



11 March 2022

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

The third meeting of the EU-Japan Joint Financial Regulatory Forum took place via videoconference on 10 and 11 March 2022. Participants discussed the impact of the current geopolitical developments on the EU, Japanese and global financial systems and noted the high level of uncertainty in this context.

The participants also discussed developments related to sustainable and digital finance as well as possible closer cooperation in international fora. A number of specific regulatory and supervisory issues in the banking, insurance sector and securities markets were also discussed. The meeting provided the opportunity to find a common understanding on the practical arrangements complementing the regulatory cooperation framework established under Annex 8-A of the EU-Japan Economic Partnership Agreement.

The EU-Japan Joint Financial Regulatory Forum was chaired by Ms. AMAYA Tomoko, Vice Minister for International Affairs of the Financial Services Agency of Japan (JFSA) 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 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 and the Single Resolution Board.

Participants discussed trends in the global, EU and Japanese financial services sectors now that the COVID-19 pandemic entered its third year and the current geopolitical situation creates significant uncertainty and risks. They gave an overview of the evolution of their respective crisis responses and support measures, including the phase-out of such measures in the short to medium term and also the actions taken due to the latest international developments. Participants commented on the importance of coordination efforts at international level, notably at the Financial Stability Board, to mitigate financial stability risks.

Participants exchanged notes on developments in the area of sustainable finance within their respective jurisdictions. They notably reaffirmed the importance of developing ambitious baseline global reporting standards under the International Financial Reporting Standards Foundation allowing flexibility for interoperability with national and regional requirements, and also introduced the sustainability disclosure initiatives respectively. They also took stock of their cooperation in the context of the International Platform on Sustainable Finance as well as the G20 Sustainable Finance Working Group.

Participants addressed developments in digital finance. While acknowledging the significant benefits that the technological innovations can deliver to the financial system, they stressed the importance of keeping a close eye on existing and emerging risks related to such innovations which occurred at an increasingly fast pace. They discussed technological developments related to decentralised finance (DeFi) and the impact of stablecoins and unbacked crypto-assets on financial systems. In particular, JFSA presented the proposed legal and regulatory framework related to stablecoins. Both parties exchanged views on the

potential risks of crypto-assets for international financial system. Issues related to stablecoins arrangements outside the jurisdiction were also discussed. They also discussed operational resilience of financial services suppliers and institutions. In that context, the European Commission gave a state of play of the discussions regarding its 2020 proposal for a Digital Operational Resilience Act (DORA).

Participants continued their dialogue on insurance issues. They notably discussed the implementation of the international capital standards and holistic framework of the International Association of Insurance Supervisors. The JFSA updated the European Commission on developments relating to Japan's economic based solvency regime and the JFSA's supervisory initiatives in response to the Holistic Framework for Systemic Risk in the Insurance Sector by the IAIS. In turn, the European Commission informed the JFSA about new developments in the review process of the EU's Solvency II regulation. It also presented its proposal for a recovery and resolution directive concerning the insurance sector.

Participants informed each other of the state of the implementation of the last part of the Basel III reforms in their respective jurisdictions. The European Commission presented the main lines of the banking package it adopted on 27 October 2021, including the treatment of branches of financial institutions whose legal personality is established in third countries.

The European Commission presented the state of play in the ongoing review of the EU's bank crisis management and deposit insurance framework. Participants discussed the issue of internal and unallocated total loss-absorbing capacity (TLAC) and home-host funding in Global Systemically Important Bank (G-SIB) resolution. The JFSA also updated its progress in the recovery and resolution issues. In addition, the JFSA and the Single Resolution Board provided their annual update on their cooperation on matters relating to resolution of G-SIBs.

Participants shared their experience of London inter-bank offered rate (LIBOR) transition and other IBOR reforms. They agreed on the importance of internationally consistent approach on USD LIBOR transition. Both parties agreed that acknowledging the equivalence of their respective benchmark regimes is a near-term objective.

On 11 March 2020, the JFSA and the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union found a common understanding on the cooperation framework document that lays down practical working arrangements. These arrangements complement, but do not alter Annex 8A on EU-Japan financial regulatory cooperation. They 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.

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 2023 in Brussels, if the pandemic circumstances allows for it.

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. The Annex will be complemented by additional practical arrangements to be adopted. 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 JFSA and the Single Resolution Board agreed on a cooperation framework for cooperation on recovery and resolution.