

BRITISH AMERICAN FINANCE ALLIANCE

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Dear Sharon and Rob,

RECENT MEETINGS WITH THE BRITISH AMERICAN FINANCE ALLIANCE

Thank you for taking the time to meet with the British American Finance Alliance (BAFA) in February 2021 to discuss the US/UK relationship in financial and related professional services. We found these meetings informative and productive and hope that they demonstrated the breadth of BAFA's expertise. We also very much appreciated the early outreach ahead of any formal meetings so that industry can have the most meaningful input into helping to develop agenda items and issues that should be covered.

With this letter we wanted to summarise our key takeaways from the discussions and put forward some ideas for next steps. As we indicated during the meetings, we hope that BAFA can serve as a helpful resource to policymakers as the US/UK relationship evolves. We are a unique coalition of 21 trade associations and business organizations representing a very broad range of the financial and related business services industries in the US/UK and having broadly equal membership from both sides of the Atlantic. Our goal in establishing BAFA is to make industry engagement more efficient, streamlined and constructive.

US/UK Free Trade Agreement negotiations

BAFA was pleased to hear that negotiations had advanced to a good position on a US/UK free trade agreement (FTA) before the transition of power following November's US presidential election and that informal discussions have continued to take place whilst the new US administration settles in. We encourage both sides to continue to work towards achieving a comprehensive trade agreement as soon as practicable and remain at your disposal to provide support and input where needed.

US/UK Financial Regulatory Working Group (FRWG)

It is encouraging that the next FRWG is expected to take place in the first half of 2021. This is an important forum for discussion and collaboration between the regulators of the world's leading financial services markets. Whereas HM Treasury and the Department of the Treasury continue to have regular contact on a range of issues outside of formal FRWG meetings, we strongly advocate for the FRWG to be the focal point of bilateral collaboration in financial services. A structured and transparent dialogue will enable industry to provide valuable technical input into

the regulatory and supervisory formation process which we believe will lead to better long-term outcomes.

The cataloguing process that was conducted to address any Brexit-related cliff-edge issues was successful. We are very supportive of the similar exercise currently being carried out to identify areas of potential regulatory relief between the UK and US which could contribute to developing a long-term vision for regulatory cooperation. Such an exercise is a valuable step to ensuring there is no unnecessary fragmentation within the prudential and market regulatory frameworks and should support the openness, resilience and dynamism of two of the world's leading financial markets.

BAFA members are also encouraged by the formation of the US/UK Insurance Partnership and look forward to receiving a written update on its progress.

The next FRWG meeting is expected to dive deeper into issues now that the UK's Brexit transition period has ended. We recommend that the next FRWG agenda include: prudential issues, including Basel III implementation; sustainability/ESG; Covid-19 recovery, and; an exchange of views on China policy. More generally, the discussion should pay close attention to maintaining open access for financial services between the US and UK and building on common regulatory standards to support capital flows and financial resilience.

We would also suggest the inclusion of Non-Bank Financial Institutions on future agendas as work progresses within the FSB and domestically on how to address the resilience of this sector. More generally, we hope the deepening of the FRWG process will complement US/UK contributions to multilateral fora like the FSB and IOSCO.

Industry priorities for 2021

At our meetings, BAFA members highlighted several potential areas for US/UK collaboration.

- Cross-border data flows are a crucial component of international trade, investment and economic growth in the 21st Century – the US and UK should consider ways they can demonstrate leadership in this area in the interest of promoting growth and jobs. Members noted that having a comprehensive agreement on data was important and encouraged HMT and US Treasury to pursue discussions through the regulatory track with the expectation that it could complement progress on the trade track once that process becomes clearer.
- ESG standards are increasingly shaping the way investors choose to engage with companies and thus how companies do business around the world. ESG and sustainability was discussed at length and members highlighted the need for the US and UK to coordinate with one another on developing taxonomies and disclosure standards and adopting a more measured approach to the issues than what has been promulgated in the EU. In particular, any regulatory measures need to take account of the transition from brown to green, which will take many years in some instances and require huge amounts of investment. Consideration should also be given to the roles of “S” and “G” in ESG. In the context of climate-related risk, it was also noted that cooperation between

the Bank of England and the Federal Reserve on data analytics and scenario analysis will be critically important.

- There remain important prudential issues that also deserve focus as part of the bilateral cooperation. Basel III implementation remains a priority and it will be important to consider any impact on trade finance exposures. It is helpful to know that Basel III implementation is on the FRWG agenda and we encourage the US and UK to collaborate closely to minimise fragmentation.
- Policy on China can have cross-border impacts on third countries. It will be constructive for both sides to incorporate this issue into their dialogue and consider how they might work cooperatively.

Next steps

BAFA proposes to explore providing more technical input on some of the above issues, recognizing that, depending on the issue, such engagement may be more efficient and effective. at the individual association level. We hope the BAFA model is a flexible one that can adapt to and cooperate with policymakers' needs.

We will look to continue to liaise with both HMT and UST on an ongoing basis with the objective of formalising industry engagement processes pre- and post-FRWG meetings.

We would also welcome the opportunity to arrange a senior-level meeting between the co-Chairs of BAFA – Catherine McGuinness of TheCityUK and Ken Bentsen of SIFMA - and the Director General of Financial Services and the Under Secretary for International Affairs at an appropriate time in the future.

We look forward to continuing our dialogue.

Sincerely,

The British American Finance Alliance

Alternative Investment Management Association (AIMA)
American Council of Life Insurers (ACLI)
American Property and Casualty Insurance Association (APCIA)
Association of British Insurers (ABI)
Association of Chartered Certified Accountants (ACCA)
Association for Financial Markets in Europe (AFME)
Bankers Association for Finance and Trade (BAFT)
Bank Policy Institute (BPI)
BritishAmerican Business (BAB)
City of London Corporation
Coalition of Service Industries (CSI)
Institute of Chartered Accountants in England and Wales (ICAEW)
Investment Association (IA)

Investment Company Institute (ICI)
London Market Group (LMG)
Re-Insurance Association of America (RAA)
Securities Industry & Financial Markets Association (SIFMA)
TheCityUK (TCUK)
The Law Society of England and Wales
US Chamber of Commerce (USCC)
UK Finance