

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



February 5, 2024

LONDON – The ninth official meeting of the U.S.-UK Financial Regulatory Working Group took place in London on January 31, 2024.

Officials and senior staff from HM Treasury and the U.S. Department of the Treasury were joined by representatives from independent regulatory agencies, including the Bank of England, Financial Conduct Authority, Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Securities and Exchange Commission. Agency participation varied across themes with participants expressing views on issues in their respective areas of responsibility.

The Working Group meeting focused on several key themes, including: 1) the economic and financial stability outlook, 2) banking issues, 3) developments in the non-bank sector, 4) climate-related financial risks and sustainable finance, 5) digital finance, 6) cross border regimes and 7) operational resilience.

The meeting opened with a broad discussion of the UK and U.S. economic and financial stability outlook, with participants taking stock of current economic trends and market conditions and considering broader global factors.

On banking issues, participants offered an overview of developments in their domestic banking systems. The Working Group noted work being led by the Financial Stability Board (FSB) and Basel Committee on Banking Supervision as part of their respective work programs, which include certain follow-up work in light of the 2023 bank failure events and the FSB's report on preliminary lessons learnt from resolution. Discussions were held on each jurisdiction's banking regulation, including resolution-related rulemaking updates, proposed Basel III-based revisions to capital requirements, and the UK's recently published consultation on resolution regime enhancements. Participants discussed the importance of ongoing dialogue among international partners when implementing these initiatives and reforms.

The Working Group continued with a discussion of developments in non-bank financial intermediation (NBFi) and the importance and urgency of fostering resilience in the NBFi sector. Participants discussed the development of their respective domestic reform agendas, including on money market funds and open-ended funds. Noting the cross-border nature of NBFi, participants discussed their continued engagement at the G7, G20, FSB, and international standard-setting bodies (SSBs), specifically on FSB work to address vulnerabilities arising from leverage in the NBFi sector, and to improve market participants' preparedness to meet margin calls. Participants acknowledged the importance of continuing the implementation of NBFi reforms at the domestic level.

Participants held conversations about climate-related financial risks and sustainable finance in line with their respective mandates. Representatives noted recent developments in these areas, including the publication of the International Sustainability Standards Board's (ISSB) final disclosure standards, as well as the International Organization of Securities Commission's (IOSCO) endorsement of those standards, which called on IOSCO's members to consider ways in which they might adopt, apply or otherwise be informed by the ISSB standards within the context of their jurisdictional arrangements. Participants noted that the ISSB standards will promote interoperability with respect to climate-related disclosures. UK authorities discussed the launch of the Transition Plan Taskforce Disclosure framework and the industry code of conduct for environmental, social, and governance (ESG) ratings and data providers and the Transition Finance Market review. Participants also discussed rules on sustainability disclosure requirements for financial products, including fund names and anti-greenwashing rules, noting international initiatives on these topics. Priorities in multilateral fora, including in the G20 Sustainable Finance Working Group and the FSB, were also discussed.

Participants shared views on issues related to crypto-assets and other areas of digital finance. Representatives offered updates about recent developments in crypto-asset markets and discussed international engagement within the sector. Participants noted the importance of effective regulation and oversight of crypto assets and markets and reiterated their support for the international work on crypto assets. Participants also discussed the publications of the FSB's high-level recommendations to promote consistency, given the cross-border nature of crypto-asset activities, and discussed their importance as jurisdictions implement their own frameworks, consistent with the FSB recommendations to avoid potential regulatory arbitrage. The Working Group discussed recent developments in their respective work on Central Bank Digital Currency (CBDC), and UK authorities provided an

overview of the findings of their recent public consultation on a digital pound. Participants also exchanged views on their respective approaches to artificial intelligence (AI). U.S. and UK authorities discussed ways to work together, including as appropriate through international bodies, to address potential benefits and risks of AI in financial services. The Working Group discussed the importance of comprehensive regulation in the area of digital finance, as well as its objective of fostering responsible digital financial innovation, including through the bilateral Financial Innovation Partnership, which brings together subject-matter experts for technical discussions that supplement discussions in the Working Group.

The Working Group continued previous discussions of the importance of operational resilience. Participants discussed the UK regulators' consultation paper on critical third parties to the UK financial sector, which was published in December 2023, and noted the importance of international cooperation in this area.

The Working Group also acknowledged ongoing discussions and exchanges of information between HMT and the CFTC regarding their respective cross-border regimes, including for central counterparties/derivatives clearing organisations. In particular, it was noted that the UK's equivalence decision for CFTC-authorized derivatives clearing organisations came into effect at the end of December 2023. At the conclusion of the event, the Working Group agreed to reconvene in September 2024, while noting the importance of continued open dialogue on shared priorities.

The U.S.-UK Financial Regulatory Working Group is an ongoing biannual dialogue 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.

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