

P.R.I.M.E. Finance
Panel of Recognized International Market Experts in Finance
International Financial Regulation: Harmony or Cacophony?



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Post-Financial Crisis Regulatory Convergence?

- While the current political climate in Europe and the U.S. may complicate efforts to pursue a common set of international financial regulatory reforms, lawmakers in the U.S. have long criticized or called for reforms to international standard-setting efforts
- Such criticism has been particularly directed at insurance standard-setting groups, such as the International Association of Insurance Supervisors (“IAIS”) and the Financial Stability Board (“FSB”)



Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes

- Section 211 of the Economic Growth, Regulatory Relief, and Consumer Protection Act
 - Enacted into law in May 2018
 - Section 211 incorporated provisions from a bipartisan bill that was introduced by former Sen. Dean Heller (R-Nev.) and Sen. Jon Tester (D-Mont.) during each of the last two Congresses



Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes

- Section 211 of the Economic Growth, Regulatory Relief, and Consumer Protection Act
 - Requires the Treasury Secretary and the Fed Chairman to report and testify annually (until December 2024) to Congress on their efforts with respect to global insurance regulatory or supervisory forums, including:
 - a description of the issues discussed;
 - the effects that proposals discussed could have on U.S. consumer and insurance markets;
 - any position taken by Treasury, the Fed, and FIO; and
 - efforts by these agencies to increase transparency at the FSB and the IAIS



Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes

- Section 211 of the Economic Growth, Regulatory Relief, and Consumer Protection Act
 - Requires the agencies to complete a study and submit a report on the impact of such standards on U.S. consumers and markets prior to agreeing to adopt any final international insurance capital standards
 - Establishes an insurance policy advisory committee on international capital standards at the Fed, which will be composed of 21 experts from various sectors of the U.S. insurance industry



Other Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes (that have not been enacted into law)

- Section 371 of H.R. 10, the Financial CHOICE Act of 2017
 - Introduced by former Chairman of the House Financial Services Committee, former Rep. Jeb Hensarling (R-Texas)
 - Would require the Fed to provide 30 days' notice to Congress of any international standard-setting process (including the FSB, IAIS, and Basel)
 - Would require the Fed to solicit public comment and consult with Congress with respect to the process



Other Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes (that have not been enacted into law)

- Section 371 of H.R. 10, the Financial CHOICE Act of 2017
 - Would require the Board to issue a public report on the process, including potential rule or policy changes
 - Would require the Board to provide notice to Congress and the public 90 days before entering into an international agreement
 - Would require the Board to consult with Congress on an international agreement



Other Examples of Efforts in the U.S. Congress to Reform International Standard Setting Processes (that have not been enacted into law)

- H.R. 4537, the International Insurance Standards Act of 2018
 - Would require parties representing the federal government to consult with Congress prior to and during negotiating international insurance agreements
 - Would require submission of a report to Congress on agreements before entering into them
 - Would subject any agreements to review by Congress, which would have the power to disapprove agreements by joint resolution within 90 days



Congressional Testimony by U.S. Regulators on International Standard Setting Processes

- In an October 2018 Senate Banking Committee hearing, Sen. Jon Tester (D-Mont.) asked Fed Vice Chair Quarles whether the Fed supports promoting U.S. industry interests in international forums and whether progress has been made in advancing such interests.
- Quarles replied: **“[I]t's very much in our national interest to try to ensure that our views are made known, and they are being made known, particularly with respect to insurance.”**



Congressional Testimony by U.S. Regulators on International Standard Setting Processes

- In a November 2018 House Financial Services Committee hearing, Rep. Ted Budd (R-N.C.) asked Fed Vice Chair Quarles whether he could commit to “not allow the Federal Reserve to be part of any final agreement on the [insurance capital standard] that does not recognize the U.S. system of insurance regulation.”
- Quarles assured Rep. Budd that **the Fed is working to ensure that the IAIS’s insurance capital standard reflects the U.S. system and that the Fed “wouldn’t have the ability to commit to anything that would change our domestic insurance system at all.”**



Congressional Testimony by U.S. Regulators on International Standard Setting Processes

- In a July 2018 House Financial Services Committee hearing, former Rep. Randy Hultgren (R-Ill.) asked Treasury Secretary Steven Mnuchin whether international standard-setting bodies “provide value to the global financial system” and what the U.S.’s role in such bodies should be.
- Mnuchin replied: “[I]n general they do provide value On the other hand . . . **our role is both leadership . . . but also to make sure our companies are represented in our industries fairly.**”



Other Public Statements by U.S. Regulators on International Standard Setting Processes

- In his remarks at the Utah Bankers Association Annual Convention in June 2018, Fed Vice Chair Quarles addressed concerns about sovereignty: **“Let me be clear: the FSB has no enforcement powers, no legal authority to command its members to do anything, and not even authority . . . to induce action based on contractual obligations. . . . [O]ur participation in these groups makes our financial system significantly stronger by ensuring that the U.S. perspective is part of the discussions and reflected in standards agreed to.”**

