GLOBAL COORDINATION AND INTERNATIONAL PERSPECTIVES

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Growth, regulation and the pendulum of risk

We face a new era globally. Governments across the world are confronting greater volatility, new security threats and the need to safeguard their citizens' living standards. But these challenges are also opportunities – to provide security for working people, stability for businesses and prosperity for national economies. The UK government is determined to seize this moment to deliver security, renewal, and higher living standards across the UK and beyond, driven by long-term growth.

Delivering economic growth has been our number one priority since coming into power last year and financial services have a critical role in that mission. The sector is an engine that powers the wider economy, channelling productive investment that will deliver sustainable growth for firms and citizens.

Earlier this year we launched our Modern Industrial Strategy – a ten-year plan to significantly increase business investment in eight growth-driving sectors. And in July, the Chancellor launched the Financial Services Growth and Competitiveness Strategy – our ten-year plan to unleash the potential of financial services in the UK – and the widest ranging package of reforms to financial services regulation in over a decade, the Leeds Reforms. Together these proposals seek to deliver growth throughout the sector and the wider economy by ensuring regulation supports growth, unlocking retail investment and embracing innovation.

We face many of the same challenges and indeed share many of the same opportunities with our European neighbours. A changing climate, economic volatility, providing security for working people and ensuring that our citizens share in the proceeds of growth. A successful financial services sector makes a difference to everyone in Europe on every one of these fronts. It enables people to buy their first home and save for their retirement, provides crucial lending to businesses and facilitates the investment needed to secure the transition to net zero and ensure the security of our continent. Our ambition is to make the UK – and indeed the European continent – the most attractive place for global financial services, to support investment in our economies, to meet our shared challenges and deliver for citizens across Europe.

Regulation that supports growth

To achieve the shared ambition of long-term growth, we are taking steps to improve regulation in the UK. When used effectively, regulation provides a mechanism to address varied risks and delivers positive outcomes in our economies. We want a regulatory system that enables innovation and supports investment, while maintaining necessary safeguards. The UK remains committed to upholding international regulatory standards as outlined in our Strategy. We will continue to play a leading role in shaping regulatory norms, including via international organisations and standard-setting bodies, as the UK has always done. The appointment of Bank of England Governor Andrew Bailey as Chair of the Financial Stability Board is a key indicator of the UK's ongoing commitment to international regulatory standards.

But when regulation is too complex and duplicative, it stifles progress and innovation, adding unnecessary burdens on businesses. For too long the ambitions for the economy have been held back by a regulatory system that has sought to eliminate risk, rather than take a more proportionate approach. The pendulum has swung too far and that must change to better serve businesses and consumers, at home and abroad, with better services.

Getting the balance right is crucial. The right regulation will uphold financial stability while also enabling banks to lend, invest, grow and compete internationally. That's why the UK government, Bank of England and Prudential Regulation Authority are taking significant steps to tailor the capital framework. We have committed to upholding the ring-fencing regime to protect financial stability while taking forward meaningful reforms to support growth, and the Financial Policy Committee is reviewing its assessment of the levels of capital needed to support financial stability. We are committed to implementing Basel 3.1 and are introducing the new requirements for lending and trading activities from 1 January 2027, with the exception of new modelling requirements for market risk which we will implement on 1 January 2028. This allows time for clarity to emerge in other jurisdictions, gives banks the certainty they need to plan and invest in the UK and minimises operational complexity for internationally active banks.

> The importance of global cooperation hasn't faded — it's as essential now as ever.

We have also committed to streamlining the Senior Managers and Certification Regime with the ambition – together with regulators – to reduce the overall burdens on firms by 50%. To achieve this, we are consulting on proposals to remove the Certification Regime from legislation and to enable the regulators to reduce the number of Senior Manager roles requiring their pre-approval before appointment. These proposals sit alongside a commitment to reduce the timelines for regulators to make Senior Manager determinations. A streamlined process and less bureaucratic hurdles make it easier for firms to recruit the right people into positions of responsibility, whilst maintaining robust standards of individual accountability.

Unlocking retail investment

Growth requires investment. For that reason, it is essential that economies unlock the productive capital currently held in cash savings. This is a common challenge across Europe, with the EU taking similar steps to channel savings and pensions into more productive investments via its Savings and Investments Union Strategy. The UK government is also committed to establishing a culture of retail investment and challenging long-standing risk aversion to grow both consumers' savings and the economy. Alongside the Financial Conduct Authority, we are rolling out a system of targeted support to help customers in making better-informed financial decisions and growing their savings, rebalancing how we discuss the benefits and risks of investing. For example, UK banks will be able to suggest a ready-made investment portfolio to a customer with a large cash savings balance. This will represent the biggest reform of the financial advice and guidance landscape in more than a decade and will be a step change in the support available to consumers to begin investing.

Embracing innovation

Financial innovation has the potential to address many of the challenges facing consumers and businesses across the UK and EU. The UK's Fintech sector has led the way in financial services innovation, and our Strategy sets out our ambition to continue to drive progress in this area. Reforms include the launch of a new government concierge service – the Office for Investment: Financial Services – which will support international investors looking to establish or grow a presence in the UK's financial services sector, with a single front door to regulatory and wider business support, faster and simpler regulatory authorisation for new firms, and a regulator-led Scale-Up Unit to engage with fast-growing, innovative companies. The service will be a true public-private partnership with civil servants, regulators and industry working alongside each other to support businesses. These measures will enhance the UK's technologically advanced international financial centre and further improve the ability of Fintech firms to start, scale, and list.

Beyond this we are advancing groundbreaking technology and policy development, working closely with regulators and industry. We're advancing work on tokenised settlement instruments, including exploring the use of stablecoins for settlement in the Digital Securities Sandbox, and continuing our leadership in data sharing through a regulator-led Smart Data Accelerator that will help shape regulatory policy for Open Finance.

The UK has also updated our regulatory framework for central counterparties, enabling this framework to be updated in an agile and responsive way by the Bank of England. The existing UK framework effectively delivers on financial stability so much of it will remain unchanged. As with recently implemented changes to the EU's regulatory framework for CCPs, the proposed changes are targeted and intended to enhance resilience, with a focus on setting clear expectations, maintaining international standards and streamlining regulatory processes to further efficiency and foster innovation.

Working together to address shared challenges

Looking forward, the world is changing rapidly, and the UK's and EU's global leadership in financial services will continue to play an important role in the stable and effective management of global economic developments over the next decade. Open and globally connected financial markets, underpinned by strong international partnerships through bilateral and multilateral cooperation, will be crucial to our economic success.

Action has already been taken by the UK and EU agreeing to strengthen our relationship through the new EU-UK Strategic Partnership, agreed at the Leaders' Summit in May. This agreement is a milestone in improving our relationship with our closest trading partner and provides a platform to deepen our relationship even further.

Specifically in financial services, the UK government is committed to working together with the EU to mutual benefit – encouraging economic growth and innovation across all of our economies. You can see this in action through our synchronised approach to T+1 implementation in October 2027, minimising costs for firms across Europe, and in the constructive dialogue between the Treasury and the European Commission through the Joint EU-UK Financial Regulatory Forum.

But I believe there is more to do. Now more than ever, it is essential that the UK and EU work together to unlock much-needed growth across our continent, to ensure that we help the financial services sector to deliver capital and investment for our economies and our citizens.

JEAN-PAUL SERVAIS

Chair of the Board – IOSCO & Chairman – Financial Services and Markets Authority, Belgium (FSMA)

IOSCO's role in fostering international cooperation and coordination

Since the 2008 global financial crisis, IOSCO made significant strides in strengthening our financial systems in a globally consistent manner. The events of recent years and of recent months have underscored the critical importance of safeguarding financial stability and ensuring the consistent implementation of international standards.

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Given the ongoing uncertainties, it's clear that we need to further monitor developments and potential risks, and that we benefit from sustained global coordination to address emerging risks and ensure a resilient financial system.

More than ever, political priorities in many regions are focused on economic growth and competitiveness. In this respect, it is my view that supporting economic growth goes hand in hand with measures to protect investors, enhance the resilience of the global financial system, and safeguard market integrity. This is why IOSCO is working closely with other Standard Setting Bodies (SSBs) and the FSB.

IOSCO's wide membership makes it unique amongst other financial standard setters in its ability to reach jurisdictions. IOSCO's engagement with its diverse range of stakeholders is essential to ensure that its policy development is both evidence-based and outcomes-focused. Such inclusive engagement is particularly important in rapidly evolving areas where a variety of viewpoints can help identify emerging risks and support the development of policies that are both forward-looking and effective in promoting market integrity and investor protection.

IOSCO's role is to contribute to providing global solutions to global risks and issues within its remit. With that in mind, there are a number of global structural developments that are reshaping financial markets and where global coordination through IOSCO is instrumental, further building on its strong track record.

First, demographics and the rise of the digital retail investor. Younger generations are increasingly entering markets through digital platforms, mobile trading apps, and social media. Their sources of information—often influencers rather than licensed advisers—present new supervisory challenges. IOSCO has been at the forefront of analysing this shift. This year we published several reports which underscore the urgency of ensuring that digital engagement techniques—such as gamification—are used responsibly and that retail investors are not misled or manipulated. This is a fast-evolving space, and we continue to engage with social media platforms and other platform providers to see how we may collaborate to mitigate the risk of online investment fraud.

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Second, financial innovation. We are seeing signs that technological innovations such as tokenisation of assets could enhance processes, improve transparency, and lower operational costs. But we are equally aware that these innovations could create risks to investor protection and market integrity. That is why IOSCO has prioritised work in this space. In 2023 and 2024, we published a comprehensive toolkit for crypto and digital asset markets and decentralized finance. The goal is not to stifle innovation, but to enable it responsibly—on a level playing field and with adequate investor safeguards. We are now working with interested jurisdictions to implement these recommendations swiftly and consistently.

Similarly, Artificial Intelligence (AI) is increasingly embedded in the financial system—from predictive analytics and fraud detection to portfolio management and client interaction. Our latest work identifies several pressing risks to be addressed appropriately and proportionally: the malicious uses of AI, concerns related to the integrity of models, risks of hallucination, risks of concentration, and governance gaps.

Third, Non-Bank Financial Intermediation. IOSCO will continue to work on issues related to NBFI going forward. One area of focus is contributing to the work of the Financial Stability Board (FSB), addressing issues relating to non-bank data availability, use and quality. A high-level group within the FSB is now exploring how to close data gaps—to support risk monitoring, policy design and implementation, and cross-border cooperation. With IOSCO's input, this group will evaluate the extent to which progress can be achieved on this topic by conducting a test case focused on leveraged trading strategies in sovereign bond markets.

Given the interconnected nature of global financial markets, international cooperation and coordination remain imperative, also across sectors. My view is that IOSCO's international standards and guidance provide the foundations for resilient and sustained growth, support innovation, and mitigate regulatory fragmentation, in the interest of efficient capital allocation.