

Joint Statement on the 1st Brazil-UK Financial Markets Dialogue

Brazil and the UK held the inaugural meeting of the Brazil-UK Financial Markets Dialogue ('the Dialogue') virtually on 5 October 2021. The Dialogue was established at the 4th Economic and Financial Dialogue (EFD) in December 2020 to deepen bilateral ties in the financial sector. Financial cooperation has been a key element of the bilateral relationship between our two countries and the Brazil-UK Financial Markets Dialogue is another forum for us to reinforce and develop this collaboration. As two economies with large financial services sectors, both sides agreed that there is scope for strengthened financial services cooperation between Brazil and the UK.

The Dialogue was led by senior officials from the Brazilian Economy Ministry and HM Treasury, with participation from Brazilian and UK independent regulatory agencies, including the Central Bank of Brazil, SUSEP (Brazilian insurance regulatory authority), PREVIC (Brazilian pensions regulatory authority), CVM (Brazilian securities and markets regulatory authority), the Bank of England, and the Financial Conduct Authority.

The Brazilian Secretary of Economic Policy, Adolfo Sachsida, opened the dialogue addressing the economic policy measures that the Brazilian government is taking to support a quick recovery from the pandemic. These measures have included a transfer of resources to the health system to facilitate a mass vaccination programme, aid to the lowest income people in the population, and the launch of various programmes aimed at preventing job losses, sustaining small businesses, and providing liquidity to the credit market. The Brazilian Economy Ministry are also developing a longer-term package of market-oriented reforms and within a fiscal consolidation agenda.

The HM Treasury Director for International Financial Services, Richard Knox, followed by introducing the UK's vision for international financial services, as set out by the Chancellor during his Mansion House speech in July. This included commitments to the principles of open markets, global standards, and effective regulation, as well as commitments to develop strong relationships with jurisdictions all around the world, attracting investment and increasing opportunities for cross-border trade. This includes the major role envisaged for financial services in the delivery of the UK's levelling up agenda, to facilitate a strong recovery from the pandemic, and the delivery of the UK's net zero target by supporting innovation and the adoption of cutting-edge technologies in financial services.

The remainder of the Dialogue consisted of a government-to-government discussion focussed on four themes: (1) sustainable finance, (2) insurance, (3) asset management and credit markets, and (4) capital markets. Brazilian and UK participants shared views on the relevant issues in their respective areas of responsibility and updated one another on key policy and work stream developments.

Participants discussed progress on the sustainable finance agenda and shared updates on domestic effort to tackle climate-related financial risks. HM Treasury noted the Chancellor's recent announcements to implement economy-wide Sustainability Disclosure Requirements and develop Sustainable Investment Labels. The Bank of England highlighted the importance of coordinated efforts on sustainable finance through multilateral fora such as the G20 and the Financial Stability Board. The Financial Conduct Authority provided updates on the UK's domestic and international work on climate related disclosures through the Financial Stability Board and International Organisation of Securities Commissions. The Brazilian Economy Ministry provided updates on their Green Rural Product Certificate. This financial instrument aims to provide a mechanism for carbon offset and compliance with ESG targets by the voluntary market. The Central Bank of Brazil highlighted their new ESG regulation for Brazilian financial institutions, strengthening the disclosure of information on social,

environmental, and climate-related risks and opportunities. Both sides reaffirmed their commitment to the sustainable finance agenda and agreed to continue to collaborate on these issues, particularly ahead of the COP26 UN Climate Change Conference in November.

Participants provided updates on their respective insurance landscapes and welcomed the progress made at roundtable discussions between UK and Brazilian governments, regulators, and industry associations in the preceding months. The Brazilian Economy Ministry reiterated its ambitions to establish Brazil as a regional reinsurance hub in Latin America and UK participants outlined the key benefits and reforms that would support Brazil to achieve this ambition.

Participants discussed a wide range of matters relating to the asset management sector and the credit market. HM Treasury discussed its work on the UK's funds regime review and the Brazilian Economy Ministry highlighted new developments in Brazil regarding Collateral Managing Institutions (IGGs). IGGs are a new type of business that provide collateral evaluation and management services with the aim of increasing efficiency and competition in collateral-lending credit markets by breaking the verticalization and lowering collateral management costs, thus enabling smaller banks and FinTechs to operate in the market alongside larger incumbents. The Bank of England outlined the international regulatory work on addressing Non-Bank Financial Institution vulnerabilities and the work of the International Monetary Fund and Financial Stability Board work on emerging market economy US dollar funding.

Participants also took stock of capital markets collaboration. The Brazilian Economy Ministry highlighted updates on capital markets in Brazil, such as the new legal framework for start-ups and the regulatory Sandbox. HM Treasury outlined progress on regulatory reforms, including through the Wholesale Markets Review and the Lord Hill Listings Review. Both sides agreed on the scope for increased cross-border activity in this area.

Both sides agreed to continue to engage bilaterally on these areas in the coming months, in the run up to the next EFD.