The Systemic Risk Council

The Honorable Jacob Lew
Secretary, U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC, 20220

Dear Secretary Lew,

We1 are writing to commend you and the Treasury Department for taking a firm position against including financial services regulation in the ongoing Transatlantic Trade and Investment Partnership (TTIP) negotiations. While many of our members are strong supporters of international harmonization, particularly in certain accounting and financial regulatory areas, there are separate processes in place to achieve those goals.

The United States and its banking, securities and futures regulators have made significant progress implementing essential financial reforms to strengthen the financial markets after the global financial crisis. Through years of effort, their progress on over-the-counter derivatives, cross-border resolution, and supplemental leverage ratio requirements, among other topics, is making a real difference.

Unfortunately, despite years of international dialogue (including through the FSB, IOSCO and Basel Committee) and previous negotiated agreements (including at the G20), many foreign jurisdictions lag in their implementation of essential structural reforms. In addition, while authorities – at the European Union level and among individual EU nation states – have made some valiant recent efforts to stabilize their banking systems, a great deal of work remains to be done. In fact, on some key dimensions, EU members have not yet agreed among themselves with regard to what will be the final contours (e.g., for the presumed eventual banking union).

Including financial services topics within the TTIP framework would create yet another venue for delay and could put years of U.S. progress at risk.

Though significant items remain outstanding in the U.S. (including reform for money market funds and putting an end to all the incentive issues associated with “too big to fail”), U.S. financial regulators should protect what they have accomplished and continue to urge other regulators and standard setters to finish the job.

1 The independent non-partisan Systemic Risk Council was formed by CFA Institute and the Pew Charitable Trusts to monitor and encourage regulatory reform of U.S. capital markets focused on systemic risk. The statements, documents and recommendations of the private sector, volunteer Council do not necessarily represent the views of the supporting organizations. The Council works collaboratively to seek agreement on all recommendations. This letter fairly reflects the consensus view of the Council, but does not bind individual members. www.systemicriskcouncil.org
Embroiling financial regulation in another wave of international negotiation would put that progress at risk, and we applaud you and the Treasury Department for holding firm.

Respectfully,

The Systemic Risk Council
www.systemicriskcouncil.org

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