

Joint Statement on U.S.-UK Financial Regulatory Working Group Meeting



May 24, 2021

U.S. and UK participants held the fourth meeting of the U.S.-UK Financial Regulatory Working Group (Working Group) virtually on May 20, 2021. The Working Group was formed in 2018 to deepen bilateral regulatory cooperation with a view to the further promotion of financial stability; investor protection; fair, orderly, and efficient markets; and capital formation in both jurisdictions. As two global financial centers, cooperation between the United States and the UK continues to be important, particularly during the global recovery from COVID-19.

Participants included officials and senior staff from the U.S. Department of the Treasury and HM Treasury, and from the U.S. and UK independent regulatory agencies, including the Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Office of Comptroller of the Currency, Securities and Exchange Commission, the Bank of England, and the Financial Conduct Authority. U.S. and UK participants shared views on issues in their respective areas of responsibility.

The Working Group meeting focused on seven themes: (1) international and bilateral cooperation, (2) sustainable finance, (3) updates on domestic initiatives and priorities, (4) benchmark transition, (5) cross-border regimes, (6) operational resilience, and (7) banking and insurance.

At the meeting, U.S. and UK participants discussed the financial sector implications of the UK's withdrawal from the EU, along with areas of mutual interest where international and bilateral cooperation could be intensified. In that regard, participants discussed the importance of preserving the global asset management industry's portfolio management delegation model, continuing cooperative efforts to promote the free flow of cross-border financial services data crucial for effective financial sector regulation and supervision, and the need to avoid regulatory fragmentation and data localization as financial authorities seek to strengthen operational resilience in the financial sector. Participants also noted the risks around any regulatory driven fragmentation in derivatives clearing markets and highlighted the benefits that the global nature of derivatives clearing, underpinned by

effective supervisory cooperation, can bring. They also discussed Financial Stability Board (FSB) work on non-bank financial intermediation, where both U.S. and UK authorities are actively engaged.

Participants discussed issues and priorities relating to sustainable finance, including the management of climate-related financial risks, consistent with their respective mandates. They discussed U.S. administration efforts to tackle climate change and other issues relating to sustainable finance, and the UK's implementation of its Green Finance Strategy, including development of a Green Taxonomy and forward-looking metrics. The United States provided an update on sustainability-related financial disclosures, and UK participants shared progress on the implementation of mandatory Task Force on Climate-related Financial Disclosures-aligned climate-related financial disclosures. Both sides also exchanged views on a broader assessment of and possible responses to climate-related financial risks, as well as cooperation on international efforts to address climate change issues within the financial sector. This included discussions in the G20, where the United States is co-chairing the Sustainable Finance Working Group; the G7, which, under the UK Presidency, is strongly focused on climate change; COP26, where the UK holds the Presidency; IOSCO's Sustainable Finance Task Force; and the FSB's work on a Roadmap for Addressing Climate-Related Financial Risks.

Participants provided updates on their respective financial regulatory agendas, with the United States outlining the Administration's priorities, and the United Kingdom discussing its future approach to financial regulation, including the Future Regulatory Framework Review, Financial Services Act, and the recent consultation on the supervision of international bank branches and subsidiaries.

Participants took stock of ongoing public and private efforts in relation to benchmark transition, SOFR and SONIA market developments, and transition implications for other jurisdictions, noting the importance of providing a coordinated approach to the challenges that benchmark transition presents. They also provided updates on their respective cross-border regimes, including their equivalence and substituted compliance frameworks.

Participants also discussed cooperative efforts relating to operational resilience and the upcoming U.S.-UK Financial Innovation Partnership meeting in June where participants will discuss further actions to deepen U.S. and UK ties in financial innovation.

Regarding banking, participants discussed the implementation of Basel III reforms. And, on insurance, participants exchanged updates on their climate-related insurance work, and

insurance-related COVID responses.

Both sides also reflected on the U.S.-UK financial regulatory relationship and recognized the continued role that the Working Group will play in supporting and deepening this relationship. Participants identified follow-up work for the Working Group on the above topics and other priority issues. Participants will continue to engage bilaterally on these topics, as well as other topics of mutual interest ahead of the next Working Group meeting, which is expected to take place in the autumn of 2021.

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