# SEC PUBLIC CONSULTATION ON CLIMATE REGULATION

# RESPONSE FROM THE CITY OF LONDON CORPORATION

**Introduction:**

The City of London Corporation works closely with a wide range of stakeholders to promote UK-based financial and professional services (FPS). These include departments across the UK Government (i.e. the Department for International Trade, HM Treasury, and the Foreign, Commonwealth, and Development Office), financial and professional services firms, and international FPS trade associations. The common goal is to sustain prosperity and stimulate economic growth in London and across the UK through global trade and investment.

Compatible regulatory outcomes provide a strong basis for cross-border investment, growth and job creation across the entire economy. Estimates suggest that such regulatory divergence increases business costs by 5-10% of annual turnover on average.[1] This is of particular relevance when considering the global transition to net zero. Climate change is one of the primary global challenges. The green transition will only succeed if properly financed by business operating across borders and regulatory jurisdictions.

The UK and the US can lead the development of international climate-related financial services regulation. UK and US regulators have strong trust-based relationships which underpin collaboration bilaterally and on global regulatory standards. This cooperation should set the baseline for more compatible and consistent regulatory outcomes to support the global net zero challenge.

As global financial centres, UK-US collaboration can help mobilise consensus around standards – particularly on disclosure and data – at the multilateral international level (FSB, IOSCO, G20). This will be key to minimise fragmentation of approaches in jurisdictions.

There is a need for a global set of internationally recognised sustainability reporting standards. However, this will take time and it is crucial for the UK and US to be working towards compatibility on the most urgent aspects.

The City of London Corporation published a report on trans-Atlantic cooperation in climate-related financial services regulation on 24 May 2021. This report, attached as an appendix, is based on discussions with firms across the various areas of the financial and professional services sector and forms the basis for our response to this consultation which can be found below. It also provides more detailed context to the responses provided to this consultation.

The report specifically covers the issue areas raised in questions 1, 5, 6, and 9 of the consultation. As these issues are deeply inter-related, there is a significant overlap in the answers provided to these questions with regards to potential UK-US cooperation in this space. This includes discussion of the

[1] https://biac.org/wp-content/uploads/2018/04/IFAC-OECD_Regulatory-Divergence_V9_singles.pdf

importance of climate-related data, the establishment of disclosure frameworks, and multilateral collaboration via international fora among other issue areas.

**Comments on Climate Disclosure:**

**Question 1:**
High-quality science-based data is the building block to effective climate regulation. The UK and US should collaborate to ensure that climate data is reliable, comparable and verifiable. This should include the following:

- UK and US regulators should create a model for collecting reliable and auditable climate-related data. For the US, a potential starting point would the SEC's pre-existing EDGAR mechanisms for capturing ESG data from issuers. UK policymakers should explore using a similar structure when establishing their own data repository.
- The UK and the US should explore effective public-private sector collaboration as a template for future climate-related data management. The UK and US should ensure structures allow for companies to own and share their climate-related data as with other financial data. These structures could mimic the ISDA CDS template for collaboration around ownership of critically important data or expand on the structures established by the Carbon Disclosure Product.
- UK and US policymakers should collaborate on the use of alternative data and provide guidance to firms. As climate-related data is limited, firms would benefit from regulator guidance on the acceptable use of alternative proxy data. This should include which proxy data sets are verified and deemed comparable.
- UK and US regulators should collaborate to provide similar climate-related reporting standards which produce comparable data. Such collaboration will help firms incorporate climate-related data into their operations. This could be done through developing similar TCFD-based disclosure or underpinned through an MoU establishing mutual recognition of climate-related reporting.
- Alongside this, financial and professional services firms would greatly benefit from clarity on political and regulatory direction. The importance of clear and long-term guidance from the public policy and regulatory community for firms cannot be understated. This should include regulatory policy and approaches to disclosure frameworks, climate metrics, and risk assessments.

These disclosure frameworks should be further supported through the incorporation of appropriate climate metrics, risks, assessments, and classification. The UK and the US should work to ensure comparable metrics are established for and included within climate-related financial services regulation. This should include the following:

- UK and US regulators must ensure open communication about climate-related financial services regulation metrics, scenario building, and classification. Communication should be encouraged at all levels, from formal regulator meetings to working-level discussions. This open flow of information will ensure effective solutions and that issues are dealt with before they create market access barriers.
- The UK and US should ensure that regulators develop comparability and support evolution of metrics through including the metrics, scenarios, and frameworks in required disclosures.

Policymakers and regulators are still in the early stages of establishing climate-related metrics, scenarios, and frameworks. Once they are created, they should be appropriately linked to disclosures through incorporating them into the requirements placed on firms. By doing this, regulators can provide a baseline for disclosures, increase comparability between disclosures, and support data gathering.

**Question 5:**
With regards to disclosure, the UK and US should collaborate to develop standardised climate-related FPS disclosure frameworks. This should include the following:

- As a starting point to developing standard disclosure models, the UK and US should coordinate to incorporate TCFD reporting requirements into climate-related financial services regulation. This should include working to limit divergence in TCFD reporting requirements and providing clarity around what firms are required to disclose through TCFD.
- UK and US policymakers should collaborate on the exploration and establishment of appropriate potential independent verification for climate-related reports. This could be achieved by the regulators themselves or through approved independent institutions such as the IFRS Foundation or Sustainable Accounting Standards Board.
- The UK and the US should support the IIF framework on product naming as a baseline for global convention for sustainable investment. The UK and the US should support development of a common global language around sustainable investing. Common understanding and structures around product naming support global regulatory coherence in climate-related financial regulation. Existing frameworks such as the IIF framework, the UK IA Responsible Investment Framework[2], and Scope 3[3] provide a baseline which should be expanded and enhanced.

When considering risk assessments, the UK and US should collaborate to establish risk assessments and incorporate this into financial regulation. The goal should be establishment of a single simplified assessment for both jurisdictions as the baseline for multilateral agreement.

**Question 6:**

- UK and US regulators should provide coordinated structured guidance on disclosure. UK and US policymakers and regulators can provide markets with certainty about the direction of travel and the milestones through guidance which enables firms to start to make strategic choices. This guidance should specify the acceptable climate-related metrics and reporting framework. Guidance should also identify the relevant regulatory bodies and their respective authority. This should be supplemented with guidance around legal liability and materiality.

**Question 9:**

[2] https://www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframework.pdf
[3] https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf

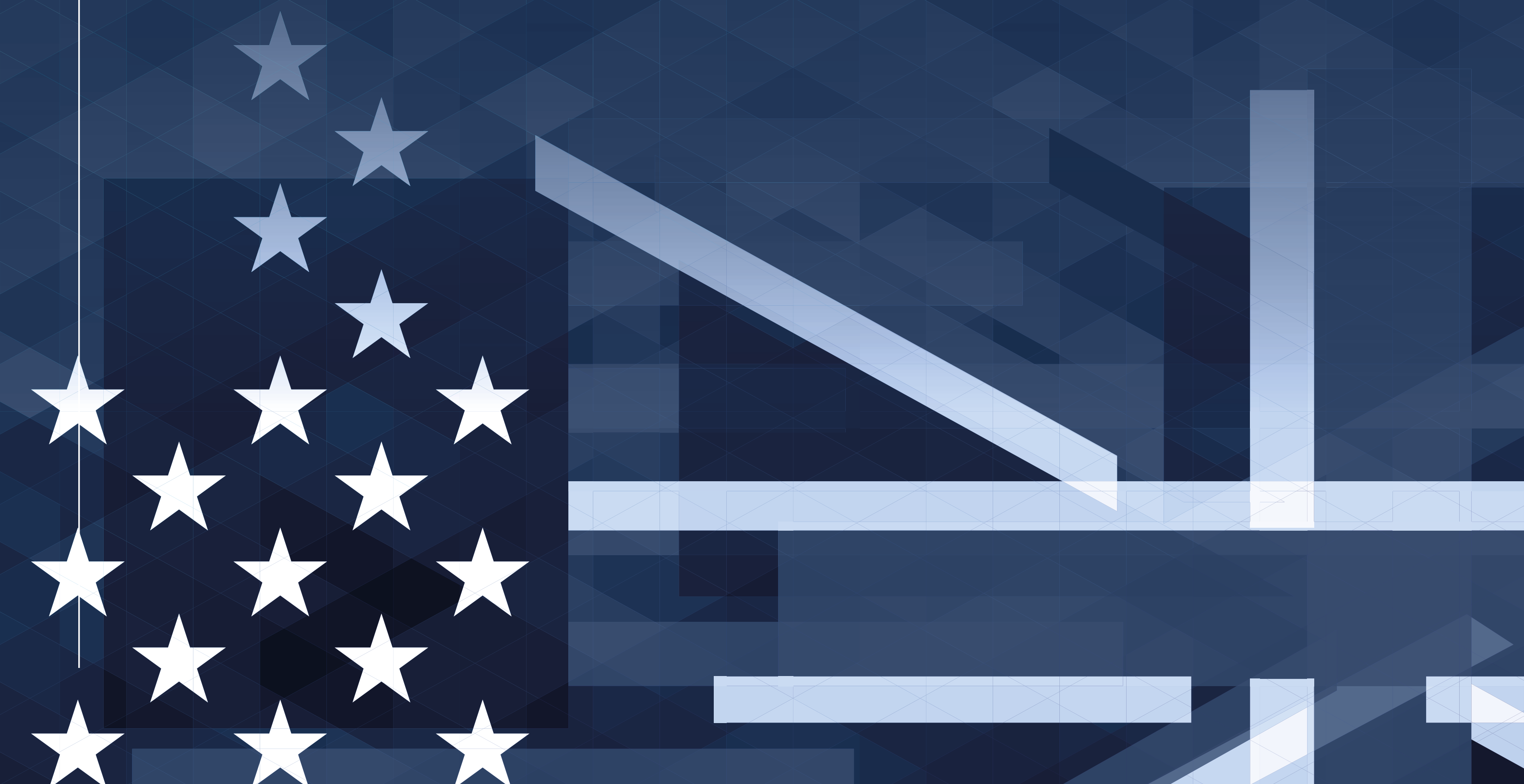
- Domestic advances in climate-related financial services regulation must be paired with international collaboration in order to tackle climate change. The UK and US should advocate urgently for the maximum collaboration in the development of globally consistent standards which leverage existing structures. There are numerous possible routes to achieving such coherence.
- The UK and the US should utilise their leadership roles within the G7, G20, and at COP26 to further integrate wider application and reach of climate-related financial services regulation. The US should coordinate with the UK to utilise its G7 presidency to push leaders to commit to mandating TCFD-aligned climate risk disclosures. The US should partner with the UK at COP26 to underline the urgency and push for increased pace in this area. This includes involvement in The Race to Zero and broader COP campaigns to ensure net zero commitments from companies and counties are backed by credible roadmaps and transition plans.
- The UK and US should collaborate through pre-existing structures to advance climate-related regulation. At the international level, the UK and US should use existing fora and structures available to lead collaboration in climate-related financial services regulation. The Financial Stability Board (FSB) would be well-placed to identify leadership. The UK and the US should drive coordinated adoption of international standards and recommendations including IFRS sustainability reporting recommendations, ICI sustainable finance product descriptors, the IIF product naming framework, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the IOSCO Sustainable Task Force initiatives. The UK and US should learn from past experiences in, for example, the development benchmarking and accounting standards to avoid divergences.
- The UK continues to promote the merits of further US engagement and potential membership of the International Financial Reporting Standards (IFRS) Foundation. An important aspect of long-term international collaboration would be US membership of the IFRS Foundation. In the meantime, the UK should encourage SEC engagement with IFRS on sustainability reporting as it develops its own structures.
- The UK and US should coordinate these efforts bilaterally through the US-UK Financial Regulatory Working Group (FRWG). The UK and US could issue a joint statement outlining the urgency of ensuring cooperation in climate-related financial services regulation. As discussions progress, industry would see value in a dedicated climate-related FRWG workstream.
- UK and US policymakers should ensure there is continual industry engagement when developing climate-related financial services regulation. Successful regulatory cooperation will require substantive engagement with industry to identify cross-border issues in a timely fashion. Policymakers should make use of the British American Finance Alliance and other existing industry engagement tools.

# Data, Direction, Dialogue

## Opportunities for UK-US collaboration in Climate Regulation

# Contents





# Executive summary

### The context

Governments around the world have been making bold commitments to tackling climate change. Numerous countries have brought forward their net zero commitments, decreasing reliance on non-renewable energy sources, and increasingly incorporating climate risk into regulation and economic assessments.

President Biden's election has brought the US back to the centre of this debate. The administration has issued a series of executive orders which include re-joining the Paris Accords and instructing US regulators to incorporate climate risk. With the world's largest economy re-engaging on climate change, the upcoming G7 and G20 meetings and COP26 offer an important opportunity to underline the urgent need for collective action.

### The scale of the challenge

The Global Commission on the Economy and Climate estimates that greening the world's infrastructure by 2030 will require $93tn of investment.[1] In the UK alone, estimates suggest that a five-fold increase in investment from circa £10bn per year to £50bn in 2030 is needed to achieve net-zero targets.[2]

The scale of the problem means that the public sector will not drive these changes alone. With public finance unable to fill the gap, financial services firms will have a central role to play. But neither will finance in any single country shift the dial. Cross-border capital flows will be an essential element of success.

**Climate change is a global problem requiring global action. Climate-related issues demand a systematic, collaborative, cross-cutting market and regulatory response. Achieving net zero will require a whole economy transition and action must come from governments, cities, regions, businesses, and investors.**

1 https://sustainabledevelopment.un.org/content/documents/1595TheNewClimateEconomyReport.pdf

2 https://www.lse.ac.uk/granthaminstitute/news/financing-net-zero-mobilising-the-money-for-action-on-the-ground/

## The role of regulation

In this context, financial regulation will play an important role in enabling the financial sector to address climate challenges whilst maintaining safe and efficient global markets. At present, climate-related financial regulation is in its infancy. There exists broad consensus, however, that climate change needs to be integrated into the global regulatory framework.

This regulatory framework must be built on collaboration. Various jurisdictions are moving quickly and have begun to develop their regulatory responses. Divergent national approaches risk fragmenting global markets and limiting flows of capital to where it can have the most impact. These patterns are already emerging. Avoiding and rolling back such fragmentation will require a coherent approach across jurisdictions involving public-private sector collaboration.

## The business case for change

The development of global frameworks that support the transition to net-zero offers a huge opportunity for financial services firms and their clients. Coherent regulatory frameworks allow firms to develop harmonised international operating platforms. This in turn reduces operational complexity and makes it easier for firms and regulators to identify and manage business risk. Furthermore, consistent regulatory requirements create level playing fields across borders and limits potential regulatory arbitrage.

**The transition to net-zero offers a huge opportunity for financial services firms to benefit through supporting the development of global frameworks.**

## The opportunity

The UK and the US can lead the development of international climate-related financial services regulation. UK and US regulators have strong trust-based relationships which underpin collaboration bilaterally and on global regulatory standards. This cooperation should set the baseline for more compatible and consistent regulatory outcomes to support the global net zero challenge.

Now is the time to act. Administrations on both sides of the Atlantic have made tacking climate change a priority. The UK is also hosting both the G7 and COP26 in 2021, further strengthening the UK's position as a leader in climate-related financial services regulation at the multilateral level.

This paper argues that the UK and the US should collaborate to establish high-quality science-based data as a foundation for standardised disclosure frameworks which include comparable metrics and risk assessment mechanisms. This should be underpinned by international dialogue led by the UK and the US in the development of globally consistent standards based on existing structures.

Section 3 outlines a series of opportunities and recommendations for UK and US policymakers. The paper categorises these recommendations under three headings: Data, Direction, Dialogue.

This paper is the second in a 'UK-US Regulatory Relationship' series which will seek to develop a long-term vision for UK-US collaboration. Eventually, this series of reports will be combined to provide a holistic image of the UK-US market access landscape. This will be a collaborative project based on cooperation with stakeholders across the financial and profession services spectrum. As we continue with this research, we welcome comments and thoughts on future priorities for further study.

**The paper categorises these recommendations under three headings: Data, Direction, Dialogue**

**Despite major progress in recent years, the UK and US have a chance to drive collaboration around building the right frameworks for the private sector to do what it does best: allocate capital to manage risks and seize opportunities.**

# Recommendations

## Data

### Climate Data:

1. The UK and US should collaborate to ensure that climate data is reliable, comparable, and verifiable. Regulators should create a model for data collection, explore public-private sector collaboration, and develop common positions and guidance on alternative data sources and reporting standards.

## Direction

### Disclosure Frameworks:

2. The UK and US should collaborate to develop standardised climate-related Financial and Professional Services (FPS) disclosure frameworks. This includes incorporation of TCFD reporting requirements, exploring appropriate potential future verification mechanisms, and company guidance.

### Climate Metrics:

3. The UK and the US should work to establish comparable metrics, scenarios, and classification which are appropriately linked to disclosures.

### Risk Assessment:

4. The UK and US should collaborate to develop risk assessment mechanisms and work towards establishing a single simplified assessment. UK and US cooperation should seek to develop better guidance around 'materiality'.

## Dialogue

### International Collaboration:

5. The UK and US should advocate urgently for maximum collaboration in the development of globally consistent standards which leverage existing structures. This should be supported by substantive industry engagement maximising UK G7, G20 and COP26 leadership. Bilaterally, the US and UK should coordinate through the US-UK Financial Regulatory Working Group.

**High-quality science-based data is the building block to effective climate regulation.**

# Introduction

The case for regulatory coherence in climate regulation

Governments around the world have been increasing their commitments to tackling climate change. Policymakers have brought forward their net zero commitments, pledged to decrease reliance on non-renewable energy sources, and are increasingly incorporating climate risk into regulation and economic assessments.

President Biden's election has brought the US back to the centre of this debate. The administration has issued a series of executive orders which include re-joining the Paris Accords and instructing US regulators to incorporate climate risk. With the world's largest economy re-engaging on climate change, the upcoming G7 and G20 meetings and COP26 offer an important opportunity to underline the urgent need for collective action.

Recent work including the International Regulatory Strategy Group's *'Global Solutions to Global Problems: Promoting Regulatory Coherence in Financial Services for Pandemic Recovery'*,[3] the US Climate Finance Working Group's *'Financing a U.S. Transition to a Sustainable Low-Carbon Economy'*[4] and TheCityUK's upcoming paper *'UK-US regulatory and supervisory dialogue – from paradigms of the past to the frameworks of the future'* make the case for global regulatory coherence. Compatible regulatory outcomes provide a strong basis for cross-border investment, growth and job creation across the entire economy.

This is of particular relevance when considering the global transition to net zero. Climate change is one of the primary global challenges. The green transition will only succeed if properly financed by business operating across borders and regulatory jurisdictions.

Despite the increased focus on the development of global common minimum standards across financial services, we have seen continued examples of divergence in the development of climate-related regulation. There remains a lack of general standards, agreed definitions and international guidance. Climate-related risks are not yet fully assessed and factored into current valuation of assets.[5]

Estimates suggest that such regulatory divergence increases business costs by 5-10% of annual turnover on average.[6] In terms of financing the transition, firms unable to do cross-border business, burdened by duplicative, complex and contradictory regulatory frameworks, will not be able to mobilise the capital required at pace to meet this strategic challenge.

This is not a static picture. Our understanding of climate risk is constantly evolving, and questions remain around what implications climate change has for different areas of the planet. Ensuring that regulatory frameworks surrounding climate change remain fit for purpose will require constant coordination between institutions and regulators.

UK-US leadership has the potential to set the example for good regulation globally. As global financial centres, UK-US collaboration can help mobilise consensus around climate-related standards. This collaboration at an international level, as well as bilaterally, will be key to minimising fragmentation of regulation across jurisdictions.

3 https://www.irsg.co.uk/resources-and-commentary/irsg-report-global-solutions-to-global-problems-promoting-regulatory-coherence-in-financial-services-for-pandemic-recovery/

4 https://www.iif.com/Portals/0/Files/content/Regulatory/USCWG%20Principles%20vFinal.pdf

5 NGFS 2019 First Comprehensive Report.

6 https://biac.org/wp-content/uploads/2018/04/IFAC-OECD_Regulatory-Divergence_V9_singles.pdf

Section 1

# Opportunities for UK-US collaboration on climate regulation

*In order to assess firms' preparedness and impact on global climate change, financial services regulators have established various climate-related regulations. Current regulation varies from country to country and is heavily reliant on disclosures. Divergence in the implementation of climate-related regulation poses risks to financial services firms, while failing to provide policymakers and the public with data that help inform climate policy. The issue areas surrounding climate-related financial services regulation can be broken down into three separate issue areas:*

- **Lack of data**
  Data provides the basis for risk assessments, establishment of metrics, and the information included in disclosures.
- **Lack of standardisation**
  Standardisation is needed to ensure that the information provided and collected is useful and comparable across jurisdictions.
- **Lack of guidance**
  Yet without guidance, firms will struggle to meet the regulatory requirements placed on them and leave policymakers without the information needed to make accurate decisions.

## 1.1 Developing the Data

**KEY POINTS:**

- Firms must be able to report and store data in an accessible format. In the US this could be done through the Electronic Data Gathering, Analysis, and Retrieval mechanism (EDGAR) mechanism. The UK should look to emulate this and the EU's ESAP when developing its own structures.
- Regulators must be conscious of the effect sequencing of regulation will have on firms, especially any data requirements in disclosures. Firms are often reliant on data reported by their counterparts to meet their own disclosure requirements. Regulators must ensure sequencing of regulation considers the impact of sequencing on this.
- Data must be verifiable. The current structure is based on self-verification and self-assessment. Regulators can outline acceptable verification. This will increase transparency.

Data will be the building block of future climate regulation. It will inform regulators, firms, and individual financial choices.

Firms require data to assess climate-related risks. Climate-related data, however, remains a relatively "new" concept. Collecting and accessing this data presents a series of challenges to FPS firms.

At present, there is no one central source of climate data. Each existing source differs and even the "best" data may differ greatly depending on its origins.

As such, FPS firms and regulators face significant current data gaps. UK and US regulators and policymakers have an opportunity to collaborate towards ensuring climate data is available, comparable and verifiable.

**Accessibility:** Firms would benefit from data being reported and stored in an accessible format. Some regulators already have mechanisms which allow for data included in disclosures to be retrieved. In the US the Securities and Exchange Commission (SEC) has established the Electronic Data Gathering, Analysis, and Retrieval system (EDGAR).

This repository of regulatory submissions, disclosures, and other forms provides a public database of information. A structure which provides firms with easy access to data included in climate-related disclosures will be crucial as this field develops. The EU is working to establish a similar structure in the European Single Access Point (ESAP). This system would create a single platform to access financial and non-financial information publicly disclosed by companies. There would be merit in UK regulators developing a data repository which mirrors EDGAR and ESAP objectives while encouraging maximum accessibility and interoperability of data.

**Sequencing:** Regulators need to be conscious of the effect that the sequencing of regulation will have on firms' capacity to access and develop accurate data. Disclosure requirements must consider the entire financial services ecosystem. If FPS companies are unable to access data from the firms with which they do business, they will not be able to provide an accurate risk assessment for their activity. Establishing mandatory disclosure without mandatory reporting further down the supply chain or across the sector creates difficulties.

An example of this is the EU's Sustainable Finance Disclosures Regulation (SFDR). The disclosure requirements are complex, including 70 indicators against which firms need to report. The sequencing of mandatory disclosure reporting by the EU has created data availability issues. Firms which are bound by these regulatory requirements often find that they are unable to access the data required to meet them. This is due to a lack of mandatory disclosure requirements for their counterparties and others further down the supply chain, as well as the global nature of firms' clients and investments, which may be located in jurisdictions without similar disclosure requirements.

This has wider implications than firms simply being unable to meet disclosure requirements. It is also important for ensuring climate-related regulation has the greatest impact. UK and US policymakers should be mindful of sequencing and the impact it will have on firms and policy goals when implementing regulation.

**Public vs Private firms:** An example of this sequencing challenge comes with the disproportionate focus on listed firms to date. Regulatory authorities have focused on publicly listed and systemically important financial institutions when designing and establishing existing climate-related financial services regulation. Without climate-related data and information from private firms, FPS companies interacting with non-listed firms are often unable to make fully informed risk assessments. UK and US regulators should expand their focus to enable climate-related data sharing between private and public firms.

**Utilisation of alternative data:** The lack of available data covers both historical and forward-looking data. This means that despite firms' best efforts, there may not be enough data for them to meet regulatory requirements. To fill this gap, alternative data based on artificial data points has been developed by various data providers to provide a proxy for direct data. This data provides a set of data points based on estimates and proxies rather than existing company data with the aim of providing comparable risk estimates. There has yet to be any strong stance from regulators on proxy data, despite it becoming an increasingly attractive option for firms assessing climate-related risks. Firms would find benefit on a clear stance from regulators on when and which proxy data is acceptable to utilise.

**Impact on smaller firms:** For smaller firms, data access poses an existential problem. Acquiring and processing data is a resource intensive and costly process. Through incorporating data disclosure into publicly accessible mechanisms such as EDGAR and ESAP, data access can be democratised. Firms need access to high levels of expertise in determining what precise data is required for various reporting requirements. Firms without access to this expertise may choose to purchase data from a large data supplier. Purchased data is not always comparable, however. This is covered later in this report.

**Data verification:** The current structure of climate-related reporting is based on self-assessment. Firms report to regulators and the public on how they incorporate climate-related risk and measures into their day to day business. Firms develop internal assessments individually. This is often time and resource intensive processes reaching across all parts of the firm.

**False reporting:** Despite the hard work being done by firms to establish these carefully constructed internal assessments and processes, there remain concerns of false reporting, altering climate-related ratings, and excluding information.

**Need for verification:** Regulators can support firms by providing independent verification to climate-related reports. There are numerous possibilities for how this can take shape. Regulators themselves could provide their own verification or, if they do not have the remit to do so, they could establish approved external mechanisms and structures which provide this verification. Climate-related measures could be incorporated into pre-existing auditing mechanisms and required regulatory assessments for firms. This verification of climate-related reporting can further support transparency in climate-related reporting. Clearer transparency through verification enables regulators and policymakers to make informed decisions based on accurate market information.

## INITIATIVES TO ALIGN DATA

Several international initiatives attempt to provide accessible climate-related data to firms and establish baseline standards.

One industry-led initiative is Open Source Climate or OS-C.[7] The goal of OS-C is to develop a software platform through industry collaboration which will aggregate data, modelling and computing structures to develop an AI-enhanced model. This model will function like an operating system which will allow for firms to use the data it contains to make more accurate climate-related decisions.

At the multilateral level, the International Business Council (IBC) of the World Economic Forum (WEF) is currently working with industry on the core Stakeholder Capitalism Metrics. The Stakeholder Capitalism Metrics offer a set of universal, comparable disclosures focused on people, planet, prosperity and governance that companies can report on, regardless of industry or region.[8]

Alongside these metrics, the WEF hopes to establish common standards around data, including climate-related data. These initiatives with industry are focused on providing a single global consensus and standard for data. A single standard would be welcomed by industry, however gaining agreement across the globe on these standards means that these standards risk being based on the lowest common denominator.

Though these initiatives are encouraging, they will take time to evolve and provide the data firms need. In the meantime, firms will be forced to use data which is lacking in standardisation, comparability, and verification. The UK and the US should work to support and lead multilateral initiatives while also developing bilateral measures for operational application which can be mimicked at the international level.

7 https://www.os-climate.org/

8 https://newsroom.bankofamerica.com/content/newsroom/press-releases/2021/01/global-business-leaders-support-esg-convergence-by-committing-to.html

## 1.2 Standardisation of climate-related frameworks

**KEY POINTS:**

- Data must be standardised both in collection and reporting. Standardisation creates comparable data sets and allows regulators to gain a full ecosystem view.
- Metrics, frameworks, and other benchmarks must be developed in collaboration. Regulators must coordinate with each other and industry when developing these frameworks.
- When developing standardised metrics, risk assessments, and other frameworks regulators must work to consider and include transition implications.
- Disclosures must include these standardised metrics, risk assessments, and other frameworks. This includes in any future TCFD-based disclosures.
- Disclosures should avoid being duplicative. Policymakers in the UK and the US should work to establish deference mechanisms.

In order to assess firm alignment with sustainability goals and regulations, regulators have created climate-related standards and frameworks. The building blocks of these structures are various climate-related data points, metrics, and risk assessments. These mechanisms provide benchmarking comparison for regulators and establish a structure against which firms can be assessed.

Ensuring data availability is only the first step to establishing the evidence base required to develop high quality climate-related regulation. For data to be useful it must be comparable. This comparability must cover the data firms access externally and the data they produce internally.

Standardisation of modelling, metrics, risk assessments, and other frameworks utilised to make these assessments provide cross-jurisdictional comparison of firms.

**Data standardisation:** To support true comparability, data must be provided in a standardised way which reaches across as many sectors as possible. Each FPS sub-sector and individual firm needs climate-related data to cover a different range of information. This includes both vertical information points further down the supply chain, such as from suppliers, and horizontal information points across the sector, such as counterparties involved.

Different firms use climate data for diverse reasons and different regulatory assessments. These assessments range from stress-testing to risk assessments for investments. Some sectors will require far more data than others to ensure they are meeting regulatory standards and assessing climate risk appropriately.

- Banking is comparatively data intensive. Banks require climate-related data to cover as much information as possible in order to assess risk accurately across their books.
- Asset managers are being asked by both regulators and investors to assess and classify both existing and newly established funds according to climate-related metrics. This classification requires access to reliable, verifiable, comparable, and wide-reaching data. Despite requiring less data than the banking sector, this remains a data intensive process.

- Investors increasingly include climate-related data in their decision-making processes. Most investors will rely on the information provided by firms, thus further emphasising the importance of full data availability.

Standardised data enables firms to not only meet their own regulatory requirements but supports providing a wider picture of climate-related information.

Firms understand that the submissions required by regulators and shared across the sector may not deliver all the data needed to fill existing gaps. This lack of data is compounded by different reporting standards. Regulators providing similar reporting standards which produce comparable data will help firms incorporate climate-related data into their operations. This will also support smaller firms in meeting the requirements.

The standardisation of data does not mean all reports will be the same. There will be inherent variation between firms due to differing business structures. This variation, however, must not hide unsavoury practices and instead contribute to wider climate-related goals and clarity of the actual metrics which are being reported against. Supplying standardised data there can work to provide these assurances.

As data becomes increasingly available, there needs to be guidance and structures which ensure comparability. Increasing data availability without ensuring comparability will only increase unnecessary variation and decrease transparency. Within the financial services sector there already exist examples of private-public collaboration for data and disclosure. One of these is disclosure and recording of credit default swaps. Most credit default swaps (CDS) are documented using standard forms drafted by the International Swaps and Derivatives Association (ISDA). These forms and the corresponding database which contains the data from these forms offers a practical example of public-private cooperation in reporting and data management.

Another initiative in this space is the Carbon Disclosure Project (CDP). The CDP is a non-profit organisation which has established a climate-related disclosure system. Through working with private and public sector actors, the CDP have developed an in-depth database based on standardised disclosure and data reporting. This data is then provided publicly to support climate-related assessments and decision-making.

**Collaboration towards standardisation:** A lack of supervisory cohesion is further complicating the comparability of information for both firms and consumers. For firms, this leads to an increased administrative burden and added complexity. With different jurisdictions requiring firms to submit different data based on separate standard forms and metrics, firms currently produce slightly different data for each supervisory body. From a consumer perspective, these differences will mean that they will be unable to accurately compare products. UK and US regulators should work to coordinate standard disclosures and metrics which create comparable information and data for firms and consumers. Strong mutual recognition frameworks surrounding these disclosures, ideally involving other jurisdictions and international standard-setters, would support this.

When constructing standardised structures, regulators and policymakers must be conscious of the frames of reference utilised in reporting. Firms must have standardised language when discussing investments to ensure that information is easily understood and conveyed accurately. Examples of this include the Institute of International Finance's product naming framework, the definitions presented by the UK Investment Association's Responsible Investment Framework, or Scope 3 emissions as outlined by the Greenhouse Gas Protocol. Policymakers should not reinvent the wheel, but rather work to integrate these pre-existing frameworks and standardisation into regulatory structures.

**Building climate risk models:** Firms require models for climate risk to ensure an accurate assessment of their and other companies' activity. As regulators begin to include climate risk within financial services regulation, these assessments become increasingly important.

Regulators must establish the models and scenarios to assess firms' climate-related risk. These models, scenarios, and definitions will form the basis of upcoming and future regulatory assessments. For financial services firms to gain the most from these assessments, regulators need to maintain transparency when establishing modelling and scenario analysis. Ensuring these models are created alongside discussions and consultations with industry, along with academia, non-governmental organisations and other stakeholders, will allow firms to establish how best to assess the basic levels of climate-risk.

**Impacts for reporting:** If climate-related risk assumptions and scenarios are not aligned across various levels of assessment, then the reporting will be inaccurate. This not only poses a risk for regulators but poses a problem for firms. Variation in financial services firms' assessment of counterparties at best creates inefficiencies and at worst will provide regulators with an inaccurate picture of the ecosystem.

### BUSINESS IMPACT OF DIVERGENCE

Significant divergences between existing data sources mean that current comparability is low. Consequentially, firm-level ESG ratings differ substantially across ratings agencies.[9] Some estimates place the comparability of various data providers' outputs as being as low as 0.38.[10] Though much of this information is reliant on the data provided by firms, these differences compound a general lack of comparability and clarity.

One reason for these variations is the newness of climate-related ratings as a concept. Ratings agencies are currently rating fewer than 10,000 firms according to climate benchmarks.[11]

This limited coverage leads to ESG-conscious parties focusing on firms which are already rated. As a result, current ratings are skewed towards firms that are rated as 'good' or higher excluding firms which are less well placed. A firm which discloses and seeks an ESG rating will likely be a firm which has taken ESG into account and is disclosing regularly. The risk is that these skewed ratings can penalise assets which are "worse" at the moment of assessment regardless of future plans.

9 Berg, Florian and Kölbel, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (May 17, 2020). Available at SSRN: https://ssrn.com/abstract=3438533 or http://dx.doi.org/10.2139/ssrn.3438533

10 Ibid pg. 2

11 Ibid Table 2

**Including 'transition risk and opportunity':** An important aspect of any potential modelling is the inclusion of 'transition risk', an assessment of the risk posed as firms shift towards reliance on renewable energy sources and comply with new climate-related regulation.

As our understanding of climate change and the related technology increases, a shift in the assessment of risk and potential opportunity will be necessary. The market will require regulators to support accurate and up-to-date assessments of the risks posed by both established renewables and new technology. UK and US regulators must be able to move swiftly to provide this assessment and work with industry when doing so.

**Disclosures:** When establishing disclosure requirements, regulators and standard setters must avoid unintentionally creating barriers. Though disclosure should support wider information and data sharing, there are situations in which sub-reporting will only make disclosure more complicated, complex, and the information shared potentially less meaningful.

Firms will be, if not already, required to disclose how their organisation and assets will be impacted by and impact environmental change. The Taskforce for Climate-related Financial Disclosures (TCFD) sets current reporting standards for FPS firms.

**The TCFD framework:** TCFD provides a qualitative framework for firms to report their climate-related risk and activities. Despite providing a framework, TCFD does not outline the standard metrics and data points needed to complete the disclosure.

Critics claim that the current lack of standards allow firms to focus on disclosing qualitative information instead of meaningful data which provides insight into the impact of a firm's activity. An example of this could be a firm reporting via TCFD what percentage of their projects qualify as green. Though this signals a consideration of climate-related risks, it excludes those projects which could be extremely prone to climate-related risk. This lack of full standardised comparable information leaves stakeholders and regulators unable to accurately assess the firm's climate-related actions.

Information on the firm's various climate-related activities must be comparable or standardised to be useful. Comparing information from firms is only useful from a disclosure standpoint if every other firm is reporting information based on the same disclosure standards. Disclosure standards also support the development of comparable data.

This lack of standardisation is further exacerbated by a lack of any models referenced in disclosure requirements. If firms are producing their own metrics and numbers without a model, then there is little ability for other parties to determine the accuracy of these metrics.

## BUSINESS CHALLENGES SURROUNDING DISCLOSURES

*As climate disclosures become mandatory, regulation must consider the entire market and challenges to different firms, both in size and sector.*

| ISSUE AREA | BACKGROUND |
|---|---|
| **TCFD requirements for smaller firms** | Although TCFD is viewed as one of the main global frameworks for climate-related reporting, it is not without its complications. Alongside the lack of standardisation and data availability, completing TCFD is another resource intensive process. To gather the information required to complete TCFD, a firm must examine every aspect of its business, collect the appropriate data from counterparties and stakeholders, and engage every department to gain buy-in.<br><br>The resources required can overwhelm smaller firms. This is exacerbated by a lack of guidance from regulators and expertise within the firms. As such, smaller firms are often less inclined to attempt TCFD reporting leaving a significant gap. |
| **Definitions and scope** | Cultural differences around climate-related regulation pose challenges. In many countries, the debate over definitions and scope of climate-related issue areas is politically sensitive. This leaves little landing space for widely agreed standards. Despite the challenges, any increase in standardisation of climate-related regulation would be welcomed.<br><br>When it comes to disclosures, different sectors will be looking for different information. Some sectors, such as asset management, prefer standardised disclosures across jurisdictions. |
| **Legal** | One concern of cross-border firms engaging with the US is the extra-territoriality of US securities law. Though climate-related financial services disclosure is not enshrined in US legislation or law, there remain concerns over how this will happen. If mandatory disclosures are incorporated into US securities law, cross-border firms will face an increase in legal complexity to their business. The extra-territoriality of US securities law would require cross-border firms to disclose according to US rules in addition to other national disclosure requirements. This increases the administrative burden for firms and may create duplicative reporting.<br><br>As another concern, issuers face substantial concerns about liability under the US federal securities laws, including the risks of private rights of action, particularly for disclosure of climate-related information that may be novel, challenging to measure, or otherwise uncertain. |

| ISSUE AREA | BACKGROUND |
| --- | --- |
| **Mandatory disclosure and sequencing** | The increase in mandatory disclosure requirements poses its own set of challenges for firms. In completing their own disclosures, firms face a lack of data and information. This is further exacerbated when firms require information from other counterparties.<br><br>Firms required to complete climate-related disclosure will often require information from other firms. If these other firms are not bound by mandatory disclosure requirements, the information may not be easily available. Counterparties may not have the required mechanisms in place to provide the data and information needed for firms to meet disclosure requirements. This leads to disclosures based on incomplete data sources.<br><br>Expanding disclosure requirements is not a simple solution. Disclosure requirements need to consider the information required by other firms. Difference in required information included in disclosures can widen the information gaps currently facing firms. Regulation must consider different information requirements while also providing the information needed by firms to meet disclosure requirements.<br><br>Sequencing of regulation without taking this flow of information and data into account is problematic. It can lead to inaccurate and incomplete disclosures. This leaves regulators without an accurate understanding of the market. |
| **Duplication** | Establishment of disclosure requirements on a national basis poses a duplication risk for cross-border firms. Without international coordination on disclosure, countries are establishing their own rules. This creates a complicated web of disclosure requirements for firms. Firms could end up having to file slightly different versions of the same form to several different regulators and institutions. Not only may rules on mandatory disclosure differ, but the information required for these disclosures could vary widely. This increases the administrative burden for firms without providing any added market insight for regulators.<br><br>An example of duplicative disclosure requirements comes when firms have branches in different jurisdictions which each require TCFD. Without coordination across jurisdictions, this can lead to branches submitting different TCFD reports based on misaligned local entity requirements. This is not only burdensome for the firms, but also creates an inaccurate picture of the market for regulators.<br><br>Though there are bound to be differences between submission requirements from regulators, climate remains a global issue. Regulators should not lose focus of the purpose and goal of the regulation, to drive better climate-related action from the financial services sector. Creating duplicative disclosure and reporting requirements only undermines this goal by forcing firms to utilise resources to meet requirements rather than institute real change. |

## 1.3 Collaboration on Guidance

**KEY POINTS:**

- Firms need guidance to meet disclosure requirements. This is especially true for smaller firms.
- Regulators also need to provide guidance on frameworks and regulations upon which these disclosures are based. This includes metrics, risk assessments, firm responsibilities, and how regulation will be updated.
- UK and US policymakers and regulators must coordinate and cooperate when developing this guidance.
- Firms would find benefit in the provision of legal guidance. Regulator guidance on safe harbours, legal liability, and fiduciary duty is needed to provide clarity on the firm-level implications of regulation.

**The need for guidance:** Real expertise in climate-related financial risk is rare. Specialists with the necessary knowledge and experience to interpret these questions from a financial and professional service perspective are few.

As such, to increase quality of disclosures, firms would benefit from guidance on what a "good" disclosure looks like. Regulatory guidance would provide greater clarity for market participants, further strengthening the role of climate-related information in decision-making. Additional guidance would be especially beneficial to smaller firms where the burden of meeting requirements is compounded by a comparative lack of resource.

This guidance must include regulator preferences towards metrics and frameworks.

**Metrics Guidance:** Firms, especially smaller ones, rely on regulator guidance to ensure that they are taking the appropriate measures. Without guidance, firms are forced to self-certify and classify their products according to their specific interpretation of the regulations. Self-certification creates a market without established comparable benchmarks for regulators and consumers. This exacerbates the data gaps outlined in this report and leads to variations in disclosures.

An example of this is the current EU classification system. This system is viewed as a principles-based categorisation shaped by a strict classification. The guidance offered comes in a technical 400+ pages. Despite the length, many firms still believe there is little practical guidance offered.[12] This has led to firms self-certifying products and classifying funds differently across the market. These differences, though based in similar principles, lead to further fragmentation.

Metrics must both serve the present situation and keep pace with evolutions in the market. Currently, there are limits to firms' capacity to incorporate forward-looking climate-risk assessments based on the various metrics and data available. UK and US regulators must provide standardised metrics, ensure that they are updated appropriately and quickly as the market evolves, and ensure that these metrics are incorporated and referenced in regulations and disclosures.

12 https://www.ebf.eu/wp-content/uploads/2021/01/Testing-the-application-of-the-EU-Taxonomy-to-core-banking-products-EBF-UNEPFI-report-January-2021.pdf

## CHALLENGES SURROUNDING CLASSIFICATION SYSTEMS AND TAXONOMIES

Though differences are to be expected between pre-established taxonomies and classification systems, policymakers need to work to ensure these are compatible. The EU sets a high bar with its own green taxonomy upon which international consensus should build. Classification structures should be principles-based with a framework which recognises the different stages of the process across different jurisdictions. This will require strong underlying principles to support firms' transition to more climate-responsible business models, but will enable a wider variety of firms, not just those which are already net-zero, to become involved in the transition of the economy.

Creating a taxonomy and the supporting regulatory structures can have unintended consequences. In the EU, firms can achieve taxonomy assessments which establish that they are "green" according to the taxonomy. For some firms, such as fund managers, this assessment is required for inclusion and marketing as a green fund. This means firms are required to undergo costly, time-consuming and, therefore, occasionally prohibitive assessments. This leads to firms being excluded despite their own work to ensure compliance with the taxonomy and climate-related regulation.

Another category of firms is those which are "obviously green". This can include large companies focused on green products such as solar panel producers or even small start-ups with innovative solutions to currently carbon intensive products. These firms sometimes find little use in paying for a taxonomy assessment. As one purpose of a classification system is to establish labelled products based on assessment, this is problematic.

The lack of comparable data previously discussed has implications for establishing taxonomy frameworks. Taxonomies remain but one aspect of a wide collection of policy tools which regulators should consider. UK and US regulators should learn from the application of other taxonomies, especially the EU taxonomy, when shaping regulation and their own classification systems.

**Current overlapping approaches:** In the absence of agreed scenarios and risk modelling, firms are tasked with creating their own, based on differing approaches to assessing climate risk. This creates an environment of hundreds and thousands of slightly different risk measurements. This is an intensive process in both costs and time and can lead to very different assessments of counterparties across firms. Contributors to this paper suggested that, in order to guarantee future cross-border capital flows, some form of alignment is needed. Regulators in the UK and the US should collaborate as they work to establish their climate-related scenarios and risk modelling. This includes sharing lessons learned in the process of establishing these metrics and incorporating them into the framework of standardised disclosures.

**Legal guidance:** Liability remains a big concern for issuers in the US. The significant liability attached to US securities laws can lead to limited engagement in disclosures. When establishing mandatory disclosures, firm concerns surrounding complex legal risk and liability must be considered by regulators.

The UK should encourage US regulators to offer clear guidance on safe harbours for climate-related statements. This includes general safe harbours for forward looking statements in securities filings. Such assurances will provide firms with the knowledge that they are protected against private rights of action. Regulators should also consider additional safe harbours covering climate statements made outside of required material information filings. By outlining the legal reach of both private actions and SEC enforcement action, regulators can enable greater engagement in disclosures.

Along with guidance around the legal reach of liability, regulators must also provide guidance around materiality. Regulators in the US and the UK should avoid the creation of double materiality.

## BUSINESS IMPACT: ASSESSING FIDUCIARY DUTY

Firms must be able to accurately understand climate risk to make appropriate decisions. This is particularly important when firms are attempting to determine and assess fiduciary duty.

The current structures were not designed to consider climate-related risk. There remain serious concerns around the lack of case law around the materiality of climate-related risk and the effect contract law might have in the future. Should regulation evolve to include climate-related risk, it must be complemented by a corresponding expansion of guidance around fiduciary risk and assessment of materiality of climate-related risks. This guidance should also include the interaction between various domestic climate-related frameworks. Jurisdictions are at very different points in establishing policy in this space.

In the UK, frameworks for determining fiduciary duty and materiality are based on a mix of case law and regulation. The level of guidance and structure varies depending on firm activity. For occupational pension schemes, the Department for Work and Pensions has provided guidance around incorporating climate risk.[13] Yet, for financial services firms dealing with other products there is a lack of guidance in relation to climate-related materiality and risk and legal definitions of fiduciary duty differ across the sector.

The policy landscape in the US remains unclear. The institution, but lack of enforcement, of DOL Rule RIN 1210-AB95 and the current lack of an overarching climate-related policy means firms are unsure of the role climate-related risk will play in US regulation. The SEC is currently in the process of determining the appropriate level of disclosures for climate-related risks. For many firms, the final decision by the SEC in this space will directly determine their fiduciary duty and legal liabilities.

The EU has developed in-depth and detailed requirements surrounding the consideration of climate-related risks. Yet, this construction of climate-related materiality poses its own challenges. The guidance set out through Sustainable Financial Disclosure Regulation (SFDR) and upcoming Non-Financial Reporting Directive (NFRD) will shape materiality and fiduciary duty for firms. As the frameworks currently stand, there is a real possibility

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911894/tcfd-taking-action-on-climate-risk.pdf

of double materiality standards. Concerns around the impact of this regulatory approach is already affecting firm behaviour and planning.

Firms need better understanding around policymaker's requirements of assessing materiality and climate-risk. The current landscape is fragmented, lacks clarity, and does not fully include climate-related risk. As climate-related risk is increasingly included in frameworks around fiduciary duty, policymakers must ensure the transition is complemented by appropriate guidance for firms.

Firms would benefit from clear guidance that outlines the systemic risk climate poses and firms' responsibilities when this climate risk is considered material. A lack of guidance in this space leads to companies making their own assessments and decisions. This is not only an intensive process but produces an ecosystem of thousands of different assessments of climate risk.

The Sustainable Accounting Standards Board (SASB) is a leader in work around materiality. SASB has developed a materiality map for various sectors when making financially related decisions.[14] The purpose of this map is to outline issues which are reasonably likely to impact the financial condition or operating performance of a company.

Though this work is welcomed and important, it also outlines the difficulty of establishing guidance in this area. As the map illustrates, each sector and individual company function will be impacted differently. UK and US regulators should work together to provide guidance for cross-border firms around materiality, fiduciary duty, and legal implications of disclosures. This should be done with the understanding that climate-related measures will impact each firm in a unique way.

14 https://www.sasb.org/standards/materiality-map/

Section 2

# UK-US collaboration in global initiatives

*To note: the following list of national efforts are accurate as of 5 May 2021. The coverage of international initiatives has been limited for length. The sheer length of this section illustrates the complexity of this ever-changing landscape.*

**KEY POINTS:**

- The UK and the US should continue to collaborate on climate-related financial services regulation to avoid market fragmentation. This should be done through existing bilateral structures, international initiatives, and multilateral fora.
- The Bank of England and the Federal Reserve should collaborate bilaterally on stress testing scenarios. This should be complemented with engagement at international fora such as the NGFS to support wider global alignment.
- When shaping climate-related financial services regulation, UK and US policymakers should learn from the implementation challenges posed to firms by this regulation in other jurisdictions.

Though there is international momentum in cooperation on climate, there remains a lack of general standards, agreed definitions and international guidance. More is required to build the right frameworks for the private sector to do what it does best: allocate capital to manage risks and seize opportunities. A system-wide approach based on compatible climate goals is required to enable the necessary change.

Cross-border capital flows will be an essential catalyst for change. To enable capital flows, climate-related regulatory frameworks must avoid creating competing structures. The development of metrics on an individual country basis risks further fragmentation. Frictions caused by different governance and regulatory structures and approaches can negatively affect the ease of doing business and lead to trapped capital. This includes differing rules on capital utilisation, ability to market funds, differing metrics around materiality, and contracts no longer being interoperable between the various regulatory regimes.

## 2.1: EU as first mover:

The EU is often believed to have the first mover advantage with regards to climate-related regulation. This includes various standards, legislative initiatives, and a climate action plan.

The EU taxonomy is primary legislation which defines environmentally sustainable economic activity. Though this provides an outline for sustainable engagement by firms, as primary legislation it is time consuming to update and can be slow to evolve to meet market changes. The application of the taxonomy is also extremely complex with lengthy technical guidance for firms and limited "green" activities as it stands.[15]

Alongside the taxonomy, the EU is in the process of establishing regulations surrounding required disclosures by firms. These regulations include their own reporting standards which are established as mandatory in EU law.

This includes the Sustainable Finance Disclosures Regulation (SFDR). The goal of this regulation is to ensures everyone along the investment chain integrates sustainability risks and discloses accordingly. SFDR is plagued by

15 https://www.ebf.eu/wp-content/uploads/2021/01/Testing-the-application-of-the-EU-Taxonomy-to-core-banking-products-EBF-UNEPFI-report-January-2021.pdf

numerous problems in its practical application, however, as mentioned earlier in this paper.

The EU plans to supplement SFDR with the Corporate Sustainability Reporting Directive (CSRD) which will amend corporate disclosure to require additional sustainability reporting. Though industry has largely welcomed the proposal, concerns have been raised about the need for appropriate sequencing of regulatory interventions.

Other regulatory movements by the EU include expanding delegated acts such as UCITS, AIFMD, and MiFID II to include climate-related measures.[16] This ensures sustainability is integrated in organisation and operations, product governance and risk management. In the case of MiFID II and the Insurance Distribution Directive advisors will be required to ask clients about sustainability preferences. In addition to this, the EU is establishing a green bond standard which will enhance the transparency, comparability, and credibility of green bond markets. This will be supported through the EU Climate Transition Benchmark & EU Paris Aligned Benchmark and an ecolabel which introduces a clear labelling for investment products. The final aspects of the EU's Sustainable Finance Action Plan are the Shareholder Rights Directive II (SRD II) and sustainable corporate governance structures. These will clarify the duties of asset managers, asset owners and companies for stewardship and provide proposals to foster long-term thinking in companies respectively.

There is a damaging lack of global standards which the EU's approach attempts to fill. Yet, it equally creates a globally fragmented landscape from the outset. Climate-related regulation and legislation affects firms across the globe. There is a need to increase international collaboration around a system which is comprehensive and supports increased inclusion of climate-related measures in policy. The financial services sector can learn lessons from previous regulatory discussions such as the establishment of accounting standards.

## 2.2: UK and US initiatives: Unilateral and bilateral

UK and US Governments, regulators, and institutions are working to introduce climate-related measures and expand the mandate of existing regulators.

### UK

The UK Government issued the Green Finance Strategy in 2019 which centred on three priorities – greening finance, financing green, and capturing the opportunity.[17] It also included the first mention of the Government's intention to require TCFD-based disclosures for firms. The Green Finance Strategy will be reviewed and refreshed in 2022.

In November 2020, the UK Government published the Green Industrial Revolution which incorporated green finance measures. This included the UK's first green gilt, outlining the application of TCFD framework to disclosures, and intentions to apply the EU Taxonomy regulation, but with the intention to review it to ensure compatibility with the UK market. Alongside this the 2021 budget included plans for a green National Savings and Investment product for retail investors. Future plans include a consultation on reporting for large firms by 2022 following the UK's decision to avoid onshoring SFDR or NFDR (now CSRD) during the Brexit process.

The FCA and PRA have created and co-chair the Climate Financial Risk Forum (CFRF).[18] The goal of the CFRF is to build capacity and share best practice across financial regulators and industry in order to advance the sector's responses to the financial risks from climate change.

The Bank of England has been equally engaged in incorporating climate-related measures. The UK Government's 2021 Budget updated and expanded the Bank's remit to include environmental sustainability. This includes their work on establishing a stress-testing

16 AFME Report the EU ESG disclosure landscape: https://www.afme.eu/Portals/0/DispatchFeaturedImages/FINAL_%20AFME%20White%20Paper_%20ESG%20Disclosure-1.pdf

17 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820284/190716_BEIS_Green_Finance_Strategy_Accessible_Final.pdf

18 https://www.fca.org.uk/transparency/climate-financial-risk-forum

framework for UK institutions. The Bank of England is expected to be the first regulator to stress its financial system against different climate risk scenarios.[19] The Bank is also engaged with international initiatives on inclusion of climate-related regulation such as the IFRS Foundation Sustainability Reporting Standard Setting.

The Roadmap on TFCD Requirements as outlined by HM Treasury includes the following dates for TCFD application:

**2021-2022**

Occupational pension schemes >£5bn; banks, building societies, and insurance companies, premium listed companies

**2022-2023**

Occupational pension schemes (>£1billion), Largest UK-authorised asset managers, life insurers and FCA-regulated pension providers, UK-registered companies, Wider scope of listed companies

**2023-2024**

Other UK-authorised asset managers, life insurers and FCA-regulated pension providers

**2024-2025**

Other occupational pension schemes (subject to review), Potential further refinements to measures across categories, including in response to evolving best practice

19 https://www.bankofengland.co.uk/-/media/boe/files/speech/2019/remarks-given-during-the-un-secretary-generals-climate-actions-summit-2019-mark-carney.pdf

## BANK STRESS TESTING AND SCENARIO ANALYSIS

A stress test is an assessment conducted under a hypothetical scenario in order to determine whether a financial institution has sufficient capital to withstand an economic shock. Bank stress-testing is global by nature, covering the entirety of a multinational bank's holdings, regardless of jurisdiction. Divergence between stress-testing structures could be detrimental and lead to inaccuracies.

The scenario building underpinning such stress-testing matters. Every firm should be subject to the same structured assessments. In order for firms to make their own assessments there is a need for reliable, verifiable, useable data and clear agreement on what proxies are acceptable in the event of data gaps.

Current rules for banks are being established on a jurisdiction by jurisdiction basis. This becomes an issue when banks are pulled across borders in assessments. An example of this are ECB stress-testing plans. In 2022 the ECB will be testing not only banks established in EU countries, but also any subsidiary located within the EU. For some banks this can mean that an extremely small section of their business will be subjected to the same high regulatory requirements and scrutiny of a fully independent bank.

National regulators are including firms in their early stress-testing exercises and asking for feedback comment. However, most jurisdictions asking firms for feedback are including firms on registration not presence. For example, the Bank of England's exercise on stress-testing structures is limited to UK banks. This means that despite many firms having a large UK presence they are not included in the exercise and cannot provide input. Engagement with firms who will be subjected to these regulations needs to be as inclusive as possible.

Alignment and cooperation as banks run these exercises will be crucial. The Bank of England has led pioneering work on stress-testing institutions for climate. It is a founding member of the Central Banks and Supervisors Network for Greening the Financial System (NGFS) and chairs the NGFS workstream on sizing the risks from climate change to the financial system and macroeconomy. These international efforts are reflected in the Bank's approach to developing its own domestic stress testing.

Collaboration and discussions around alignment on these scenarios between the Bank of England and the Federal Reserve would be welcome. These discussions should not be limited to the bilateral level. Instead these discussions should be brought to international fora such as the NGFS to support wider alignment within the global system. To ensure limited divergence a single regulatory exercise could be established similar to the structures surrounding Basel GSIB assessment.

## US

The Biden administration has made been quick to reprioritise tackling climate change. The US is increasingly involved in and leading the discussion around climate-related financial services regulation both domestically and internationally.

A series of executive orders demonstrate this shift and led regulators and US institutions back to considering climate-related issues. On the first day of the Biden administration, the Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis was signed. This order directs all executive departments and agencies to immediately review and, as appropriate and consistent with applicable law, take action to address the promulgation of Federal regulations and other actions during the last four years that conflict with these important national objectives, and to immediately commence work to confront the climate crisis.

This was followed by the Executive order on Tackling the Climate Crisis at Home and Abroad on 27th January 2021. This order established the role of the Special Presidential Envoy for Climate while also renewing the United States' commitment to net zero by 2050 and return to the Paris Agreement.

This is complemented by a draft executive order on "climate-related financial risk". This would ensure climate change-related considerations were taken into account by the banking and insurance industries and into federal and state regulation and funding for virtually every sector of the American economy. This will include a government-wide strategy to mitigate climate-related financial risks to public and private financial assets. As part of this, banking, housing and agriculture regulators will be asked to incorporate climate risk into their supervision of major industries and lending.

The plan would be crafted by National Economic Council Director Brian Deese, national climate adviser Gina McCarthy, Treasury Secretary Janet Yellen, and the Office of Management and Budget. The Financial Stability Oversight Council, led by chair and US Secretary of the Treasury Janet Yellen, will assess risks of climate change to the financial system and issue a separate report within six months that outlines the regulatory community's efforts to assess – and address – climate risks. This would be complemented by the Federal Insurance Office assessment of climate-related issues in its oversight of insurers.

Alongside the domestic agenda, the US hosted the International Climate Leaders' Summit in April 2021 to discuss international cooperation on climate with 40 world leaders. At the summit, President Biden announced the updated US target to reduce emissions by 50-52% by 2030 compared to 2005 levels.[20]

Financial services regulators in the US have also increased their focus on climate-related issue areas. In February, the SEC appointed a new senior policy adviser to address climate issues and advise the agency on ESG matters across all SEC divisions. They also opened a consultation and call for information on reporting/disclosures by public companies, with the goal to updated relevant 2010 guidance. In March the SEC included climate-related risk in the examination priorities for 2021 and created the Climate and ESG Task Force with a focus on "ESG-related misconduct". As part of their consultation and call for information, the SEC is seeking comment on various aspects of TCFD reporting. This includes raising awareness of possibly misleading statements being made around climate.

The SEC is involved in many ongoing international discussions around climate-related regulations and standards. This includes discussions around the IFRS SSB and the SEC's role as co-chair of the Technical Expert Group (TEG) under the Sustainable Finance Task Force (STF) established by IOSCO.[21] This work has been publicly endorsed by US Secretary of the Treasury Janet Yellen. The SEC is also working on wider international collaboration around disclosure on carbon leakage and ESG metric for publicly listed companies. This includes discussions with the EU on carbon border mechanisms.

20 https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/23/fact-sheet-president-bidens-leaders-summit-on-climate/

21 https://www.iosco.org/news/pdf/IOSCONEWS599.pdf

Climate-related research and examination of the impact of climate on the financial system has been a focus of the Commodities Futures Trading Commission (CFTC). This includes the establishment of a Climate-Related Market Risk Subcommittee. In September 2020 the CFTC published a report on Managing Climate Risk outlining the risk climate change poses to the American financial system and economy.[22] The CFTC also launched Climate Risk Unit (CRU) to focus on role of derivatives in understanding, pricing, and addressing climate-related risk and transitioning to a low-carbon economy.

The Federal Reserve has made clear its intent to develop thinking and policy in the field to ensure that the financial system is resilient and robust against the risks of climate change. This includes the March 2021 announcement of the establishment of the Financial Stability Climate Committee and a Supervision Climate Committee. These moves have been supported by Chairman Jerome Powell's public statements on the need to incorporate climate-related risks into the system. This increased involvement on the national stage has been paired with increased international involvement on climate-related initiatives. This includes the Federal Reserve becoming a member of the Network for Greening the Financial System.

The US is viewed as methodical in its implementation and application of regulation. While international institutions can provide the principles upon which this regulation should be based, they traditionally fail in outlining which regulators institute them. This leads to jurisdictional differences in rules and who resolves them. There are previous examples of this creating divergence in regulation and application internationally including in benchmarking/rating agencies.

22 https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf

## DOL RULE ON ESG-RELATED INVESTMENTS

On 12 January 2021, the US Department of Labour Rule RIN 1210-AB95 took effect.[23] The stated intention of the rule is to establish clear regulatory guideposts for pension plan fiduciaries investing in ESG. The regulation, in the view of the DOL, prohibits ERISA plan fiduciaries from choosing investments or investment courses of action to promote environmental, social, and public policy goals unrelated to the interests of plan participants and beneficiaries in financial benefits from the plan. Though the point of the rule is to encourage plan managers to choose investments based on the best return for their consumers, the creation of ESG specific regulation is limiting.

The rule acknowledges that ESG factors can be related factors, but only if they present economic risks or opportunities that qualified investment professionals would treat as material economic considerations under generally accepted investment theories. The regulatory text outlines the required investment analysis and documentation needed if there is a choice between two investments which would be economically "indistinguishable" besides ESG involvement.

As the rule requires the fiduciary to determine ESG offers no extra risk, it requires for the fiduciary to prove a counterfactual by proving ESG is no riskier than any other investment. This means ERISA plan fiduciaries will be barred in practice from investing in ESG vehicles. This is because they might not be able to evidence which products possibly sacrifice investment returns or take on additional risk and which do not.[24] Though there are already limits on investing through UK firms, this further limits the involvement of UK investment vehicles as they work to move towards ESG/sustainable investment.

The DOL has stated as of 10 March 2021 that they would not enforce the rules relating to ESG investing and proxy voting rules. Alongside this non-enforcement, the DOL is working to engage with stakeholders on the existing ESG-related rules. This will support their wider review of these rules in order to determine how ESG-related issues should be incorporated into regulation.

Though the DOL has stated they will not enforce ESG-related rules, they remain on the statue books. Without a change to regulation there is ever possibility that a future administration could instruct the DOL to enforce the rule.

23 DOL Rule RIN 1210-AB95 which amends "investment duties" regulation at 29 CFR 2550.404a-1

24 https://www.ft.com/content/abfa7a6f-79e3-4abd-9aee-93d99384ef36

## 2.3: International initiatives

### Overarching

There are numerous international climate-related financial services initiatives led by various institutions and organisations. This includes initiatives by the FSB, IOSCO, the World Bank, and others.

### The FSB

The Financial Stability Board (FSB) is currently running three climate-related workstreams covering data, disclosures and regulatory and supervisory practices. Through these workstreams, it intends to submit to the G20 two reports on ways to promote consistent, high-quality climate disclosures and on the data necessary for the assessment of financial stability risks and related data gaps. This will be further supported by a roadmap to address climate-related financial risk.

The FSB also created the Task Force for Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. The TCFD has developed a framework to help public companies and other organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes. This framework includes governance, strategy, risk management, and metrics and targets. Though the TCFD provides a route into more systemic international collaboration, it still has a long way to go. Current disclosures based on the TCFD framework lack standardisation and guidance for firms. The UK and the US should work with the TCFD as they further develop these structures. In the meantime, they should ensure that their own national disclosures standards are compatible with TCFD and include specific comparable metrics, standards, and information.

### NGFS

The Central Banks and Supervisors Network for Greening the Financial System (NGFS) was formed in December 2017, at the One Planet Summit in Paris. It was co-founded by eight central banks, including the Bank of England, and supervisors. As of July 2020, NGFS has over 80 central banks and supervisors as members and observers.

The goal of the work of the NGFS is to share best practices and contribute to the development of environment and climate risk management in the financial sector. NGFS scenarios have been developed to provide central banks and supervisors, as well as financial firms and companies, a common starting point for analysing climate risks under different future pathways. NGFS also works to provide practical advice on using scenario analysis to assess climate risks to the economy and financial system through various guides. These scenarios and guides are currently being utilised by the Bank of England as the basis for the 2021 Biennial Exploratory Scenario (BES) on climate risks. The Guide provides.

### SASB

The Sustainability Accounting Standards Board (SASB) is an independent non-profit organisation that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. The SASB supports the work of the TCFD and is referenced by TCFD guidelines. These include a subset of standards and metrics related to environmental, societal, and governance (ESG) issue areas. The goal of SASB is to further harmonise SASB standards with TFCD recommendations while also providing crucial information to firms around materiality and disclosure guidance.

**The WEF**

The World Economic Forum (WEF) is working to support standardisation of data and metrics on an international level. In September 2020, it published a report entitled Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation.[25] This report outlines the conclusions of their consultation into the establishment of a core set of common metrics and disclosures of non-financial factors for investors and other stakeholders.

**World Bank**

In April 2021, the World Bank announced their Climate Change Action Plan.[26] The goal of this plan is to support the integration of climate-related measures into development through increasing the impact of climate finance and mitigating greenhouse gas emissions.

**IOSCO**

IOSCO performed a series of surveys and research into the climate-related regulatory landscape which culminated in a report on Sustainable Finance and the Role of Securities Regulators and IOSCO.[27] The report highlights three recurring themes, namely numerous sustainability frameworks and standards, a lack of common definitions of sustainable activities, and greenwashing and other challenges to investor protection. To address these challenges IOSCO established a Task Force on Sustainable Finance co-led by the Monetary Authority of Singapore and the US SEC. This Task Force will work to improve sustainability-related disclosures and minimise divergence and overlap between regulatory approaches. Though this will provide a global agreement on broad outline of green finance standards, it will only be operational in 2022 at the earliest. There are also concerns that a globally agreed baseline, though welcomed, will end up being quite a low standard due to competing national views. UK regulators should work with the SEC to support the work of the Task Force and develop a leading international standard.

**IFRS Foundation**

The International Financial Reporting Standards (IFRS) Foundation is a not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards—IFRS Standards—and to promote and facilitate adoption of the standards. As part of this work, the IFRS Foundation is working to establish the International Sustainability Standards Board to develop a global baseline for disclosure of sustainability-related information. The ISSB work is supported by policymakers, including the US and UK through IOSCO, and is leveraging existing sustainability standards and frameworks to drive global convergence.[28]

Though there is international momentum, there remains a lack of general standards, agreed definitions, and international guidance. These initiatives need to be coordinated between institutions to ensure the widest impact and avoid overlapping structures. The UK and the US should support the work of the IFRS through engagement with the International Sustainability Standards Board. They should also work to ensure that the national regulations and frameworks are compatible with the final recommendations of the IFRS.

25 https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation

26 https://www.worldbank.org/en/news/statement/2021/04/02/world-bank-group-president-statement-on-climate-change-action-plan#:~:text=We%20will%20achieve%20this%20by,will%20support%20adaptation%20and%20resilience.

27 https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf

28 https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-working-group/

### RISKS OF NATIONAL v INTERNATIONAL REGULATION SEQUENCING

Climate change requires swift action. International organisations which require consensus from membership with vastly different opinions are viewed as relatively slow in comparison to individual jurisdictions' ability to make policy. This has led to some jurisdictions developing their own policy at the risk that it might be incompatible with future international regulation and norms.

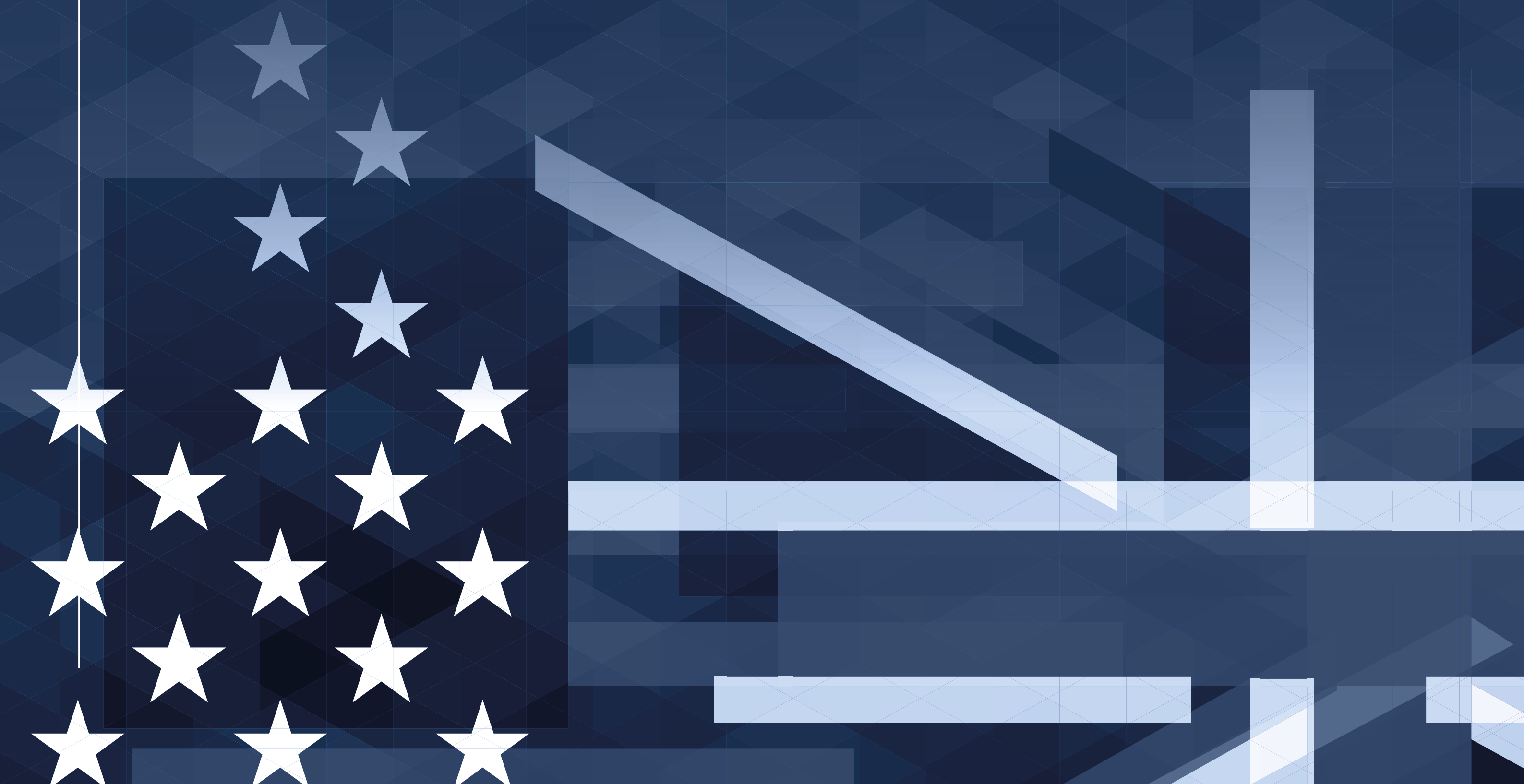
An example of this is the EU's work on sustainability. Much of the EU's policy is extremely advanced and enshrined in domestic law. Though this work is innovative, it is also complex and EU-centric. There is a risk that this complexity and focus on application as it matters to EU member states will make it unworkable globally. EU policymakers continue forward despite various international movements in this space which might create incompatible standards for cross-border firms

Policymakers must ensure that they cooperate on the international stage through multilateral institutions in a way which does not lead to future divergence. This includes collaborating through the NGFS on stress-testing, the FSB and TCFD on establishing disclosures, and supporting development of standards through institutions such as SASB, the IFRS Foundation, and ISOCO.

Alongside this cooperation, policymakers must provide transparency of planned regulation and consideration of the interaction between national and international policy. Though operational implementation of standards is more likely to succeed on a bilateral level, multilateral cooperation will enable convergence around global principles-based standards and approaches to climate-related financial services regulation.

Section 3

# Recommendations



## Data

As global financial centres, UK-US collaboration can help mobilise consensus around standards – particularly on disclosure and data – at the multilateral international level (FSB, IOSCO, G20). This will be key to minimise fragmentation of approaches in jurisdictions

There is a need for a global set of internationally recognised sustainability reporting standards. However, this will take time and it is crucial for the UK and US to be working towards compatibility on the most urgent aspects.

1. **Climate Data: Good science-based data is the building block to effective climate regulation. The UK and US should collaborate to ensure that climate data is reliable, comparable and verifiable.**

    - **UK and US regulators should create a model for collecting reliable and auditable climate-related data.**

      For the US, a potential starting point would the SEC's pre-existing EDGAR mechanisms for capturing ESG data from issuers. UK policymakers should explore using a similar structure when establishing their own data repository.

    - **The UK and the US should explore effective public-private sector collaboration as a template for future climate-related data management.**

      The UK and US should ensure structures allow for companies to own and share their climate-related data as with other financial data. These structures could mimic the ISDA CDS template for collaboration around ownership of critically important data or expand on the structures established by the Carbon Disclosure Product.

    - **UK and US policymakers should collaborate on the use of proxy data and provide guidance to firms.**

      As climate-related data is limited, firms would benefit from regulator guidance on the acceptable use of proxy data. This should include which proxy data sets are verified and deemed comparable.

    - **UK and US regulators should collaborate to provide similar climate-related reporting standards which produce comparable data.**

      Such collaboration will help firms incorporate climate-related data into their operations. This could be done through developing similar TCFD-based disclosure or underpinned through an MoU establishing mutual recognition of climate-related reporting.

## Direction

Clarity on political and regulatory direction is key. The importance of clear and long-term guidance from the public policy and regulatory community for firms cannot be understated.

2. **Disclosure Frameworks: The UK and US should collaborate to develop standardised climate-related FPS disclosure frameworks.**

   - **As a starting point to developing standard disclosure models, the UK and US should coordinate to incorporate TCFD reporting requirements into climate-related financial services regulation.**

     This should include working to limit divergence in TCFD reporting requirements and providing clarity around what firms are required to disclose through TCFD.

   - **UK and US policymakers should collaborate on the exploration and establishment of appropriate potential independent verification for climate-related reports.**

     This could be achieved by the regulators themselves or through approved independent institutions such as the IFRS Foundation or Sustainable Accounting Standards Board.

   - **UK and US regulators should provide coordinated structured guidance on disclosure.**

     UK and US policymakers and regulators can provide markets with certainty about the direction of travel and the milestones through guidance which enables firms to start to make strategic choices. This guidance should specify the acceptable climate-related metrics and reporting framework. Guidance should also identify the relevant regulatory bodies and their respective authority. This should be supplemented with guidance around legal liability and materiality.

3. **Climate Metrics: The UK and the US should work to ensure comparable metrics are established for and included within climate-related financial services regulation.**

   - **UK and US regulators must ensure open communication about climate-related financial services regulation metrics, scenario building, and classification.**

     Communication should be encouraged at all levels, from formal regulator meetings to working-level discussions. This open flow of information will ensure effective solutions and that issues are dealt with before they create market access barriers.

   - **The UK and the US should support the IIF framework on product naming as a baseline for global convention for sustainable investment.**

     The UK and the US should support development of a common global language around sustainable investing. Common understanding and structures around product naming support global regulatory coherence in climate-related financial regulation. Existing frameworks such as the IIF framework, the UK IA Responsible Investment Framework[29], and Scope 3[30] provide a baseline which should be expanded and enhanced.

29 https://www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframework.pdf

30 https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf

- **The UK and US should ensure that regulators develop comparability and support evolution of metrics through including the metrics, scenarios, and frameworks in required disclosures.**

  Policymakers and regulators are still in the early stages of establishing climate-related metrics, scenarios, and frameworks. Once they are created, they should be appropriately linked to disclosures through incorporating them into the requirements placed on firms. By doing this, regulators can provide a baseline for disclosures, increase comparability between disclosures, and support data gathering.

4. **Risk Assessment: The UK and US should collaborate to establish risk assessments and incorporate this into financial regulation.**

   - **The UK and the US should collaborate on risk assessment mechanisms.**

     The goal should be establishment of a single simplified assessment for both jurisdictions as the baseline for multilateral agreement.

   - **When replacing US Department of Labour Rule RIN 1210-AB95, the US should engage with stated concerns and potential impacts on FPS the rule may have.**

     This DOL Rule establishes new stringent regulatory guidelines for fiduciary duty surrounding ESG investments which are limiting in practice. US stakeholders are encouraged to engage with these concerns, with the ultimate goal of fully repealing and replacing this DOL Rule.

   - **The UK should ensure its own fiduciary structures adapt appropriately as climate-related and ESG regulation evolves.**

     This should be shaped by learnings from other jurisdictions such as the EU and the US. The UK should encourage better cross-border approaches to climate-related materiality as the starting point for improved fiduciary standards. The UK should provide domestic guidance on the materiality of climate-related risk and not wait for case law to determine the role of climate-related assessments.

## Dialogue

5. **International Collaboration: The UK and US should advocate urgently for the maximum collaboration in the development of globally consistent standards which leverage existing structures. There are numerous possible routes to achieving such coherence.**

   - **The UK should utilise its leadership role in the G7, G20, and at COP26 to further integrate wider application and reach of climate-related financial services regulation with the US and others.**

     The UK should coordinate with the US to utilise its G7 presidency to push leaders to commit to mandating TCFD-aligned climate risk disclosures. The UK should partner with the US at COP26 to underline the urgency and push for increased pace in this area. This includes involvement in The Race to Zero and broader COP campaigns to ensure net zero commitments from companies and counties are backed by credible roadmaps and transition plans.

   - **The UK and US should collaborate through pre-existing structures to advance climate-related regulation.**

     At the international level, the UK and US should use existing fora and structures available to lead collaboration in climate-related financial services regulation. The Financial Stability Board (FSB) would be well-placed to identify leadership. The UK and the US should drive coordinated adoption of international standards and recommendations including IFRS sustainability reporting recommendations, ICI sustainable finance product descriptors, the IIF product naming framework, the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the IOSCO Sustainable Task Force initiatives. The UK and US should learn from past experiences in, for example, the development benchmarking and accounting standards to avoid divergences.

   - **The UK should continue to promote the merits of further US engagement and potential membership of the International Financial Reporting Standards (IFRS) Foundation.**

     An important long-term solution for international collaboration would be US membership of the IFRS Foundation. In the meantime, however, the UK should encourage SEC engagement with IFRS on sustainability reporting as it develops its own structures.

   - **The UK and US should coordinate these efforts bilaterally through the US-UK Financial Regulatory Working Group (FRWG).**

     The UK and US could issue a joint statement outlining the urgency of ensuring cooperation in climate-related financial services regulation. As discussions progress, industry would see value in a dedicated climate-related FRWG workstream.

   - **UK and US policymakers should ensure there is continual industry engagement when developing climate-related financial services regulation.**

     Successful regulatory cooperation requires substantive engagement with industry to identify cross-border issues in a timely fashion. Policymakers should make use of the British American Finance Alliance and other existing industry engagement tools.

# Conclusion

Climate change is a global problem which requires global solutions. The UK and the US must collaborate to establish high-quality science-based data as a foundation for standardised disclosure frameworks which include comparable metrics and risk assessment mechanisms. Through leading the international dialogue surrounding climate-related financial services regulation, the UK and the US can further the development of globally consistent standards based on existing structures.

This report is one of a series analysing the current and future UK-US FS relationship. The previous report on UK-US foreign investment screening and data privacy regulations can be found here. Through analysing the potential market access barriers faced by UK firms when operating, expanding, or considering engaging in the US market, these reports highlight key areas for greater regulatory cooperation. They also cast a light on areas where further analysis on existing mechanisms and processes which could be utilised to the mutual benefit of the UK and US.

The City of London Corporation would like to thank those who assisted us in our research and contributed to this report. They have provided invaluable and detailed insights into how UK firms operate in the US and what the future UK-US relationship could look like. We welcome further comment on the issues presented in this report and others facing UK firms engaging in the US market.

# Acknowledgements

The City of London Corporation would like to thank everyone who has given their time during the production of this piece of work and contributed to this report. They have provided invaluable and detailed insights into how UK firms operate in the US and what the future UK-US relationship could look like.
We will include a full list of contributors and acknowledgements in the final report in this series.

Contributors to the Report

**Alexandra Mills**
**Senior Global Trade Policy Adviser**
+44 (0) 7544 656861
alexandra.mills@cityoflondon.gov.uk

**Duncan Richardson**
**Head of Global Trade Policy**
+44 (0) 7841 514872
duncan.richardson@cityoflondon.gov.uk

**Tehreem Yusuf**
**Global Trade Policy Adviser**
+44 (0) 7841 533719
tehreem.yusuf@cityoflondon.gov.uk

**About the City of London Corporation:**

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.

CITY OF LONDON

cityoflondon.gov.uk