

IRSG

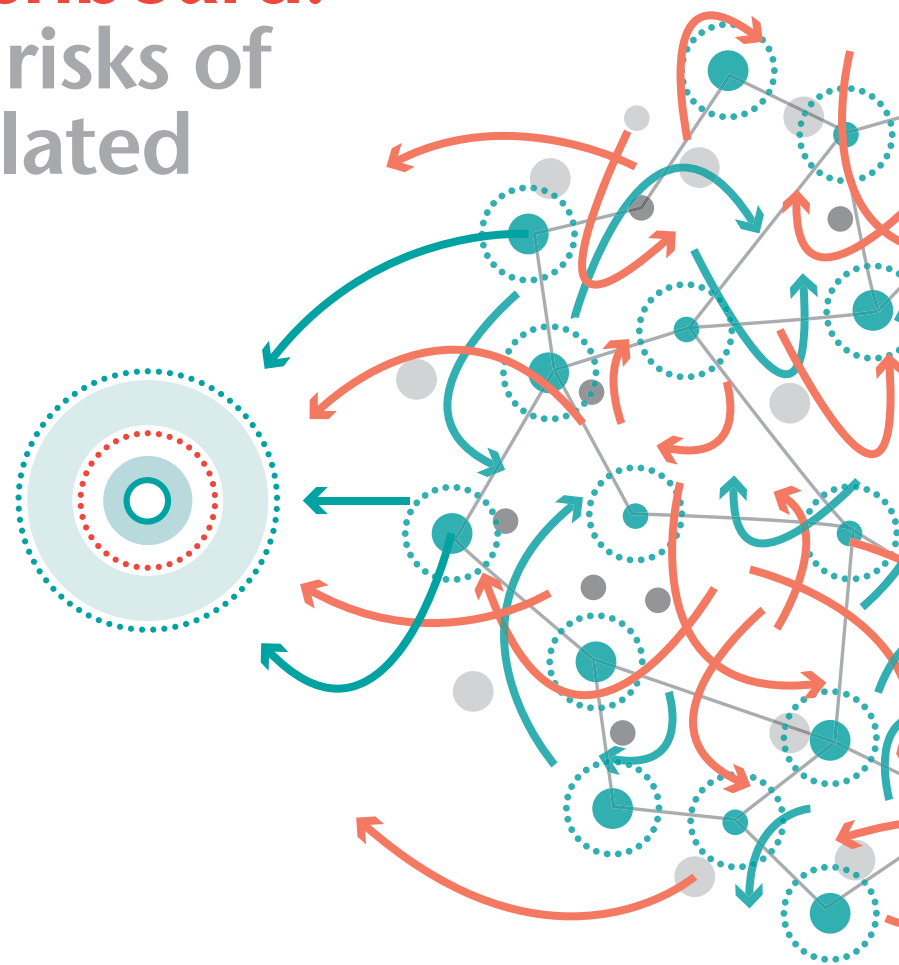
INTERNATIONAL
REGULATORY
STRATEGY GROUP

Global Regulatory Coherence Dashboard: Industry priorities to address the risks of fragmentation in financial and related professional services

October 2025



TheCityUK



EXECUTIVE SUMMARY

Global regulatory coherence is essential for a connected economy, ensuring financial stability and market efficiency. As a global financial hub, the UK has a major stake in the coherence of the global regulatory environment. However, against a new age of geopolitical and economic competition, there is a concerning trend towards fragmentation on major issues of importance for the financial and related professional services industry. Equally, the pace of technological change is leading markets to seek first-mover regulatory advantages, which are leaving global standard setters struggling to keep pace.

The IRSG Global Regulatory Coherence Dashboard (“the Dashboard”) maps how global adoption and implementation of financial regulations align (coherence) or diverge (fragmentation) across priority policy areas for the UK-based financial and related professional services industry.

The Dashboard highlights priority areas where the UK can continue to show global leadership, in partnership with global standard setters and like-minded jurisdictions, in promoting regulatory coherence through global frameworks. For example:

Sustainable finance: The International Sustainability Standard Board’s (ISSB) standards on sustainability disclosures offer a route to transparent, high-quality and comparable sustainability-related financial disclosures worldwide. The UK should work with the ISSB and other stakeholders to ensure their consistent adoption.

Operational resilience: As a world leader on operational resilience, UK regulators are well placed to advocate for regulators and supervisors to continue to consider the international interoperability of their operational resilience frameworks as a crucial baseline principle.

The Dashboard also highlights the challenges of regulatory fragmentation on emerging issues of importance (digital assets and AI), and the persistent challenge of divergent approaches to cross-border data flows. This calls for greater urgency or new approaches:

Digital assets: For the UK to maximise its influence on digital assets regulation, supporting the Leeds Reforms, it should now move at pace to demonstrate leadership in distributed ledger technology (DLT) and securities tokenisation, and complete the establishment of its stablecoin

and cryptoassets regime. The UK should work with international bodies to establish common / interoperable pathways to digital securities issuance, custody and transfer.

Artificial Intelligence: There is currently little international consensus on which areas of AI governance should be internationalised, or how. The UK should maintain its technology-neutral approach, and support and promote the development of common voluntary guidance and technical standards. This can help inform interoperability of existing domestic regulatory regimes and facilitate the cross-border adoption of AI solutions.

Data: Similarly, in the absence of a global agreement on data flows, the UK should continue to use adequacy and bilateral arrangements to support free data flows with key markets. However, the UK should continue to work towards multi- or pluri-lateral approaches of mutual recognition based on independent standards.

Coherence has historically been achieved when international standards are widely recognised, there is global consensus on regulatory objectives, global frameworks are mature, and implementation is effectively monitored by global standard setters. In the context of a more complex global environment.

It is vital that the UK and other global stakeholders continue to support and promote global coherence wherever possible, but also stand ready to adopt new and complementary approaches where necessary.

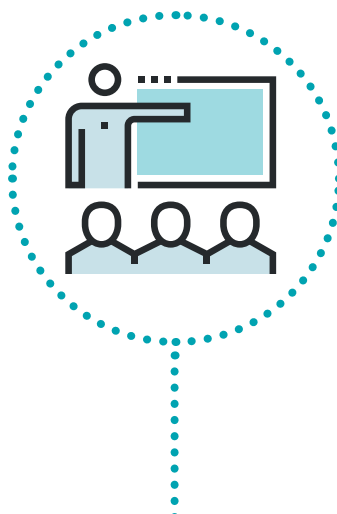
1. Introduction: the IRSG Global Regulatory Coherence Dashboard

The International Regulatory Strategy Group (IRSG) is a joint venture between TheCityUK and the City of London Corporation. Its remit is to provide a cross-sectoral voice to shape the development of a globally coherent regulatory framework that will facilitate open and competitive cross-border financial and related professional services.

The Dashboard assesses regulatory approaches, including the implementation of international standards, across a range of policy areas across key markets. These markets are: China, EU, Hong Kong, India, Japan, Saudi Arabia, Singapore, Switzerland, UAE, US, and UK. See Annex for a summary of the Dashboard analysis.

The Dashboard provides the UK and international policymakers with a view of the global landscape facing cross-border firms and the UK as an international financial centre (IFC). The analysis identifies areas where continued effort to promote global regulatory coherence should be prioritised. It also highlights areas where new or persistent regulatory fragmentation may call for new or alternative approaches.

Work on producing the Dashboard underlines the lesson that global regulatory coherence is driven by mature, internationally agreed frameworks, while fragmentation is most significant in newer, complex, and politically sensitive fields of regulation.



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This creates both opportunities and challenges for the UK-based industry and authorities, including government and regulators, to:

- Advocate for consistent evolution and implementation of international standards
- Champion the UK's continued adherence to global rules
- Be a critical friend to international standard setters to help inform their work
- Identify areas to influence emerging policy areas for global regulatory coherence
- Provide intellectual leadership and forge alliances in areas where new or alternative approaches may be needed to address persistent regulatory fragmentation.

2. Global regulatory coherence underpins growth in cross-border financial and related professional services, but the headwinds are increasing

Global regulatory coherence for financial and related professional services is crucial for a connected and open economy. Global regulatory coherence requires consistent implementation of standards across jurisdictions to ensure financial stability, cross-border economic efficiency, and sustainable growth. By contrast, regulatory fragmentation increases costs for cross-border firms and the consumers of their services, and it can also reduce regulators' capacity to address cross-border risks.

From a macroeconomic perspective, the potential risks and costs of geoeconomic fragmentation across the global financial system are substantial.¹ The World Economic Forum (WEF) estimates that the global costs of fragmentation could amount to approximately 5% of global GDP.² In 2018, the International Federation of Accountants and Business (IFAC) at the OECD estimated that a piecemeal approach to financial sector regulation costs the global economy \$780 billion.³

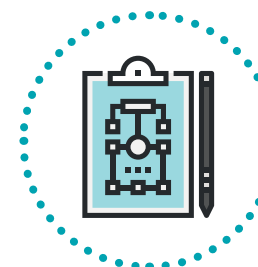
There are several contributors to increasing regulatory fragmentation, including:

- Differences in jurisdictions' implementation of financial sector reforms consistent with international standards, where these standards exist
- Differences in timing of implementation
- Lack of international standards and harmonisation, particularly in emerging sectors and technologies
- The new age of geopolitical and economic competition, which is increasingly informing domestic approaches to regulation.

1 See IIF joint paper, 'The costs of fragmentation and possible solutions', (9 July 2025); <https://www.iif.com/Publications/ID/6223/IIF-Joint-Trades-Paper-on-Addressing-Increasing-Fragmentation-and-Possible-Solutions>

2 World Economic Forum, 'Navigating Global Financial System Fragmentation', (January 2025); <https://www.weforum.org/publications/navigating-global-financial-system-fragmentation/>

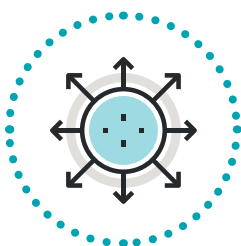
3 IFAC, 'Regulatory divergence: costs, risks, impacts', (February 2018); <https://www.ifac.org/knowledge-gateway/discussion/fragmented-financial-regulation-780-billion-tax-global-economy>



From a macroeconomic perspective, the potential risks and costs of geoeconomic fragmentation across the global financial system are substantial.

3. Areas where greater progress towards regulatory coherence is possible and a priority

Coherence is achieved when international standards are widely recognised, there is global consensus on regulatory objectives, global frameworks are mature, and implementation is effectively monitored by global standard setters. Many of these areas have benefited from years of international dialogue and coordination, resulting in robust regulatory frameworks across jurisdictions.



The Dashboard analysis highlights several priority areas where the UK can continue to show global leadership.

Coherence can also be achieved via bilateral and plurilateral agreements. For example, the UK, EU and Switzerland are coordinating their transitions to T+1 settlement. T+1 will enable the settlement of securities transactions one business day after trade execution (down from two days), reducing counterparty risk, improving liquidity and enhancing market efficiency. The US, China, India and Canada have already adopted T+1. The UK's adoption of T+1 demonstrates its efforts to remain a leading global financial centre. Doing so in close coordination with other European venues minimises disruption for industry across the region.

The Dashboard analysis highlights several priority areas where the UK can continue to show global leadership, in partnership with global standard setters and like-minded jurisdictions, in promoting regulatory coherence through global frameworks.

SUSTAINABLE FINANCE

Sustainability disclosures

Against the backdrop of a more fragmented global regulatory environment, there is a need for a globally consistent approach to sustainability disclosures. Historically, differing national accounting standards have complicated international business and investment, making it challenging for investors to compare financial statements. A similar challenge is presented to investors when faced with differing levels of corporate sustainability reporting. The publication of ISSB standards in 2023 marked a significant step towards a global framework for sustainability-related financial disclosures for use in capital markets.

The ISSB standards aim to enhance international comparability and provide businesses, investors, and regulators with reliable, decision-useful information. To achieve this, a consistent and well-structured implementation strategy across international jurisdictions is important. The effective adoption of ISSB standards is crucial to ensuring transparent, high-quality, and comparable sustainability-related financial disclosures worldwide. These standards provide a global baseline for sustainability disclosures, enhancing trust and confidence in company reports on sustainability risks and opportunities.

The EU has introduced the European Sustainability Reporting Standards (ESRS) and taken a different approach to the ISSB, opting for double materiality instead of financial materiality. The EU and the ISSB are actively working towards aligning their sustainability reporting standards "as much as possible"⁴. In the EU Omnibus Simplification proposals, the EU Commission, Council and Parliament Rapporteur have all emphasised that any revisions to the Corporate Sustainability Reporting Directive (CSRD) should not undermine interoperability and should seek to increase interoperability where possible.

However, the voluntary nature of ISSB standards requires adoption into national law to become mandatory, making coherent global implementation a crucial step towards achieving the desired outcome.⁵

⁴ Responsible Investor, 'ESRS language to align 'as much as possible' with ISSB on overlapping disclosures', May 2025; <https://www.responsible-investor.com/esrs-language-to-align-as-much-as-possible-with-issb-on-overlapping-disclosures/>

⁵ IRSG, 'Harmonising Sustainability Disclosures: A Roadmap for the Adoption of ISSB Standards', March 2025; <https://www.irsg.co.uk/publications/irsg-report-harmonising-sustainability-disclosures-a-roadmap-for-the-adoption-of-issb-standards/>

There is a risk of divergence from the ISSB standards in countries committed to adoption through, for example, amendments to the standards when they are translated into local rules. With over 20 jurisdictions currently in the process of adopting the ISSB standards, the time to ensure coherent implementation is now.

Sustainable finance taxonomies

As of May 2023, there were 47 taxonomies in development or implementation across the globe.⁶ The UK government recently announced that it will not be proceeding with a taxonomy. Although a taxonomy will not be part of the UK's sustainable finance framework, many markets have (or are developing) one. Divergence across these taxonomies risks market fragmentation and increased transaction costs. The work of the International Platform on Sustainable Finance on the Multi-Jurisdiction Common Ground Taxonomy (M-CGT) represents a positive development towards greater alignment of taxonomies across markets. By providing greater clarity and transparency on the commonalities and differences between jurisdictional taxonomies, the M-CGT will help to reduce cross-border transaction costs and support the mobilisation of green capital flows internationally.

Climate transition plans

Climate transition plans have increasingly become important tools for businesses to reduce their emissions and manage climate-related risks and opportunities. Globally, transition plans are an important vehicle for the

allocation of finance to support decarbonisation pathways and climate resilience and help companies align their corporate actions with broader climate goals.

In June 2024, the International Financial Reporting Standards (IFRS) Foundation assumed responsibility for disclosure-specific materials developed by the UK's Transition Plan Taskforce (TPT), which was responsible for developing a 'gold standard' disclosure framework for transition plans. The TPT materials now support disclosures under the ISSB standards. Alongside implementing ISSB standards, jurisdictions are putting in place specific transition planning rules and requirements. Transition plan disclosure requirements are included in the EU's Corporate Sustainability Reporting Directive (although this is currently under review as part of the Omnibus Simplification Package), and the UK government is currently consulting on how to take forward its manifesto commitment on transition plan requirements.

The International Transition Plan Network (ITPN) notes that the current momentum across markets and governments on transition plans represents an opportunity for global alignment and standardised frameworks.⁷ Harmonisation across jurisdictions can prevent fragmentation and ensure coherence and collaboration in global efforts. It can also improve transparency and accountability, as standardised frameworks and data formats make it easier to track progress, enable data-driven decisions, and support the flow of investment into green and transition projects. Initiatives such as the ITPN represent important steps in fostering collaboration and the development of a standardised framework.

RECOMMENDATIONS:

- o **Sustainability disclosures:** The UK should work with like-minded partners and the ISSB to advocate for domestic standards to align with ISSB standards, minimising modifications to ensure global consistency. Stakeholders should continue to promote interoperability between the ISSB standards and the EU's sustainability disclosure framework, particularly as the EU adjusts its CSRD as part of the Omnibus Simplification Package. National regulators should be encouraged to support private sector capacity building, offering regulatory support during initial implementation phases to ensure high-quality, reliable disclosures in the corporate sector.
- o **Sustainable finance taxonomies:** While the UK government has decided not to proceed with a domestic taxonomy at this time, it should continue to support international efforts to harmonise and enhance interoperability across jurisdictional taxonomies. In particular, stakeholders should back the work of the M-CGT, which is designed to facilitate cross-border financial flows and could serve as a foundational tool for jurisdictions developing their own taxonomies.
- o **Climate transition plans:** The UK should continue to work with like-minded partners and the ISSB to advocate for greater standardisation and alignment of transition plan frameworks, as it develops its domestic approach to transition plans. It will be important to engage with the EU as it reviews transition plan disclosure requirements

⁶ IRSG, 'IRSG UK Green Taxonomy Consultation Response', 2025; https://www.theglobalcity.uk/PositiveWebsite/media/IRSG/250219_RESPONSE_IRSG-to-HMT-UK-Green-Taxonomy-Consultation.pdf

⁷ <https://itpn.global/about/>

under CSRD and CSDDD, as part of the Omnibus Simplification Package. This would support global alignment and the development of standardised frameworks and data formats, enabling greater comparability and consistency. Stakeholders should continue to support the work of the ITPN which, through its current network of 30 public sector organisations, fosters international collaboration to shape global norms and best practice.

OPERATIONAL RESILIENCE

Operational resilience is an increasingly important consideration for financial institutions and regulators. UK regulators have been at the forefront of global regulation on operational resilience. This regulatory concept has become more prominent since it was introduced by the UK authorities from 2017-18⁸, and addressed by the FCA and PRA joint Operational Resilience Regulation.

Although global principles now exist to promote consistent regulatory approaches in this area, the introduction of local requirements reflecting jurisdictional specificities can result in a complicated and fragmented regulatory environment for globally active financial institutions. For example, the breadth of financial market participants covered by domestic regulatory requirements varies. While the UK and EU approaches apply to banks, insurers and other firms that offer financial services, and more recently critical

third parties⁹, some jurisdictions have so far only created operational resilience frameworks for banks or the largest financial institutions.¹⁰ In addition, while the international approach is broadly aligned in intent, variations in scope and terminology are creating unnecessarily complex compliance burdens for global firms.

Global standard-setting bodies are incorporating operational resilience into their agendas at varying paces. In 2021, the Basel Committee on Banking Supervision (BCBS) established “Principles for Operational Resilience”¹¹ for banks and, in 2024, proposed principles for managing third-party risk.¹² The International Organisation of Securities Commissions (IOSCO) is prioritising work in collaboration with the Bank for International Settlements (BIS) Committee on Payments and Market Infrastructures (CPMI) to update and promote its work on cyber resilience and third-party risk management.¹³ Meanwhile, the International Association of Insurance Supervisors (IAIS) published an issues paper on “Insurance Sector Operational Resilience” in May 2023 and is continuing work on related objectives and a supervisory toolkit.

9 HMT has not yet designated the UK CTPs.

10 International Institute of Finance, ‘Staff Paper: Operational Resilience – A Brief History and the Road Ahead’, November 2024; https://www.iif.com/portals/0/Files/content/Regulatory/32370132_iif_staff_paper_operational_resilience_december_2024_final.pdf

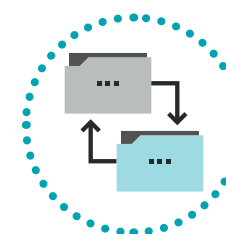
11 BCBS, ‘Principles for operational resilience’, March 2021; <https://www.bis.org/bcbis/publ/d515.htm>

12 BCBS, ‘Principles for the sound management of third-party risk’, July 2024; <https://www.bis.org/bcbis/publ/d577.htm>

13 IOSCO, ‘Update to IOSCO 2023-24 Work programme March 2024 – March 2025 Workplan’; <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD764.pdf>

RECOMMENDATIONS:

- UK regulators are well placed to advocate for regulators and supervisors to continue to consider the international interoperability of their frameworks as a baseline principle, so that ongoing operational resilience efforts can advance as smoothly and efficiently as possible. They should work with stakeholders to establish global agreement on treatment through the G7. This is particularly important given the global nature of risk events, which can impact operational resilience and interconnectedness across the global financial system.



Operational resilience is an increasingly important consideration for financial institutions and regulators. UK regulators have been at the forefront of global regulation on operational resilience.

8 See the speech given by Charlotte Gerken (Director, Supervisory Risk Specialists, Bank of England), ‘The Bank of England’s Approach to Operational Resilience’, June 2017; <https://www.bankofengland.co.uk/speech/2017/the-boes-approach-to-operational-resilience>

4. Areas where fragmentation underlines the need for new approaches

Fragmentation is most pronounced in newer or rapidly evolving policy areas where global standards are lacking or still developing, national priorities differ, or regulations are locally adopted. It is evident in digital assets and AI, where approaches diverge significantly across jurisdictions, creating complexities and challenges for global coordination.

It is widely recognised that the digitalisation of capital markets and, in particular, the application of distributed ledger technology and tokenisation of securities, has immense potential to unlock growth in capital markets and the wider economy.

DIGITAL ASSETS

It is widely recognised that the digitalisation of capital markets and, in particular, the application of DLT and tokenisation of securities, has immense potential to unlock growth in capital markets and the wider economy. It is estimated that DLT could unleash savings of approximately \$20bn annually in global clearing and settlement costs. The total market for tokenised assets is predicted to be 10% of global GDP by 2030.¹⁴

Several jurisdictions are already actively pursuing first-mover advantages in this emerging technology by trialling the digitalisation of their financial industry. For example, through the use of DLT and tokenisation of securities; experimenting with or testing forms of digital money such as central bank digital currencies and stablecoins; and providing legal and regulatory clarity on the ownership of digital assets.¹⁵ The UK has taken positive steps to establish a competitive regulatory regime for digital assets, including the Digital Securities Sandbox (DSS), which facilitates the safe testing of technologies like DLT in the issuance, trading, and settlement of digital securities. The UK has now also published draft legislation on stablecoin and crypto assets, while other jurisdictions including the US are working on their own regulatory framework. Meanwhile, the rollout of the EU's Markets in Crypto-Assets (MiCA) regulation sets a precedent for comprehensive digital asset oversight.

¹⁴ GFMA, 'Impact of Distributed Ledger Technology in Global Capital Markets', May 2023: <https://www.gfma.org/wp-content/uploads/2023/05/impact-of-dlt-on-global-capital-markets-full-report.pdf>

¹⁵ TheCityUK, 'The digitalisation of UK capital markets: Digitalised financial market infrastructure and tokenised bonds', January 2025; <https://www.thecityuk.com/our-work/the-digitalisation-of-uk-capital-markets/>

Jurisdictions have different timelines and goals for regulations, risking global fragmentation. Stakeholders should work together on building a complementary regulatory environment for digital assets to minimise market fragmentation and ease the burden of doing business internationally. The UK is participating in some international pilot projects, such as the Bank for International Settlements (BIS) innovation hub's Project Agora.¹⁶ Meanwhile, launching the UK's draft legislation, Chancellor Rachel Reeves highlighted the potential for a cross-border transatlantic sandbox for digital securities.¹⁷

RECOMMENDATIONS:

- Various jurisdictions are moving at pace to develop their domestic regulatory regimes for digital assets. The UK should move at pace to foster leadership in DLT and securities tokenisation, establish the UK stablecoin and cryptoassets regime and prioritise the development of interoperable, 'on-chain' payment mechanisms that can support these new forms of digital financial infrastructure – for example, the use of tokenised deposits.
- UK authorities should explore a cross-border dimension to the DSS with key jurisdictions, such as the US, and work towards the inclusion of a digital money settlement to showcase the UK's ability to provide the infrastructure needed to support the tokenisation lifecycle on a cross-border basis.

¹⁶ <https://www.bis.org/press/p240403.htm>

¹⁷ Chancellor speech at Innovate Finance Global Summit 2025, 9 April 2025; <https://www.gov.uk/government/speeches/chancellor-speech-at-global-innovate-summit-2025>

It should also work with international bodies to establish common / interoperable standards for pathways to digital securities issuance, custody and transfer.

ARTIFICIAL INTELLIGENCE (AI)

While AI technologies and tools have been around for many decades, the rise of generative AI (genAI) and its integration into financial services represents a developmental shift in the industry, presenting unprecedented opportunities and challenges. Many of the risks related to genAI are not necessarily new or unique to AI innovation, but rather exacerbated and amplified by the use of such innovation. This gives rise to a range of potential issues that regulation might seek to address including data privacy, model biases, human oversight, consumer protection and outsourcing rules.

Global approaches to AI regulation are highly fragmented and likely to remain so. The US and China, which are widely seen as the global leaders in AI, are geopolitical competitors. In the US, the regulation of AI has evolved from voluntary guidance to executive actions, but there has not yet been any comprehensive legislation to regulate these technologies, and the outlook is uncertain while the current administration decides how to replace the previous administration's guidelines. China's AI regulation follows a state-driven approach with some sector specific guidance, including for finance. The EU was the first jurisdiction to create an overarching cross-sectoral AI regulation, with the EU AI Act. This regulatory framework introduced a risk-based approach that categorises AI systems according to the risk they pose to

users. For example, the act identifies specific applications of AI that pose unacceptable risks and are therefore prohibited. Meanwhile, the UK has favoured a principles-based, sector-led approach.

Various global organisations, like ISO, IEC, IEEE, ITU, CEN/CENELEC, ETSI, and industry-led consortia such as C2PA, are developing standards for responsible AI development and deployment. Intergovernmental initiatives via the OECD, UNESCO, and the Council of Europe are establishing terminology and principles for technical and regulatory standards. An important example includes ISO/IEC 42001, which specifies requirements for establishing, implementing, maintaining, and continually improving AI Management Systems (AIMS) within organisations.

RECOMMENDATIONS:

- The UK should maintain its technology-neutral approach, applying and adapting existing regulatory frameworks to support the adoption of AI.
- In the absence of global regulatory frameworks, the most effective way to support global approaches to responsible innovation and adoption may be to promote private sector alignment with international tools. For example, voluntary guidance and technical standards, which can inform the alignment of domestic regulatory approaches. Existing regulation should be used where possible, rather than AI laws that would duplicate existing controls. But common international principles and guidelines for regulators and policy makers can enhance trust, facilitate cross-border AI applications, and

address global challenges like privacy, security and equitable access effectively.

- There is also a need for new risk assessment methodologies for AI models that take into account the unique attributes of AI, such as adaptability and learning.¹⁸ Over time these should coalesce into generally understood best practice.

DATA FLOWS AND DATA LOCALISATION

Data flows are integral to digitally delivered trade. Data localisation measures are the most challenging digital trade friction affecting the financial and related professional services industry. Localisation measures require organisations to store or process data in particular jurisdictions. Some highly restrictive measures confine data to jurisdictions. Others permit data to leave jurisdictions provided a data copy is stored on a local server ("data mirroring"). In theory, data mirroring is preferable as it allows cross-border data flows. But data mirroring still forces businesses to duplicate data functions, at considerable expense, and can discourage digital trade. OECD research has highlighted the growing number and increasingly restrictive nature of data localisation measures. Financial, banking or payment sectors face the highest number of data localisation measures.¹⁹

¹⁸ BIS, 'Intelligent financial system: how AI is transforming finance', June 2024; <https://www.bis.org/publ/work1194.pdf>

¹⁹ OECD, 'The nature, evolution and potential implications of data localisation measures', November 2023; https://www.oecd.org/en/publications/the-nature-evolution-and-potential-implications-of-data-localisation-measures_179f718a-en.html

Since data flows cannot sensibly be regulated nationally, the ideal solution would be a binding global agreement that enables “data free flows with trust” (DFFT). After Japan introduced the DFFT concept at the Davos meeting in 2019, G7 and G20 leaders repeatedly echoed the importance of advancing DFFT. In 2023, G7 Leaders endorsed the G7 Digital and Tech Ministers’ Vision for Operationalising DFFT and its priorities. However, digital trade workstreams are fragmented across various multilateral forums – such as the World Trade Organization (WTO), OECD, G20, and G7 – and remain highly contentious. The recent WTO Joint Statement Initiative on E-commerce, a plurilateral agreement, omitted rules on data flows and localisation.

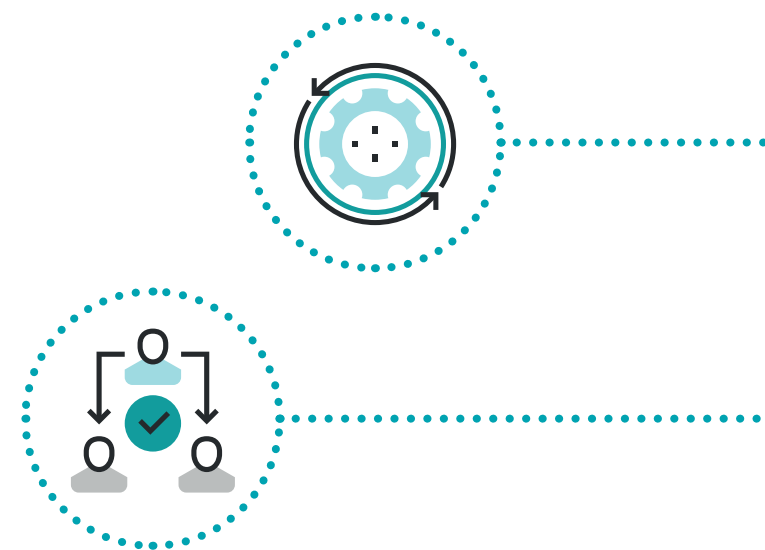
In the absence of global agreement on data flows, the UK and others have increasingly turned to bilateral agreements to safeguard data flows and recognise data protection regimes, either within free trade agreements or via unilateral adequacy agreements.

RECOMMENDATIONS:

- In the absence of global agreement on data flows, the UK should continue to use adequacy and bilateral arrangements to support free data flows with key markets.
- However, the UK should continue to work towards multi- or pluri-lateral approaches of mutual recognition based on independent standards. One model for such co-operation, previously suggested by the IRSG, would be to stipulate that governments and regulators – as appropriate – should agree to recognise each other’s data protection standards if they can demonstrate adherence to independent standards.²⁰ These independent international standards might include Council of Europe Convention 108 standards on data protection, or the OECD Privacy Principles and Guidelines on the Protection of Privacy and Transborder Flows of Personal Data.²¹

²⁰ IRSG, ‘The future of international data transfers’, 2022; https://www.theglobalcity.uk/PositiveWebsite/media/IRSG/AA_IRSG_DataTransfers_05.pdf

²¹ TheCityUK, ‘Digital trade: a commercially viable approach’, 2022; <https://www.thecityuk.com/our-work/digital-trade-a-commercially-viable-approach/>



In the absence of global agreement on data flows, the UK and others have increasingly turned to bilateral agreements to safeguard data flows and recognise data protection regimes.

CONCLUSION




The Dashboard shows that coherence is driven by mature, internationally agreed frameworks, while fragmentation is most significant in newer, complex, and politically sensitive areas. This creates both opportunities and challenges in the pursuit of global regulatory coherence, and for the UK as an international financial centre.

As the financial services landscape continues to innovate and adapt, international standard-setting bodies must respond to fast-paced and emerging areas across digital assets and sustainability. Meanwhile, where fragmentation appears likely to persist, the UK will need to adopt strategies to forge alliances to improve interoperability across domestic regulatory regimes, develop partnerships to deliver regulatory innovations that could be adopted more widely, and calibrate its own regime to ensure it can continue to thrive in an increasingly complex global landscape.

As the financial services landscape continues to innovate and adapt, international standard-setting bodies must respond to fast-paced and emerging areas across digital assets and sustainability.

Annex: Global Regulatory Coherence Dashboard summary and recommendations

RAG RATING

	Red	Relatively fragmented
	Amber	Some coherence
	Green	Relatively coherent

POLICY AREA	INTERNATIONAL FRAMEWORKS	COHERENCE / FRAGMENTATION ACROSS KEY MARKETS (RAG)	PROPOSED ACTION(S)
Sustainable finance (corporate and product disclosures)	<p>Task Force on Climate-related Financial Disclosure (TCFD)</p> <p>EU Sustainable Finance Disclosure Regulation (EU SFDR)</p> <p>IFRS ISSB Sustainability Disclosure Standards</p>	<p>AMBER: Varying degrees of reporting obligations, standards and regulatory adoption across regions.</p> <p>Ongoing work on interoperability of the EU and ISSB frameworks.</p>	<p>Advocate for local standards to align with ISSB standards, minimising jurisdictional modifications to ensure global consistency.</p> <p>Promote interoperability between the ISSB standards and the EU's sustainability disclosure framework.</p> <p>Support capacity building during implementation, offering regulatory support to the corporate sector to ensure high-quality, reliable disclosures.</p>
Sustainable finance (taxonomies)	<p>EU Taxonomy, China Green Bond Endorsed Project Catalogue, ASEAN Taxonomy, Technical Expert Groups (TEG) Reports, UN Principles for Responsible Banking (PRB)</p> <p>Multi-jurisdiction Common Ground Taxonomy (M-CGT)</p>	<p>RED: There are a multitude of taxonomies in development or implementation across the globe.</p> <p>Markets like the EU and China have specific taxonomies, while others are still in the development stage.</p>	<p>Promote international interoperability of taxonomies to facilitate implementation and improve the accuracy of data.</p> <p>Support and build on the work of the M-CGT.</p>

POLICY AREA	INTERNATIONAL FRAMEWORKS	COHERENCE / FRAGMENTATION ACROSS KEY MARKETS (RAG)	PROPOSED ACTION(S)
Sustainable finance (transition plans)	Climate Action 100+ Net Zero Asset Owner Alliance International Transition Plan Network Transition Plan Taskforce (TPT) Disclosure Framework	RED: Fragmented. No international framework. Strongest plans in EU, UK and Japan. Transition plans are less defined in developing economies.	Promote the work of the TPT Disclosure Framework as a gold standard, to reduce fragmentation and increase global interoperability and comparability for entities operating in multiple jurisdictions.
Financial crime (AML/CFT)	Financial Action Task Force (FATF) Recommendations for international standards on combating money laundering and the financing of terrorism & proliferation (Recommendations)	RED: All markets are members of FATF and use its standards to inform anti-money laundering (AML) compliance. Some fragmentation with jurisdictions not 100% compliant on all recommendations, or only framework in place.	Provide and promote clear rules and guidelines on how to balance privacy rights and obligations against AML/ beneficial ownership purposes.
Financial crime (Beneficial ownership)	Financial Action Task Force (FATF) Guidance on Beneficial Ownership and Transparency of Legal Arrangements	AMBER: Fragmentated, with the US removing beneficial ownership requirements. Coherence across all other markets.	Promote clear global rules and guidelines around how access can be given to an overseas register of beneficial ownership.
Operational resilience (cyber security critical third parties).	BIS Principles for Operational Resilience. IAIS has published draft Operational Resilience Objectives. IOSCO Principles on Outsourcing.	AMBER: Reporting regimes are similar in structure, covering key areas such as incident reporting, information requests (e.g. technical documentation, audit reports), resilience testing, and governance and accountability (including risk management frameworks, subcontracting transparency etc.). However, alignment remains uncertain, as jurisdictions continue to refine and expand their regimes (e.g. incident reporting, testing, critical third-party providers' oversight).	Advocate for regulators and supervisors to continue to consider the international interoperability of their frameworks as a baseline principle.

POLICY AREA	INTERNATIONAL FRAMEWORKS	COHERENCE / FRAGMENTATION ACROSS KEY MARKETS (RAG)	PROPOSED ACTION(S)
Technology (digital assets)	International organization of securities commissions (IOSCO) Financial Stability Board (FSB)	RED: Fragmented approach to regulation, no common approach via global standards. Regulators either have no framework or frameworks are under development.	UK authorities should explore a cross-border dimension to the DSS with key jurisdictions such as the US. Work with international bodies to establish common / interoperable standards for pathways to digital securities issuance, custody and transfer.
Technology (AI)	G7 AI Principles and Code of Conduct OECD AI Principles UNESCO Recommendation on the Ethics of Artificial Intelligence ISO 42001 on AI management systems + ISO 24027 on bias in AI and AI-aided decision-making	AMBER: There are many commonalities across international principles and guidelines. However, compliance obligations vary widely by jurisdiction. Many regions are still deciding whether to issue specific or general rules, and whether to create new regulators or expand existing ones.	The UK should maintain its technology-neutral approach to regulation. It should encourage and promote the development of global technical standards to inform alignment of domestic regulatory regimes and enable the cross-border deployment of AI.
Market Infrastructure (T+1 settlement)	N/A	GREEN: Some fragmentation but global moves towards T+1, including European regional (UK-EU-Swiss) cooperation on transition dates.	UK authorities should continue working with EU and Swiss counterparts to ensure the European transition to T+1 is coordinated.
Market Infrastructure (cross-border access to market infrastructure)	IOSCO Principles for financial market infrastructures (PFMI)	RED: Regulatory requirements (e.g. localisation), tax and other market barriers often limit cross-border access. to FMI services, such as securities issuance, clearing and settlement.	Advocate for financial market infrastructure interoperability to facilitate optimal transactions, market efficiency and cross-border flows. Work with key global FMIs to develop a toolkit for advancing efficient cross-border FMI access.

POLICY AREA	INTERNATIONAL FRAMEWORKS	COHERENCE / FRAGMENTATION ACROSS KEY MARKETS (RAG)	PROPOSED ACTION(S)
Data transfers / localisation	<p>Data Free Flow with Trust (DFFT) concept promotes the free flow of data while ensuring trust in privacy, security, and intellectual property rights</p> <p>In 2023, the G7 endorsed the Institutional Arrangement for Partnership (IAP) under the OECD for operationalising DFFT</p>	<p>RED: Increasing uncertainties about the growing volume of cross-cutting data localisation measures are affecting global business operations, hampering innovation and the quality of services.</p>	<p>Promote a principles-based approach to data localisation, with jurisdictions accepting that the free flow of data (including financial data) should be the default.</p> <p>Work towards multi- or pluri-lateral mutual recognition of data privacy and transfer frameworks, based on independent standards.</p>

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IRSG

INTERNATIONAL
REGULATORY
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With an overall goal of promoting sustainable economic growth, the IRSG seeks to identify opportunities for engagement with governments, regulators and European and international institutions to advocate an international framework that will facilitate open and competitive capital markets globally. Its role includes identifying strategic level issues where a cross-sectoral position can add value to existing views.

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