

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

Brussels — The EU–U.S. Joint Financial Regulatory Forum took place on June 27-28, 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 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), and Securities and Exchange Commission (SEC). U.S. participants expressed views on issues in their respective areas of responsibility.

The Forum emphasised 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) regulatory developments in banking and insurance; (3) anti-money laundering and countering the financing of terrorism (AML/CFT); (4) sustainable finance and climate-related financial risks; (5) regulatory and supervisory cooperation in capital markets; and (6) operational resilience and digital finance.

The financial sector continues to remain exposed to risks both in the EU and the United States, due to persistent inflationary pressures, uncertainties in the global economic outlook, and the current challenging geopolitical situation following Russia’s war of aggression against Ukraine. Participants discussed the recent events in the banking sector and the associated market reactions. Participants reaffirmed the importance of strong bank prudential standards, resolution frameworks, their effective application, and robust supervision practices. International cooperation and continued dialogue remain important for monitoring vulnerabilities and enhancing the resilience of the financial system.

An exchange followed on the developments related to the implementation of Basel III reforms, including on scope and process. The European Commission gave a short overview of the advanced stage of legislative negotiations on the EU’s Banking Package proposals. The U.S. federal banking regulators provided updates on their work and anticipated future plans regarding implementation of Basel III. A discussion ensued on resolution aspects, where the EU updated on its recent legislative proposal for the review of the EU crisis management and deposit insurance framework. The FDIC provided an update on its work related to the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank. Participants continued with an exchange on insurance-related matters, including with an update on the EU’s legislative proposal on insurance recovery and resolution directive and on the EU’s Climate Resilience Dialogue regarding the insurance protection gap for climate change-related risks, as well as on the Federal Insurance Office Report on Insurance Supervision and Regulation of Climate-Related Risks.

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

Participants took note of recent developments in strengthening their domestic AML/CFT frameworks. The U.S. participant gave updates on their 2023 Strategy to Combat De-risking and shared findings of the U.S.

Illicit Finance Risk Assessment of Decentralised Finance, which was published in April and covered purported decentralised financial services.

Participants discussed issues related to sustainable finance, focusing on their respective work on climate, sustainability-related financial disclosures and other sustainability-related requirements, as well as on climate-related financial risks, consistent with their respective mandates. The European Commission presented its recent legislative proposal on ESG rating agencies and gave an overview of its work on the wider sustainable finance agenda. An exchange took place on disclosure standards being developed by each party, and the European Commission presented the state of play in developing its European Sustainability Reporting Standards. Participants also touched upon developments on sustainable finance at the international level, including the work being done at the level of the G20's Sustainable Finance Working Group, building on the G20 Sustainable Finance Roadmap. The EU provided an update on work done within the International Platform for Sustainable Finance.

On capital markets, participants continued to exchange on 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, including ongoing efforts to strengthen transparency around security-based swaps, and exchanged views on fund reforms. An exchange also took place on the shortening of the settlement cycle in the United States. Discussions ended with an update on the Financial Stability Oversight Council (FSOC) work on a proposed analytic framework for financial stability risks and proposed guidance on nonbank financial company determinations.

Participants also shared views on operational resilience and digital finance. U.S. participants updated about their multilateral work in this space at the FSB and the U.S. Critical Providers Dialogue. The European Supervisory Authorities gave an update on their work on regulatory and technical implementing acts under the regulation on digital operational resilience (DORA). The discussions touched upon recent market developments regarding crypto-assets and updates of regulatory and enforcement efforts in the United States and EU. The exchange also took stock of developments related to the potential adoption of central bank digital currencies, with the European Commission presenting its recent legislative proposal on the establishment of the digital euro. Participants also exchanged preliminary views on the use of artificial intelligence in financial services.

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 cross-border implications of each other's policies. 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.