



COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT (CETA)

SEVENTH ANNUAL MEETING OF THE FINANCIAL SERVICES COMMITTEE

10-11 JUNE 2024
BRUSSELS,
IN PERSON (WITH VIRTUAL PARTICIPATION)

JOINT REPORT

The seventh annual meeting of the CETA Financial Services Committee (hereinafter the “Committee”) took place in Brussels on 10 and 11 June 2024. Some participants also joined by video conference.

EU participants included officials from the European Commission, the European Supervisory Authorities (the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA)), the Single Resolution Board (SRB) and the European Central Bank (ECB).

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 (BoC), the Financial Consumer Agency of Canada (FCAC) and the Canada Deposit Insurance Corporation (CDIC). The meeting was co-chaired by the European Commission Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and Finance Canada.

The Committee emphasised the benefit of close cooperation on financial sector regulatory matters between like-minded jurisdictions, including at multilateral fora. The discussion focused on a number of broad themes, namely: international cooperation, the macroeconomic and financial stability outlook, financial sector regulatory and policy developments, and addressing the evolution of the financial sector.

The meeting opened with discussions on the current global macroeconomic, financial stability, and risk outlooks. Parties noted that the risk of a recession had receded, and

that the pace of inflation had slowed globally, with both the ECB and BoC recently cutting policy rates by 25 basis points. However, the global macroeconomic outlook remains challenging due to downside risks related to household and business debt serviceability, high asset valuations, and ongoing international geopolitical challenges. Participants noted that respective EU and Canadian financial sectors have proven resilient since the last meeting of the Financial Services Committee despite a challenging global environment.

On the shortening of securities settlement cycles, Canada provided a factual update on the recent migration to T+1 in Canada. The EU explained that it was conducting an analysis on the merits of such a move, with authorities closely following international developments, and Parties agreed to additional engagement on the Canadian experience.

Participants reflected on the importance of addressing vulnerabilities in the non-bank financial intermediation (NBFI) sector. The European Commission provided an update on its recently launched targeted consultation on assessing the adequacy of macroprudential policies for NBFI. Both sides agreed on the importance of multilateral cooperation, including at the Financial Stability Board (FSB).

Participants exchanged views on sustainable finance, particularly in the context of ongoing work in multilateral fora. Both sides acknowledged and welcomed the good cooperation between the EU and Canada in international fora such as the G20 Sustainable Finance Working Group and the International Platform on Sustainable Finance. There was also an exchange of views on climate-related financial risks, including measures in the EU's Banking Package and OSFI's Guideline B-15 Climate Risk Management.

On banking regulation, both sides agreed on the importance of global implementation of Basel III, including from a level-playing-field perspective. EU participants provided an update on implementation of the EU Banking Package, which will ensure even greater stability and resilience of EU banks. OSFI briefly updated on its new Supervisory Framework, and CDIC spoke to its priorities including the Deposit Insurance Review. Both sides updated on respective developments in resolution, where both the EU and Canada continue to closely follow discussions, including at the FSB level, on the interaction between US securities laws and open bank bail-in operationalisation. On insurance regulation, participants on both sides provided updates on the state of play of insurance regulation, including the Solvency II review in the EU and OSFI's capital adequacy guidelines.

Participants exchanged views on recent developments in the field of anti-money laundering (AML) and combatting the financing of terrorism (CFT). Participants on the EU side provided an update on the recently adopted AML Package, including the establishment of the new Anti-Money Laundering Authority (AMLA). The Canadian side updated on legislation currently before the Canadian Parliament which aims, among other things, to strengthen enforcement agencies and domestic information-sharing. The EU side also updated on the state of play on adopting the latest list of high-risk third countries.

Canada provided an overview of its consumer-driven finance initiatives (e.g., open banking), including the anticipated legislative framework, FCAC authorities, and implementation timelines. The European Commission provided an update on legislative proposals regarding open banking (in the Payment Services Regulation (PSR)) and open finance (in the proposal on Financial Data Access (FIDA)). FCAC and DG FISMA exchanged views and agreed on the importance of advancing financial education, inclusion, and literacy.

The EU and Canada updated each other on recent developments in digital finance, in particular in relation to operational resilience, crypto-assets and stablecoins, including asset tokenisation, and central bank digital currencies. In addition, there was an exploratory exchange of views on the opportunities and challenges presented by artificial intelligence in the financial sector, its implications for regulation, supervision and financial stability, and the need to continue promoting risk management and responsible adoption. Both sides agreed on the importance of cooperation in multilateral fora when it comes to digital innovation.

There were also exploratory discussions on competition in the financial sector and upholding the integrity of the financial sector. Participants on the Canadian side provided updates on OSFI's Integrity and Security Guideline and Finance Canada's initiative on competition in the financial sector. From an EU perspective, participants updated on measures to enhance competition in the financial sector, including the EU's Retail Investment Strategy, the Capital Markets Union initiative, and developments in open banking and open finance.

Both sides continue to 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 relationship. The next meeting is expected to take place in mid-2025 in Ottawa. In the interim, officials will follow up bilaterally, as appropriate, on topics discussed at this year's meeting.

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