



31 October 2024

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

The fifth meeting of the Japan-EU Joint Financial Regulatory Forum took place in Tokyo on 30 and 31 October 2024. Participants discussed market developments in the Japanese, EU, and global markets, as well as financial stability, highlighting the risks posed by geopolitical unrest and violent conflicts, including Russia’s illegal war of aggression against Ukraine. The participants also discussed a number of regulatory and supervisory issues, including in the sustainable and digital finance areas, banking and insurance sectors, capital markets as well as possible closer cooperation in international fora. The participants discussed the policy plan for promoting Japan as a leading asset management centre. They also touched upon the Draghi report, underlining the importance of market competitiveness.

The fifth meeting of the Japan-EU Joint Financial Regulatory Forum was chaired by Mr. MIYOSHI Toshiyuki, Vice Commissioner for International Affairs of the Financial Services Agency of Japan (FSA), and Ms. Alexandra JOUR-SCHRÖDER, Deputy Director-General at the European Commission’s Directorate-General for Financial Stability, Financial Services and Capital Markets Union. The FSA 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 and the Single Resolution Board.

Participants discussed macro-economic developments and risks, including concerns about economic slowdown and inflation. Participants noted the importance of continued exchanges, including at international level, to monitor vulnerabilities and mitigate risks to financial stability.

Participants shared information on developments in the area of sustainable finance in their respective jurisdictions, covering topics such as transition finance and sustainability reporting. In this respect, the FSA reported on its recent work on transition finance, as well as the progress in the development of a sustainability disclosure standard by the Sustainability Standards Board of Japan and a sustainability-related disclosure framework. The EU participants updated on latest sustainability disclosure developments. Participants recalled the importance of interoperability of standards and of progressing multilateral efforts to support an orderly transition to net zero and discussed their collaboration as members of the International Platform on Sustainable Finance and the G20 Sustainable Finance Working Group.

Participants addressed developments in digital finance, in particular the regulation of crypto-assets and the use of AI in financial services. Participants acknowledged their mutual interest in many of the topics discussed during this session and expressed their anticipation of ongoing collaboration, both in bilateral interactions and within international fora. In that context, the FSA presented recent updates in the area of crypto assets. The European Commission gave an update on the implementation of its Markets in Crypto assets (MiCA) Regulation.

Participants informed each other of the state of the implementation of the last part of the Basel III reforms in their respective jurisdictions, and reaffirmed the importance of implementation of all aspects of the Basel III framework by all jurisdictions globally, in full, consistently and as soon as possible to avoid market fragmentation.

Furthermore, participants discussed recovery and resolution planning in the EU and Japan, as well as lessons learnt from the 2023 banking turmoil. The European Commission updated on the review of the crisis management and deposit insurance framework. Finally, the FSA and the Single Resolution Board provided their annual updates on their cooperation on matters relating to resolution of G-SIBs.

Participants discussed key projects of the International Association of Insurance Supervisors (IAIS), including the Insurance Capital Standards (ICS), under the leadership of Mr. ARIIZUMI Shigeru, Vice Minister for International Affairs of the FSA, who serves as the Chair of the IAIS Executive Committee. The FSA provided updates on Japan's economic value-based solvency regulation and current developments in the Japanese insurance industry. In turn, the European Commission informed about recent developments in the review process of the EU's Solvency II framework, and in the Insurance Recovery and Resolution Directive. The Commission also presented the outcome of the Climate Resilience Dialogue.

In the area of capital markets, participants exchanged views on the enhancement of capital market functions and policy reforms relating to the asset management sector in their respective jurisdictions. The FSA provided an overview of the policy plans to promote Japan as a leading asset management centre and the European Commission provided an update on its capital market union (CMU) project, including securitisation. More specifically, the FSA informed about its recent developments, such as the stable asset building of households, corporate governance reform, and reforming the asset management sector and asset ownership. The Commission provided an update on the existing EU securitisation framework, and informed participants of their recently launched targeted consultation on this framework. In addition, participants exchanged views on the shortening of the settlement cycle for securities transactions to T+1, and on regulatory developments relating to NBFIs.

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 will take place in Brussels in 2025.

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. This Annex is complemented by the Framework Laying Down Practical Arrangements to Implement EU-Japan Cooperation on Financial Regulation under Annex 8-A to the European Union-Japan Economic Partnership Agreement, adopted in March 2022 by the Financial Services Agency of Japan (FSA) and the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). These arrangements concern such matters like the organisation of the meeting of the EU-Japan joint financial regulatory forum and the exchange of information between the participants.

The aim of the 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, policyholders, or persons to whom a fiduciary duty is owed by a financial services supplier. The EU-Japan Joint Financial Regulatory Forum is the main platform for discussions between the European Commission and the Financial Services Agency. It convenes every year. The European Central Bank, the European Supervisory Authorities and the Single Resolution Board regularly take part in discussions within the Forum.

The Directorate-General for Financial Stability, Financial Services and Capital Markets Union of the European Commission and the Financial Services Agency of Japan take part in the proceedings of the International Platform on Sustainable Finance. The Platform 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 FSA and the Single Resolution Board agreed on a cooperation framework for cooperation on recovery and resolution.