

## FRWG December 2022 – Joint Statement

January 13, 2023

The seventh official meeting of the UK–U.S. Financial Regulatory Working Group (the Working Group) took place on 14 December 2022 in London.

The Working Group was established in 2018 to deepen bilateral regulatory cooperation and to enhance: financial stability; investor protection; fair, orderly, and efficient markets; and capital formation across both jurisdictions.

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

The Working Group meeting focused on: the economic outlook and domestic and international agendas; developments in the non-bank sector; international banking regulation; developments related to digital assets markets; operational resilience and critical third parties; climate-related financial risk and sustainable finance; benchmark transition; and cross-border regimes.

The Working Group considered current economic challenges and emerging vulnerabilities in the global economy, including those resulting from Russia's unprovoked and unjustifiable invasion of Ukraine. Participants also recognised the importance of ongoing U.S.-UK cooperation within global standard setting bodies and in the G7 and G20 in relation to these issues and others.

The Working Group discussed UK gilt market volatility in September and related action by the Bank of England. These market developments reaffirmed the existence of underlying structural vulnerabilities in, and the importance and urgency of fostering resilience in the non-bank financial intermediation sector. Participants discussed the ongoing work being taken forward by the Financial Stability Board (FSB) and international standard setting bodies to address identified vulnerabilities in nonbank financial intermediation. Participants also discussed t

importance of global implementation of reforms and the progress being made on domestic reforms in both jurisdictions, including on money market funds.

When considering international banking issues, the Working Group discussed progress made in relation to Basel III reforms, in particular the Bank of England's recent consultation paper on the implementation of these standards and the U.S. banking agencies' commitment to implementing enhanced regulatory capital requirements that align with the reforms.

Participants discussed the importance of implementing reforms consistent with Basel III, and of ongoing dialogue among international partners when implementing these reforms, and committed to further co-operation in this space, as well as with respect to cross-border regimes.

The Working Group reflected on recent market volatility related to digital assets, and shared updates on areas of progress in respective domestic work. Participants agreed on the importance of effective regulation and oversight of cryptoassets and markets, and they reiterated their support for the international work on cryptoassets and stablecoins through the FSB and the international standard setting bodies. The Working Group will continue to coordinate and share market intelligence as appropriate to enhance market oversight and enforcement.

The Working Group exchanged views on operational resilience - in particular, in relation to critical third parties. Participants exchanged updates on their latest domestic work on this issue, including U.S. Treasury work on cloud service providers and the proposed UK regime for critical third parties. Participants discussed the value of sharing experiences on this topic and the importance of further developing bilateral and multilateral cooperation in this area, including FSB work on common terminology and a toolkit for oversight of financial institutions' use of third parties. Such cooperation could include work to promote consistency and share relevant supervisory information to the extent appropriate.

On climate-related financial risk and sustainability, the Working Group reflected on the outcomes of the recent COP27 Summit and the relevant areas of progress announced, including the UK's Transition Plan Taskforce. Participants also discussed the progress of the International Sustainability Standards Board (ISSB), including its efforts to promote the interoperability of the ISSB's global baseline for voluntary corporate reporting. Participants shared progress on steps to enhance climate-related disclosures and address greenwashing. They also discussed the UK's intention to consult on regulating ESG ratings providers and the U.S. welcomed UK colleagues sharing information on this development. The U.S. Treasury and the UK authorities discussed the work of the G20's Sustainable Finance Working Group, which developed a



framework to enable transition finance and made recommendations to enhance the credibility of net-zero private sector financial institution commitments. They also agreed on the importance of building on this work over the year ahead.

The Working Group welcomed recent progress made on LIBOR transition and noted the importance of continuing the transition of legacy contracts to robust alternative benchmarks. Given the global use of U.S. dollar LIBOR, the Working Group welcomed maintaining international cooperation to ensure an aligned approach in the lead up to the cessation of the U.S. dollar LIBOR panel at the end of June 2023.

Finally, the Working Group agreed to meet again in 2023 to continue discussions on shared priorities.

