4. This Annex shall be without prejudice to the distribution and exercise of competences of regulatory and supervisory authorities of the Parties. The Parties recognise that their regulatory cooperation should be based on due consideration of differences in market structures and business models that may exist between the Parties in the area of financial services.

Principles of regulatory cooperation

5. Each Party shall make its best endeavours to ensure that internationally agreed standards for regulation and supervision in the area of financial services are implemented and applied in its territory. Those internationally agreed standards are, *inter alia*, the standards and principles issued by the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, and the Financial Stability Board.

6. The Parties shall make their best endeavours to achieve mutual compatibility of their respective regulatory and supervisory frameworks for financial services in a way that supports the objectives referred to in paragraphs 1 and 2.

7. Without prejudice to its own legislative processes, each Party shall make its best endeavours to offer the other Party an opportunity to be informed at an early stage and to provide comments on its planned regulatory initiatives in the area of financial services that may be of relevance to the other Party.

8. The Parties shall be able, wherever possible, to rely on each other's rules and supervision. The foregoing shall be without prejudice to each Party's right to assess, on the basis of its own rules, in particular criteria for reliance, the regulatory and supervisory framework of the other Party with a view to establishing reliance. For the purposes of any such assessment, a Party shall not require that rules and supervision of the other Party are identical to its own rules and supervision, but shall base its assessment on regulatory outcomes.

9. The Parties shall keep each other informed of how they provide for effective supervision and enforcement of rules for implementing internationally agreed standards or any other rules, in particular in the areas where one of the Parties relies on the regulatory and supervisory framework of the other Party.

10. Each Party shall, in the process of formulating its planned regulatory initiatives in the area of financial services, give due consideration to the impacts of that initiative on market operators and the jurisdiction of the other Party.