



A new transatlantic gold standard?

A series of fireside chats on the future of US/UK trade in financial services post Brexit

10 February 2021 - HM Treasury

Week four of our series of webinars welcomed HM Treasury who gave further insight into the future of US/UK trade in financial services. The discussion covered the following **key issues**:

- the structure of the Free Trade Agreement (“**FTA**”) negotiations between the US and the UK in relation to financial services and key issues under discussion
- the role of the UK – US Financial Regulatory Working Group (“**FRWG**”)
- the role of the Financial Innovation Partnership (“**FIP**”)
- the role of the British American Finance Alliance (“**BAFA**”)

Progress of FTA negotiations

The fifth round of US/UK negotiations took place in late October 2020. It is acknowledged that both the US and UK have a genuine shared and mutual interest in seeking to address financial services in the FTA. It is unclear when the next round of negotiations will take place, although both sides are hoping for significant progress before expiration of the current Trade Promotional Authority in July 2021. However, the emphasis is on the quality of the FTA rather than adhering to a specific timeline.

HM Treasury leads in relation to the financial services chapter which sits under a wider structure led by the Department of International Trade. On the US responsibility for the negotiations is shared between the US Department of Treasury and US trade representatives, including the Trade Executive Office of the White House. The mood of the negotiations is one of positivity and collaboration.

Key areas of discussion in FTA negotiations

Financial data sharing is an area of real shared interest. Negotiations will continue to look at anti-data localisation provisions and free flow of data.

There is also an interest in developing high quality provisions on regulatory transparency - including a high mutual standard regarding threshold issues such as licensing and authorisation. As there are inherent limits to what may be achieved in relation to financial services directly through an FTA, trade negotiations should also complement ongoing cooperation on financial regulatory issues.

The Biden Administration

It is early days for the Biden Administration and trade talks are unlikely to be the Administration’s initial focus. However, as the US has been largely consistent with trade policy and the manner in which it structures trade deals for decades, it is unlikely there will be a drastic change in approach. The new US Trade Representative has yet to be formally appointed, however the US counterparties currently involved in the day to day trade negotiations will not change under the new administration.

The role of the FRWG

The FRWG was formed in 2018 to increase bilateral regulatory cooperation between the UK and the US in order to promote financial stability; investor protection; fair, orderly, and efficient markets; and capital formation. The FRWG is designed to complement day-to-day informal cooperation between the UK and US Treasuries and regulators on both sides of the Atlantic.

The third meeting of the FRWG took place virtually on 20 October 2020, and the FRWG issued a **Joint Statement** of the key themes arising at that meeting. At that meeting the discussion focused on the economic response to, and potential financial stability impacts of, the COVID-19 crisis; international cooperation and 2021 priorities; cross-border rules and overseas recognition/equivalence and substituted compliance regimes; sustainable finance; and financial innovation.

The recent Memorandum of Understanding between the Bank of England and the Commodity Futures Trading Commission regarding supervisory cooperation in relation to UK and US central counterparties gives an indication of what is possible with regard to mutual recognition/deference.

A poll of webinar delegates indicated that mutual recognition/equivalence/substituted compliance should be the number one priority for HM Treasury at future FRWG meetings.

The role of the FIP

The FIP is a subgroup of the FRWG designed to bring together innovation experts from both US and UK Treasuries and regulators to discuss key areas of mutual interest. The FIP's guiding philosophy is that new technologies and financial products emerge in the market constantly so it is important to facilitate engagement and dialogue between regulatory authorities to manage divergence and fragmentation at source.

The FIP's inaugural meeting took place in August 2020 and involved innovation leads from relevant regulators in the US and UK. The FIP issued a **Joint Statement** in relation to the key themes arising from the meeting including digital currencies; the importance of a regulatory sandbox to foster innovation and how the UK and US can collaborate in a multilateral way with respect to the Global Financial Innovation Network ("**GFIN**").

A poll of webinar delegates indicated that market participants consider that the FIP should prioritise a variety of issues in the period ahead with a particular focus on regulatory and supervisory technology.

A poll of webinar delegates indicated that market participants consider that the FIP should prioritise a variety of issues in the period ahead with a particular focus on regulatory and supervisory technology.

HM Treasury meeting with BAFA

In early February, HM Treasury met with BAFA in order to discuss the FTA negotiations and ongoing FRWG work streams. The meeting placed a particular emphasis on innovation and sustainable finance and also longer term issues including equivalence, prudential rules and standard setting.

Join us next time

Our final "fireside chat" will feature **Lord Grimstone, Minister for Investment** jointly at the Department for International Trade and the Department for Business, Energy and Industrial Strategy, who will provide further insight into the US/UK trade negotiations.

To register, please click [here](#).



eversheds-sutherland.com

© Eversheds Sutherland 2021. All rights reserved.

Eversheds Sutherland (International) LLP and Eversheds Sutherland (US) LLP are part of a global legal practice, operating through various separate and distinct legal entities, under Eversheds Sutherland. For a full description of the structure and a list of offices, please visit www.eversheds-sutherland.com. DTUK003600_02/21