



24 October 2023

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

The fourth meeting of the EU-Japan Joint Financial Regulatory Forum took place in Brussels on 23 and 24 October 2023. Participants discussed the impact of the current financial and economic environment, including the rises in interest rates, and geopolitical developments, including Russia’s illegal war of aggression against Ukraine, on the EU, Japanese, and global financial systems. The participants also discussed a number of regulatory and supervisory issues, including in the sustainable and digital finance areas, banking and insurance sectors, as well as possible closer cooperation in international fora.

The EU-Japan Joint Financial Regulatory Forum was chaired by Ms. Alexandra JOUR-SCHRÖDER, Deputy Director-General at the European Commission’s Directorate-General for Financial Stability, Financial Services and Capital Markets Union, and Mr. MIYOSHI Toshiyuki, Vice Commissioner for International Affairs of the Financial Services Agency of Japan (FSA). 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 trends in the global, EU and Japanese financial services sectors. While a lot of uncertainty remains, there are also some positive trends. The European and Japanese economies remain resilient. 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, sustainability reporting and ESG ratings. They noted the progress achieved with the recent ISSB standards representing a global framework for the development of consistent, comparable, and reliable jurisdictional disclosure requirements. In this respect, the EU participants reported about the adoption of European Sustainability Reporting Standards by the European Commission, which ensure a very high level of alignment with the ISSB standards. The FSA reported on progress in the development of a sustainability disclosure standard by the Sustainability Standards Board of Japan. They also 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 recognising the importance of international consistency and comprehensiveness in regulating crypto-assets and addressing risks. 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 European

Commission gave an update on its Markets in Cryptoassets (MiCA) Regulation, including implementing measures, as well as on the Financial Data Access Regulation (FIDA) and the Digital Operational Resilience Act (DORA). The FSA presented recent updates on its legal and regulatory framework for stablecoins and crypto assets.

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 EU banking package, recently finalised, including the treatment of branches of third country banks. The discussion also addressed the banking turmoil in spring 2023, drawing lessons, and exchanging views on the ongoing international debate concerning banking regulation, supervision, and resolution.

The European Commission also provided an update of its legislative proposals to review the EU crisis management and deposit insurance (CMDI) framework. Furthermore, participants discussed recovery and resolution planning in the EU and Japan. 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 international capital standards, the holistic framework, natural catastrophe protection gaps, and the path forward under the leadership of Mr. ARIIZUMI Shigeru, Vice Minister for International Affairs of the FSA, who has been elected as the new Chair of the IAIS Executive Committee. The FSA updated the participants on developments relating to Japan's economic value-based solvency regime. In turn, the European Commission informed about recent developments in the review process of the EU's Solvency II framework. The Commission also presented the state-of-play of the development of a recovery and resolution directive for the insurance sector.

In the area of capital markets, participants shared their experience with London inter-bank offered rate (LIBOR) replacements and provided mutual updates on cessation activities. Participants exchanged views on policy reforms relating to the asset management sector in their respective jurisdictions, and the FSA provided an overview of the policy plans to promote Japan as a leading asset management centre.

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 Tokyo in 2024.

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.