

Directorate-General for Financial Stability,
Financial Services and Capital Markets Union
European Commission
1049 Brussel, Belgium



Japanese Bankers Association

JBA Comments on "*Consultation on the Renewed Sustainable Finance Strategy*" by the European Commission (EC)

Dear Directorate-General for Financial Stability, Financial Services and Capital Markets Union:

We, the Japanese Bankers Association¹ (JBA), appreciate the opportunity to provide comments on the Consultative Document "*Consultation on the Renewed Sustainable Finance Strategy*" released by the European Commission (EC) on April 8, 2020.

We hope that our comments will contribute to further discussions at the EC.

[General Comments]

The EU has been taking the lead of the discussions in the sustainable finance area, by launching the sustainable finance strategy in 2018 and the follow up actions. Based on the strategy, many innovative initiatives, such as the European Green Deal in December 2019 and the EU Taxonomy Regulation in June 2020, were put in place. These initiatives truly established the baseline of the EU regulatory framework of sustainable finance and we assume more detailed measures/requirements and regulatory frameworks will be proposed based on the Renewed Sustainable Finance Strategy (hereafter "the Strategy").

Although we understand the Strategy is principally applied to financial institutions established in the EU, we appreciate the Strategy is important and relevant to Japanese banking groups with a footprint in the EU jurisdictions. We assume it will affect Japanese banks' global business strategies and operations in the longer term. We, thus, respectfully request that this letter and the specific comments separately submitted on the consultation paper be given careful thought for the purpose of fruitful discussion as the strategy may directly and indirectly affect the Japanese banking industry.

Our top priority is to seek clarification about how the policies and regulatory frameworks developed under the Strategy would be applied to Japanese banking groups. In this regard, we consider the following three points are particularly important and encourage international dialogue. We would be delighted to be actively involved in the discussions and contribute to the future deliberations on the scope of activities covered by the EU Taxonomy.

- From a non-EU bank's perspective, it should be clarified whether our business operations on a global basis would be in scope of the possible regulatory requirements deriving from the Strategy. We believe the scope should be limited to the entities established within the EU, but the scope of application should be clarified, so that non-EU stakeholders can appropriately provide input to the future consultations.
It is extremely important for EU policy makers to consider that if and when our home regulator (or other major host regulators in other jurisdictions where we operate) sets forth supervisory expectations/requirements in dealing with climate change, Japanese banks would be required to comply with those expectations/requirements. However, if there are differences and/or inconsistencies between such expectations/requirements and the regulatory requirements deriving from the Strategy, the compliance exercise would unavoidably be inefficient and possibly ineffective to comply with multiple requirements. To avoid such inefficiencies and additional fragmentation in requirements, we encourage the EU policy makers to incorporate the framework of

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of July 15, 2020, JBA has 117 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 73 Associate Members (banks & bank holding company), 58 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 252 members. Several of its largest member banks are active participants in the EU financial markets.

equivalency/deference and substituted compliance with respect to the third country regulatory requirements.

- To secure the consistency of the regulatory framework globally and avoid such fragmentation, the consistency with other existing and future international regulatory frameworks, such as Basel requirements, should be ensured. Further, we request the EC to coordinate with other regulators, not only within the EU, but in other major jurisdictions.
- Finally, we agree that it is important to clearly define and expand “green activities” to promote a sustainable economy from a medium- to long-term perspective. Yet, we are of the view that the scope of the EU Taxonomy is extremely narrow and believe it may reduce the sustainable financing activities due to the short list nature of the Taxonomy. We strongly suggest the inclusion of the concept of transition/innovation which helps economic activities be more “green”, avoiding the unintended effect of the EU Taxonomy.

[Specific comments]

Please refer to each answer/comment to questions in the designated answer format.

(End)