

SUBMISSION BY THE BRITISH AMERICAN FINANCE ALLIANCE

In October 2020¹, almost twenty groups² representing the UK and U.S. financial and related professional services industries joined together to form the British American Finance Alliance (BAFA). BAFA is delighted to submit a short response to the Call for Evidence under the Financial Services Growth & Competitiveness Strategy.

The financial and professional services industry plays a key role in driving economic growth and much of that contribution reflects the sector's international competitiveness. The U.S. market is critical to this cross-border investment and trade.

Regulatory cooperation can drive improved and more consistent regulatory outcomes. More compatible regulatory outcomes, in turn, provide a strong basis for cross-border investment, growth and job creation across economies. We believe stronger regulatory cooperation will provide a robust foundation for stronger economic growth and allow financial and professional services to be a key part of the solutions to the challenges facing our respective economies. Indeed, given most barriers to cross-border financial services are regulatory differences rather than conventional trade barriers, the impact of deepened cooperation that works towards material outcomes could be comparable to that which conventional trade agreements have often established for the goods sector. This potential is particularly strong for financial services in an era of rapid digital innovation.

Since 2018, the U.S.-UK Financial Regulatory Working Group (FRWG), has promoted financial regulatory cooperation and has improved comparability between the countries' regulatory frameworks. BAFA has long recognized the value of the FRWG and the associated Financial Innovation Partnership (FIP). For example, the FRWG played a significant role in managing the Brexit transition and has in more recent years evolved its focus towards ongoing and emerging non-Brexit issues.

We believe these processes, as they enter their seventh year, could serve an even more valuable role. The FRWG and FIP should:

- **Foster Direct Engagement with Stakeholders:** Successful regulatory cooperation requires robust stakeholder input, including through industry groups. We appreciate the engagement that the respective Treasury departments have provided to date. We recommend that you and your U.S. counterparts build upon

¹ <https://www.sifma.org/wp-content/uploads/2020/09/British-American-Finance-Alliance-Scoping-paper-on-formalizing-UK-U.S.-regulatory-dialogue.pdf>

² BAFA's members are: 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), • BAFT (Bankers Association for Finance and Trade), • Bank Policy Institute (BPI), • British American Business (BAB), • City of London Corporation, • Coalition of Services Industries (CSI), • Financial Services Sector Coordinating Council (FSSCC), • Institute of Chartered Accountants in England and Wales (ICAEW), • Investment Association (IA), • Investment Company Institute (ICI), • Securities Industry & Financial Markets Association (SIFMA), • TheCityUK (TheCityUK), • U.S. Chamber of Commerce (USCC), • UK Finance.

that foundation and for the FRWG promote more open and direct engagement with industry to facilitate identifying cross-border issues early in the process. BAFA is unique in the depth and breadth of the U.S./UK financial and professional services industry that it represents, so the formalization of the FRWG's procedures and enhanced dialogue with BAFA could enhance the identification of issues and the efficiency of the process. It would also signal a commitment to regulatory cooperation and industry engagement.

- **Focus on Tangible Outcomes:** We recommend that the FRWG additionally focuses on achieving tangible outcomes that facilitate cross-border financial services trade and investment flows to complement its role as a forum for the exchange of information. For example, as part of a continuous dialogue, valuable trust can develop that facilitates financial services investment and trade through reduced frictions, achieved by the mutual application of certain regulatory recognition measures (such as "deference" or "substituted compliance). We encourage the UK and U.S. authorities to use these tools for the mutual benefit of their respective markets.
- **Meet on a regular schedule with full transparency around agendas and results:** The FRWG process could be further enhanced by greater transparency, including though communication of the date of the meetings well in advance (approximately 6 months), the sharing of more detailed meeting outcomes, and the disclosure of the titles of core members involved in the dialogue and the departments and agencies they represent for their jurisdictions.

Renewed commitment to the FRWG would send a powerful signal of the Government's commitment to an open and competitive UK financial services industry; helping to reinforce the UK's role in providing leadership on issues that are central to an industry in which it leads the world and ensure a mechanism whereby Government and industry on both sides of the Atlantic can collaborate on common challenges.