

Joint Statement on UK–U.S. Financial Regulatory Working Group

December 17, 2021

UK and U.S. participants held the fifth meeting of the UK-U.S. Financial Regulatory Working Group (Working Group) virtually on 15 December 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.

Participants included officials and senior staff from HM Treasury and the U.S. Department of the Treasury, and from UK and U.S. independent regulatory agencies, including the Bank of England, the Financial Conduct Authority, the Board of Governors of the Federal Reserve System (Federal Reserve Board), the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation (FDIC), the Office of Comptroller of the Currency (OCC), and the Securities and Exchange Commission (SEC). UK and U.S. 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) crypto-assets and central bank digital currencies (CBDCs), (4) benchmark transition, (5) cross-border regimes, (6) critical third-party providers, and (7) banking and insurance.

At the meeting, participants took stock of ongoing international and bilateral cooperation and discussed areas of mutual interest where cooperation can continue to be strengthened to promote global standards. They highlighted their continued commitment to and support for robust financial markets and international financial regulatory standards that promote financial stability and mitigate unintended market fragmentation. In that regard, they discussed the importance of continuing to cooperate on issues related to preserving the global portfolio management delegation model, to promoting the free flow of cross-border data, and to other areas.

Participants discussed regulatory approaches to critical third-party providers, particularly those that provide services across borders and across sectors. They also discussed the benefits of critical third-party providers but noted the need for financial authorities to better

understand and manage the financial stability risks that could arise. Participants also discussed emerging regulatory approaches and the need to promote multilateral cooperation and alignment given that a number of third-party providers operate cross-border to provide services to the financial sector and there are potential risks of regulatory fragmentation.

Participants discussed the risks associated with regulatory driven fragmentation in derivatives clearing and banking markets. They also exchanged views on respective international financial sector priorities at the G7 and G20, including the Financial Stability Board's (FSB's) work on non-bank financial intermediation.

Participants took stock of the progress made on work relating to sustainable finance in 2021, including at COP26 and discussed priorities and issues for continued work and cooperation, internationally and bilaterally, into 2022. They also provided respective domestic updates, with UK participants discussing the UK's Green Finance Roadmap and U.S. participants discussing work undertaken by a number of U.S. agencies, including as outlined in the U.S. Financial Stability Oversight Council's Report on Climate-Related Financial Risk. In particular, participants provided an update on the development of climate-related financial disclosures and the management of climate-related financial risks, consistent with their respective mandates. In that regard, participants discussed ongoing work undertaken in the UK and United States on climate-related scenario analysis and supervisory expectations, noting the importance of continued international cooperation in these areas.

Both sides exchanged views on the financial sector outcomes of the UK's Presidency of COP26, including on the future work of the International Financial Reporting Standards Foundation's International Sustainability Standards Board. Participants reflected positively on the private sector finance commitments for net-zero through the work of the Glasgow Financial Alliance for Net Zero. In that regard, participants reiterated the importance of credible, transparent, and high-quality transition plans.

In addition, participants discussed ongoing cooperation on international efforts to address climate change issues within the financial sector, including the G20 Sustainable Finance Roadmap, and the FSB's Roadmap for Addressing Climate-Related Financial Risk. They noted the positive and productive bilateral engagement on sustainable finance to date and will continue that engagement moving forward, including at a technical level.

On the topic of crypto-assets and CBDCs, U.S. participants provided a summary of the President's Working Group, FDIC, and OCC Report and Recommendations on Stablecoins and an update on the Federal Reserve Board's forthcoming paper on the future of money. UK

participants discussed the UK's crypto-asset consultation, the Bank of England's Discussion Paper on new forms of digital money, and the UK's ongoing exploration of a potential CBDC through its CBDC Taskforce. Participants acknowledged the importance of maintaining and further engaging in multilateral discussions on these topics.

Participants took stock of ongoing efforts in relation to the LIBOR transition, market developments, the risks associated with newly created credit-sensitive rates, and transition implications for other jurisdictions. They noted the importance of providing a coordinated approach to the challenges that the LIBOR transition presents, and how much has been achieved so far.

On cross-border regimes, participants welcomed the SEC's recent order granting substituted compliance in connection with UK security-based swap dealers. Authorities noted the importance of continuing to identify opportunities to exercise regulatory deference between the UK and United States where possible under existing authorities.

Regarding banking, participants discussed the implementation of Basel III reforms, and acknowledged in particular the value of global cooperation with regards to implementation of the new prudential standards. They also provided updates on their respective work on climate and pandemic-related insurance.

Participants identified follow-up work for the Working Group on the above topics and other priority issues. Participants will continue to engage bilaterally on the topics discussed at the meeting, as well as other topics of mutual interest ahead of the next Working Group meeting, which is expected to occur in the spring of 2022.