

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

Washington D.C. — The EU–U.S. Joint Financial Regulatory Forum took place on December 4-5, 2023, with participants exchanging views on topics of mutual interest as part of their regular financial regulatory dialogue. The dialogue was hosted by the U.S. Department of the Treasury and the European Commission.

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 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), Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission (SEC), and Consumer Financial Protection Bureau (CFPB).

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; (2) regulatory developments in banking and insurance; (3) anti-money laundering and countering the financing of terrorism (AML/CFT); (4) sustainable finance; (5) regulatory and supervisory cooperation in capital markets; and (6) operational resilience and digital finance. Agency participation varied across themes, with representatives expressing views on issues in their respective areas of responsibility.

Risks to the financial sector in the EU and the United States have moderated in recent months, but authorities remain watchful. While the pace of inflation has slowed, risks persist in the pass-through of higher interest rates, elevated levels of private and public sector debt, and the current challenging geopolitical situation. Participants reaffirmed the importance of strong prudential standards for banks, effective resolution frameworks, including in a cross-border context, and robust supervisory practices as well as effective macroprudential policies. International cooperation, including in international fora, and continued dialogue remain important for monitoring vulnerabilities and enhancing the resilience of the financial system and its ability to withstand shocks.

An exchange followed to provide updates on U.S. and EU bank regulatory proposals and developments, including proposals to strengthen capital requirements and resolution frameworks. The U.S. federal banking regulators presented their proposed rules which would implement the final set of Basel III reforms, including the proposed implementation timetable and proposed transition periods. The European participants provided an update on the state of play of the EU's Banking Package. A discussion on resolution took place, where the EU updated on the legislative negotiations on the proposal for the review of the EU crisis management and deposit insurance framework. The FDIC provided an update on work related to U.S. resolution-related Notices of Proposed Rulemaking (NPR), including the federal banking agencies' Long Term Debt Requirements for Large Banking Organizations NPR, the FDIC's NPR on Resolution Plans Required for Large Depository Institutions, and the FDIC and FRB notice concerning Title

I Guidance to Triennial Full Filers. This was followed by an exchange on the interactions between U.S. securities laws and open bank bail-in operationalisation. The EU participants underlined the importance of addressing the legal uncertainty in the resolution process. Both sides agreed to continued engagement to make progress on the challenges posed by this issue. Participants continued with an exchange on insurance-related matters, including discussions on insurance recovery and resolution, as well as updates on climate-related financial risk assessment and related tools, including updates on the Federal Insurance Office's ongoing work on climate-related risks and the insurance sector.

Participants discussed issues relating to the Foreign Account Tax Compliance Act (FATCA) relevant to citizens and financial firms. U.S. participants provided an update on the ongoing implementation of the Anti-Money Laundering Act of 2020, including the Corporate Transparency Act, notably with reporting requirements of beneficial ownership information for corporates and the set-up of a register.

Participants discussed issues related to sustainable finance, focusing on their respective work on climate, sustainability-related financial disclosures, and other sustainability-related requirements. EU participants gave the state-of-play of the European Sustainability Reporting Standards and of the stock-taking on funds' disclosures rules. The U.S. Treasury presented its recently released *Principles for Net-Zero Financing and Investment*. Participants also touched upon developments in sustainable finance at the international level, including the work expected in 2024 at the G20's Sustainable Finance Working Group, building on the G20 Sustainable Finance Roadmap, while the EU provided an update on work of the International Platform for Sustainable Finance.

On capital markets, participants provided updates on recent developments on capital markets structure and fund reforms rules. An exchange also took place on the shortening of the settlement cycle in the United States. The CFTC provided updates on the designation of a unique product identifier and product classification system to be used in swap recordkeeping and reporting. Discussions ended with a presentation on the Financial Stability Oversight Council's (FSOC) new analytic framework for financial stability risks and guidance on nonbank financial company determinations.

Participants continued to share views and updates on operational resilience and digital finance. Participants shared an update about their multilateral work on these issues at the Financial Stability Board and the U.S. Critical Providers Dialogue. The European side updated on their work on regulatory and technical implementing acts under the Digital Operational Resilience Act (DORA) regulation and the regulation on markets in crypto-assets. The discussions touched upon recent market developments regarding crypto-assets and updates of regulatory and enforcement efforts in the United States. Representatives of the European Commission updated on the legislative process on the digital euro proposal, with representatives of the ECB informing about the launch of the preparation phase for the digital euro. The Forum closed with exchanges on the use of artificial intelligence in financial services and on financial data sharing proposals.

Participants acknowledged the importance of the Forum in fostering ongoing financial regulatory dialogue between the United States and the EU and will continue to discuss the scope of the potential implications

of our respective policies and laws in each other's jurisdictions. They further acknowledged that regular communication on regulatory and supervisory issues of mutual concern is important 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 anticipated in summer 2024.