



24 November 2020

Joint Statement on the 2nd Meeting of the EU-Japan Joint Financial Regulatory Forum

The second meeting of the EU-Japan Joint Financial Regulatory Forum took place via videoconference on 20 November 2020. Participants discussed the impact of the Covid-19 health situation on the EU, Japanese and global financial systems, as well as financial regulatory and supervisory responses in their respective jurisdictions and at the multilateral level. They discussed a number of concrete regulatory and supervisory issues, such as benchmarks, as well as enhanced cooperation particularly in the areas of recovery and resolution and the insurance sector. The European Commission presented a key proposal of the recent digital finance package, while Financial Services Agency of Japan (JFSA) presented its new policy initiatives to strengthen Japan's functions as a global financial center.

The EU-Japan Joint Financial Regulatory Forum was chaired by Mr. John Berrigan, Director-General at the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union, and Mr. Tokio Morita, Vice Minister for International Affairs of the JFSA. The JFSA and the European Commission were joined by senior officials from the European Central Bank, the European Banking Authority, the European Securities and Markets Authority, the European Insurance and Occupational Pensions Authority, the Single Resolution Board and the Bank of Japan.

Both sides discussed the impact of the COVID-19 crisis on global, EU and Japanese markets and the financial services sector generally. They discussed measures taken by multilateral financial standard-setting bodies and gave an overview of their respective responses so far, as well as their regulatory and policy priorities going forward. Both sides affirmed their commitment to the principles of the Financial Stability Board underpinning international cooperation and coordination on the economic response to COVID-19. In addition, both parties support the use of existing flexibility within international regulatory standards, without compromising on agreed G20 financial reforms.

The European Commission presented the digital finance package it adopted on 24 September 2020, in particular the legislative proposal relating to crypto-assets. The introduction of a common EU framework on crypto-assets will allow for innovation in a way that preserves financial stability and protects investors. The parties recognise that technological innovations can deliver significant benefits to the financial system, but that jurisdictions must remain vigilant to existing and emerging risks.

The JFSA presented its new policy initiatives to enhance Japan's functions as a global financial center. The parties shared the importance of strengthening the resilience of global financial markets against stress events such as natural disasters through geographical diversification of financial centers.

Regarding the insurance sector, the JFSA presented the state of progress on its economic-value based solvency regulation. In particular, the European Commission and the European Insurance and Occupational Pensions Authority took note of the final report of FSA's advisory council published in June 2020. The European Commission presented the upcoming review

of the Solvency II framework. The participants reaffirmed their commitment to strong regulatory and supervisory cooperation in the insurance sector.

The European Commission and the JFSA discussed the development of their respective regulatory and supervisory initiatives in relation to financial benchmarks. Participants discussed the ongoing assessment by the European Commission of the possible equivalence of the Japanese benchmark regime under the European Benchmark Regulation. In this respect, both parties acknowledged the importance of cross-border use of financial benchmarks and the substantial similarities of their respective rulebooks.

The JFSA and the Single Resolution Board looked back to a successful Japan-Banking Union workshop (February 2020) on the resolution framework with regard to G-SIBs. Both sides will continue to discuss concrete steps on how to implement the provisions of the October 2019 “exchange of letters” between the Single Resolution Board and the JFSA, to pave the way for future engagement at different work levels.

The parties agreed to strengthen cooperation in the area of financing toward sustainable growth. The European Commission welcomes JFSA as a member of the International Platform on Sustainable Finance (IPSF) and both sides agreed to deepen their cooperation and work with international partners under the IPSF. The European Commission is looking forward to co-chairing with Japan the working group on disclosure within the IPSF.

Participants agreed to engage further on the various topics discussed during the meeting, as well as on other topics of mutual interest ahead of the next Forum meeting, which should take place in Brussels in 2021.

Background:

EU-Japan financial regulatory cooperation is based on Annex 8-A on the Regulatory Cooperation on Financial Regulation of the Agreement between the European Union and Japan for an Economic Partnership, which entered into force on 1 February 2019. The Annex establishes the EU-Japan Joint Financial Regulatory Forum as the main platform for discussions between the European Commission and the Financial Services Agency at Senior Official level. The Forum convenes every year. The aim of EU-Japan financial regulatory cooperation is to work bilaterally and in international bodies to further strengthening financial stability, fair and efficient markets and the protection of investors, depositors, policy-holders or persons to whom a fiduciary duty is owed by a financial services supplier. The European Central Bank, the European Supervisory Authorities and the Single Resolution Board regularly take part in discussions within the Forum. EU-Japan financial regulatory cooperation builds on pre-existing bilateral cooperation, in which the regular High Level Meetings on Financial Issues provided regular opportunities to exchange information and views at Senior Official Level.

As part of the international efforts to meet the Paris agreement commitments, the IPSF was created in October 2019. Members are the European Union and relevant authorities from Argentina, Canada, Chile, China, India, Indonesia, Kenya, Morocco, New Zealand, Norway, Senegal, Singapore and Switzerland. The IPSF facilitates exchanges and, where relevant, coordinates efforts on initiatives and approaches to environmentally sustainable finance. It focuses on initiatives such as taxonomies, standards and labels, and disclosures, which are fundamental for investors to identify and seize green investment opportunities worldwide.

On 11 October 2019, the JFSA and the Single Resolution Board agreed on a cooperation framework for cooperation on recovery and resolution in the form of an exchange of letters.