

Joint Statement on the U.S.-EU Joint Financial Regulatory Forum

Washington D.C. — U.S. and EU participants in the U.S. - EU Joint Financial Regulatory Forum (“the Forum”) met virtually on March 1-2, 2022, to exchange views on topics of mutual interest as part of their ongoing financial regulatory dialogue.

EU participants included representatives of the European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Central Bank (ECB), the Single Supervisory Mechanism (SSM), the Single Resolution Board (SRB), and the European Systemic Risk Board (ESRB).

U.S. participants included officials from the U.S. Department of the Treasury and staff from independent regulatory agencies, including the Board of Governors of the Federal Reserve System (FRB), Commodity Futures Trading Commission (CFTC), Federal Deposit Insurance Corporation (FDIC), Securities and Exchange Commission (SEC), and Office of the Comptroller of the Currency (OCC). U.S. participants expressed views on issues in their respective areas of responsibility.

The Forum underscored U.S. and EU cooperation and focused on six themes: (1) market developments and current assessment of financial stability risks, (2) operational resilience and digital finance, (3) sustainable finance and climate-related financial risks, (4) regulatory and supervisory cooperation in capital markets, (5) multilateral and bilateral engagement in banking and insurance, and (6) anti-money laundering and countering the financing of terrorism (AML/CFT).

The United States and the European Union are currently experiencing robust economic recoveries. However, the current geopolitical situation creates significant uncertainty and downside risks. Both the United States and the European Union also still face the ongoing COVID-19 pandemic, inflationary pressures stemming in part from higher energy prices, and supply-chain bottlenecks. The resilience of the financial sectors on both sides of the Atlantic has helped to absorb the effects of the turbulent environment. As we contend with continued high levels of uncertainty, cooperative international engagement to mitigate financial stability risks remains essential.

During the meeting, participants shared views on digital finance, including recent developments regarding crypto-assets and so-called stablecoins. Participants also discussed considerations regarding any potential central bank digital currencies. Participants acknowledged the importance of ongoing international work on digital finance and recognized the benefits of greater international supervisory cooperation with a view to promote responsible innovation globally.

In addition, participants discussed recent efforts by the United States and the European Union on operational resilience in the financial sector. They exchanged views on regulatory cooperation on third-party providers and discussed the EU’s Digital Operational Resilience Act.

Participants discussed issues related to sustainable finance. They recognized the importance of addressing climate-related challenges for the financial sector and climate-related financial risks, consistent with their respective mandates and with a view of achieving coherent approaches for a problem that is global in nature. Participants discussed their ongoing work on climate and other sustainability-related financial disclosures. In that regard, the European Union referred to its proposed Corporate Sustainability Reporting Directive and to the development of EU sustainability reporting standards, and SEC staff provided an update regarding their work to develop rule proposals addressing disclosures around climate risk and human capital and also addressing fund disclosures and naming conventions. Both sides recognized the value of continuing the recent bilateral technical-level exchanges on sustainability-related disclosures. Participants also discussed assessment of and possible financial regulatory and supervisory responses to climate-related financial risks, including with respect to the insurance sector. They acknowledged work being done on sustainable finance issues in international forums, including the G20 Sustainable Finance Working Group and the International Platform for Sustainable Finance.

On capital markets, participants discussed their continued monitoring of the transition from panel reference rates and the progress in their respective legislative and supervisory efforts to ensure a smooth transition away from LIBOR. Participants discussed CFTC implementation of new capital and financial reporting requirements for swap dealers, and recent SEC rulemaking proposals addressing Treasury markets trading platforms, the settlement cycle, the reporting of large security-based swap positions, and securities lending. They also discussed the EU review of the Markets in Financial Instruments Directive and Regulation and its planned review of the European Market Infrastructure Regulation. They also compared notes on their respective efforts in the area of fund reform, and took stock of ongoing discussions regarding data transfers and the registration of EU funds in the United States.

Regarding banking, participants discussed the implementation of Basel III reforms and the treatment of foreign bank branches, as well as the implementation in the EU of the rules concerning investment firms. They also discussed issues from the Foreign Account Tax Compliance Act (FATCA) relevant to citizens and financial firms, and developments in the field of insurance, including the EU's review of the Solvency II framework and its new framework for recovery and resolution of insurers and reinsurers, and implementation of the U.S.-EU Covered Agreement. The EU also provided an update on finalization of the common backstop to the Single Resolution Fund.

Participants also discussed progress made in strengthening their domestic AML/CFT frameworks. The EU provided an update on its AML/CFT legislative package, and the United States provided an update on its ongoing implementation of the Anti-Money Laundering Act of 2020, enacted as part of the National Defense Authorization Act for Fiscal Year 2021.

Participants acknowledged the importance of the Forum in fostering ongoing financial regulatory dialogue between the United States and European Union. They agreed that regular communication on regulatory and supervisory issues of mutual concern is necessary to support financial stability, investor protection, market integrity, and a level playing field.

Participants will continue to engage on these topics, as well as on other topics of mutual interest, ahead of the next Forum meeting, which is expected to take place in the summer of 2022.