest in EU and US policy making. [Resolution on Trade Rules and Financial Regulation](#) , October 2013

[EU Competition Law and the Financial Services Sector](#) / Lista, Andrea, Hoboken: Taylor and Francis, 2013, (online resource (386 p.)

EU and U.S. Secondary Legislation;. 6. The way Forward: A Future Without The EU Insurance Block Exemption?6.1 The way forward: repealing the EU insurance block exemption; 6.2 The U.S. position; 6.3 The McCarran-Ferguson Act and the EU BER: two faces of the same coin?; 6.4 Consequences of a complete repeal of the insurance block exemption regulation; 6.4.1 More in defense of the current insurance antitrust status quo. 6.5 Balancing the truth: economic theories and further legal considerations.

Business

[Letter to TTIP negotiators calling for financial and related professional services issues to be part of an ambitious and comprehensive agreement](#)

(European Service Forum, American Insurance Association, Busienss Europe, European Banking Federation, TheCityUK, AFME, SIFMA)

Published 30/01/2015

Joint Industry Statement on financial services regulatory cooperation & market access in TTIP

Ahead of the 8th TTIP Round next week (2-6 Feb 2015) in Brussels ESF signed a [Joint Statement by EU and US business organisations](#) with cross-sector representation as well as financial services and related professional trade associations that was sent earlier today (30 January) to the EU and US Chief negotiators and other relevant policymakers reiterating our view that TTIP must both address financial services market access and establish a financial services regulatory cooperation mechanism.

European Banking Federation (The EBF represents the interests of some 4,500 banks in the EU and EFTA)

[Financial Regulatory Chapter and ISDS in TTIP](#) , 27 January 2015

[TTIP - what it might mean for the insurance sector](#) / Tom Stephenson in General Interest, Insurance on 19th January 2015

For European insurers and reinsurers, one possible outcome of negotiations could be the acceptance of US reinsurers as equivalent to EEA reinsurers under Solvency II. For their part, the Americans have taken steps towards equivalence by eliminating the heavy collateral requirements for non-US reinsurers. There is however, some way to go

[TTIP: status and financial services issues](#) / Squire Patton Boggs , December 2014

[Transatlantic Trade and Investment Partnership must include insurance markets](#) / Steve Simchak, Business Insurance, October 12, 2014

Since Europe would like the T-TIP to replace the existing investor protections, a weak investment section of the T-TIP could leave U.S. investors vulnerable and with fewer protections than they have now. Even if it does not override existing agreements, an agreement that leads to weaker protections than the current standard raises questions about the utility of negotiating such an agreement at all. Insurers on both sides of the Atlantic agree and have voiced their concerns about the current path of negotiations

[SIFMA and AFME Statement on TTIP Negotiations](#) , 19 February 2014

Association for Financial Markets in Europe & [Securities Industry and Financial Markets Association \(SIFMA\)](#)

SIFMA President and CEO Kenneth E. Bentsen, Jr. and AFME CEO Simon Lewis, whose respective memberships are comprised of firms that engage for their clients in all aspects of the transatlantic financial marketplace, issued a statement on the TTIP negotiations on 19 February 2014.

[EU bibliographies: Financial services](#) / Emma Clark, Commons Library Standard Note

This reference Note brings together Internet links to relevant documents, UK and EU scrutiny and overviews of adopted EU legislation and draft EU legislation on financial services and markets. To utilise the many hyperlinks this note is best viewed online.

More information

Author

Baeverstroem, Jan

Language

English

Policy areas

Canada and United States | International Trade | Financial and Banking Issues



European Parliament

Classification

EU - US RELATIONS | FINANCIAL INSTITUTIONS | BANKING LAW | FINANCIAL LAW | Members' Research Service

Country

United States of America