

Japan-UK Financial Dialogue and Financial Regulatory Forum

Joint Statement

Tokyo, Japan, November 27, 2023

Summary

1. Japan (the Ministry of Finance (MOF) and the Financial Services Agency (FSA)) and the United Kingdom (UK) (His Majesty's Treasury (HMT), Bank of England (BOE) and Financial Conduct Authority (FCA)) held the 5th Financial Dialogue (FD) and the 2nd Financial Regulatory Forum (FRF) on November 27, 2023, in Tokyo. These two dialogues were held as a joint event in order to facilitate a deep and meaningful exchange across a broad set of economic, fiscal and financial regulatory discussion points. We held two joint FD/FRF sessions in the morning, on the macroeconomic and fiscal situation and the digital economy, followed by separate, parallel FD and FRF sessions in the afternoon.
2. On the Japanese side, the MOF delegation was led by KANDA Masato, Vice Minister of Finance for International Affairs and FSA was led by ARIIZUMI Shigeru, Vice Minister for International Affairs. On the UK side, the HMT delegation was led by Lindsey WHYTE, Director-General of International Finance and Richard KNOX, Director for International Financial Services, BOE was led by Zertasha MALIK, Head of International Policy & Strategy and the FCA was led by Richard WAITE, Head of International Department.
3. We welcome the continued close bilateral economic relationship between Japan and the UK, building on the Japan-UK Comprehensive Economic Partnership Agreement signed in 2020, and the enhanced Japan-UK global strategic partnership, the Hiroshima Accord, signed by Prime Minister KISHIDA Fumio and Prime Minister Rishi SUNAK in 2023.
4. To cement our common resolve to play a pivotal role in tackling challenging global issues, we present this joint statement that lays out our shared views on key issues, underpinned by our fundamental values of democracy, human rights, the rule of law, and multilateralism.

Macroeconomy and digital economy

5. We reiterate our unwavering support for Ukraine and are united in our condemnation of Russia's illegal, unjustifiable, and unprovoked war of aggression against Ukraine. Russia's war has caused tragic loss of life, destruction of property and infrastructure, increased global food insecurity, and exacerbated global economic challenges. In this light, we exchanged views and analysis on current global and domestic economic challenges including elevated inflation, global debt levels, rising geopolitical tensions, and volatile currency and financial markets, as well as the approaches our governments and financial regulators are implementing to manage these issues and progress fiscal and structural reforms.
6. On digital economy, we agreed to work together to maximise the potential of digital

transformation while addressing its associated risks and challenges. We shared information on developments in the areas of Central Bank Digital Currencies (CBDC), crypto assets and stablecoins in our respective jurisdictions.

7. We discussed the cross-border nature of crypto asset markets and welcomed the International Organisation of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) recommendations, which both jurisdictions will work towards implementing in a globally consistent and effective manner. We highlighted the importance of swift, coordinated and widespread implementation of the recommendations including by non-FSB member jurisdictions. We also discussed the UK's proposed regulatory framework for stablecoins, and Japan's regulatory framework for stablecoins.
8. On CBDC, we reiterated that retail CBDCs should be designed with due consideration of transparency, the rule of law, sound economic governance, cyber security and data protection. We welcome the CBDC Handbook prepared by the IMF which provides the inputs for policy guidance and capacity development, reflecting evolving experiences, findings, and policy views.

Transformation of the global landscape

9. We reaffirm our unwavering support for Ukraine for as long as it takes. We remain strongly committed to supporting Ukraine's urgent short-term financing needs, as well as assisting other severely affected countries. We will continue to support Ukraine's repair of its critical infrastructure, recovery and reconstruction. We will continue our efforts to ensure that Russia pays for the long-term reconstruction of Ukraine. We will also explore all possible avenues to aid Ukraine, consistent with our respective legal systems and international law. We will continue to closely monitor the effectiveness of our sanctions against Russia and take further measures where necessary, including by strengthening the enforcement of our sanctions.
10. Both sides welcomed the progress made under Japan's G7 Presidency to secure economic security and resilience and reiterated the importance of multilateral and bilateral collaboration on global challenges. We agreed to work together to enhance supply chain resilience. We contributed to the successful launch of the Partnership for RISE (Resilient and Inclusive Supply-chain Enhancement) at the occasion of the World Bank/IMF Annual Meetings, where Japan pledged a total of 25 million USD and the UK pledged an initial contribution of 2 million GBP. We agreed to further cooperate in the implementation of RISE to diversify the supply chains of clean energy products, including through pilot local information platforms to share relevant on-the-ground information and identify issues to be addressed by RISE.
11. We agreed to continue to cooperate to strengthen the international financial architecture. We welcome the approval by the IMF Executive Board on a proposal to the Board of Governors to conclude the 16th General Review of Quotas of the IMF with a 50%

equiproportional quota increase by December 15, 2023. We also reaffirmed our commitment to further implementing the recommendations of the G20 Independent Review of MDBs Capital Adequacy Frameworks. We will coordinate on the design of the allocation framework of concessional resources at the World Bank. Given mounting debt pressures on low-income countries, we reiterated the importance of improving the implementation of the Common Framework. We reaffirmed the need for multilateral coordination that involves all official bilateral creditors to address debt issues in vulnerable MICs. We call on all official bilateral creditors to take part in the Debt Data Sharing Exercise that enhances debt data accuracy and transparency. Both sides also welcome progress on rolling out the Climate Resilient Debt Clauses (CRDCs).

12. We remain committed to the swift implementation of the two-pillar international tax package. We also recognise the need for coordinated efforts towards capacity building of developing countries to implement the two-pillar international tax package effectively.
13. On climate, we reaffirmed our commitment to meeting the goals of the Paris Agreement and discussed our respective paths to achieving net-zero emissions by 2050. We look forward to working together constructively at COP28, and recognise the importance of all countries, including large emitters, working together to keep the Paris Agreement's 1.5 degree goal within reach.
14. On global health, we discussed our ongoing commitment to strengthening coordination and building a resilient global health architecture, including through accelerating progress towards achieving Universal Health Coverage (UHC). We reaffirmed the need to strengthen prevention, preparedness, and response for future pandemics. We will cooperate to accelerate the work of the G20 Joint Finance-Health Task Force to deliberate on how pandemic response financing mechanisms can be optimised, better coordinated and suitably enhanced.
15. We exchanged views on key principles in measuring welfare and potential ways forward to incorporate various indicators into policy frameworks, which are discussed under the Japanese G7 Presidency. We noted important elements of welfare cannot be fully captured by a single aggregated indicator such as Gross Domestic Product (GDP). We agreed to continue our dialogue in this area, including through sharing information and best practices.

Financial regulatory issues

16. We discussed innovation and developments in our respective FinTech markets, and the benefits of supporting a business environment that encourages growth and development of the sector.
17. We shared information on developments in the area of sustainable finance. Discussions focused on transition plans, sustainability reporting and ESG ratings. We updated on our

respective approaches to transition planning and climate-related financial disclosures. We agreed on the importance of maintaining momentum and cooperating to progress shared priorities, including on developing a common approach to transition planning and disclosures across jurisdictions by leveraging outcomes in multinational forums, such as the FSB and the G20. In particular, we agreed to continue supporting the ISSB's efforts to facilitate wide adoption and implementation of its final standards.

18. In the area of asset management, we exchanged views on reforms to the asset management industry in respective jurisdictions. The FSA provided an overview of the policies to promote Japan as a leading asset management centre and the UK highlighted the work of their asset management taskforce to identify and harness the potential of new, innovative technologies in the sector. We recognised the importance of these efforts in this area.
19. On Non-Bank Financial Intermediation (NBFI), we noted the importance of domestic and international action to address financial stability risks, including from open-ended funds, margin calls, and non-bank leverage. We discussed the importance of implementing internationally agreed standards in domestic frameworks and appropriate monitoring of policy implementation by international bodies. We also noted the role that each jurisdiction would play in promoting the necessary policies in our respective regions.
20. In the area of banking, we discussed the banking turmoil in spring 2023 and drew lessons and exchanged views on banking regulation and supervision. In addition, we informed each other of the state of the implementation of the last parts of the Basel III reforms in our respective jurisdictions, and reaffirmed the importance of implementing all aspects of the Basel III framework in full, consistently, and as soon as possible.
21. We discussed key projects of the International Association of Insurance Supervisors (IAIS) and the path forward under the leadership of Mr. ARIIZUMI, who has assumed the Chair role of the IAIS Executive Committee. We reaffirmed our commitment to working collaboratively and with ambition at IAIS, as we had done under the immediate past Chair, Ms. Vicky SAPORTA, Executive Director for Prudential Policy at the Bank of England, who has left a tremendous legacy. We reiterated our joint interest in advancing the key IAIS projects, including the Insurance Capital Standard, and welcomed the recent publication of IAIS's report on natural catastrophe protection gaps.

Conclusion

22. We look forward to the next Japan-UK FD and FRF in London.