



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN

3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8967 Japan

February 28, 2020

Mr. Roberto de Oliveira Campos Neto
Governor
Banco Central do Brasil
SBS, Quadra 3, Bloco B - Edifício Sede – 20th floor
70.074-900 Brasília-DF (Brazil)

Subject: Exchange of letters on co-operation in the area of Authorised Institutions supervision between the Financial Services Agency of Japan and the Banco Central do Brasil.

Dear Mr. Campos Neto,

We recognise that further co-operation between the Financial Services Agency (FSA) of Japan and the Banco Central do Brasil (BCB) in the area of Authorised Institutions supervision would be mutually beneficial, with a view to ensuring soundness of the financial systems in both Jurisdictions and of the finances of Authorised Institutions operating in each other's Jurisdiction. It is also acknowledged that enhancing the exchange of information between the Authorities is important in view of the globalisation of financial markets and the increasing cross-border activities undertaken by Authorised Institutions.

In this context, this letter confirms the interest of the FSA in enhancing co-operation with the BCB in a mutually beneficial manner, in accordance with respective laws and regulations. This letter is a statement of intent of the FSA and does not create any legally binding obligations upon the Authority.

For the purpose of this letter,

- a. "Authority" means the FSA or the BCB, collectively the "Authorities";
- b. "Authorised Institution" is defined in Japan as an institution authorised or supervised by the FSA, under the Banking Act (Act No. 59 of June 1, 1981), Financial Instruments and Exchange Act (Act No. 25 of April 13, 1948), and in Brazil as an institution authorised or supervised by the BCB, under applicable Laws and Regulations, such as Article 10, subsections IX and X of the Banking Law (Law 4,495, of 1964), Article 9, V, of the Law 12,865, of 2013, amongst others;
- c. "Cross-border Establishment" is defined as a subsidiary, branch, or representative office of an Authorised Institution operating in the other Jurisdiction;
- d. "Requesting Authority" means the Authority which makes a request pursuant to this Letter;

- e. “Home Authority” means the Authority of the Jurisdiction where the parent Authorised Institution is established;
- f. “Host Authority” means the Authority of the Jurisdiction where Cross-border Establishments are established;
- g. “Jurisdiction” means the country, state or other territory, as the case may be, in which the FSA or the BCB has legal authority, power and/or jurisdiction by laws and regulations; and
- h. “Cyber Security Information”:
 - a) Recent development within jurisdiction on cyber security (e.g. guideline, discussion paper, etc.);
 - b) Information related to cyber risk, and operational resilience, relevant to the financial sector that comes to the attention of the two Authorities;

1. Scope and modalities of co-operation

1.1 The purpose of this Exchange of Letters is to formalise cooperation and information sharing mechanisms between the Authorities, promoting the integrity, stability and efficiency of the Authorised Institutions.

1.2 The Authorities intend to co-operate on matters pertaining to Authorised Institutions subject to supervision by both Authorities, including through the exchange of supervisory information on Cross-border Establishments. The Authorities also recognize the relevance of developing operational resilience practices, including an exchange of information regarding cyber security between the Authorities to maintain awareness of cyber threats so as to provide timely guidance to Authorised Institutions to protect financial systems against cyber incidents.

1.3 The scope of co-operation also encompasses the licencing (both issuance and revocation), as well as the ongoing supervision of Cross-border Establishments, as well as the sharing of Cyber Security Information.

1.4 Co-operation between the Authorities should take place in accordance with their respective laws and regulations. Regarding the supervision of Cross-border Establishments, possible forms of co-operation include the following:

- The Authorities will endeavour to notify each other of any material supervisory concerns that an Authority has about any of the Cross-border Establishment;
- In cases where remedial action is called for to address a material supervisory concern at any of the Cross-border Establishment, the Authorities will endeavour to co-operate with each other prior to taking that action; or if prior co-operation is not possible, will notify each other of the action as soon thereafter as practicable;
- The Authorities will endeavour to notify each other on administrative penalties which they are to impose, or have imposed, or any other corrective action which they are to take, or have taken with respect to a Cross-border Establishment as Host Authority or to the parent Authorised Institution as Home Authority, to the extent necessary, and relevant to the supervision of the said Cross-border Establishment;

- The Authorities may allow each other to carry out an on-site visit of a Cross-border Establishment in each other's Jurisdiction. In those cases, both Authorities will notify each other of plans and the purpose of the on-site visit, and will discuss, as necessary, issues that emerge from such visits and the day-to-day supervision of the Cross-border Establishment;
- The Authorities confirm the intent of co-operating in the area of Anti-Money Laundering and Combating the Financing of Terrorism. To that end, the Authorities will exchange, at their own initiative or upon request, information that may be relevant to their supervisory activities;
- According to the national legislation, the Host Authority will notify the Home Authority of applications for approval to organize a Cross-border Establishment, or to make acquisitions in the host Jurisdiction, as well as of changes in ownership control. Upon request, the Home Authority will also assist the Host Authority by verifying or supplementing any information submitted by the applicant Authorised Institution;
- The Authorities will exchange information related to cyber security, at their own initiative or upon request, which may be relevant to their supervisory activities.
- The Authorities will endeavour to timely inform each other if they learn of an incipient crisis relating to any supervised institution that has Cross-border Establishments in the other country; and
- The Authorities will endeavour to cooperate in order to facilitate measures for the management of crisis/emergency situations of Cross-border Establishments, which may also encompass crises arising from incidents, such as cyber incidents or disruptions of relevant financial services occurred in the financial sector.

1.5 The Authorities also express their willingness to hold a dialogue or exchange views about matters of common interest and concern as appropriate, with a view to deepening mutual co-operation between the two Authorities.

2. Treatment of information exchanged

2.1 Any supervisory information received should be used by the Receiving Authority only for lawful supervisory purposes, including any necessary actions taken by the Receiving Authority against Authorized Institutions. Information received should not be used by the Authorities in criminal proceedings carried out by court or judge, including as evidence in criminal court. In the case that such use is needed, the request must be made in accordance with procedures prescribed in the relevant laws for international mutual assistance in investigations. The contents of this clause are subject to the content of Clause 2.2.

2.2 To the extent permitted by respective domestic laws and regulations, each Authority should hold confidential any supervisory information received, and should not disclose it without prior consent of the other Authority. If an Authority is legally compelled to disclose the confidential information received from the other Authority, the Authority will notify the other Authority before disclosing it. The Requesting Authority will make its best efforts to preserve the confidentiality of the information to the extent permitted by national law

2.3 The terms and conditions stated above do not apply to publicly available information.

3. Miscellaneous

3.1 Any case of dispute over the interpretation of this letter will be amicably settled by means of consultations between the Authorities. Either Authority will endeavour to create proper opportunities for such consultations.

3.2 Each Authority should cover its own costs corresponding to on-site visit as well as the cost of generating the information requested, if applicable. Other high assistance costs will be covered as confirmed by the parties for each particular case.

3.3 This letter will continue indefinitely subject to modification by the mutual consent of the Authorities or the termination of co-operation under this letter by either Authority within 30 days advance notice in writing. After the termination, the confidentiality matter will continue to apply to any information provided under this letter prior to the termination.

3.4 Any revision or modification of this letter will only become valid after such revision or modification was accepted in writing by both Authorities.

We believe that enhanced co-operation in accordance with the modalities set out in this letter will constitute a co-operation framework between our supervisory Authorities, which will lead to a mutually beneficial relationship between the FSA and the BCB.

With my best regards,

Yours sincerely,

_____ Dated: _____
Endo Toshihide
Commissioner
Financial Services Agency
Government of Japan