

On June 17, 2013, President Obama, European Council President Van Rompuy and European Commission President Barroso agreed to open negotiations on a Transatlantic Trade and Investment Partnership (TTIP) agreement. Since then, EU and US officials have conducted seven negotiation rounds on TTIP, with an eighth round expected to take place in Brussels in early February 2015.

While the original goal was to complete the TTIP negotiations in 2014, EU and US officials have recently called for a “fresh start” on the negotiations, as “an opportunity for both sides at the table to look anew at the outstanding issues and figure out how best to take them forward.” Further, EU Trade Commissioner Malmstrom has held open the possibility of a deal on TTIP being finalized before the 2016 US Presidential elections. Indeed, during a December 11 meeting in Washington DC, she noted “it’s a little bit too early to say, but we will do, from our side, our utmost to make that [timeline]. ... But it’s not impossible. We’ll see, we’ll try.”

The TTIP is of significant geopolitical importance – it will generate jobs and economic growth in the US and the EU markets, in addition to regulatory compatibility and harmonization. However, the negotiations have also brought to light several challenges in the EU-US trade relationship. For example, the EU has expressed concerns regarding US restrictions on energy exports and agricultural market access and the US has highlighted investor-state dispute settlement (ISDS) as a key priority for TTIP.

### **Financial Services**

One of the contentious issues in the TTIP negotiations is the inclusion of a financial services chapter. While EU officials have pressed for inclusion of financial services regulations to be part of TTIP, the Obama Administration has been hesitant to include financial services in TTIP given fears that the negotiations may pare back US financial regulatory reforms established in the aftermath of the Dodd-Frank Act. Instead, US officials have repeatedly expressed a desire to discuss financial services regulatory issues in parallel tracks to TTIP. While recognizing the importance of financial services in the transatlantic economy, the Office of the US Trade Representative, for example, has emphasized, “a successful TTIP will increase financial services market access to the EU as well as provide

consumers with access to high-quality financial services and greater choice with regard to suppliers. At the same time, we will continue to ensure that our government retains full discretion to regulate the financial sector and to take the actions necessary to ensure the stability and integrity of the US financial system.”

Issues that could be part of future financial services discussions surrounding TTIP include regulatory harmonization in areas such as the cross-border application of rules for swaps transactions, risk management requirements, enhanced prudential standards for certain systemically important institutions, and clearing and reporting requirements. In the next Congress, we expect Republicans to continue supporting a TTIP that includes such financial services discussions. As the incoming Chair of the Senate Finance Committee, Orrin Hatch (R-UT), stated in an October 2013 hearing, “financial services play an essential role in facilitating trade and investment flows between our two regions. Given the central importance of the financial sector to every other aspect of industrialized economies, I do not see how financial services regulation can be excluded from a meaningful TTIP.”

### **Trade Promotion Authority**

As negotiations regarding TTIP continue in 2015, the US Congress will begin work on Trade Promotion Authority (TPA) legislation, which would give the President authority to negotiate international trade agreements such as TTIP, while allowing Congress to approve or disapprove without amending (or filibustering) such agreements.

Earlier this month, President Obama stated that he will work with the US Congress on a bipartisan TPA bill in 2015. Democratic lawmakers such as Senator Sherrod Brown (D-OH) and Representative Rosa DeLauro (D-CT) have expressed opposition to TPA legislation, unless it includes certain improvements on issues such as “human rights, trade enforcement and real enforceable labor and environmental standards.” On the other hand, Republicans in the House Ways and Means Committee have recently indicated they hope to release a revised TPA, with few changes, in early 2015, indicating that Republicans may not be interested in a comprehensive overhaul of the bill.

## Squire Patton Boggs Capabilities

Given our wealth of experience at the intersection of international trade and financial services policy and regulatory affairs, Squire Patton Boggs is exceptionally positioned to assist clients who want to shape the TTIP discussions. Our firm advises both US and non-US public and private corporations and trade associations on international trade legislation, FTAs, World Trade Organization (WTO)-related issues, and a host of other matters involving international trade and trade policy. Further, we have a robust financial services policy and regulatory practice, assisting derivatives market participants and newly created and regulated registered entities navigate the regulatory system created by the Dodd-Frank Act.

### Contacts

Frank R. Samolis  
T +1 202 457 5244  
E frank.samolis@squirepb.com

Micah S. Green  
T +1 202 457 5258  
E micah.green@squirepb.com

Mara C. Giorgio  
T +1 202 457 6522  
E mara.giorgio@squirepb.com

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