Scope of regulatory cooperation

4. Regulatory cooperation shall cover all areas of financial services, which shall include emerging issues of mutual interest, unless otherwise agreed by the Parties.

5. The provisions in this Annex shall be without prejudice to the distribution and exercise of competences of regulatory or 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.

Principles of regulatory cooperation

6. To support regulatory cooperation, the Parties shall, wherever practicable, work together in international standard-setting bodies to develop effective international standards and facilitate coherent implementation in the area of financial services. Each Party shall use 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.[1]

7. The Parties shall, wherever practicable, work to achieve mutual compatibility of their respective regulatory and supervisory frameworks for financial services in areas of common interest in a way that supports the objectives referred to in paragraph 1. Such work may include developing consistent regulatory approaches on an outcomes basis and reducing unnecessarily burdensome, duplicative or divergent regulatory requirements.

8. Without prejudice to its own legislative processes, each Party shall use 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.

9. A Party shall, wherever practicable, defer to the regulatory and supervisory frameworks of the other Party. Such deference shall be without prejudice to each Party's right to assess, on the basis of its own regulatory and supervisory frameworks, the regulatory and supervisory frameworks of the other Party, including the effective enforcement of such frameworks, with a view to establishing deference. For the purposes of any such assessment, a Party shall not require that the regulatory and supervisory frameworks of the other Party are identical to its own frameworks, but shall base its assessment on regulatory outcomes.

10. In the areas where a Party defers to the regulatory and supervisory frameworks of the other Party, the Parties shall keep each other informed of how they provide for effective implementation and enforcement of regulatory and supervisory frameworks, consult with each other on changes to their respective regulatory and supervisory frameworks, and ensure that appropriate mechanisms are in place for the exchange of information on supervision and enforcement.

11. A Party shall, in the process of formulating its planned regulatory or supervisory initiatives, in the areas of financial services where that Party defers to the regulatory and supervisory framework of the other Party, give due consideration to the impact of those initiatives on its decision to defer to the other Party's regulatory and supervisory frameworks.

12. A Party shall review a measure which has been brought to its attention by a specific written request of the other Party, which may have an impact on the ability of the other Party's financial service suppliers to provide financial services within the former Party's territory. Any such requests for review shall only be made where the impact is material and shall include a clear explanation of the impact of the measure and its materiality. Any such review shall consider whether and to what extent the measure may be rendered mutually compatible.

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[1] For greater certainty, for the purposes of this Annex, regulatory standards adopted by international standard-setting bodies may be considered as internationally agreed standards, where the Parties' financial regulatory authorities have agreed on such regulatory standards and participate in such bodies.