

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



July 20, 2022

BRUSSELS—EU and U.S. participants in the EU – U.S. Joint Financial Regulatory Forum (“the Forum”) met on July 13-14, 2022, to exchange 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 officials 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), as well as the Public Company Accounting Oversight Board (PCAOB). 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, including on sanctions, and focused on six themes: (1) market developments and financial stability risks, (2) sustainable finance and climate-related financial risks, (3) regulatory developments in banking and insurance, (4) regulatory and supervisory cooperation in capital markets, (5) operational resilience and digital finance, and (6) anti-money laundering and countering the financing of terrorism (AML/CFT).

The current geopolitical situation, triggered by Russia’s unprovoked and unjustified aggression against Ukraine, coupled with inflationary pressures, exposes a series of downside risks to financial markets both in the EU and in the U.S. However, financial markets have proven to be resilient so far. International cooperation in monitoring and mitigating financial stability risks remains essential in the current global environment in light of the negative impacts on global energy and commodities markets.

Participants discussed issues related to sustainable finance and management of climate-related financial risks, acknowledging the importance of addressing climate and other sustainability related challenges for the financial sector, consistent with their respective mandates. Participants discussed their respective work on climate and other sustainability-related financial disclosures. In that regard, SEC staff gave an overview of the SEC's proposed rulemaking to enhance and standardize climate-related disclosures for investors, and the proposed rulemaking to promote consistent, comparable, and reliable information for investors concerning funds' and advisers' incorporation of environmental, social, and governance (ESG) factors. Likewise, ESMA presented its recent Supervisory Guidance on integration of sustainability risks and disclosure in the area of asset management. The EU participants presented the provisional agreement reached by the European Parliament and the Council on Corporate Sustainability Reporting Directive, which will require all large and all listed companies to report on all sustainability issues from a double materiality perspective. An update was also given on the work of the European Financial Reporting Advisory Group (EFRAG) to develop mandatory EU sustainability reporting standards.

EU and U.S. participants agreed to continue the bilateral exchange on sustainability-related disclosures and to continue to engage in international fora, including with regard to the standards being developed by the International Sustainability Standards Board (ISSB). A discussion on the management of climate-related financial risks also took place and the ECB presented the aggregate results of its supervisory climate risk stress test assessing the preparedness of banks for financial and economic shocks stemming from climate-related financial risks.

Participants from both sides also acknowledged the work being done on sustainable finance issues in international fora, including the G20 Sustainable Finance Working Group and the International Platform for Sustainable Finance.

Regarding banking, participants discussed the implementation of Basel III reforms, the EU gave an update on the progress made on the Banking Package, and both parties informed each other on the progress and the scope of the implementation of Basel III reforms, including on securitization. Participants also discussed issues relating to the Foreign Account Tax Compliance Act (FATCA) relevant to citizens and financial firms, and developments in the field of insurance that included climate-related financial risks and the Solvency II review.

With regard to capital markets, participants discussed their continued monitoring of the transition from panel reference rates and the progress in their respective legislative and

supervisory efforts to ensure a smooth transition away from LIBOR. The EU updated the Forum on the state of the review of the Markets in Financial Instruments Directive and Regulation, while the SEC staff discussed upcoming work to modernize rules related to equity markets structure. Participants discussed CFTC implementation of new capital and financial reporting requirements for swap dealers. Both sides also provided an update regarding issues under consideration in relation to open-ended fund reforms.

Finally, in the field of statutory audit, the European Union provided an update on the progress of the renewal of the two underlying equivalence and adequacy decisions with regard to the PCAOB and SEC.

During the meeting, participants shared views on digital finance and operational risk and resilience. The EU updated the U.S. on the provisional agreement reached on the Digital Operational Resilience Act (DORA), which will establish a comprehensive framework on cyber resilience for financial entities and information and communication technology (ICT) third-party service providers. The U.S. provided an update on proposed guidance for banking organizations regarding managing risks associated with third-party relationships, as well as the recent U.S. initiative for a multilateral Critical Providers Dialogue. Participants also discussed multilateral efforts including at the G7 Cyber Expert Group and the Financial Stability Board regarding the resilience of critical services provided by third-party providers. The discussions also touched upon recent developments regarding crypto-assets, including stablecoins. EU participants also updated the U.S. on the provisional agreement reached on the Markets in Crypto-Assets regulation (MiCA), which will protect consumers, market integrity and financial stability. MiCA will, for the first time in the EU, bring the vast majority of crypto assets including stablecoins under a regulatory framework, and will cover issuers of unbacked crypto-assets, the trading venues and the wallets where crypto-assets are held. The U.S. provided an overview of their work on crypto-assets, including stablecoins. The exchange also took stock of discussions around the development of potential central bank digital currencies.

Participants also discussed progress made in strengthening their domestic AML/CFT frameworks. The EU provided an update on its AML/CFT legislative package, and the U.S. participants provided an update on its ongoing implementation of the Anti-Money Laundering Act of 2020, together with updates from the 2022 National Money Laundering, Terrorist Financing, and Proliferation Financing Risk Assessments and 2022 National Strategy to Combat Terrorist and Other Illicit Financing.

Participants acknowledged the importance of the Forum in fostering ongoing financial regulatory dialogue between the U.S. and the EU. 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, which is expected to take place in early 2023.