



## COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

### SIXTH ANNUAL MEETING OF THE FINANCIAL SERVICES COMMITTEE

31 MAY – 1 JUNE 2023, OTTAWA

### JOINT REPORT

The sixth annual meeting of the CETA Financial Services Committee took place in Ottawa on May 31 and June 1, 2023. Some participants also joined by video conference.

Canadian participants included officials from the Department of Finance Canada (Finance Canada), the Office of the Superintendent of Financial Institutions (OSFI), the Bank of Canada, the Financial Consumer Agency of Canada (FCAC) and the Canada Deposit Insurance Corporation (CDIC).

EU participants included officials from the European Commission's Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), the Directorate General for Trade (DG TRADE), the European Supervisory Authorities (the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority), the Single Resolution Board, the European Central Bank (ECB), and the Delegation of the European Union in Ottawa.

The Committee emphasized the benefit of close cooperation between Canada and the EU and welcomed discussions in four broad areas including the macroeconomic outlook and financial stability risks, financial sector policy and regulatory developments, digital finance, and sustainable finance.

The Committee took stock of the current global macroeconomic and financial stability situation, noting slowed economic growth, labour markets resilience, and persistently high core inflation. From a financial stability perspective, participants noted vulnerabilities associated with high valuations, low market liquidity, tightening credit conditions, and household debt serviceability. Both sides noted that their financial sectors had proven resilient amid recent banking sector stresses and attributed this, in part, to the many financial system reforms

put in place following the Global Financial Crisis of 2008-09. Participants also discussed the ongoing work of the Financial Stability Board and the Basel Committee on Banking Supervision to address current and emerging risks.

On banking and insurance, participants discussed work related to Basel III implementation and initiatives to address insurance gaps, relating in particular to climate and natural disaster protection gaps. Canada provided updates on its review and development of guidelines on risks related to residential mortgage underwriting, third-party arrangements and corporate culture. The European Commission gave an overview of the EU's crisis management and deposit insurance (CMDI) reform package that had been recently published, while the Canadian authorities provided an update on the various workstreams to improve the Canadian system of depositor protection.

Participants discussed their jurisdictions' respective approaches to combatting financial crime, with the EU noting its proposal for a new Anti-Money Laundering Authority (AMLA) and Canada describing work to improve its AML/CFT and beneficial ownership regimes. Participants also took stock of Financial Action Task Force (FATF) priorities, the importance of deepening engagement with international financial institutions and FATF-style regional bodies, and agreed on the importance of FATF's work.

Participants also discussed current financial literacy levels and initiatives, supporting financial inclusion via digital innovation, and priorities of the OECD Task Force on Financial Consumer Protection.

Participants exchanged updates on their respective approaches and areas of work regarding digital finance, including open banking and open finance, crypto assets, stablecoins, and central bank digital currencies. Both sides agreed that international alignment on the treatment of crypto is important to minimize gaps. Participants noted their shared interest in many of the topics covered under this session and look forward to continuing close engagement both bilaterally and in multilateral fora.

Participants exchanged updates and views on their various approaches to sustainable finance, climate-related financial risks, understanding of greenwashing, and discussed ongoing multilateral efforts to support the net zero transition. Both sides agreed on the need to leverage private investment to fund the net zero transition, and the importance of coordinated multilateral efforts in this regard, including via support for the International Sustainability Standards Board (ISSB) and participation at the G20 Sustainable Finance Working Group, among other fora.

Both sides share the view that the CETA Financial Services Committee is an important forum to share knowledge on financial sector regulation and policies and to maintain and deepen the strong bilateral relationships. The next meeting

is expected to take place in mid-2024 in Brussels. In the interim, officials will follow up bilaterally, as appropriate, on topics discussed in this forum.

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