

Financial Services and the Transatlantic Trade and Investment Partnership

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It is still an unresolved question whether a process for financial services regulatory cooperation and convergence will be included in the Transatlantic Trade and Investment Partnership (TTIP). From an end-user's perspective, it could be argued that its inclusion could be an opportunity not only as regards product choice, but also to improve the consumer or investor protection regulatory environment on both sides of the Atlantic. The inclusion would also be in line with the assessments made by both the EU and the US that the G-20 agenda has been incorporated in local legislation and that both regimes are thus 'equivalent'.

Cross-border provision of retail financial services between the EU and US is most likely not very important and limited to certain products, such as fund and structured products, credit card payments, and occasional direct transfers. At the wholesale level, services are much more important, although they have been severely affected by the financial crisis.

Formally, at least until today, the position is that a process for financial services regulatory

cooperation and convergence will not be included in the TTIP, but that market access will be ensured, meaning that national treatment will be applied for access to the other's market. This would mean that there will be no formal mechanism to seek to address mutual recognition or equivalence of rules in TTIP where this has been explicitly agreed between supervisory authorities. The U.S. Treasury seeks to exclude the possibility of an open and transparent process for regulatory cooperation on the grounds that prudential matters are typically excluded from trade agreements, and that their inclusion could re-open the discussions on the Dodd-Frank bill. The EU seeks to have a process for regulatory cooperation included in the negotiations given that financial services play an essential role in facilitating trade and investment flows between our two regions.

Inclusion could increase competition and product choice, strengthen consumer and investor protection on both sides of the Atlantic and improve prudential regulation. While financial market integration may be more

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advanced in the US, underpinned by strong federal regulatory and supervisory authorities, Europe's regulatory harmonisation only started about 20 years ago, and the supervisory side still has to start with Banking Union. This paper assesses EU-US financial markets and the importance of cross-border financial services trade, outlines the new post-crisis regulatory model on both sides, reviews the possible impact of TTIP and the inclusion of financial services, and concludes with an examination of its potential interaction with other multilateral and bilateral trade deals.

1. Mapping EU-US financial markets and cross-border financial services

The EU and the US global shares have fallen significantly as a result of the crisis on several accounts, in relative and also sometimes in absolute numbers (see Table 1). The combined GDP of both blocs is now well below half of global GDP, at 44%. The total level of bank

assets of both blocs reached about half of global assets by end 2012, whereas in 2006 Europe alone still had more than 50%. These trends will continue in the coming decades, and the expectation is that the EU and the US will jointly account for 25% of global GDP by 2050 (see for example Faure et al., 2010).

Both blocs have a radically different structure of financial markets, a bank-based vs. a market-based model. Total stock market capitalisation in the EU is almost half of what it is in the US, where European banks assets are more than three times what they are in the US. Only 19% of long-term external financing in the US is provided through banks, while the remaining 81% is supplied through capital markets. By contrast, in major European economies bank lending accounts for 59% to 71% for long-term investment (G30, 2013, p.29). Even if the crisis provided resounding lessons regarding the dark sides of capital markets, the diversity of financing methods available in the US provides policy makers with useful templates to follow.

Table 1. Overall size and change in the global share of EU and US financial markets, 2006-12 (€ bn)

		World	EU	%	US	%
GDP	2006	37,596	11,156	29.7%	10,110	26.9%
	2012	55,720	12,938	23.20%	12,199	21.90%
Gross national savings	2006	8,701	2,358	27.1%	1,622	18.6%
	2012	13,317	2,492	18.70%	1,602	12.00%
Bank assets	2006	53,804	27,822	51.7%	7,748	14.4%
	2012	85,307	35,472	41.60%	10,175	11.90%
Stock market capitalisation	2006	40,528	10,285	25.4%	14,750	36.4%
	2012	41,362	8,090	19.60%	14,523	35.10%
Debt securities markets	2006	49,434	17,326	35.04%	20,161	40.78%
	2012	69,334	22,719	32.76%	22,156	31.95%

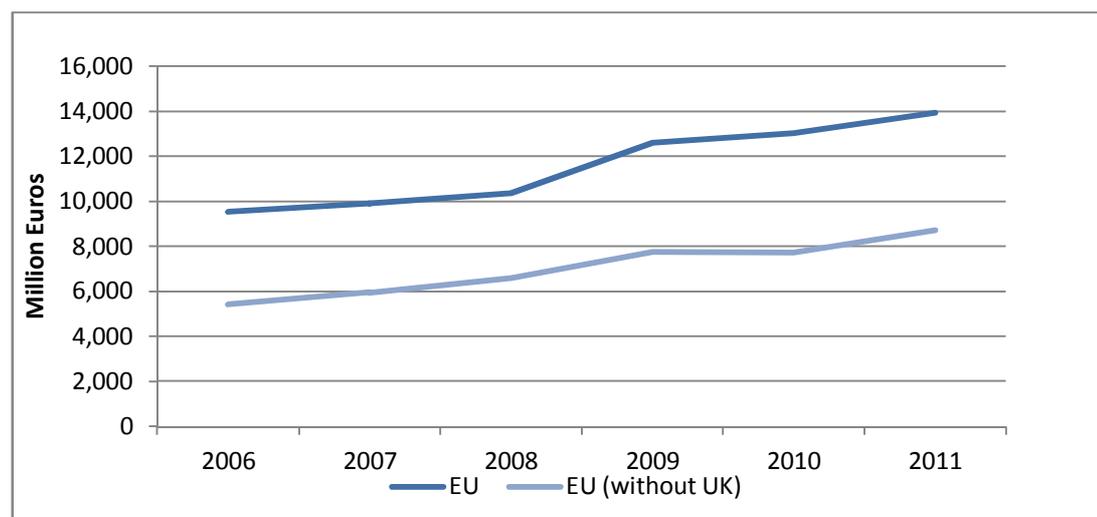
Data sources: ECB, IMF and World Bank.

Financial institutions on both sides have been extremely active in one another's markets. According to Federal Reserve data, the total assets of US financial institutions in the EU stand at €1,166 billion. No data are available for the EU bank assets in the US. In certain financial services products, however, the share of the EU and the US is very high. For example, in OTC derivatives, five to six large banks on both sides of the Atlantic control 85-90% of the global market (Valiante, 2010). In investment funds,

both blocs have a similar share (De Manuel & Lannoo, 2012).

An important global trend triggered by the financial crisis, and one that is very pronounced in both the EU and US, is the decline in cross-border capital flows, including lending, FDI and purchases of bonds and equities. Overall, these flows remain today at 60% below their pre-crisis peak. This decline is most pronounced in the UK and continental Europe, followed by the US, declining by 82%, 67% and 60%, respectively (McKinsey, 2013, pp. 24-25).

Figure 1. US net trade position vs. EU in financial services



Source: Bureau of Economic Analysis (BEA), US Department of Commerce.

According to data published by the US Congressional Research Service (CRS), the US registered a consolidated deficit in trade in goods with the EU in 2012 of \$77 billion, i.e. the EU accounted for \$265.1 billion of total US exports (or 17.1%) and for \$380.8 billion of total US imports. However, the US runs a trade surplus in services. The US surplus with the EU in services has been consolidating in recent years and has more than doubled (increasing from \$15 billion to \$40 billion in 2012, i.e. the EU accounted for \$193.8 billion of US services exports (30.7% of the total in US services exports) and \$149.7 billion of US services imports (or 35.4% of total US services imports) in 2012.

Data are lacking to precisely quantify the importance of cross-border trade in financial services between the EU and US, and the available data are not necessarily comparable. Based on US balance-of-payment data collected by the Bureau of Economic Analysis (BEA) of the US Department of Commerce, the US trade balance in financial services with the EU confirms the path of the broader services category.¹ The US in fact has historically registered a financial services trade surplus with the EU. Figure 1 highlights how this trade

surplus has grown over the last few years, reaching €14 bn in 2011, on total exports of €19.1bn. As expected, an important share of this trade surplus is registered with the UK, which in 2011 accounted for the 38% of this total surplus. However, this figure is very low as compared to the overall value of trade in goods and services, and may indicate that there is a huge potential for more financial services trade. The US also has a positive balance with the EU in foreign direct investment (FDI). One-third of total EU outward FDI stocks are located in the US, whereas even more comes from the US to the EU (CEPR, 2013, p. 11). EU outward FDI stocks in the US are more than twice as large as to the second most important host country for EU FDI, which is Switzerland. But the investment flows dropped importantly as a result of the crisis.

2. The new post-crisis regulatory model from a transatlantic perspective

Both jurisdictions, the EU and the US, attached great importance to the follow-up of the commitments taken in the G-20 context. In the US, mostly one piece of legislation (the June 2010 Dodd-Frank Act) and discretionary powers of the supervisory authorities (e.g. for implementing Basel III) have been used to translate G-20 standards into local legislation. In the EU, the G-20 standards have to be implemented in multiple EU legislative acts, i.e.

¹ Net trade position calculated as the difference between 'receipts' and 'payments' under the entry "Financial Services" in the section "Other Private Services".

regulations or directives, to ensure the application in all member states. The crisis also led recently to a series of institutional changes. Box 1 gives an overview of the G-20 items and the institutional changes by subject and their follow-up in the EU and the US.

Most items concern the regulation of wholesale financial markets and improved supervision, where the EU and the US have followed up closely on the G-20 commitments, although not necessarily in a coordinated fashion.

Both blocs now have legislation in place or are advancing to legislate on rating agents, hedge funds, OTC derivatives and bank capital. The rules differ considerably in their details, however, since they emerged in different political and economic contexts. It is only more recently that the G-20 has started to address core consumer financial services issues, in the work on financial inclusion, for example, which was adopted at the St. Petersburg Summit (06-09-13).

<i>Box 1. G-20 follow-up legislation in the US and the EU</i>		
Subject	Dodd-Frank (US)	EU legislation
Credit Rating Agencies	Upgrade of NRSRO regime (Title IX, Subtitle C)	Credit Rating Agencies Regulation (CRA 1, 2, 3)
Hedge funds	Title IV, amending 1940 Investment Advisors Act (exemptions remain)	Alternative Investment Fund Managers Directive (AIFMD)
OTC (over-the-counter) derivatives on CCPs (central counterparties), trade repositories	Title VII mandates central clearing and exchange trading of most OTC derivatives	Similar rules in EU Market Infrastructure Regulation (EMIR)
Price transparency of bonds, derivatives, commodities	(Idem)	Rules in draft MiFID II and MiFIR (Markets in Financial Instruments Directive and Regulation)
Short selling	-	Short selling regulation
Basel III	Consultation on implementation ongoing	Implemented in CRD II, III, IV (Capital Requirements Directive and Regulation)
Bank structure	Volcker rule	Liikaanen report, Vickers, member states rules
Bank tax	(Initially proposed, but scrapped)	Financial transaction tax (FTT) in individual member states and through 'enhanced cooperation'
Remuneration rules	(Enhanced disclosure)	CRD III and IV, AIFMD, CRA 1
Bank resolution	Broader powers for the FDIC through the Orderly Liquidation Authority	Draft Directive on Resolution and Recovery (RRD), Single Resolution Mechanism
Institutional aspects	Financial Services Oversight Council (FSOC) Enhanced powers for the Federal Reserve, Consumer Financial Protection Bureau (CFPB), Federal Insurance Office	European Systemic Risk Board (ESRB) European Supervisory Authorities (ESAs: EBA, ESMA, EIOPA) Single Supervisory Mechanism (SSM)

a) The US Dodd-Frank bill

The Wall Street Reform and Consumer Protection Act (or Dodd Frank bill) is a massive single piece of legislation, which embodies the US response to the crisis and incorporates the G-20 agenda. It was adopted in June 2010 by the US Congress, but many of the controversial

elements of the bill are still awaiting full application, such as the rules on OTC derivatives, or the limits on own account trading (the Volcker Rule). The controversy also affects the eventual 'extraterritorial' nature of these rules, i.e. that these rules would also be applicable to foreign-based institutions. This has

led to heated discussions between both blocs regarding hedge funds and OTC derivatives legislation.

The main change at the institutional level in the Dodd-Frank bill is the creation of the Consumer Financial Protection Bureau (CFPB). It furthermore reinforces the powers of the federal institutions, namely the Federal Reserve, the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC). The CFPB is the first US federal agency whose sole focus is to protect consumers in the financial marketplace, with the power to verify compliance with federal consumer financial law and taking appropriate enforcement action to address violations. It was created in 2012 and has a budget of almost \$500 million for 2014 and a staff of 1,545.² These figures indicate that, notwithstanding the long disputes in Congress regarding its creation and the delays in the nomination of the Director, the Bureau already is a large organisation. It has launched an impressive awareness-raising campaign and initiated some rule-making. Its actions mainly concern mortgages, credit cards and financial education.

b) The EU framework

EU rules in response to the G-20 were adopted over a period of three years, starting with rules on Credit Ratings Agencies (CRAs), over hedge funds (Alternative Investment Fund Managers Directive, AIFMD), to rules on derivatives clearing (European Market Infrastructure Regulation, EMIR) and Basel III (CRD IV). Less discussed was a Mortgage Credit Directive harmonising the procedures for the sale of mortgage credit products, on which no legislation existed before at EU level. At the institutional level, the EU initially reacted with the creation of European Supervisory Authorities (ESAs), which in June 2012 was superseded by the creation of Banking Union, or the centralisation of supervision in the hands of the European Central Bank.

All new ESAs have a specific responsibility in “promoting transparency, simplicity and fairness in the market for consumer financial

products or services across the internal market” (Art. 7, ESA regulation). They may temporarily prohibit or restrict certain financial activities in case they are seen to be a danger to financial stability. In practice, however, not much has happened under these provisions. Some Members of the European Parliament have been calling to make use of the possibility, but without success so far. There is thus nothing comparable to the US Consumer Bureau.

Access for third countries is governed by the ‘equivalence’ requirement, or the need for equivalence decisions of third-country regulatory regimes. Before the crisis, the expression was ‘not more favourable treatment’ of third-country service providers, with a tendency towards mutual recognition. Post-crisis legislation insists on detailed equivalence examinations in the different areas of legislation, proposed by the ESAs, and subject to Commission implementing acts. A first set of decisions regarding the equivalence of the supervisory regimes of other countries’ rating agencies was taken by the EU regarding the US, Canada and Australia, and published in October 2012. For EMIR, ESMA made proposals in September 2013 to the Commission for equivalence of rules with five jurisdictions, including the US.

Bank structure issues have not yet been decided at the EU level, although this was among the recommendations of an independent expert body, the Liikkanen Group. At national level, however, the UK reacted with the Vickers report and the utility bank ring fencing, and France and Germany adopted legislation in mid-2013 that set a timid form of separation between investment and commercial banking. These rules should not be a barrier to the single market or to third-country providers, although one may wonder why none of these countries waited for the EU to take the initiative first.

3. The benefits of a TTIP

A major assessment report for the EU Commission forecasted significant gains from a transatlantic trade deal. The CEPR report (Francois, 2013) also foresees significant benefits of the TTIP in economic growth as well as in

² See its website (www.consumerfinance.gov).

trade, increasing from a partial to a more comprehensive agreement under a limited and more ambitious scenario depending on the scope. Overall imports and exports are both estimated to increase by 3.37% and 5.11% in the less ambitious and ambitious scenarios, respectively. A key message of the report is the critical role of non-tariff barriers. As much as 80% of the total potential gains could come from cutting costs imposed by bureaucracy and regulations, as well as from liberalising trade in services and public procurement. Under the model calculation, big gains could also be achieved in financial services trade on both sides.

The first substantive section of the TTIP will deal with the potential for reducing or eliminating transatlantic tariffs and non-tariff barriers with respect to trade in goods. Transatlantic trade is already sizeable. The EU exports twice as much goods (in value) to the US as it does to China, and the US exports three times as much goods to Europe as to China. Average transatlantic tariffs are relatively low, at about 3-4% on average, and higher on the EU side, although tariffs remain quite high in such categories as processed food (14.6% in the EU, 3.3% in the US), motor vehicles (8% in the EU, 1.2% in the US), and footwear, where negotiations will be difficult. A reduction in tariffs could lead to substantial trade gains, because of the volume of trades.³ The gains would be more sizeable if the agreement also addressed non-tariff barriers in goods, the 'harmonisation' of rules covering conformity and safety standards for food, medical devices, machinery and chemicals, which face perceived NTBs of about 50% (Francois, 2013, p. 18). But this will be politically much more difficult to achieve, because of different institutional structures and political sensitivities.

³ In the Comprehensive Economic and Trade Agreement (CETA), a proposed free trade and copyright agreement between Canada and the European Union, more than 99% of all tariff lines are to be abolished, according to preliminary information released by the European Commission, DG Trade, 18 October 2013.

Even-greater gains could be achieved if the TTIP opens the transatlantic services economy. Most American and European jobs are in services sectors, which account for over 70% of US and EU GDP. The EU and US are each other's most important commercial partners and major growth markets when it comes to services trade and related foreign direct investment. The two economies have never been as intertwined as they are today in financial services, telecommunications, network industries, advertising, computer services and other related activities. Protected services sectors on both sides of the Atlantic, however, account for about 20% of the combined US-EU GDP – more than the agricultural and manufacturing sectors combined. Major services sectors such as electricity, transport, distribution and business services are subject to particularly high levels of protection. A targeted opening of services could present vast opportunities to firms and huge gains to consumers in both the EU and the United States, and an initial transatlantic initiative could be a building block for more global arrangements.

A third part of the TTIP deals with both access to markets, this is, removing or relaxing restrictive positions on foreign equity in certain sectors and investment protection of high quality (where the EU can now negotiate). Although FDI (both ways, as well as both stocks and flows) is already enormous, there is greater potential once a TTIP would realise a more or less 'common' investment framework.

Access to public procurement markets will be an important yardstick but a tricky element, where states retain important powers, and where US federal law may be an impediment. With the successful conclusion of CETA, whereby all sub-federal levels of government (the provinces) in Canada have committed themselves to bilaterally open their procurement markets, a benchmark has been set for TTIP.

According to the forecasts in the CEPR study, the greatest overall gains in output changes as well in trade would take place in motor vehicles, chemicals and metal products. But finance, insurance and business services are also expected to grow, although they would be more

pronounced for the EU than for the US. There would also be gains for third countries, through improved market access.

An important by-product of a deep TTIP would be deeper transatlantic regulatory integration. To make the TTIP work will require establishing a permanent regulatory mechanism, which should benefit the public at large. Today's political processes on both sides work largely in isolation, resulting in widely different approaches to policy problems. A permanent mechanism would ensure that regulators examine the transatlantic impact of proposed regulations to examine whether or not they discriminate against foreign suppliers and determine how to converge such regulation. This should result in more homogeneous markets, which would benefit consumers and business.

Critics will argue that several initiatives were launched in the past to bring both markets closer, with limited success. In December 1995, the EU-US Summit launched the New Transatlantic Agenda (NTA), which aimed to strengthen mutual economic relations. Both sides tried to reinvigorate the NTA in 1998 with the Transatlantic Economic Partnership. And in April 2007 President George W. Bush and President José Manuel Barroso created the Transatlantic Economic Council (TEC) to foster transatlantic economic integration. In the area of financial services, a regulatory dialogue has been in place since 2003, but the dialogue is not transparent and has cooled down significantly as a result of the economic crisis to the point of becoming a mere information exchange. Europe's difficulties to decisively address its financial crisis, and the weakening of the centre to the advantage of the member states, may have undermined its authority to negotiate with third parties.

4. The TTIP in the context of other multilateral and bilateral trade deals

The announcement of a formal start of talks on a Transatlantic Trade and Investment Partnership between the EU and the US on 12 February 2013 continues a trend towards bilateral trade deals between the EU and strategic trading partners

started a decade ago. The TTIP is meant to be a 'deep and comprehensive' transatlantic free trade agreement, thereby including mutual direct investment, opening services and goods markets, addressing non-tariff and regulatory barriers, and new areas not yet covered by multilateral regimes. But it remains to be seen how deep and comprehensive the Pact will be.

For some observers, the launch of TTIP meant that a new multilateral trade deal was definitely off the agenda for the time being. Furthermore, the US and the EU comprise such a large part of the global economy that any transatlantic market-opening deal will by definition divert trade and thus discriminate against other trading partners. This is a clear violation of WTO rules and thus weakens the international rules-based system. However, others will argue that deep bilateral trade deals may serve to reinvigorate 'deeper' multilateralism. The more important FTAs in the world – the Korea-US and the Korea-EU, CETA, negotiations on the TPP, the RCEP, EU-ASEAN and EU-India – may result in greater depth and homogeneity of bilateral deals. Given the size and scope of the transatlantic economy, standards negotiated by the US and the EU could quickly become the benchmark for global models. As a reminder that the one does not exclude the other, only two days after announcing the TTIP, the European Commission stated its intention to open multilateral trade negotiations on services, including financial services, with 21 WTO members, including the US.

At multilateral level, the most developed forum for liberalisation of trade in financial services is the WTO's General Agreement on Trade in Services (GATS), which requires national treatment of foreign services providers. GATS Article XVII:1 (National Treatment) states:

A Member shall accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers.

This applies to commercial presence whereby the service is provided within a country by a locally-established affiliate, a subsidiary or by a

representative office of a foreign-owned and foreign-controlled company. This obligation only applies to the extent that the WTO member in question has made a national treatment commitment in the sector at stake (here: financial services) and has not inscribed a limitation to its commitment:

Under terms and conditions that accord national treatment, each Member shall grant to financial service suppliers of any other Member established in its territory access to payment and clearing systems operated by public entities, and to official funding and refinancing facilities available in the normal course of ordinary business.

But this paragraph is not intended to confer access to the Member's lender-of-last-resort facilities, as it is clearly excluded from the scope of the obligation. Hence, state aid to banks, as happened during the financial crisis, is not subject to the national treatment provision. In one of the most controversial episodes of the financial crisis, the AIG bail-out, the US applied national treatment, also for foreign banks, and did not seek recourse to exceptional circumstances. As is now widely known, but as was also heavily criticised in the US, 68% of the collateral flowing to AIG's CDS counterparties and paid by the US Treasury went to foreign banks.

Another major exception to the national treatment principle is the 'prudential exception', i.e. measures that are "taken for prudential reasons", as provided for in Paragraph 2 (a) of the GATS Annex on Financial Services. As an example of such measures, the paragraph mentions measures taken "to ensure the integrity and stability of the financial system". This provision may not be used to avoid a country's obligations and commitments under the GATS agreement on national treatment or market access. To our knowledge, this measure has not been invoked by WTO members to restrict provision of financial services, but it is a major exception. It ensures that a Party may act inconsistently with its obligations if it needs to do so for the stability of its financial system. The 'prudential carve-out' exists also in bilateral trade agreements, such as the EU-Korea FTA (Art 7.38).

5. Financial services in the TTIP: Opportunity or threat?

Despite being very important in trade on both sides, and globally, the question of whether financial services will be included in the TTIP remains unanswered. Although members of the European Commission, amongst them Michel Barnier, publicly spoke in favour of its inclusion, the US is less favourably disposed.⁴ Financial services will be included for market access reasons, meaning that national treatment will apply, unless an explicit equivalence agreement has been concluded for the matter concerned. The line of some US authorities is that they do not want to re-open Dodd-Frank or other issues such as the Volcker Rule, where final implementing provisions are still awaited. They also argue that these matters are dealt with in other international fora, such as the Financial Stability Board (FSB).

This viewpoint is short-sighted since most of the Dodd-Frank regulations will be adopted before TTIP is completed, thus when a regulatory cooperative mechanism should be in place. In addition, ultimately, the outcome of regulatory cooperation or convergence is in the hands of the regulators. A process would simply require them to be more engaged regarding the impact on the transatlantic market and seek to find ways, if they believe it is possible and in line with their views on prudential regulation, to reach convergence, equivalence or the like.

The EU has not made convergence easier as it watered down some key provisions of the Basel III agreement in the CRD IV, the EU's capital adequacy rule. A key minimum common equity capital or leverage ratio is not binding in EU law, whereas it is in the US. The leverage ratios of large euro-area banks still tend to be 1% lower than those of their US peers, even on a comparable IFRS basis (ECB, 2013, p. 39). Neither bloc has agreed on a globally acceptable accounting standard, meaning that bank accounts are not comparable. The issue of a

⁴ See "U.S. Trade Officials Try to Curb Europe's Expectations", NYT, 12 September 2013 (www.nytimes.com/2013/09/13/world/europe/us-trade-officials-try-to-curb-europes-expectations.html?_r=0).

single accounting standard has been debated between both blocs for over 15 years.

From a user perspective, one could argue in favour of including financial services in the TTIP, as it would not only reduce barriers and thus strengthen but also eventually improve levels of protection, as well in prudential regulation, as in conduct rules. Exchange of best practices on both sides of the Atlantic could improve standards, as we are still in an upward movement of regulation. In addition, as seen from an EU perspective, consumer protection at EU level could be strengthened.

The impressive start-up of the Consumer Bureau in the US could be an argument for more federal-level consumer protection in Europe. Minimum requirements for EU-wide deposit protection schemes are still pending adoption, and enforcement of EU-wide consumer protection rules, such as the 'know-your-customer' rules and the provisions against conflicts of interest await stronger enforcement in the EU.

From a political perspective, the most important argument in favour of inclusion in the TTIP is to make financial services part of the transatlantic political dialogue. As indicated above, the Financial Markets Dialogue from before the crisis has been replaced by information exchange discussions, which often lack a sense and direction and purposefulness. A successful TTIP will require the establishment of a permanent enforcement and follow-up mechanism through a 'Trade Committee', assisted by specialised Committees and Working Groups (see EU-Korea FTA Chapter 15). Non-inclusion would relegate financial services to another sphere, not in line with the importance of the financial services industry on a transatlantic basis.

Financial services are part of the EU-Korea FTA and CETA. The former agreement for example, explicitly lists all financial services to which the FTA applies, and allows for mutual recognition:

A Party may recognise prudential measures of the other Party in determining how the Party's measures relating to financial services shall be applied. Such recognition, which may be achieved through harmonisation or otherwise, may be based upon an agreement or arrangement between the Parties, or may be accorded autonomously (Art. 7.46).

The agreement also institutes a dispute settlement panel specifically for financial services.

6. Conclusions

Given the size of the financial markets on both sides of the Atlantic and the symmetry in the follow-up of the G-20 standards, the TTIP provides an opportunity for a more institutionalised framework. Both blocs have reacted in similar ways to the financial crisis in strengthening their regulatory and supervisory frameworks and incorporating the G-20 recommendations into federal law. Also consumer protection has been reinforced, certainly in the US, with the creation of the Consumer Financial Protection Bureau. And on the EU side, the Single Supervisory Mechanism (SSM) will radically change banking supervision. There should thus be no reason not to include financial services in the TTIP.

Inclusion of financial services could also be an opportunity to strengthen prudential rules and consumer protection provisions on both sides. In a post-crisis environment, fears that this would lead to a levelling of protection seem to be unjustified. On the contrary, it could lead to an examination, exchange and recognition of best practices in regulation and enforcement, and a levelling-up process. Last but not least, inclusion of financial services would make it part of the permanent regulatory dialogue that will be established as a result of a successful TTIP.

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