

Joint Statement by the Economy Minister of Brazil and the Chancellor of the Exchequer of the UK at the Fourth UK-Brazil Economic and Financial Dialogue, 10 December 2020

1. We, the Finance Ministers of Brazil and the UK, are meeting today by videoconference for the fourth Economic and Financial Dialogue (EFD), with the support of our respective central bank governors and financial sector regulators, including the Securities and Exchange Commission, the Financial Conduct Authority, the Superintendence of Private Insurance and the Pension Funds Authority. We recognise the achievements of the first three Dialogues and today meet to build cooperation further, based on our shared vision of liberal, open economies; reforms that boost competitiveness and employment; and a sustainable recovery of growth.

Coronavirus and the Economic Cooperation

2. Brazil and the UK maintain a close economic relationship, grounded in our shared principles of market competition and free trade. Total trade between the two countries was worth £6.5bn last year, an increase of 12.6% from 2018. Brazil and the UK value their economic partnership and look for additional areas of cooperation, including those that enhance trade and investments opportunities.
3. The Coronavirus pandemic is the biggest threat the global economy has faced in decades and has required unprecedented government action. Our countries' economic responses have been decisive, taking the right measures at the right time to protect livelihoods and jobs from the adverse economic effects of the pandemic. We agree to build on the commitments made by the G20 to keep trade in medical goods and agricultural products flowing and to avoid the creation of unnecessary barriers to trade during the pandemic.
4. The UK-Brazil trading relationship continues to strengthen, and we welcome the commitments made at the recent Joint Economic and Trade Committee to further deepen ties in a way that contributes to sustainable growth, and the agreement to continue to work on market access and intensify preparations for a future Free Trade Agreement.
5. An Agreement to avoid Double Taxation would facilitate a substantial increase in bilateral trade and investment flows between the two nations. UK and Brazil will continue discussions of outstanding barriers in 2021, including potential options as regards OECD standards, with a view to launching negotiations as swiftly as possible.
6. More efficient and effective government services will support economic growth. We are pleased to announce today a new Memorandum of Understanding (MoU) on the digitalisation of government services, which will deliver mutually beneficial cooperation on innovation and digitalisation of government processes, supporting greater data protection and increasing value for money for our taxpayers. We commit to create and implement solutions that improve public procedures and services, including improvements in accessibility and inclusion.

Multilateral Cooperation

7. The UK reiterates its firm and active support for Brazil's accession to the Organisation for Economic Cooperation and Development (OECD), and encourages its continued work towards adherence to OECD standards, by embedding OECD principles and best practices in its key policy areas. Both sides welcome cooperation facilitating Brazil's convergence with OECD Transfer Pricing guidelines, supported by the UK Prosperity Fund. To speed up the implementation of this project and to reinforce the UK's

commitment to provide technical support to Brazil on its path, the UK has allocated an additional £600,000 to the Project.

8. Today's economic crisis is more globalised than any before it, so multilateral cooperation is critical to ensure a strong recovery, including at the intersection between health and finance where a continued interdependent response will be needed. Our co-chair positions on the G20 Framework Working Group (UK) and Infrastructure Working Group (Brazil) have enabled us to contribute to the global agenda. Through these, and our future presidencies of the G7 (UK, 2021) and G20 (Brazil, 2024), we will continue to work together to ensure complementarity. Securing a global solution to the tax challenges posed by the digitalisation of the economy is also a shared priority and we commit to working together to build on the progress already made at OECD level and achieve a global consensus on Pillars 1 and 2 by mid-2021.

Sustainable Recoveries

9. Environmental sustainability is of central importance to our ministries and to our recoveries. We reaffirm our commitment to promote low carbon growth and that our recoveries from Coronavirus are based on more sustainable, digital, and resilient economies. Both sides commit to further collaboration on clean growth. We support the further development of global carbon markets and look forward to future collaboration on this. We also agree to promote ways to ensure that agricultural development and supply chains are sustainable and deliver economic benefit without illegal practices.
10. Brazil and the UK recognize the importance of taking environmental challenges into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices, in order to foster an ever greener economy. Both countries commit to additional cooperation in multilateral fora and relevant international initiatives, and to working together to achieve an ambitious, shared outcome at COP26 that helps to catalyse the economic benefits of action. The UK proposes that Brazil consider the possibility of joining the Coalition of Finance Ministers for Climate Action.

Green Finance

11. Strengthening green finance markets will facilitate capital flows into sustainable infrastructure and low carbon economic transition. We thank the members of the UK-Brazil Green Finance Partnership for their work, which has motivated the mainstreaming of this agenda. Brazil and the UK welcome the opportunity to deepen bilateral cooperation on Green Finance, including through our dedicated Green Finance Programme. As one of the main Programme beneficiaries, the Brazilian National Development Bank (BNDES) will pioneer the integration of international ESG standards into its processes, policies and mandates. BNDES will also assess its portfolio to be aligned to the Brazilian Nationally Determined Contributions – NDC. We also welcome CAIXA as a second Programme beneficiary national bank.
12. Both countries welcome engagement between the UK Green Finance Institute (GFI) and the multi-stakeholder forum Brazilian Financial Innovation Laboratory (LAB), which aims to foster sustainable finance through innovative financial instruments. Both organisations are maintaining a dialogue on areas of mutual interest and providing ad-hoc support where strategic priorities are aligned, for example the GFI sharing its experience in project design and delivery. The LAB also promotes an agenda through financial education and regulation led by CVM. The City of London Corporation will

continue to support Green Finance engagement in Brazil. Both countries commit to a series of technical engagements to work together on deliverables to advance the sustainable finance agenda in Brazil, including an industry roundtable in early 2021.

13. To promote increased sustainable finance flows, we also need to mainstream climate risks into financial decision-making. The UK welcomes the Central Bank of Brazil's promotion of an enhanced climate risk management through the launch of its sustainability agenda in September. Among the unveiled measures, the Central Bank committed to implement mandatory climate-related disclosures for financial institutions aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) by 2022. The UK recently announced its roadmap to mandatory disclosures aligned with the recommendations of the TCFD by 2025, with a significant portion of mandatory requirements in place by 2023. The UK and Brazil agree to enhance cooperation on the implementation of mandatory climate related financial disclosures ahead of COP26. We agree on the need for a global approach to international climate-related disclosure standards in order to limit fragmentation across jurisdictions. We recognise the developing role of the IFRS and other international standard setters in this regard. The UK welcomes the Brazilian Central Bank's membership of the NGFS, and the commitment to perform climate stress testing by 2022.
14. The UK welcomes and supports SUSEP's commitment to promote initiatives to implement TCFD recommendations in the insurance sector and offers technical assistance for the development of these initiatives.

Infrastructure

15. Infrastructure investment will be at the heart of our recoveries. We recognise the efforts of Brazil to attract private investment by promoting regulatory reforms that increase competition and broaden the investor base in many sectors of the economy, including sanitation, natural gas, cabotage and energy. We also welcome the UK's Global Infrastructure Programme, which is providing guidance and capacity building to the Brazilian Government in infrastructure project preparation, appraisal and approval through the UK's 5 Case Model methodology, plus project delivery support through the use of Building Information Modelling (BIM). We recognise and welcome the ongoing work of the UK-Brazil Infrastructure and Capital Markets Taskforce, established at the first EFD, and thank the Taskforce for its latest set of recommendations for our governments.

Financial Services

16. We are pleased to establish a new annual Brazil-UK Financial Markets Dialogue, to share expertise, experiences and deepen collaboration between our financial sectors. The dialogue will be led by senior officials from both Finance Ministries with participation from financial regulators, and the private sector as appropriate. The first meeting will take place next year.

Capital Markets

17. The City of London is one of the world's leading global financial centres and offers deep and liquid capital markets, providing opportunities to Brazilian businesses to obtain international finance and expand their business globally, including through public listings. Both sides agreed to work together to explore further measures to encourage financing growth including through sustainable bonds, infrastructure investment and

local currency bonds. Both sides agreed to consider the feasibility of, and presence of any barriers to, dual listing of Brazil's sovereign bonds in London, providing additional investor diversification and profile.

Insurance and Reinsurance

18. We will continue to deepen the bonds between the insurance and reinsurance markets in both countries. Reinsurance serves an important role in the management of major and speciality risks and in the support of economic growth, reducing corporations' income volatility and capital investment planning. The UK congratulates Brazil on its effort to remove barriers for foreign reinsurers operating in the Brazilian reinsurance market. These reforms were intended to eliminate obligatory placements with local reinsurers and reduce restrictions on intragroup transactions. The UK welcomes Brazil's ambition to become a regional reinsurance hub as well as Brazil's re-commitment to strengthen its local reinsurance market. Both countries agree to explore further ways to strengthen the bonds between Brazilian and British markets.
19. Both countries recognise the importance of having modern standardised practices in the insurance and reinsurance sector. Both countries agree to share expertise on new products in insurance and reinsurance and innovative alternative ways to provide cover for significant risks such as Insurance Linked Securities and parametric insurance. We also agree to exchange knowledge on insurance and reinsurance investment rules and global prudential standards where relevant, including through an HM Treasury-led workshop to be held in early 2021, with the aim of discussing how to improve regulation in the sector.

Institutional investment

20. We recognise the opportunities to further enhance collaboration in asset management and institutional investment, building on progress already made, and agree to take further steps to promote investment and capital flows between both markets. The UK welcomes Brazil's commitment to liberalise capital flows and align with international best practice. This will help ensure more opportunities for Brazilian consumers and investors; as well as enabling greater portfolio diversification and risk mitigation.
21. The UK-Brazil Pensions Fund Mission to the UK had its seventh iteration in November. Taking place virtually, Brazilian pension funds met with UK asset managers to consider how best they can utilise the UK's asset management expertise to access global financial markets. In light of recent reforms made by the Brazilian government to their pensions system, we also welcome the recent pensions workshops between the UK's HM Treasury, the Department for Work and Pensions, and the Financial Conduct Authority, and Brazil's Ministry of the Economy, Superintendence of Private Insurance and Pension Funds Authority, where officials shared their experiences on a range of technical issues.
22. The UK welcomes Brazil's current consideration of alternative measures for pension funds and others, including the consideration by 2021 of the overseas investment limits, to enable further flexibility, diversification and portfolio risk mitigation, and to ensure greater opportunities and further market development. Furthermore, the UK welcomes the changes made by Brazil to Resolution CMN 4444 increasing the limit for investments with foreign exchange exposure by open pension funds and looks forward to further clarification and simplification of the regulations, making it easier for businesses to utilise this change.

Financial Innovations

23. FinTech and financial innovation are having a transformative impact on financial markets. We reinforce our commitment to collaborate on issues related to the development of the FinTech ecosystem in the Brazilian and British markets. To this end, the UK and Brazil welcome the planned workshop on Regulatory Sandboxes between the UK's Financial Conduct Authority, and the Central Bank of Brazil, Securities and Exchange Commission, and Superintendence of Private Insurance, expected to take place virtually in the first quarter of 2021.
24. Both countries welcome the Central Bank of Brazil's interest in, and the Superintendence of Private Insurance's intention to join the Global Financial Innovation Network (GFIN), following on from Securities and Exchange Commission's membership. Additionally, the UK and Brazil recognise their shared political commitment, through the G20, to supporting and delivering on the FSB roadmap on cross-border payments.
25. We welcome UK cooperation with the Central Bank of Brazil through the Support Open Banking Implementation Project, with resources provided by the UK Market Access Fund. We are excited by the opportunities Open Banking provides to open the financial systems, including banking, insurance and open pension funds, in terms of improving market competition and financial inclusion through new consumer-centric business models, while ensuring consumers have full control over their data and access to tailored-made financial services in a convenient, prompt and secure fashion. While the Brazilian Open Banking model will be implemented in 4 phases throughout 2021, general rules for the ecosystem and for its governance structure and technical standards for the first phase have already been issued. Brazil intends to move towards an Open Finance model by also including on its scope the sharing of data pertaining investment, insurance, foreign exchange and open pension funds products and transactions, with the consumer's prior consent.
26. To ensure follow up across all the agreed areas, senior officials will meet to take stock in the first half of 2021. We look forward to the next EFD, to be held in Brasilia in 2021.