

SUBMISSION BY THE BRITISH AMERICAN FINANCE ALLIANCE

Finance for Growth:

A Shared U.S.-UK Prosperity Agenda

October 2025



Executive Summary

Since 2020, the British American Finance Alliance¹ (BAFA), comprising 22 trade associations and other industry organizations, has advocated for deeper regulatory and policy cooperation between the United States and the United Kingdom in financial and professional services.

BAFA has provided regular industry input to the bilateral biannual Treasury-led meetings between officials convened through the Financial and Regulatory Working Group (FRWG) and the associated Financial Innovation Partnership (FIP). The resumption of trade negotiations in 2025 has created further opportunities for strengthening Transatlantic trade and investment in financial and related professional services. We welcome in particular the announcement of a bilateral Treasury “Transatlantic Taskforce for Markets of the Future” to enhance collaboration on capital markets, digital assets and other innovative financial activities². BAFA stands ready to support the Taskforce and believes we offer a ready-made vehicle for the Taskforce to regard as its industry analogue.

Following elections in 2024, both governments have prioritized economic growth and prosperity and recognize the key role that financial and professional services play in meeting these objectives. To that end, BAFA has surveyed its members and identified cross-cutting areas where U.S.-UK cooperation can unlock growth potential. Many of our priority issues are based on rapid changes in technology and innovation. Making the most of these opportunities requires a proportionate approach to regulation, where possible mutual recognition or equivalence arrangements between the two sides would be desirable.

Taking policy and regulatory action on the priorities of the financial services sector will help strengthen our existing Transatlantic financial partnership and benefit our domestic economies by deepening the Transatlantic marketplace in financial services. This will bring benefits for both business end-users and domestic consumers of financial services, widening choice, reducing costs, and enhancing jobs and growth in both the U.S. and the UK.

Achieving this means:

- BAFA working in lockstep with the U.S. and UK authorities should discussions to extend the U.S.-UK trade agreement turn to digital trade including financial services.

¹ BAFA's members are: Alternative Investment Management Association (AIMA), • American Council of Life Insurers (ACLI), • American Property and Casualty Insurance Association (APCIA), • Association of British Insurers (ABI), • Association of Chartered Certified Accountants (ACCA) • Association for Financial Markets in Europe (AFME), • BAFT (Bankers Association for Finance and Trade), • Bank Policy Institute (BPI), • British American Business (BAB), • City of London Corporation (CoLC), • Coalition of Services Industries (CSI), • Financial Services Sector Coordinating Council (FSSCC), • Institute of Chartered Accountants in England and Wales (ICAEW), • Investment Association (IA), • Investment Company Institute (ICI), • London Market Group (LMG), • Reinsurance Association of America (RAA), • Securities Industry & Financial Markets Association (SIFMA), • TheCityUK, • The Law Society of England and Wales, • US Chamber of Commerce (USCC), • UK Finance.

² See <https://www.gov.uk/government/news/boosting-collaboration-between-uk-and-us-financial-systems-to-drive-innovation-and-growth-in-global-markets>

- Digital assets, money and the theme of tokenization more broadly are inherently global. The U.S. and UK governments should work together on developing interoperable regulatory approaches to digital assets that pre-empt potential cross-border regulatory frictions. We are seeking a U.S.-UK framework that promotes innovation, protects investors, is technology neutral, mitigates against regulatory arbitrage, prevents market fragmentation, and eases the burden of doing business across our world-leading financial centers.
- Signaling strong commitments to the free flow of data across borders, for example sustaining and expanding the data bridge.
- Providing certainty to the asset management industry that the new Overseas Funds Regime will help underpin the predictability of the UK market.
- Adopting changes that would modernize and clarify the landscape for non-US registered investment advisers (RIAs) through changes to SEC regulations.
- Discussing and assessing the potential cross-border impacts of any proposed US approach to Basel Endgame implementation, recognizing that one of the original objectives of the Basel III reforms was to improve comparability in capital requirements across jurisdictions.
- Promoting alignment of qualifications and standards amongst professions, and greater mobility of talent generally.

The U.S.-UK government dialogues would benefit from greater transparency and the opportunity for more systematic industry input. Our industry would welcome a reporting mechanism to show which regulatory issues are being identified and tackled. The Transatlantic Taskforce for Markets of the Future is a new approach to regulatory cooperation, and innovations such as a 180-day reporting deadline add welcome urgency to this mechanism. However a regular rhythm of industry input remains key to its success. BAFA is a unique industry vehicle that speaks for the world's two leading financial services economies and all parts of the financial and professional services landscape – leveraging that expertise more actively would improve outcomes, as set out below. We would welcome more systematic input into U.S.-UK dialogues that impact on the sector, and for there to be a standing agenda item at FRWG meetings on industry issues which explore shared opportunities and challenges. This includes the FRWG but also trade discussions and relevant ministerial bilateral meetings. We also call for the UK and U.S. Treasuries to outline the key outcomes and discussion points of FRWG and Taskforce meetings to industry stakeholders, as has been previous practice.

BAFA looks forward to deepening and broadening our engagement with the U.S.-UK. authorities to the mutual benefit for economic growth and our shared prosperity and security.

The British American Finance Alliance

In October 2020, 22 groups representing the UK and U.S. financial and related professional services industries joined together to form BAFA. The coalition is currently chaired by Chris Hayward, Deputy Chair of TheCityUK and Policy Chairman of the City of London Corporation and Ken Bentsen, CEO and President of the Securities and Financial Markets Association (SIFMA)³. BAFA is unique – no other Transatlantic coalition representing such a broad cross-cutting group of industries exists.

U.S.-UK Financial and Professional Services: At the core of the Transatlantic trading and investment relationship

The long-standing U.S.-UK relationship has important economic dimensions, underpinned by significant similarities in the structure and performance of financial services:

- London and New York are the world's leading financial centers.
- Financial services account for around seven per cent of GDP in both economies.
- The UK is both the largest consumer of U.S. financial services exports, and the largest supplier of U.S. financial services imports.
- Both are capital market-based financial systems, with similar regulatory philosophies, presenting a key opportunity for mutual cooperation and setting a global agenda.

At its launch, BAFA proposed a united business vision for U.S.-UK regulatory cooperation and dialogue, which was set out in an accompanying paper⁴. It was in large part the industry's response to the FRWG, which was established between the two treasury departments and independent regulatory authorities 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"*. The ultimate economic rationale for this should be self-evident: deepening the Transatlantic marketplace in financial services will bring benefits for both business end-users and domestic consumers of financial services, widening choice, reducing costs, and enhancing jobs and growth in both the U.S. and the UK.

Recent developments

Since the publication of BAFA's 2024 paper, elections in the U.S. and UK have resulted in changes of government.

Both elections saw voters prioritizing economic growth and the elevated cost of living. Growth and real disposable incomes have therefore been at the core of the respective agendas that the governments have championed since taking office. The synchronicity between our two countries in the pursuit of meaningful growth, that delivers genuine increases in standards of living provides real opportunities for closer cooperation and alignment in policy making.

³ BAFA's Executive Committee is SIFMA, CoLC, TheCityUK, IA, UK Finance, BPI, ACLI and USCC. SIFMA, CoLC and TheCityUK are its secretariat.

⁴ <https://www.sifma.org/wp-content/uploads/2020/09/British-American-Finance-Alliance-Scoping-paper-on-formalizing-UK-U.S.-regulatory-dialogue.pdf>

Underpinning that overriding growth imperative, in both countries, are three vitally important themes for financial services: trade, technology and regulation. Together, these offer a prism for realizing meaningful increases in U.S. and UK living standards through trade and regulatory cooperation.

(a) Trade and market access

This shared pursuit of robust and lasting growth that results in real improvements in living standards was one reason that the UK was the first country to sign a trade agreement under President Trump's second Presidency - the Economic Prosperity Deal agreed in May 2025. This landmark agreement is a robust foundation to help strengthen the Transatlantic relationship. As BAFA stated at the time (and as discussed further in this paper):

"We encourage the U.S. and UK authorities to continue to work together to broaden and deepen this agreement and believe our unique partnership in financial and related professional services would benefit from closer alignment in technological innovation and other areas".

Opportunities on the trade front are complemented by the cross-border investment horizon. On 25 February 2025 the Trump administration issued a Presidential Memorandum regarding the U.S.'s America First Investment Policy. This sets out the administration's strategy for *'[w]elcoming foreign investment and strengthening the United States' world-leading private and public capital markets'*. It also recognizes the importance of cross-border investment as a *"key part of America's Golden Age."*

At the same time, the UK government has a clearly stated policy of welcoming and actively encouraging foreign direct investment. Again, our two countries are moving in similar directions. As the Trump administration has recognized, cross-border investment *'can create hundreds of thousands of jobs and significant wealth'* and BAFA believes this is particularly the case in U.S.-UK financial services investment flows. The industry has welcomed the openness of the SEC and U.S. Treasury to review, revise or withdraw rules that would have hindered cross-border investment and added costs to customers for no benefit. This includes rules around Safeguarding and some FinCEN anti-money laundering (AML/CTF) requirements. Also, investment policy in both countries has become increasingly attuned to national security concerns (as enshrined in the America First Investment Policy). Cross-border investment is another key objective on which our two countries can partner to help manage global geopolitical risks.

BAFA welcomes the UK government's draft Overseas Recognition Regime Designations Regulations. When in force, these regulations will form the basis for the UK's own overseas equivalence regime similar (though different in model) to the EU's equivalence and the U.S.'s comparability regimes. It enhances the opportunities for the U.S.-UK to design more efficient regulatory frameworks in the interests of greater capital formation.

Trade agreements have historically had limited relevance for financial and related professional services. However, bespoke financial services agreements can go further, as the UK and Switzerland have achieved from the Berne Financial Services

Agreement⁵. We would encourage the Taskforce to explore how elements of this Agreement could be incorporated into the U.S.-UK financial services relationship – including mutual recognition in certain areas.

(b) Technology

These policy developments coincide with significant technological shifts that are increasingly part of the changing global operating environment. Technology is changing the shape of international trade. U.S. exports of digital financial services were worth \$194bn in 2024 – having more than doubled in 14 years.

BAFA believes the opportunity for strengthening the U.S.-UK relationship in financial services has always existed but political, economic and technological developments in the past year have only enhanced that potential. Greater partnership between our two economies, focused around a sector where we both have competitive advantages reinforced by our common values and interests will forge ever greater transatlantic prosperity. Two examples include:

- The rapid growth of Artificial Intelligence (AI) and its application throughout society. According to McKinsey, organizations using AI tools rose from 20% in 2017 to 78% in 2024. In 2024, U.S. private AI investment grew to \$109.1 billion compared to China's \$9.3 billion and the U.K.'s \$4.5 billion. Generative AI is driving a profound transformation in financial services, fostering innovation and streamlining operations. The Financial Services Sector Coordination Council are undertaking work on an AI lexicon which is a good example of where both governments could support a single concept.
- Digital money and digital assets continue to grow: the global cryptoasset market is presently worth approximately \$3.5 trillion. The crypto asset market and the market for tokenized assets are expected to grow exponentially over the next several years. This growth is due to increasing adoption of blockchain technology, institutional investments, and regulatory advancements, including the recent passage of payment stablecoin legislation in the United States. The UK is also devising its regime for stablecoins, with Governor of the Bank of England Andrew Bailey recognizing stablecoins' "potential in driving innovation in payments systems both at home and across borders."⁶ Additionally, the growing integration with payment systems supports continued market expansion globally. The UK and U.S. have a strong interest in leading this critical change to the infrastructure, operations and oversight of the digital economy to maintain financial resilience and stability across both economies.

(c) Proportionate Regulation

Harnessing evolutionary technology, maximizing the benefits of trade and boosting overall capital formation calls for a proportionate approach to financial regulation. As SIFMA CEO Ken Bentsen commented:

"It is critical that our policymakers tailor regulations not just to ensure transparency and protect investors, but to do so without unnecessarily disrupting or constraining the role capital markets play in fostering economic growth."

⁵ <https://www.gov.uk/government/publications/the-berne-financial-services-agreement>

⁶ Financial Times, 1 October 2025.

SEC Chairman Atkins has also said he seeks “clear rules of the road” and a robust cost-benefit analysis for proposed rules to support innovative companies and position the US as a desirable jurisdiction for businesses and investors.

This recognition of the need to design regulatory frameworks in a growth friendly way has been explicitly recognized in UK legislation. Under the Financial Services and Markets Act 2023, the UK financial regulators have a secondary growth objective to facilitate the international competitiveness and long-term growth of the UK economy, including its financial services sector.

BAFA has consistently noted that similarities of approach and outlook between UK and U.S. regulators, and many years of close partnership, means that there should be further scope to agree to mutual recognition or equivalence.

Looking Ahead: The Agenda for 2025-26 & Beyond

Recognizing the comparable political objectives in both countries together with their reputation as the two leading global financial centers, financial and professional services have considerable potential to drive growth in both countries and help meet wider strategic objectives. For example, it is estimated that for every job created in financial services, three more are created in the rest of the economy. In the UK, national statistics show that the six different financial and related professional services sectors spur additional economic activity, through industry “multipliers”, ranging from 1.3 to 1.6. This means, for example, that if output of the accounting sector increases by £1m, then output of the UK economy overall, across all industries, would increase by an estimated £1.3m. Moreover, the financial services industry is very open – over half of inputs into financial services in the UK come from overseas. Hence the importance of open trading borders. 2026 is opportune because the bilateral Taskforce will submit its recommendations to Treasury leaderships for the beginning of spring, while the U.S. will assume the Presidency of the G20 leading up to the Miami Summit towards the end of 2026.

The FRWG played an important role in managing the Brexit transition and is now evolving to address forward-looking issues. While we recognize that many of technological and innovation issues the FIP was established to discuss have become mainstreamed in the FRWG’s agenda, we regret that there are no current plans to convene the FIP in the near term and there is no other dedicated permanent forum to explore key innovation trends which are impacting our industry. Rapid digitalization of financial services alongside the tokenization of assets means that the industry is at an important inflection point as new infrastructure and guide rails are put in place. Close coordination between UK and U.S. regulators and industry is required to ensure the benefits of innovation can be realized, while ensuring appropriate oversight.

For that potential to be realized, bilateral regulatory collaboration needs to work towards maximizing gains in regulatory coherence and ensuring that the landscape of policies and rules supports transatlantic investment. We believe there is an important role for industry, through BAFA, to support policymakers and regulators in achieving this goal⁷.

⁷ BAFA is also evolving to meet this challenge. BAFA has established an Executive Committee to provide more cohesion to the coalition’s efforts and support its advocacy function.

FRWG and the Transatlantic Taskforce for Markets of the Future

The FRWG held in June 2025 covered: 1) economic and financial stability outlook, 2) international banking issues, 3) developments in the non-bank sector, 4) climate-related financial risks and sustainable finance, 5) international engagement, and 6) digital finance. Following President Trump's state visit in September 2025, the Treasuries announced the Transatlantic Taskforce for Markets of the Future⁸. The Taskforce has two primary areas of focus: innovation/digital assets and capital markets connectivity/reducing regulatory burdens.

These issues will continue to be an important part of the bilateral dialogue. However, as U.S.-UK priorities evolve, the agenda of the FRWG – and the nature of U.S.-UK dialogue generally – needs to be dynamic. Members recognize that some issues (such as regulation) are most appropriately discussed in the context of the FRWG but others (such as potential provisions for a trade agreement in financial and professional services) warrant separate dialogue, e.g. governance of data. BAFA will continue to input into both tracks to help ensure that the vision for financial services and digital trade set out in the U.S.-UK Economic Prosperity Deal is realized.

In line with the context outlined above, we see the priorities for U.S.-UK cooperation as reflecting the three core themes of: trade and market access; technology, and proportionate regulation.

(a) Trade and Market Access

- **The U.S.-UK Economic Prosperity Deal (EPD)** agreed in May 2025, offers a welcome basis for further negotiations on the alignment of financial services regulation and the conclusion of a digital economy agreement. Specifically, extending the U.S.-UK trade agreement to financial services is an opportunity to revive the policies around data that the first Trump administration brought impactful global leadership to. For example, the free flow of data provisions, secured by the first Trump administration in the US, Mexico, Canada Agreement, along with agreements with Japan and Singapore, should be further developed with the UK. Whilst these aspirations may be more appropriate for financial services trade dialogues, the FRWG can helpfully complement that process. Data is discussed further in the context of technology.
- **Cross-Border Access for Registered Investment Advisers:** The FCA and the SEC could consider implementing a program to permit a registered investment adviser ("RIA") to engage in limited scope asset management for UK institutional clients, and vice versa, on the basis of substituted compliance/equivalence, both regulators having reconciled their regimes to each other and addressed regulatory requirements that impose burdens (i.e., the FCA requirement for firms to have regulatory capital and the SMCR regime).
- **Professional standards & mobility:** Promoting alignment of qualifications and standards amongst professions would be an area that could especially speak to BAFA's breadth and inclusion of professional services. It would also facilitate longer-term mobility of talent between our countries particularly at a time when the demand for skills will become more acute as AI and broader

⁸ <https://www.gov.uk/government/news/boosting-collaboration-between-uk-and-us-financial-systems-to-drive-innovation-and-growth-in-global-markets>

technological change impacts workforces. The EPD raises the prospect of closer cooperation on professional qualifications, and BAFA would welcome greater discussion of this within the FRWG and with private sector partners to forge a closer understanding of key challenges and common solutions.

- **Life and non-life insurance coordination:** The U.S.–UK Covered Agreement on insurance is of considerable value to both nations. It demonstrates the extent of the alignment when it comes to levels of protection in both jurisdictions and supports firms' ability to do insurance between our nations. The U.S. and the UK are, like many nations, exploring solutions to the retirement savings gap which might serve as a model for other countries which continue to rely on State based pensions provision. The covered agreement, like any agreement, requires regular scheduled meetings and process to discuss developments and build understanding and confidence to avoid any disputes before they arise. We urge U.S. and UK officials to continue their return to stakeholder briefings following COVID, and think a good topic for 2026 would be to review aging and the longevity and morbidity funding gap for retirement security as highlighted above.

(b) Technology

- **Digital assets:** The U.S. and UK governments should work together on building a complementary regulatory environment for digital assets, which is pro-innovation, protects investors, is technology neutral, mitigates against regulatory arbitrage, prevents market fragmentation and eases the burden of doing business. We wish to propose a public-private practitioner roundtable hosted by BAFA to generate ideas for meeting common challenges during the winter as an element of the industry's input into the Taskforce.
- **Cross-border/multi-jurisdictional sandboxes** at the national level to develop interoperable regulatory approaches to digital assets and, potentially paving the way for reduced cross-border regulatory frictions. This could draw on lessons from the Global Financial Innovation Network (GFIN) and US American Consumer Financial Innovation Network (ACFIN) initiative. SEC Commissioner Hester Peirce recognized the potential benefits of a U.S.-UK cross-border sandbox in a recent speech⁹ highlighting how:

'innovators could benefit from simultaneously serving UK and US markets; regulators, relying on information sharing agreements, could benefit by seeing more data on how complex emerging technologies operate in different contexts; and the British and American public could benefit by being served by a greater pool of product and service providers.'

- **Data and the digital economy:** The Financial Services sector is one of the most data intensive trading industries. Firms' ability to transfer data around the world, and freely across jurisdictions, is as important as the ability to sell services and move people. BAFA members encourage discussion on data free flows, protections against forced data localization and protection of source code, all issues of vital importance to the sector. U.S. Treasury has shown admirable leadership on these issues in the past and it is important that the U.S. assure

⁹ <https://www.sec.gov/newsroom/speeches-statements/peirce-old-flames-071625>

overseas partners that the recent U.S. change of position on certain digital trade disciplines under discussion in the WTO e-commerce negotiations does not signal a weakening of the longstanding U.S. policy. The U.S. and UK could also work more closely together to oppose data localization for (re)insurance, thereby enabling international (re)insurers to price new and complex risks which are not covered by local insurers.

- **U.S.-UK Data Bridge:** Relatedly, establishment of the U.S.-UK Data Bridge was a positive development. The bilateral dialogue should focus on protecting this arrangement in the face of expected challenges, with a view to extending it to include financial services in future.
- **Operational Resilience:** The U.S., EU and UK are all enhancing regulatory approaches to operational resilience. The dialogue could focus on aligning approaches where possible and could explore the use of international mutual recognition in areas such as resilience testing of critical third-party provider services and establishing ways to address risks which are global and not confined to the Transatlantic. Other priority areas include streamlining incident reporting requirements to reduce the regulatory burden across jurisdictions, while maintaining effective oversight, harmonizing approaches to third-party risk management, and ensuring consistent treatment of Financial Market Infrastructures (FMIs). Industry supports the wider adoption of the Format of Incident Reporting Exchange (FIRE standards), for example, which will lead to the streamlining of requirements.
- **Financial Services and National Security:** The nexus between national technological and economic security and financial services has rarely been closer. Geopolitical tensions, long standing conflicts, and the continued development of multiple overlapping and comparable sanctions regimes are impacting cross-border financial flows. Sophisticated nation-state cyber adversaries, criminal groups and terrorists also present considerable challenges. including ransomware attacks targeting critical financial infrastructure and vulnerabilities in open-source software (OSS) components widely used across the financial sector. At a time of increasing geopolitical tensions, cyber should be recognized as the fifth domain of combat operations alongside air, land, sea, and space, with hostile nation states and their proxies actively targeting not only military assets but also economic infrastructure and financial systems. Sharing intelligence and perspectives on these issues is critical to both maximizing the success of existing policies and avoiding unintended consequences. Additionally, not only countries share information to target restrictions effectively should be considered, but also how they implement sanctions policy on a cross-border basis and their methods for executing that.
- **Quantum Readiness:** Recognition of the need to prepare for post-quantum cryptographic threats as an emerging priority area requiring immediate attention and resources. The financial sector must proactively address the quantum computing threat to current cryptographic standards that underpin secure financial communications and transactions. This includes developing migration strategies for quantum-resistant cryptographic algorithms, establishing timelines for implementation across critical financial infrastructure, and ensuring

international coordination to maintain interoperability as institutions transition to post-quantum cryptography standards.

(c) Proportionate Regulation

- **Basel 3.1 Implementation:** It is vital to cross-border capital markets that rules and regulations are consistent and interoperable across jurisdictions. The Federal Reserve (along with the other federal banking agencies) is in the process of re-visiting its approach to Basel Endgame (the US equivalent of UK's Basel 3.1). Across the Atlantic, the Prudential Regulatory Authority (PRA) has delayed the implementation of Basel 3.1, in the UK by one year until 1 January 2027, with the exception of market risk implementation which is delayed to 1 January 2028 to allow *“more time for greater clarity to emerge about plans for its implementation in the United States.”*¹⁰ We encourage discussion at the FRWG and consideration of the potential cross-border impacts of any proposed US approach. One of original purposes of the Basel 3.1 reforms was to improve comparability in capital requirements across firms and across jurisdictions. The UK and U.S. should reflect this important principle. Failure to do so would encourage further capital fragmentation, with negative consequences for global financial stability and economic growth.

At the same time, the Basel III standards were not intended to raise aggregate capital levels; rather, they were intended to make standardized capital requirements more risk-sensitive and comparable. To that end, we strongly encourage regulators in both jurisdictions to implement the standards in a capital neutral manner, including ensuring capital neutrality across all three risk stripes (credit, operational, and market risk).

In addition, we would recommend a reduction of the TLAC scalar from 90% to 75% would appropriately balance resolvability objectives with the efficient use of bank capital and funding while avoiding an overstatement of subsidiary needs. This recalibration would ease inefficiencies from trapped capital, support credit provision and financial stability without compromising resolvability.

- **Fragmentation:** More generally, we encourage regulators to implement a holistic approach that supports stability and avoids further fragmentation (e.g. by trapping capital). Policymakers should consider a more coordinated approach to regulation and supervision, particularly as “home” or “host” regulators. Great strides were made by regulators since 2008 to reform the financial system, but fragmentation is increasing. Home-host deference is needed to reduce regulatory fragmentation by enabling host supervisors to rely on home country oversight, which supports risk management and efficiency for cross-border banking groups. This helps maintain financial stability and avoid costly duplication, while still allowing host supervisors to address local prudential concerns.
- **Liquidity management:** Liquidity is important for efficient and effective capital markets. Fostering greater mutual understanding around liquidity management remains important. There is further value in expounding the UK's adoption of Long-term Asset Funds (LTAF). The Financial Conduct Authority (FCA)

¹⁰ <https://www.bankofengland.co.uk/news/2025/january/the-pra-announces-a-delay-to-the-implementation-of-basel-3-1>

introduced the LTAF to provide a UK authorised open-ended fund structure that enables investment in long-term, illiquid assets. As the regime beds in, the FRWG should promote robust information sharing between U.S. and UK regulators regarding liquidity in this growing asset class.

- **Pension Funds:** As pension UK fund consolidation moves forward, US-owned global pension asset managers should have free and fair opportunities to compete for investment mandates in existing and newly merged UK pension funds. We also urge governments against introducing powers to mandate pension providers to invest a proportion of a portfolio in particular/domestic assets. Long-term strategies are important for pensions, with a careful eye to any potentially negative effects. For instance, the UK government is currently in the process of reforming leaseholds, including considering proposals to retrospectively cap ground rents on existing leases. This prospect risks harming the steady and stable returns of foreign investors, negatively impacting investor confidence and the attractiveness of the UK as an investment destination, and affecting insurers taking on liabilities from defined benefit schemes. The financial impacts of the leasehold reform proposals on existing investments need to be fully accounted for and considered by the UK Government in advance of any decisions. The UK authorities should keep their U.S. regulatory counterparts apprised of these issues. We would welcome work on policies that support use of private sector self-funded pensions to address common demographic challenges, as the UK is much closer to the U.S. than, for example, the EU in structure and approach. By developing common supporting policies for insurance and pensions by private providers this would provide a model for other nations on retirement using commercial free market model.
- **Life and non-life insurance:** There needs to be a more robust inclusion of insurance the U.S. at the FRWG which should include state insurance regulators, the Federal Reserve, the Federal Insurance Office at the U.S. Treasury, and the U.S. Department of Labor on pensions.
- **Capital Requirements for Asset Managers:** One of the primary differences between the U.S. and UK fund management industries is the approach to capital requirements for asset managers and their funds. The U.S. approach is that investment managers/investment advisers are not market intermediaries (unlike banks, brokers and others) and do not have custody of client assets and only give advisory and discretionary advice and therefore are not subject to capital requirements base on their assets under management (AUM). The UK includes assessments based on AUM. As an example, a U.S. firm with \$5bn AUM managed in the UK would be likely to have to hold over \$8m in unproductive capital to meet the UK regulatory requirement while facing no such restriction at home. The UK should align its standards more closely with the more competitive U.S. approach.
- **Regulatory reporting:** All financial institutions are facing a growing regulatory reporting burden, which is costly and, in many cases, unproductive. With respect to hedge funds, for example, more can be done to identify smarter data requirements, particularly with respect to leverage. BAFA members will be publishing concepts around reporting in the course of 2025-26.

- **Reporting standards:** We affirm that the integration of capital markets between the U.S. and the UK—underpinned by shared commitments to investor protection, capital formation, and market efficiency—serves to strengthen the depth, resilience, and global competitiveness of U.S. and UK financial markets. The U.S. Securities and Exchange Commission's 2007 decision to permit foreign private issuers to report under International Financial Reporting Standards (IFRS) without reconciliation to U.S. Generally Accepted Accounting Principles (GAAP), reciprocated by the United Kingdom for U.S. GAAP filers, remains a critical enabler of transatlantic investment flows. Deviation from this position would create added burden and costs for investors and businesses alike. The equivalence treatment of IFRS and US GAAP streamlines regulatory reporting and filing requirements for firms operating in the U.S. and UK. Industry continues to support the preservation of this framework as a cornerstone of cross-border market access and upholds the smooth functioning of Transatlantic capital markets.
- **International bodies:** There should be close cooperation between the U.S. and UK on both the consideration of any regulation proposed to implement proposals arising from international bodies such as BCBS and IOSCO, with a particular focus on avoiding disruption to flow of capital and provision of services between and within these two key global hubs. A specific example here would be the ongoing international focus on the growth of NBFI and ensuring there is a coordinated and consistent international approach that does not undermine the benefits nonbanks provide to our economies.
- **Dual-listing in UK and US:** UK and US authorities should work together to examine and ameliorate the legal, tax accounting reporting and regulatory obstacles preventing progress on more efficient means for dual-listing in New York and London, particularly with respect to those issuers interested in pursuing a 'dual primary' listing.

Next Steps: Governance of U.S.-UK Dialogue and Future Cooperation

While existing cross-border regulatory mechanisms between the UK and U.S. have many positive aspects, further improvements would be welcomed to achieve a truly 'gold standard' arrangement. The FRWG process would be strengthened by greater ministerial and private sector engagement, which would enhance accountability, predictability and transparency. BAFA has long supported several features that the FRWG and U.S.-UK dialogue generally should explicitly adopt:

- Successful regulatory cooperation requires robust stakeholder engagement, including with industry groups. The FRWG should therefore promote open and direct engagement with industry to facilitate identifying and addressing cross-border issues early in the process. The formalization of procedures related to both the FRWG itself and its dialogue with BAFA will serve to enhance the efficiency of the process and signal an enduring commitment to regulatory cooperation and industry engagement.
- The regulatory cooperation process should be dynamic and underpinned by regular, formal meetings – including at ministerial level.
- The FRWG should commit to developing a balanced scorecard, share more candid meeting outcomes, thus helping to establish a virtuous and more continuous process.
- The titles of core members involved in the dialogue and the departments and agencies they represent for their jurisdiction should be made known.
- HM Treasury and the U.S. Treasury to formally consult BAFA ahead of the FRWG meetings.
- There to be a standing agenda item at FRWG meetings on industry issues, which explores shared opportunities and challenges both sectors face.
- The UK and US government representatives outline the key outcomes and discussion points of FRWG meetings to industry stakeholders within a week of the actual meetings.
- Where appropriate, form working groups to ensure that priorities can be progressed between meetings of the FRWG.

We believe underpinning regulatory cooperation with systematic practices and principles will provide a robust foundation towards stronger regulatory coherence and better economic outcomes. We hope policymakers on both sides of the Atlantic will engage with us to discuss translating this vision into a practicable reality.

Given the leading roles of the U.S. and UK in international financial markets, the FRWG is an opportunity to expand cross-border investment and mutual prosperity. The announcement of a Transatlantic Taskforce which will report to the two treasuries in March 2026 is a welcome opportunity to engage with BAFA and the industry. This paper is a first contribution to this effort, with pragmatic solutions that we hope will promote further capital markets integration between the US and UK and facilitate digital innovation while making it easier to raise capital. The current agenda offers a particular fertile set of challenges and opportunities for the two jurisdictions to collaborate on technological, climate and other regulatory issues. While it is important to focus on the upcoming FRWG in the near term both Governments, regulators and industry need to take a longer, more strategic view of what is achievable, in the interests of jobs and growth on both sides of the Atlantic. BAFA stands ready to contribute to this important effort.

Annex: Facts and figures on U.S.-UK financial services linkages

The U.S.-UK Special Relationship is a long standing one that has influenced trade, investment, defense, foreign policy and more. But financial services are a particularly key dimension of this bilateral relationship and also one offers opportunities to deepen and broaden ties resulting in greater economic benefits. The U.S. and UK are home to the world's two truly global financial centers, with comparable and mature regulatory regimes, presenting a key opportunity for cooperation. The depth of the existing relationship in financial services is striking:

- U.S. financial services exports to the UK are worth almost \$19bn per year – 80 percent higher than the U.S.'s second largest financial services market (Canada).
- Yet the services U.S. firms sell to UK residents directly through their British affiliates are worth 3 times that - \$63bn. By contrast, UK firms export twice as much financial services to the U.S. (\$14bn) than they provide to Americans via their U.S. based British affiliates.
- 30 percent of all U.S. FDI in the UK is in the financial services industry. In fact, U.S. investment in UK financial services is larger than U.S. investment in any other country's financial services industry and U.S. investment in any other industry.
- The UK and U.S. together are home to three of the top five financial centers in the world – New York, London and Chicago.
- UK financial institutions employ 37,000 people directly in the United States but far more indirectly through the provision of capital to other industries.
- U.S. financial institutions employ 170,000 people in the UK – over half of all the employees working for U.S. financial institutions in the whole of Europe.
- The UK holds more U.S. long-term securities than any other country.
- U.S. investors hold over \$1 trillion of UK equities - more than they hold in any other European, Asian or North American economy.
- 18 percent of all depositary receipts Americans hold in overseas equity are in the UK.
- In 2004 financial services accounted for 12.4 percent of U.S. services exports – today is 17.5 percent.
- This is a strong foundation to build. For example, an increase of 5 percent in U.S. financial services exports to the UK would be worth almost \$1 billion directly to the U.S. economy. And the UK would also benefit from importing that additional U.S. capital and expertise. This paper is intended to help unlock ways to realize that kind of aspiration.

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