

Exchange of Letters between Her Majesty's Treasury of the United Kingdom
and the Financial Services Agency of Japan on a Framework for Regulatory
Cooperation in Financial Services under Annex 8-A
to the UK-Japan Comprehensive Economic Partnership Agreement

Introduction

- i. Annex 8-A on regulatory cooperation in financial services (hereinafter referred to as “the “Annex”) to the Agreement between United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership establishes the scope, principles, objectives and institutional arrangements of UK-Japan regulatory cooperation covering all areas of financial services. Paragraph 23 of the Annex foresees that the Joint United Kingdom-Japan financial regulatory forum, consisting of the persons specified in paragraph 19 of the Annex (hereinafter referred to as “the Forum”), will develop and apply a framework for regulatory cooperation.

As set out in paragraph 18 of the Annex, the Forum is in charge of steering regulatory cooperation. In particular, the Forum takes stock of progress and undertakes forward planning of regulatory cooperation. The Forum will observe the principles of regulatory cooperation set out in paragraphs 6 to 14 of the Annex as implemented in the framework envisaged in paragraphs 23 to 25 of the Annex.

- ii. The purpose of this Exchange of Letters is to lay down practical arrangements for the implementation of financial services regulatory cooperation in accordance with the scope set out in paragraph 24 of the Annex.
- iii. For greater certainty, this Exchange of Letters is between Her Majesty's Treasury of the United Kingdom and the Financial Services Agency of Japan (“hereinafter referred to individually as a “Participant” and collectively as the “Participants”) and does not create any legal rights or obligations, modify or supersede any domestic laws, nor does it constitute an agreement binding its Participants under international law. In the event of any inconsistency between the Annex and this Exchange of Letters, the Annex shall prevail to the extent of the inconsistency.

SECTION A: Mechanisms for information exchange and consultation

1. For Her Majesty's Treasury of the United Kingdom in charge of financial services regulatory issues, the contact point will be the Advanced Markets Unit of the International Policy and Partnerships team. For the Financial Services Agency of Japan, the contact point will be the International Affairs Office. Each contact point including their successors will designate an official who is nominally in charge of the overall coordination of the financial services regulatory cooperation as described in the Annex.
2. The designation of contact points will not impede direct contacts, exchange of information or cooperation between experts of Her Majesty's Treasury of the United Kingdom and the Financial Services Agency of Japan in charge of financial services regulatory issues for the purposes of this arrangement. Contact points will be kept informed of such contacts. This Exchange of Letters is not intended to interfere with cooperation outside of its framework, nor with cooperation between supervisory and resolution bodies. Existing processes for cooperation on regulatory, supervisory, enforcement and resolution issues and engagement will continue to be relied upon.

SECTION B: Guidelines on deference to each Participant's regulatory and supervisory framework

3. In order to enhance the mutual understanding of each Participant's regulatory and supervisory framework on deference and their approach, the Participants will exchange information on how deference is organised and implemented in their respective jurisdictions. This will be done to the extent that such information is available and can be shared between the Participants.
4. Each Participant recognises the importance of and will respect good practices in the area of deference as determined by the international standard-setting bodies where both participants are members.

Each Participant accepts to share a complete list of existing UK-Japan equivalence/deference decisions with the other.

SECTION C: Procedure for reviewing a measure referred to in paragraph 12 of the Annex

5. After a Participant receives a request in writing from the other Participant to review a measure with respect to its impact on the ability of financial service suppliers to provide financial services within the former Participant's territory, the responding Participant will use its best endeavours to respond in writing to the requesting Participant without undue delay.
6. The co-chairs, as set out in paragraph 9 below, may discuss the measure under review at the next meeting of the Forum or at another jointly determined moment, as appropriate. The co-chairs, with the rest of the Forum, may establish an expert working group, pursuant to paragraph 21 of the Annex, tasked with reviewing the impact of the measure and its materiality and whether and to what extent the measure may be rendered mutually compatible. The review of the measure should be conducted on the basis of evidence.

SECTION D: Exchanges of experiences and best practices on diversity in finance, sustainable finance and other related emerging issues

7. Each Participant will endeavour to share experiences and best practices to promote diversity including gender parity in financial services in accordance with paragraph 24(d) of the Annex.

Both Participants accept to promote women's full and effective participation and equal opportunities for leadership at all levels of decision-making. Both Participants accept to adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women at all levels.

Each participant will consider collecting and publishing statistics on gender parity in their workplace.

Both Participants accept to follow existing best practice on gender diversity in finance and protection against discrimination internationally and in their own countries, as well as the requirements under relevant domestic legislation.

8. Each Participant recognises the broader need to green the financial system so that financial decisions take the impact of climate change into account further to paragraph 24(d) of the Annex. This will help to mobilise and promote sustainable finance, including transition finance from the private sector needed to achieve our net zero commitments. Alongside this, each Participant recognises the importance of high quality, comparable and reliable information on climate risks and thereby support the move towards mandatory climate-related financial disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, and in line with domestic regulatory frameworks.

Participants will play their part in fulfilling the commitments made at the G7 Finance Ministers' meeting and Central Bank Governors in May and June 2021 as set out in the G7 Finance Ministers and Central Bank Governors Communique issued on 5 June, 2021.

SECTION E: Terms of reference and Guidelines on the governance of the Forum

9. The meetings of the Forum will be held alternately in the United Kingdom and in Japan, at least once a year, in accordance with paragraph 22 of the Annex. Senior officials at Her Majesty's Treasury of the United Kingdom and the Financial Services Agency of Japan will co-chair the meetings of the Forum. In case a co-chair is unavailable, he or she can be deputised by another senior official of the relevant Participant.
10. The Participants will inform each other in advance of the composition of their representation to the meetings of the Forum.
11. Any requests to invite representatives from specific authorities of the other Participant based on paragraph 19 of the Annex will be made in the spirit of mutual co-operation and trust. Positive consideration to such requests, while not required, would be highly desirable.
12. The co-chairs will aim to approve and release a joint statement after each meeting of the Forum. The statement may include the topics discussed and the progress made, where appropriate.
13. The co-chairs and the rest of the Forum may discuss and decide to establish an expert working group to examine a specific issue pursuant to paragraph

21 of the Annex at the annual meeting of the Forum or at another jointly determined time.

14. Upon decision of the co-chairs and the rest of the Forum to establish an expert working group, each Participant will designate its members of the expert working group in accordance with their legal and policy remit and inform one another.
15. The expert working groups will need to regularly report to the co-chairs of the Forum, which may or may not be conducted through the contact points.

SECTION F: Processes for the Technical Mediation

16. The Participants will endeavour to resolve any disagreement in relation to the interpretation of the principles of regulatory cooperation in good faith. They will exhaust all possibilities offered by the present cooperation framework, such as the set-up of expert working groups, the request for the written review of a measure and the discussion at the Forum, before requesting the initiation of a process of technical mediation.
17. After a Participant requests the other Participant in writing to initiate a process of technical mediation, the other Participant will use its best endeavours to respond in writing to the former Participant without undue delay to confirm whether it consents to the use of technical mediation on the specific matter.
18. Where appropriate and practical for technical level cooperation among Participants to use technical mediation, the Forum will establish a working group for technical mediation in accordance with paragraph 28 of the Annex (hereinafter referred to as “the Working Group”). The Participants will each designate representatives of each Participant as the members of the Working Group and inform one another of the identity of their experts.
19. Each Participant will propose one or more names, within a reasonable period of time, who have expertise on the disputed issues as a candidate for the independent mediator, described in paragraph 28 of the Annex, who will act as a chair of the Working Group. The Forum will jointly decide on and appoint the independent mediator without undue delay.

20. The co-chairs of the Forum will jointly decide on and instruct the chair of the Working Group on the nature and scope of the mediation assignment of the Working Group as well as the indicative timeframe within which they expect it to complete its work.
21. The chair of the Working Group will prepare a report with the results of the technical mediation including recommendations. Before submitting the report to the co-chairs of the Forum, the chair will offer the members of the Working Group the opportunity to comment on the draft report and will take these comments into account in the final report.
22. The co-chairs and the Forum may discuss the recommendations of the final report during a meeting of the Forum or at another jointly determined moment, as appropriate and consider if and how the report's recommendations can be followed.
23. The process of technical mediation may be concluded by:
 - a) the adoption of a jointly decided solution by the representatives of each Participant based on the recommendations of the final report;
 - b) the mutual consent of the representatives of each Participant to cease the technical mediation process at any stage; or
 - c) the written declaration of the independent mediator, after consultation with the representatives of each Participant, that further efforts at mediation would be ineffectual.

SECTION G: Other arrangements to enhance regulatory cooperation

24. A Participant will give due consideration to any proposal from the other Participant to develop additional arrangements for regulatory cooperation.
25. The Participants may jointly decide to review and complement the present cooperation framework with additional arrangements that can enhance regulatory cooperation. Such arrangements will be adopted upon a joint decision by the co-chairs of the Forum following consultation with all participants of the Forum.

The foregoing record represents the understandings reached between Her Majesty's Treasury of the United Kingdom and the Financial Services Agency of Japan on 09 June 2022 upon the matters referred to therein.

Gwyneth Nurse

Director General, Financial Services
Her Majesty's Treasury of the United
Kingdom

Date: 09 June 2022

AMAYA Tomoko

Vice Minister for International Affairs
Financial Services Agency of Japan

Date: 09 June 2022