

Committee(s):	Date(s):
Policy and Resources	6 November 2014
Subject: Policy Chairman's visit to New York and Washington DC, United States of America, October 2014	Public
Report of: Director of Economic Development	For Information

Summary

This report advises Members of the outcome of the recent visit by your Chairman to New York/Washington DC from 7 to 13 October 2014, during the 2014 IMF/World Bank Annual Meetings in Washington DC.

The main purpose of the visit was to meet with business and policy stakeholders (policymakers, regulators and financial institutions) to discuss regulatory and competitiveness issues affecting transatlantic financial markets, as well as gauge views on the business and political landscape in the US, UK and Europe. The visit also provided the opportunity to raise the profile of the City Corporation in the US and to forge cooperative relationships with targeted influential stakeholders there, a new strategic objective of the City's US Action Plan. A key priority remained delivering key City messages to US counterparts, including calling for greater coordination of international regulatory reforms.

This report includes views gathered on a number of transatlantic political, economic, regulatory and competitiveness issues. Key points are as follows:

- The US political climate is not good, with a deeply divided Congress making political compromise difficult. There is the view that the possibility of a Republican majority in the Senate, post-mid-terms, could facilitate progress on a number of issues, including trade.
- Attitudes towards the financial sector seem to have hardened again as a result of congressional activity and enforcement action.
- There is real concern about the consequences of recent US regulatory and enforcement actions, particularly where it has raised questions about the fair treatment of foreign institutions and US dollar clearing access being used as a "weapon".
- Regulators and industry are unhappy with the sheer scale of Dodd Frank and the many technical defects inherent in it. The compliance cost of new regulations is recognised to be huge but seems to be accepted as the cost of doing business.
- The new regime at the Commodities and Futures Trading Commission seems more willing to work co-operatively with EU counterparts to address concerns with cross-border derivatives regulation.
- There was significant interest in the results of the Scotland referendum and how this could have even seriously been considered in the first place. Similar

views were expressed about Britain and the EU.

- Your Chairman was a member of a Panel that discussed cyber security at the Institute of International Finance's Annual Meeting, and co-hosted a meeting with the Atlantic Council and Thomson Reuters at which the Eurogroup President, Jeroen Dijsselbloem, proposed a new growth pact for Europe.

The visit is being followed up by further discussions with organisations on a number of the issues raised. The next visit is planned for Spring 2015.

Recommendation(s)

Members are asked to:

- Note the report.

Background

1. Members previously approved that your Chairman should visit New York, along with another major US city, twice a year. These visits play an important role in the City of London's programme of engagement with the US and the ongoing dialogue with US-headquartered financial services firms and senior US policymakers on regulatory and competitiveness issues affecting transatlantic financial markets.
2. Your Chairman visited New York and Washington DC from 7 to 13 October 2014. This coincided with the IMF/World Bank Annual Meetings taking place in Washington from 10 – 12 October, for which your Chairman was an official delegate of the UK. He was accompanied by the International Affairs Officer and his Executive Officer. The principal objective of the visit was to discuss international coordination of financial regulatory reform.
3. The programme in New York included meetings with senior figures from US and international financial institutions, the Federal Reserve Bank of New York and the British Consulate. The programme in Washington DC included meetings with senior officials from the Commodities and Futures Trading Commission, the Securities and Exchange Commission, the International Monetary Fund (IMF), think tanks, trade bodies and politicos. In Washington, your Chairman spoke at two seminars arranged by the Atlantic Council and Institute of International Finance, and attended seminars/meetings hosted by the IMF, IIF and other financial institutions.
4. Further details of the visit are set out in this report and a list of meetings is attached in the annex.

Main report

5. During the meetings, views were gathered on the state of the political climate in the US and how this was impacting the business environment. Your Chairman heard that the political climate is not good, with a deeply divided Congress making political compromise and passage of legislation difficult. There were mixed views as to whether the President will be a "lame duck"

after the mid-term elections or determined to press on with a few key issues to secure his legacy. There was the view that a Republican majority in the Senate could actually facilitate progress on a number of issues, including trade.

6. Your Chairman heard that attitudes towards the financial sector, which had softened as the economy picked up and memories of the crisis diminished, seemed to have hardened again as a result of congressional activity and recent enforcement action by state regulators in particular.
7. During the meetings, views were gathered on the progress of the Transatlantic Trade and Investment Partnership (TTIP) negotiations, and the prospect for financial services being included in this. Your Chairman heard that whilst the Trans-Pacific Partnership (TPP) seems to be making progress, there is general pessimism about the prospects for the Trans-Atlantic Trade and Investment Partnership (TTIP) in general, let alone on financial services inclusion. There was agreement, however, that industry and other stakeholders must continue to press for a deal that includes financial services, to provide a much-needed framework for regulatory cooperation.
8. Your Chairman discussed the progress of ongoing regulatory reforms with interlocutors. Regulators and industry people alike reiterated their discontent with the sheer scale of Dodd Frank and the many technical defects inherent in it. There was a view that, after the mid-term elections, agreement on a bill to deal with some of these technical defects may be possible.
9. Your Chairman heard that the new regime at the Commodities and Futures Trading Commission (CFTC) had adopted a very different approach from its predecessor and seems willing to work co-operatively with other jurisdictions. Industry people spoke highly of the new Chairman, Timothy Massad, and your Chairman had a useful introductory meeting with him. Your Chairman discussed the problem of divergences and conflicts between US and EU regulation, especially in relation to cross-border derivatives transactions, and was pleased to hear that addressing these issues, in cooperation with EU counterparts, was a priority. Your Chairman offered to host an event for Chairman Massad with industry people in London, which he welcomed.
10. Your Chairman heard that there was real concern about some of the consequences of recent US regulatory and enforcement actions, particularly where it had raised questions about the fair treatment of foreign institutions and US dollar clearing access being used as a “weapon”. Points highlighted included the size of the fine of BNP Paribas, the significant reduction in correspondent banking, and the effects on industry confidence and the economy. The Federal Reserve Bank of New York acknowledged that regulators and government need to take a more joined-up and consistent approach on enforcement to allay such concerns. There is the view that the US Chamber and other industry groups are probably more effective advocates on this than banking groups.
11. Your Chairman heard that the compliance cost of new regulations is huge but seems to be accepted as the cost of doing business. There was little

recognition, however, that most of this cost will fall on customers. He heard that the implementation of stricter prudential standards for foreign banking organisations (FBOs) in the US had resulted in several FBOs shrinking assets below the \$50 billion threshold to avoid these.

12. Your Chairman heard that the Financial Transaction Tax (FTT) proposal remains a significant worry for some US banks operating in Europe, despite the common view in Europe that it will not be implemented in anything like the form initially proposed. There was also some concern about the potential negative effects of new European regulations on non-European practitioners, particularly decisions on 'subsidiarisation' and heightened leverage ratio requirements.
13. Your Chairman was a member of a Panel that discussed cyber security at the Institute of International Finance's Annual Meeting. This was topical following the recent JP Morgan incident and, the previous day, Jamie Dimon and other banking leaders had stressed the need for the industry to work together and with enforcement bodies to tackle what is recognised to be a major and costly issue. A key conclusion of the Panel was that the threat of cybercrime on financial institutions needs to be approached as a systemic risk rather than the current bottom up approach. There were doubts as to who the lead government body was in the US on the issue and indeed other countries. Your Chairman was impressed with the contribution of Jason Healey, Director, Cyber Statecraft Initiative at the Atlantic Council, and will look at the scope for doing further work with him.
14. Your Chairman met with the Chief Economist of the People's Bank of China (PBOC), Mr Jun Ma, who confirmed PBOC's high hopes for London as an offshore RMB market, the second biggest market after Hong Kong. He commended the efforts of the City of London in making this possible, and encouraged further efforts to promote the City as a place to raise RMB funds by third country institutions.
15. The City of London is embarking on a joint project with the Atlantic Council, Thomson Reuters and Standard Chartered on RMB internationalisation, which aims to provide an assessment of the current state of play and identify what is needed for its successful adoption from the standpoint of market participants, as well as the policy and infrastructure needed to support it. Your Chairman had a useful preliminary discussion with all parties and the importance of the politics of the issue came out very clearly. A meeting with the Monetary Authority of Singapore (MAS) confirmed that they see a significant role for themselves in relationships with China generally and developing the internationalisation of the RMB in particular. They told your Chairman that the establishment of RMB centres across Europe, and especially in London, reflects real momentum in the internationalisation of the currency, which has encouraged Singaporean financial institutions to be more willing to consider doing business in RMB.
16. Your Chairman co-hosted a meeting with the Atlantic Council and Thomson Reuters at which the Dutch Finance Minister and Eurogroup President, Jeroen Dijsselbloem, was a speaker and proposed a new pact for Europe that

would reward countries that pursue ambitious economic reforms with EU funds and leeway on budget targets. He was critical of France's approach to dealing with its deficit.

17. Your Chairman spoke on transatlantic political, regulatory and competitiveness issues at a roundtable discussions hosted by HSBC. This included representatives of banks, financial institutions, trade bodies, politicos and think tanks.
18. Even though the referendum in Scotland had passed, your Chairman witnessed significant interest in the result and what this meant for the UK, and how this could have even seriously been considered in the first place. Similar views were expressed about Britain and the EU.
19. Your Chairman heard that there was general dissatisfaction with the bankers' bonus cap in Europe, with several banks commenting that it was now more difficult to persuade staff to relocate to London, in comparison with other financial centres like Hong Kong and Singapore.
20. Several people your Chairman met with were interested in what Mark Carney might say regarding 'Too Big To Fail' at the G20 summit in Brisbane next month. There was a view that it is now important for Mr Carney to highlight the many achievements that have been made in reforming the financial system, and the need to pay attention to global growth.
21. Given the by-elections that took place while your Chairman was in the US, there was much interest in the political situation in Britain, in particular the implications of the rise of UKIP.
22. Your Chairman met with Danny Lopez, British Consul-General in New York, and was impressed by the work UKTI New York is doing to promote the British tech industry. This is a topic of key interest to the City as we strongly support the UK's FinTech community, including the recently established Innovate Finance.
23. Following the visit, your Chairman provided a summary of the discussions in a letter to the Chancellor. Follow-up is being undertaken with those he met with on areas of mutual interest including the project on the internationalisation of the Renminbi being undertaken with the Atlantic Council, Thomson Reuters and Standard Chartered.

Corporate & Strategic Implications

24. The visit to the US by your Chairman supported the vision of the City of London's 2013 – 17 Corporate Plan and the strategic aim: "To support and promote The City as the world leader in international finance and business services". It also met the strategic aim of the Economic Development Office: "To support and promote the City as the world leader in international finance and business services, by championing a positive, responsible and competitive business and policy environment, supporting the City's interests in

global markets and helping to realise the economic and social potential of London, especially the City and our neighbouring boroughs".

25. The format and timing of this visit (during the IMF/World Bank Annual Meetings in Washington) aligned with several new strategic objectives of the City's 2014/2015 US Action Plan: raising the profile of the City Corporation in the US through forging cooperative relationships with key US stakeholders that can assist in enhancing the Corporation's level of engagement in the US, particularly with leading economic think tanks and other influential stakeholders of the reform agenda.
26. In line with this, your Chairman visited the IMF/World Bank Meetings as a British official delegate, attended various meetings on the periphery, and engaged in several cooperative activities/events with influential organisations, including the Institute of International Finance, the Atlantic Council, Thomson Reuters, Standard Chartered and HSBC. Your Chairman also attended several events, receptions and meetings hosted by major financial institutions and trade bodies, which provided a good opportunity for him to network with business and policy stakeholders, and deliver messages from the City.
27. The next visit of your Chairman to the US is planned for Spring 2015.

Implications

28. In May 2009, Members approved a budget for two visits to the US each year by the Chairman at a cost not exceeding £52,000 per annum to be met from the Town Clerk's existing local risk budgets (including Economic Development and Public Relations). Travel, accommodation, hospitality and incidental expenses for this visit were in accordance with the Business Travel Scheme and did not exceed the budget.

Conclusion

29. The visit provided a valuable insight into the latest thinking of senior US policymakers and regulators on regulatory and competitiveness issues affecting transatlantic financial markets. The Chairman was able to deliver priority messages of the City to a wide spectrum of stakeholders, including calling for greater international coordination of financial regulatory reforms. Your Chairman heard about the latest views the US political climate and the opportunity to transmit news on the latest political and regulatory developments in the UK and Europe too. Your Chairman also heard the latest views of US stakeholders on the business and investment environment in the UK, Europe and the US.
30. The visit to the US during the IMF/World Bank Annual Meetings proved a good platform for raising the profile of the City Corporation in the US as it facilitated the Chairman's participation in high profile speaking engagements, interaction with multiple international stakeholders, and development of cooperative relationships with a number of influential organisations, including think tanks, trade bodies and financial institutions. These relationships can now be built-on to enhance the engagement the Corporation has with US stakeholders in both the US and UK.

Appendices

- Appendix – Programme for the Policy Chairman's visit to the US: 7 – 13 October 2014

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Appendix: US visit programme

Tuesday 7 October (New York)

- Meeting with Alberto Musalem, Executive Vice President of the Emerging Markets & International Affairs Group, Federal Reserve Bank of New York
- Meeting with Katharine Rushton, US Business Editor, The Telegraph

Wednesday 8 October (New York)

- Meeting with Danny Lopez, British Consul-General, British Consulate New York
- Meeting with Sandie O'Connor, Chief Regulatory Officer, JP Morgan
- Meeting with Bill Mills, CEO North America, Citi
- Meeting with Peter Benton-Sullivan, Head of Americas, Cicero Group
- Meeting with John Medel, Government Affairs, Goldman Sachs
- Dinner with Richard Coffman, General Counsel of the Institute of International Bankers

Thursday 9 October (Washington DC)

- IMF meetings administration
- Meeting with Doug Elliott, Fellow, Brookings
- Meeting with Jingdong Hua, Vice President, Treasury and Syndications, IFC
- Meeting with Atlantic Council, Thomson Reuters and Standard Chartered – RMB internationalisation project discussion

Friday 10 October (Washington DC)

- HSBC roundtable with firms and politicos
- Meeting with Matt Browne, Senior Fellow, Center for American Progress
- [Event](#) hosted by Atlantic Council, City of London Corporation and Thomson Reuters: “The Next Stage of Eurozone Recovery: A Conversation with Eurogroup President Jeroen Dijsselbloem”
- Institute of International Finance (IIF) Conference Session
- Meeting with Timothy Massad, Chairman of U.S. Commodities and Futures Trading Commission (CFTC)
- Meeting with Daniel Gallagher, Commissioner, Securities & Exchange Commission (SEC)
- IIF Conference Session
- Business Reception

Saturday 11 October (Washington DC)

- Meeting with Jun Ma, Chief Economist, People's Bank of China (PBOC)
- Meeting with Leong Sing Chiong, Assistant Managing Director (Development & International), Monetary Authority of Singapore (MAS)
- [IIF Conference](#) – Cyber-security panel
- IIF Conference Session
- Business Reception

Sunday 12 October (Washington DC)

- Group of 30 International Bankers Conference
- IMF Seminars and Meetings

- Business Reception

Monday 13 October (Washington DC)

- Meeting with Eli Peterson, Managing Director & Senior Managing Counsel, BNY Mellon & Jennifer Xi, Managing Director & Senior Counsel, Office of Public Policy and Regulatory Affairs, BNY Mellon
- Meeting with Ken Bentson, President & CEO of SIFMA