

Joint EU-UK Financial Regulatory Forum

London, 19 October 2023

Joint Statement

The first meeting of the Joint EU-UK Financial Regulatory Forum (the Forum) between the European Union (EU) and the United Kingdom of Great Britain and Northern Ireland (UK) took place in London on 19 October 2023.

The meeting was co-chaired by the Director General for Financial Services on behalf of HM Treasury (HMT) and the European Commission Director General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). Participants attended from the Bank of England (the Bank), the Financial Conduct Authority (FCA), the UK Mission to the European Union (UKMis), the European Central Bank (ECB), the EU Supervisory Authorities (EBA, ESMA and EIOPA) and the EU Single Resolution Board (SRB).

Based on the shared objective of preserving financial stability, market integrity, and the protection of investors and consumers, participants underscored the benefit of structured regulatory cooperation, between the UK and the EU, as an important mechanism to support the sharing of views/ knowledge and cooperation in financial services. Beyond the Forum, Parties also noted the good ongoing cooperation on the design and implementation of sanctions.

This being the first meeting of the Forum, participants provided views on the organisational aspects and practical arrangements for the future of regulatory cooperation under the Memorandum of Understanding (MoU), including how the Forum could be used in future to exchange views on subjects covered therein, including: financial stability risks; implementation of relevant international regulatory standards in the financial services sector; regulatory developments in financial services; and the respective policies, rules and processes concerning deference regimes, such as equivalence, or other tools used to address cross-border issues; and efforts to prevent and combat money laundering and terrorist financing.

The EU and UK financial sectors continue to remain resilient despite an uncertain global economic outlook and the risks related to the current challenging geopolitical situation. Participants shared views on this outlook for market developments and financial stability, with participants taking stock of the risk environment, current economic trends, and market conditions in this context.

UK participants provided an update on their reforms to financial services regulation, including the implementation of the Smarter Regulatory Framework, under the Financial Services and Markets Act 2023, and the Edinburgh and Mansion House reforms.

EU participants provided a general update on the EU agenda concerning financial services until the end of the current legislature.

Participants also discussed addressing vulnerabilities in non-bank financial intermediation (NBFI). Participants agreed that to address vulnerabilities in NBFI and enhance the resilience of the sector, it is critical to finalise and implement international reforms. Participants shared

their respective positions on the ongoing Financial Stability Board (FSB) work aiming to promote the implementation of the FSB Money Market Funds (MMFs) policy proposals and addressing structural liquidity mismatches in open ended funds (OEFs). Both sides then welcomed the FSB's upcoming review of leverage in NBFIs which will be co-chaired by the FCA and the ECB.

Participants also discussed the need for international cooperation and continued bilateral dialogue which remain important for monitoring vulnerabilities and enhancing the resilience of the financial system. Both sides noted their support for the work being led by the FSB and the Basel Committee on Banking Supervision on lessons learned in response to the global banking stress, and by the FSB and the International Organisation of Securities Commissions (IOSCO) on NBFIs.

Participants also provided general updates on their respective recent regulatory developments, including areas of work regarding banking, insurance, capital markets, digital finance, and sustainable finance.

On banking, the Forum discussed work related to the implementation of the Basel III standards, including timelines and stages of implementation. Participants then exchanged views on any potential moves to T+1 settlement for transactions. Both sides then mentioned their respective capital markets reforms and the importance of open and well-functioning capital markets to support growth in the UK and in the EU.

On insurance, both sides updated on their respective ongoing reforms to Solvency II and agreed on the importance of finalising the Insurance Capital Standard (ICS) for International Active Insurance Groups (IAIGs).

On digital finance, the UK and EU provided updates on developments concerning cryptoassets, stablecoins, and retail Central Bank Digital Currencies (CBDC) – the digital pound and the digital euro - in particular on their respective legal and regulatory frameworks. Participants noted their shared interests in many of the topics covered in this session and agreed on the importance of jurisdictions implementing in their legal orders the FSB's high-level recommendations on crypto-asset activities and stablecoins. Both sides also noted that they look forward to continuing close engagement both bilaterally and in multilateral fora, including on global implementation of the Financial Action Task Force's Travel Rule for crypto-asset transfers.

On sustainable finance, participants discussed how best to progress multilateral efforts to support an orderly transition to net zero, including participation in the G20 Sustainable Finance Working Group, among other fora. Both sides noted progress on taxonomy implementation and provided an update on developments as regards environmental, social and governance (ESG) ratings and standards for sustainability disclosure requirements. Both sides noted the importance of ensuring the interoperability of standards, including on disclosure requirements and support for the work of the International Sustainability Standards Board (ISSB).

The next meeting is expected to take place in spring 2024 in Brussels. The UK and EU agreed to follow up on topics discussed between now and the next meeting.