

## Financial Markets

### **October 2009**

Since its foundation in 2002, the U.S.-EU Financial Markets Regulatory Dialogue has offered a robust, efficient and flexible platform to mutually exchange information, identify potential regulatory conflicts and work out solutions, as demonstrated by a solid track record of joint successes. More than ever in the current context, the informal U.S.-EU Financial Markets Regulatory Dialogue remains the forum of choice to ensure that the implementation of the U.S. and EU roadmaps for regulatory reform and G20 commitments at the domestic level are compatible and as convergent as possible and anchored in the global financial system.

As their respective regulatory reform roadmaps continue to unfold, the members of the U.S.-EU regulatory dialogue will continue to hold regular exchanges of information at all levels and monitor closely regulatory developments on both sides of the Atlantic. The FMRD will next meet on October 27, 2009.

### **December 2008**

Accounting Standards: In the context of the Framework, the U.S. Government and the European Commission have made further progress towards the objective “to promote and seek to ensure conditions for the U.S. Generally Accepted Accounting Principles (U.S. GAAP) and International Financial Reporting Standards (IFRS) to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner.” In November 2007, the U.S. Securities and Exchange Commission (SEC) took the decision to abolish the requirement for reconciliation to U.S. GAAP for foreign companies using IFRS as issued by the International Accounting Standards Board (IASB). Furthermore, on November 14, 2008, the SEC published for public comment a proposed Roadmap that could lead to the use of IFRS by U.S. issuers beginning in 2014. On June 6, 2008, the European Commission sent two draft Regulations to the European Parliament proposing a decision on U.S. GAAP as being equivalent to IFRS. On November 14, the European Securities Committee voted to grant equivalence to U.S. GAAP, following the resolution adopted by the European Parliament on October 23, 2008. The proposals will now pass to the European Parliament and Council for formal opinions and then to the Commission for adoption. The Commission should adopt the final decision before the end of 2008.

Securities Regulatory Regimes: In February 2008, the SEC and the European Commission agreed to work together to define a process that will lead to the mutual recognition of U.S. and EU securities regimes. The issue will be taken up again in 2009. The TEC endorsed this work and encouraged the parties to conclude this first phase as soon as possible in order to start with the comparability assessment of the U.S. and EU securities regime in 2009.

Insurance/ Reinsurance: During meetings in 2008, the United States and the European Union continued to work toward seeking resolution of outstanding issues for U.S. and EU insurance companies operating in each other’s jurisdiction, including focus on reform of the collateral rules applied to EU and other third country reinsurers that are not licensed in the United States, and on

proposals regarding the treatment of third country insurers and reinsurers in the European Commission's Solvency II Framework Directive Proposal.

## **May 2008**

In the 2007 "Framework for Advancing Transatlantic Economic Integration," the U.S. government and the European Commission confirmed their common objective "to promote and seek to ensure conditions for the U.S. Generally Accepted Accounting Principles (U.S. GAAP) and International Financial Reporting Standards (IFRS) to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner." The U.S. Securities and Exchange Commission (SEC) in November 2007, took the decision to abolish the requirement for reconciliation to U.S. GAAP for foreign companies using IFRS as issued by the International Accounting Standards Board (IASB), and solicited comment on the possibility of allowing domestic companies to file using IFRS. The European Commission will propose a decision on the equivalence of U.S. GAAP in the course of 2008. To this end, a European Commission working paper on convergence between IFRS and third country national GAAPs has been prepared. This working paper reflects the advice by the Committee of the European Securities Regulators (CESR), which takes a positive stance towards accepting U.S. GAAP as being equivalent to IFRS. The EU and the United States will also continue to monitor the situation in the coming months in the framework of the informal Financial Market Regulatory Dialogue (FMRD).

A joint statement by European Commissioner McCreevy and SEC Chairman Cox on the common willingness of the United States and EU to work together on mutual recognition in securities was released on 1 February 2008. Subsequently, SEC and the European Commission staffs have intensified their work on defining a process for carrying out a comparability assessment of EU and U.S. securities regimes which they hope to finalize by mid 2008. Thereafter, comparability assessments can begin. Mutual recognition in securities regulation would have the potential to facilitate access of EU and U.S. investors to a broader and deeper transatlantic market, increase the availability of information about foreign investment opportunities, promote greater diversification of securities portfolios, significantly reduce transatlantic trading and transaction costs, and increase oversight coordination among regulators. The TEC also encourages the implementation of other approaches to facilitate cross-border financial services, such as providing relief from local licensing requirements for securities firms engaging in cross-border business with certain sophisticated investors.

The TEC discussed issues related to enhancing the openness and competitiveness of global insurance and reinsurance markets while maintaining high levels of consumer protection through the promotion of more comparable, efficient, cost-effective and modern prudential regulatory standards and practices. Currently, U.S. and European regulators and supervisors are engaged in significant efforts to modernize insurance and reinsurance regulation and supervision. The TEC urged both sides to make significant strides by the end of 2008 to identify the steps that need to be taken to create a true level playing field for EU and U.S. insurance companies operating in each other's jurisdiction, including reform of the collateral rules applied to EU reinsurers currently operating in the United States and proposals regarding the treatment of third country insurers and reinsurers in the European Commission's Solvency II Framework Directive

Proposal. These discussions should continue to take place in the context of the FMRD, led by the European Commission and the U.S. Treasury, as well as between the National Association of Insurance Commissioners (NAIC), the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the European Commission in the EU-U.S. Insurance Dialogue.

## **November 2007**

The U.S. Securities and Exchange Commission (SEC) and the EU Commission have made progress in seeking to ensure conditions for U.S. Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS) to be recognized in both jurisdictions without the need for reconciliation by 2009 or possibly sooner. The SEC issued a Rule Proposal for comment in July 2007 to allow Foreign Private Issuers to file with the SEC financial statements prepared in accordance with IFRS without reconciliation to US GAAP. The EU Commission submitted its comments in October 2007. The EU side is preparing its “equivalence mechanism” to permit acceptance of third country accounting standards. In 2008, US GAAP will be assessed under this mechanism. In this context, both sides are working towards finding a mutually satisfactory solution in the interest of investors and issuers on both sides.

In light of our common interest in creating high-quality internationally accepted accounting standards and ensuring continued confidence in the International Accounting Standards Board (IASB), which develops the International Financial Reporting Standards (IFRS), we have jointly announced that we will work with other stakeholders to increase the accountability of the IASB.

The SEC and the European Commission have had a first exchange of views in the Financial Markets Regulatory Dialogue (FMRD) on their respective considerations of how and in which areas to establish mutual recognition of comparable regulatory regimes in the field of securities. These discussions will continue with a view to making significant progress in 2008 on a framework for future regulatory work in the transatlantic context. The Council welcomes continuing efforts under the FMRD to identify other approaches to facilitate cross-border trade in financial services.