

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

Washington — The U.S.-EU Joint Regulatory Forum took place on February 7-8, 2023, with participants exchanging views on topics of mutual interest as part of their regular 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), and the Single Resolution Board (SRB).

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

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

The current geopolitical situation, triggered by Russia's unprovoked and unjustified invasion of Ukraine, coupled with uncertainties regarding the global economic outlook and persistent inflationary pressures, exposes the financial system to downside risk both in the EU and in the U.S. However, our financial systems have proven to be resilient. International cooperation in monitoring vulnerabilities and building resilience against stability risks remains essential, in the uncertainty around future geopolitical developments, tightening global financial conditions, and the negative impacts on global energy and commodities markets.

Participants discussed issues related to sustainable finance, mainly ongoing work on climate and other sustainability-related financial disclosures and on climate-related financial risks. The European Commission presented the progress made on the implementation of the Sustainable Finance Disclosures Regulation and on the development of European Sustainability Reporting Standards, as mandated under the Corporate Sustainability Reporting Directive. SEC staff discussed the SEC's proposals to enhance disclosures regarding issuers' climate-related risk and enhance disclosures by certain funds and investment advisers regarding ESG practices. EU and U.S. participants agreed to continue the bilateral exchange on sustainability-related disclosures and their engagement in international fora, including on standards being developed by the International Sustainability Standards Board (ISSB). Discussions also turned to the management of climate-related financial risks, where both sides exchanged on recent developments and initiatives to ascertain risks and management practices and challenges.

Participants from both sides also acknowledged the work being done on sustainable finance and climate-related financial risk issues in international fora, including at the G20 Sustainable Finance Working Group and the Financial Stability Board. The EU provided an update on work at the International Platform for Sustainable Finance.

Regarding banking, participants updated each other on developments related to the implementation of Basel III reforms, including on scope and process. This was followed by an exchange on insurance related

topics, where the European Commission described progress on the Solvency II review and the proposal for an Insurance Recovery and Resolution Directive. A discussion also took place on developments in bank resolution in the participants' respective jurisdictions, as part of their dialogue to facilitate regular cross-border resolution coordination.

Participants also discussed issues relating to the Foreign Account Tax Compliance Act (FATCA) relevant to citizens and financial firms and the recent U.S. Internal Revenue Service temporary relief to foreign financial institutions for certain pre-existing accounts.

With regard to capital markets, participants continued their exchanges on monitoring the transition from panel reference rates and the progress made on their respective legislative and supervisory efforts to promote a smooth transition away from LIBOR. Participants informed each other on recent developments on capital markets rules. The European Commission provided a state of play on the negotiations of the review of the Markets in Financial Instruments Directive and Regulation, the Directives setting out the rules for investment funds (covering AIFM and UCITs), and the proposal to amend the European Market Infrastructure Regulation (EMIR). U.S. SEC staff gave an update on their recent proposed rules and amendments related to investment funds and equity market structures.

Participants also shared views on operational resilience and digital finance. U.S. participants described U.S. Treasury's recent report on cloud services as well as multilateral work in this space at the FSB and the U.S. Critical Providers Dialogue. The EU provided an update on the regulation on digital operational resilience (DORA), which has just entered into force. The discussions also touched upon recent market developments regarding crypto-assets and updates on regulatory and enforcement efforts in the U.S. and EU relating to crypto-assets. The exchange also took stock of discussions around the developments related to the potential adoption of central bank digital currencies.

Participants also discussed progress made in strengthening their domestic AML/CFT frameworks. European Commission staff provided an overview of recent developments on AML matters, including the supranational risk assessment and public-private partnership guidance. U.S. participants provided an update on the ongoing implementation of the Anti-Money Laundering Act of 2020, including the Corporate Transparency Act. Participants also discussed the implementation of the travel rule for funds and crypto-assets.

Participants acknowledged the importance of the Forum in fostering ongoing financial regulatory dialogue between the U.S. and the EU. 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 Summer 2023.