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Solvency 2 News, April 2021

Dear members and friends,

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a consultation on revised Guidelines on the use of the Legal Entity Identifier (LEI).

LEI is now widely used by the financial industry especially in the European Union, not only for identification of legal entities but also for data quality purposes, supporting activities in the area of financial stability, oversight and supervision as well as consumer protection.

Following the introduction of LEI in 2012, EIOPA issued its own Guidelines on the use of the LEI in October 2014. EIOPA identified a need to review and subsequently revise its current Guidelines due to several reasons:

- EIOPA's strategy on data and digitalisation, including aim to increase data standardisation, and ongoing implementation of cross-cutting projects within EIOPA where data quality and assessment of interconnectedness is key;

- Reflection of the principle of proportionality;

- 2020 ESRB Recommendations on identifying legal entities which are focusing on the LEI as a common identifier;

- 2019 FSB Thematic Review on Implementation of the LEI which listed some remaining obstacles which prevented wider LEI adoption.

The focus of this public consultation refer to the scope (and its clarity) of entities that should have a Legal Entity Identifier. The suggested scope is broader than before. Apart from Institutions for Occupational Retirement Provision (IORPs) and insurance and reinsurance undertakings the context of branches and intermediaries is introduced.

The revised Guidelines also consider the need for a better and wider identification of groups of entities as well as third country branches. The revised Guidelines also cover the necessity to use LEI code for identification purposes when competent authorities report to EIOPA.

EIOPA is also seeking to feedback from stakeholders regarding the impact assessment in particular on proportionality aspects when it comes to IORPs and intermediaries. All interested stakeholders are invited to provide comments by 30 June 2021.

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To read more: https://www.eiopa.europa.eu/content/consultation-proposal-revised-guidelines-use-of-legal-entity-identifier-lei_en

FSI Briefs No 13

Redefining insurance supervision for the new normal

Farzana Badat, Denise Garcia Ocampo and Jeffery Yong

Highlights

• Lessons learnt from the Covid-19 crisis will be critical to future-proof insurance supervision. Streamlined and agile supervisory processes backed by resilient digital infrastructure and closer engagement with insurers and other regulatory agencies will be critical to help insurance supervisors cope with future unexpected disruptions.

• Insurance supervision in the new normal will redefine the demarcation between on-site and off-site supervision, with elements of remote supervision becoming a mainstay to enable more efficient and effective supervisory oversight in the future. However, remote supervision cannot entirely replace on-site supervision, especially in assessing behavioural aspects of insurers.

• Proper support structures to ensure the ongoing health and wellbeing of supervisory teams will be critical to maintaining effective supervisory oversight in prolonged remote working environments.

• The pandemic accelerated the digitalisation of both insurance supervisory processes and the insurance business value chain. As the pace and scale of digital transformation continues to increase, so will cyber security and policyholder protection risks, which must be appropriately managed.

• Supervisors will need to apply a more holistic approach to technology investments in the future. Adoption of new supervisory technologies will need to be complemented with capacity building programmes that equip supervisors with new digital skill sets required to adapt to supervision in the new normal.

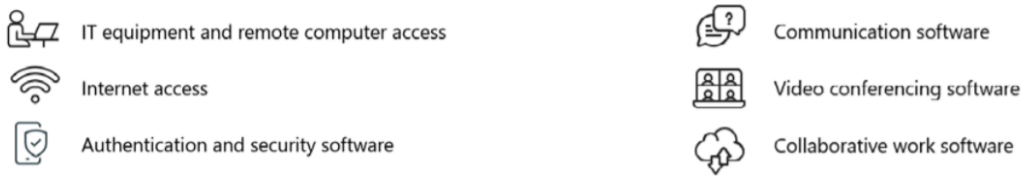
Supervisory transition to remote work

The most significant organisational challenges faced by the surveyed authorities at the onset of the Covid19 pandemic related to their readiness to transition to remote work and adjustments to internal processes.

Most of the surveyed authorities had IT remote access arrangements in place before the pandemic, but not necessarily on an adequate scale required to support all staff or all activities.

Significant efforts were made by many authorities to provide staff with a remote work "toolkit" composed of IT hardware and software that enabled them to continue their activities remotely (see Figure 1).

Remote work toolkit — Figure 1



Source: FSI and IAIS staff.

Transition to remote work (not only in terms of supervision but also internal processes such as onboarding of new staff) was smoother for authorities that had already provided such a toolkit and trained staff for its use before the pandemic.

To read more:
https://www.bis.org/fsi/fsibriefs13.pdf

REDEFINING INSURANCE SUPERVISION FOR THE NEW NORMAL

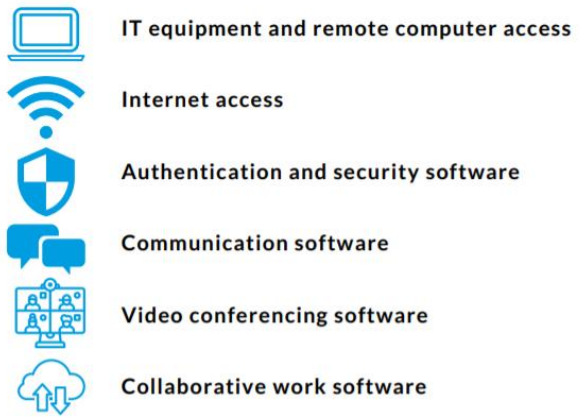
Co-authored by the IAIS Secretariat and Financial Stability Institute (FSI) of the Bank for International Settlements (BIS)
Farzana Badat, Denise Garcia Ocampo and Jeffery Yong

IAIS INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Financial Stability Institute | BIS

Figure 1

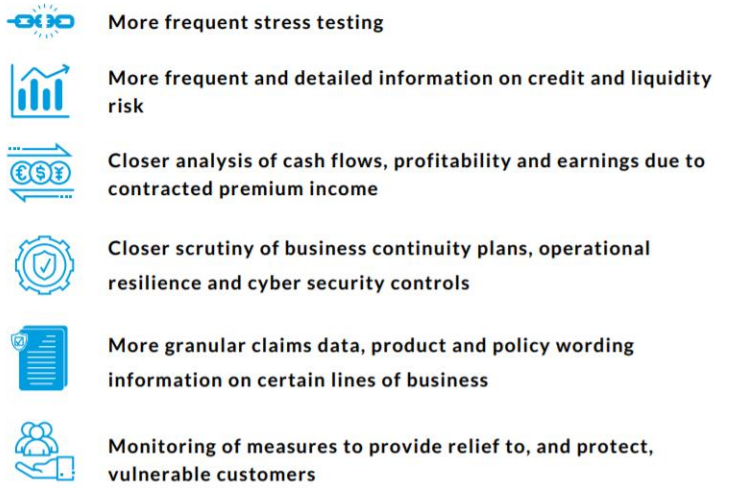
Remote work toolkit



Source: FSI and IAIS staff

Figure 2

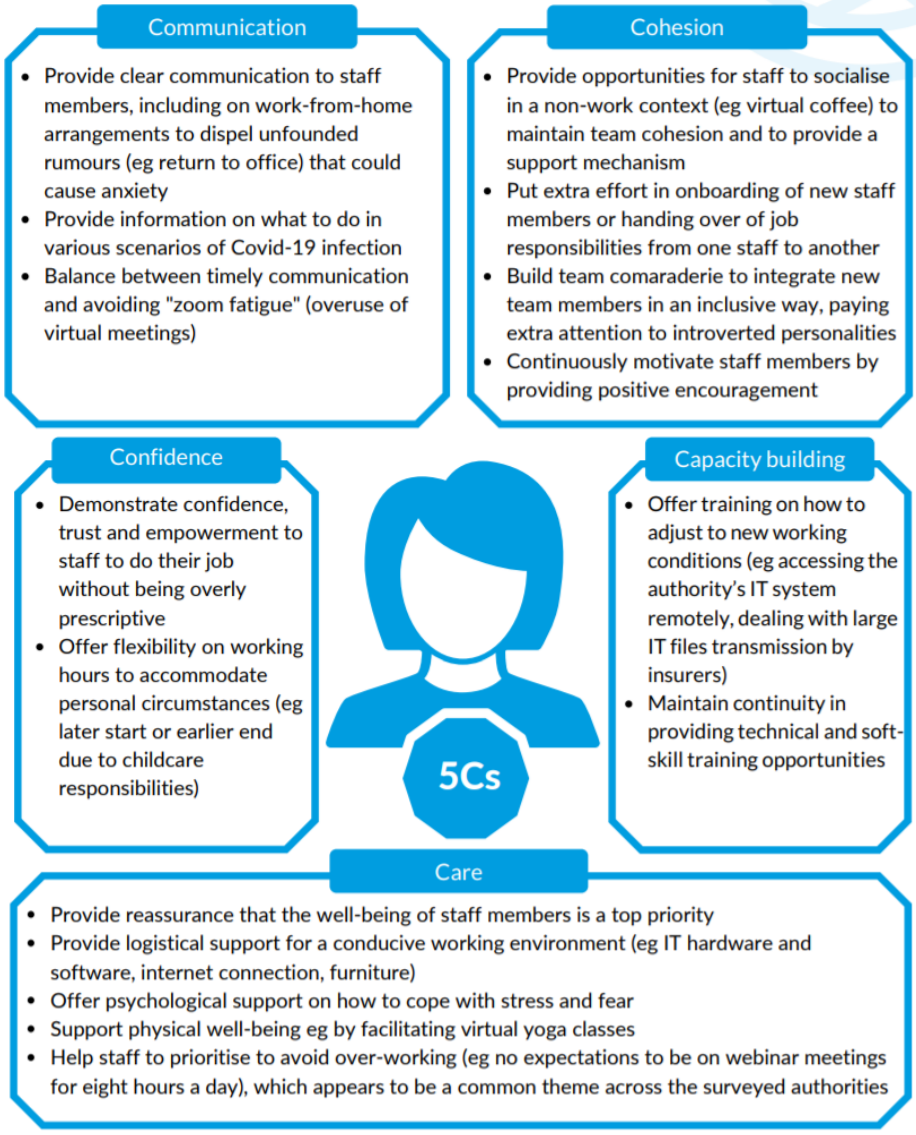
Examples of areas subject to heightened off-site supervisory monitoring during the crisis



Source: FSI and IAIS staff

Figure 3

The 5Cs of humanity in insurance supervision



Source: FSI and IAIS staff

To read more: https://www.iaisweb.org/page/supervisory-material/other-supervisory-papers-and-reports//file/96483/iais-fsi-note-on-redefining-insurance-supervision-for-the-new-normal

Central bank digital currencies: putting a big idea into practice

Agustín Carstens, General Manager, Bank for International Settlements, Peterson Institute for International Economics (PIIE) discussion on Central Bank Digital Currencies

Introduction

Thank you very much to Adam Posen and to the Peterson Institute for the invitation to speak here today. It is a pleasure to be here, even if virtually. I am grateful for the role the Peterson Institute has played through the years in promoting both domestic and international policy dialogue.

Central bank digital currencies, or CBDCs, are the topic of my talk today, and indeed the talk of the town. Many central banks are hard at work on research and development.

The Central Bank of the Bahamas recently launched its Sand Dollar, and the People's Bank of China is conducting a large-scale pilot of the so-called electronic yuan, or e-CNY.

In the United States, the Federal Reserve System is doing extensive research on CBDCs, including work with MIT. At the Bank for International Settlements (BIS), our new Innovation Hub is complementing this work with multiple projects on CBDCs.

We are also conducting research on the economics of CBDCs, and supporting dialogue among central banks through the BIS committees. And certainly, there is a lively public and academic debate on CBDCs, including in the United States on proposals for a digital dollar. Yet, once we scratch the surface of this debate, there are fundamental questions.

How does a CBDC differ from today's money? What would a CBDC mean for users, central banks, financial institutions and the international monetary system? I will outline how we can put this big idea into practice. I will argue that CBDCs are a technologically advanced representation of central bank money. If well designed, they could offer a safe, neutral and final means of settlement for the digital economy.

CBDCs appear similar to payment vehicles provided by other infrastructures, such as retail fast payment systems. These systems are

being rolled out around the world and make funds available to the payee in real, or near-real, time.

Indeed, retail CBDCs, retail fast payment systems, and supporting 24/7 wholesale payment systems form a continuum of potential improvements to the payment system. However, I will argue that the unique characteristics of central bank money distinguish CBDCs both from commercial bank money and from cryptocurrencies and stablecoins.

Building on that, I will discuss CBDCs from the user perspective. I will outline the operations involved in a system with CBDCs, and the role of financial institutions.

Finally, I will discuss the possible impact on the international monetary system, where I feel that some clarifications are in order.

Contrary to some of the hyperbole around international currency competition, central banks' work on CBDCs is a global collaborative effort.

To read more: https://www.bis.org/speeches/sp210331.pdf

ESAs publish Joint Q&As on Bilateral Margining

The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published three Joint Questions and Answers (Q&A) on RTS 2016/2251 on bilateral margin requirements under the European Markets Infrastructure Regulation (EMIR).

The purpose of the Joint Q&As on bilateral margin requirements is to promote common supervisory approaches and practices in the application of EMIR. It provides responses to questions posed by the public, market participants and competent authorities in relation to the practical application of the Regulation.

The Joint Q&As on Bilateral Margining clarify different aspects regarding the bilateral margin regime under EMIR:

- the relief covered by a partial intragroup exemption from bilateral margin requirements;

- the procedure to grant intragroup exemptions from bilateral margin requirements between a financial counterparty and a non-financial counterparty that are based in different Member States; and

- the exemption regime from bilateral margin requirements for derivatives entered into in relation to covered bonds.

To read more: https://www.eiopa.europa.eu/sites/default/files/joint-committee/joint-esa-qas-bm-emir.pdf

ESAs publish Joint Opinion on jurisdictional scope under the Securitisation Regulation

JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published a Joint Opinion on the jurisdictional scope of the obligations of the non-EU parties to securitisations under the Securitisation Regulation (SECR).

The purpose of the Joint Opinion is to facilitate the understanding of certain SECR provisions in cases where third-country entities become parties to a securitisation.

The Joint Opinion aims to clarify the potential obligations of those third-country parties, as well as related compliance aspects of a transaction under SECR, and is intended to help improve the functioning of EU securitisation markets.

The ESAs, in their Joint Opinion, set out their common view on the practical difficulties faced by market participants in connection with the jurisdictional scope of application of various provisions in the SECR in the following four scenarios:

a) securitisations where some, but not all, of their sell-side parties i.e. originator, original lender, sponsor and special purpose entity issuer etc., are located in a third country;

b) securitisations where all sell-side parties are located in a third country and EU investors invest in them;

c) investments in securitisations by subsidiaries of EU regulated groups, where those subsidiaries are located in a third country; and

d) securitisations where one of the parties is a third country investment fund manager

The Joint Opinion recommends that these difficulties should be addressed, where possible, through interpretative guidance from the European Commission.

The ESAs also invite the European Commission to undertake a comprehensive review of the SECR jurisdictional scope framework as part of the upcoming overall reform of this Regulation, as a means of

thoroughly addressing market participants' concerns regarding proper market functioning.

To read more: https://www.eiopa.europa.eu/content/esas-draft-opinion-european-commission-jurisdictional-scope-of-application-of_en

APRA urges life insurers and superannuation funds to address sustainability of insurance in superannuation

The Australian Prudential Regulation Authority (APRA) has written to life insurers and registrable superannuation entity (RSE) licensees, urging them to address concerning trends and practices in the provision of insurance to superannuation members.

APRA has noted significant deterioration in group life insurance claims experience in 2019 and 2020, with the potential for the re-emergence of unpredictability and volatility in insurance premiums.

APRA is concerned that, if the observed trends and practices continue, members are likely to be adversely affected by further substantial increases in insurance premiums and/or reductions in the value and quality of life insurance offered through superannuation.

APRA expects life insurers and superannuation funds to take steps to ensure that insurance offerings and benefits are sustainably designed and priced, provide appropriate value for members, and adequately reflect the underlying risks.

APRA has identified the need for:

- superannuation trustees to maintain, and make available to insurers, high quality and sufficiently granular data to facilitate sustainable insurance design and pricing;

- clear insurance strategies developed and maintained by trustees, that reflect a scheme design for default insurance which carefully considers and appropriately balances their members' needs and the cost of insurance; and

- tender processes that provide adequate information and time to all participants, to enable them to consult on scheme design and appropriately price the risks and benefits.

APRA Deputy Chair Helen Rowell said the provision of insurance by superannuation funds is an important component of the value provided by trustees to their members.

"For most people, the life insurance they receive through their super fund is the only cover they have to protect themselves and their family.

"It's critical that these issues are addressed so sustainable and affordable insurance is available to members through their superannuation fund over the medium to long-term.

"APRA will continue to engage closely with life insurers and superannuation trustees to monitor their progress as they respond to these issues, with a focus on the interests of current and future superannuation members," Mrs Rowell said.

The letter to life insurers and superannuation funds is available on the APRA website at: https://www.apra.gov.au/sustainability-of-life-insurance-superannuation

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APRA

9 March 2021

TO: ALL RSE LICENSEES AND GROUP LIFE INSURANCE CHIEF EXECUTIVE OFFICERS

SUSTAINABILITY OF LIFE INSURANCE IN SUPERANNUATION

Recently, the Australian Prudential Regulation Authority (APRA) has seen a re-emergence of some concerning developments in group life insurance in superannuation in relation to premium volatility, availability and provision of data, and tender practices. APRA's view is that these developments, if unaddressed, are likely to result in poor member outcomes, and adversely impact the availability and sustainability of life insurance through superannuation.

Hearing at the Committee on Economic and Monetary Affairs of the European Parliament

Christine Lagarde, President of the European Central Bank, before the Hearing at the Committee on Economic and Monetary Affairs of the European Parliament, Frankfurt am Main, 18 March 2021.

Madam Chair,
Honourable members of the Economic and Monetary Affairs Committee,
Ladies and gentlemen,

I am very happy to appear again before the Committee in our first regular hearing this year.

Today marks the one-year anniversary of the extraordinary Governing Council meeting during which we decided to launch the pandemic emergency purchase programme (PEPP).

Standing where we are today, the economic situation looks brighter now than it did back then and we can expect it to improve over 2021.

In the short term, however, the economic outlook for the euro area remains surrounded by uncertainty due to the dynamics of the pandemic and the speed of vaccination campaigns.

The severe impact that the pandemic continues to have on not just the economy, but on all aspects of the lives of many Europeans, does not allow us to "celebrate" the anniversary of the PEPP.

It is nevertheless important to look back and proudly acknowledge our collective efforts in shielding European citizens from even worse outcomes.

In my remarks today, I will focus on the euro area economic outlook and the ECB's monetary policy stance in the light of the Governing Council's decisions taken on Thursday of last week. I will conclude by discussing the policy mix required to secure a solid path to economic recovery.

The current macroeconomic outlook

The rebound in global demand and additional fiscal measures are supporting global and euro area activity.

At the same time, persistently high coronavirus (COVID-19) infection rates, the spread of virus mutations, and the associated extension and tightening of containment measures continue to have a negative impact on euro area economic activity.

As a result, real gross domestic product (GDP) is likely to contract again in the first quarter of the year after declining by 0.7 per cent in the fourth quarter of 2020.

Looking ahead, the ongoing vaccination campaigns, together with the gradual relaxation of containment measures underpin expectation of a firm rebound in economic activity in the second half of 2021.

Over the medium term, we expect the recovery in demand, as containment measures are lifted, to be supported by favourable financing conditions, and an expansionary fiscal stance.

This assessment is also reflected in the March 2021 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth at 4.0 per cent in 2021, 4.1 per cent in 2022 and 2.1 per cent in 2023, broadly unchanged compared with the December 2020 Eurosystem staff macroeconomic projections.

The risks surrounding the euro area growth outlook over the medium term have become more balanced owing to better prospects for the global economy and progress in vaccination campaigns.

However, downside risks remain in the near term, mainly related to the spread of virus mutations and the implications of the ongoing pandemic for economic and financial conditions.

Euro area annual inflation has picked up over recent months, mainly on account of some transitory factors.

Headline inflation is likely to increase in the coming months, but some volatility is expected throughout 2021 reflecting the changing dynamics of the idiosyncratic factors which are currently pushing inflation up but which can be expected to fade out early next year.

Underlying price pressures are expected to increase somewhat this year due to current supply constraints and the recovery in domestic demand.

Nevertheless, we judge that these pressures will remain subdued overall, also reflecting low wage dynamics and the past appreciation of the euro.

Once the impact of the pandemic fades, the unwinding of the high level of slack, supported by accommodative fiscal and monetary policies, will contribute to a gradual increase in inflation over the medium term. Survey-based measures and market-based indicators of longer-term inflation expectations remain at subdued levels.

While our latest staff projection exercise foresees a gradual increase in underlying inflation pressures, the medium-term inflation outlook – with projected annual inflation at 1.5 per cent in 2021, 1.2 per cent in 2022 and 1.4 per cent in 2023 – remains broadly unchanged from the staff projections in December 2020 and below our inflation aim.

The ECB's monetary policy stance and effectiveness

Against this background, preserving favourable financing conditions over the pandemic period remains essential to reduce uncertainty and bolster confidence, thereby underpinning economic activity and safeguarding medium-term price stability.

Let me further elaborate on our assessment of financing conditions. This is defined by a holistic and multifaceted set of indicators.

It is holistic because we consider a broad array of indicators, spanning the entire transmission chain of monetary policy from risk-free interest rates and sovereign bond yields to corporate bond yields and bank credit conditions.

It is also multifaceted, because we take a sufficiently granular view that enables us to detect movements in specific market segments in a timely manner.

Last week, as it received a new round of staff projections, the Governing Council conducted a joint assessment of these multiple set of indicators against the evolution of our inflation outlook since the last projection exercise.

We concluded that the increase in risk-free market interest rates and sovereign bond yields that we have observed since the start of the year could spur a tightening in the wider set of financing conditions, as banks use them as key reference points for determining credit conditions.

Therefore, if sizeable and persistent, increases in those market interest rates, when left unchecked, may become inconsistent with countering the downward impact of the pandemic on the projected path of inflation.

Based on this joint assessment, the Governing Council announced that it expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year.

While records of our weekly purchases will continue to be distorted by short-term noisy factors – such as occasionally lumpy redemptions – the step-up in the run-rate of our programme will become visible when ascertained over longer time intervals.

Purchases will be implemented flexibly according to market conditions and always with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation.

In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy.

If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full.

Equally, the envelope can be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation.

The PEPP is not the only tool the ECB is using to support favourable financing conditions over the pandemic period for all sectors of the economy.

The third series of targeted longer-term refinancing operations (TLTRO III) remains an attractive source of funding for banks.

The TLTROs' built-in incentive structure ensures that banks have access to ample funding at very favourable conditions if they maintain their lending to the real economy. This supports bank-based financing conditions for firms and households.

Likewise, the remaining monetary policy instruments in place – ranging from our key ECB interest rates to the Governing Council's forward guidance and the Asset Purchase Programme – make a crucial contribution to the ample degree of monetary accommodation that is necessary to

support economic activity and the robust convergence of inflation to our definition of price stability.

We will also continue to monitor developments in the exchange rate regarding their possible implications for the medium-term inflation outlook.

We stand ready to adjust all of our instruments, as appropriate, to ensure that inflation moves towards our aim in a sustained manner, in line with our commitment to symmetry.

The path to a solid economic recovery

Looking ahead, decisive action in other policy areas to support the recovery remains essential and should build on the favourable financing conditions prevailing in the euro area.

When appearing before the European Parliament last month, I pointed out that the strength of Europe's crisis response over the last twelve months crucially depended on the strength of national and European responses across all policy areas: monetary, fiscal, supervisory and regulatory.

We should continue to rely on the same recipe when it comes to securing a path to a solid economic recovery.

An ambitious and coordinated fiscal stance remains critical. National fiscal policies should continue to provide critical and timely support to firms and households most exposed to the pandemic and the associated containment measures.

At the same time, these measures should, as much as possible, remain temporary and targeted in nature to address vulnerabilities effectively and support a swift recovery.

By brightening economic prospects for firms and households, fiscal policy would also strengthen the transmission of our monetary policy measures. Fiscal policy can also act as a catalyst to transform our economies in the recovery phase.

This is why the NextGenerationEU package should become operational without delay.

In the coming weeks, Member States should ensure a timely ratification of the Own Resources Decision and should finalise their recovery and resilience plans.

The European Parliament can play an important role in making sure that these plans are well-designed and that they include productivity-enhancing structural policies to address long-standing weaknesses and accelerate the green and digital transitions.

All of us, across all policy levels, should ensure that we use the thrust of the recovery to transform our economies and make them fit for the world of tomorrow, for instance by reducing and preventing climate risks. The ECB is ready to play its part in line with its mandate.

This morning we published the preliminary results of our first economy-wide climate stress test to help both authorities and financial institutions assess the impact of climate risks over the next 30 years.

Conclusion

When we announced the PEPP one year ago, the Governing Council declared that it would do everything necessary within its mandate and explore all options and all contingencies to support the economy through this shock.

Looking back at the past year, I think we can affirm that we have delivered on this commitment.

But there is no room for complacency – the ECB will continue to deliver on its mandate and support the recovery with all appropriate measures.

I now stand ready to take your questions.

International Financial Hub Initiatives

The Japanese Government is committed to expanding Japan's role as an international finance hub.

New policies will help foreign asset managers and other financial institutions enter the Japanese market so that they may contribute to improve Japan's financial and capital markets in tandem with local players and eventually we may better serve as an international financial center in Asia and the world.

Japan as an International Financial Hub

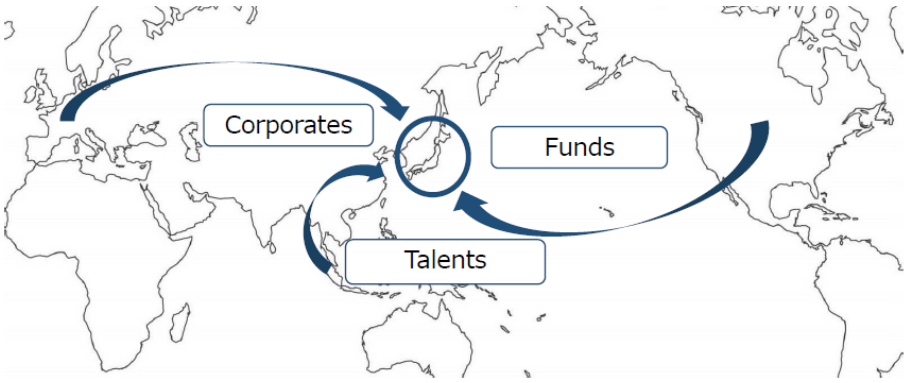
Japan's strengths / potential

- Political stability, good public security, favorable living environment
- Sizable domestic economy, over 18 trillion USD household assets

Japanese Government's Initiatives

- Provide convenience/accessibility through easing regulatory measures
- Enhance the tax system and provide life support by collaborating with other ministries

Japan aims to become an international financial hub that attracts talents, corporates, and funds...



...to make Japan an attractive place for foreign professionals to do business in addition to a tourism destination

Summary of Japanese government's initiatives

Policy package through cross-ministerial collaboration

Tax policy	✓Revision/clarification of corporate, inheritance, and income tax
Regulatory policy	✓One-stop English service for application and registration for newly entering overseas asset managers ✓Introduction of simplified market entry procedures for overseas asset managers
Residence status	✓Special immigration measure for newly entering asset managers as a temporary visitor to commence business without returning to their home country ✓Relax employment requirements for domestic helpers and increase convenience for working spouses for Highly-Skilled Professionals
Company setup and livelihood support	✓One stop company setup support for free ✓Livelihood support such as international school hunting, medical matters, and housing
Information sharing	✓Collectively share related policy measures information through a dedicated website and contact points of diplomatic missions

(1) Tax policy

Revision/clarification

	Current Status	Solution
Corporate tax For Asset management firms	**30%** Performance-based compensation of directors Listed companies : deductible **Private companies : not deductible**	A private, non-family company including a 100% subsidiary of a listed company which mainly operates asset management business should be able to deduct its performance-based compensation with a number of conditions, including where the calculation methods are described in its business reports filed under the Financial Instruments and Exchange Act and disclosed publicly through the JFSA website. (Sequentially applied after relevant law enters into force in 2021 December, expected)
Inheritance tax For heirs of foreign residents in Japan	**0~55%** Living in Japan over 10 years: worldwide assets Living less than 10 years …tax on only assets in Japan	Assets outside of Japan that a foreign national who entered Japan with a valid working visa holds should be exempt from Japanese inheritance tax regardless of their years of residence in Japan when the heir receives the assets as a non-resident. (2021 April 1st)
Income tax For fund managers	**0~55%** Carried interests - distribution allocated returns in excess of their capital contribution ratio → **Unclear if it is a capital gain or not**	When a profit distribution of a carried interest has an economic rationality, that profit should be taxed as a capital gains tax (20%). (2021 Spring)

（2） Regulatory policy

One-stop and all-in-English regulatory services

Current Status

- Foreign asset management companies must have discussions with different contact points in JFSA and Local Finance Bureaus
- High regulatory compliance cost due to the requirement to file application/registration in Japanese

Solution

"Financial Market Entry Office" was launched in JFSA in January 2021

→ **One-stop English services** for pre-application consultation, registration procedures, and supervision

※ Financial administrative services in English through AI powered translation technology from March 2021

（2） Regulatory policy

Simplified market entry procedure

Current status

In principle, even an asset management firm that serves overseas professional investors (institutional investors) is required to be registered with JFSA in order to conduct asset management business in Japan.

Moreover, registration procedures could take some time even for an asset management firm with a proven track record overseas

Solution

Facilitate overseas asset managers' entry by introducing the following schemes:

- **Pre-registration entry scheme** (5 years) for those with authorization by regulatory bodies and a proven track record in specified foreign countries
- **Simplified entry scheme for GP managers** with overseas qualified clients

※ The bill will be submitted to the 2021 Diet session

(3) Residence status

Relax residence status requirements

Working visa

○ Introduce an exceptional measure enabling foreigners entering Japan as a "temporary visitor (short-stay)" for the purpose of preparing for company setup to obtain residential status **without returning to their home country** before commencing business under certain conditions

Highly-Skilled Professionals

○ **Add bonus point category for those engaged in asset management business** to be subject to preferential treatment for Highly-Skilled Professionals

● Finance professionals can obtain a Highly-Skilled Professionals visa within the **prioritized administrative review period (around 10 days)**

Domestic helpers/nannies

○ With regard to Highly-Skilled Professionals, under certain conditions,
  - allow them to hire domestic helpers **even if they do not meet the conditions such as having a child under the age of 13**
  - increase the maximum number of domestic helpers they can hire from one to **two**

Spouse

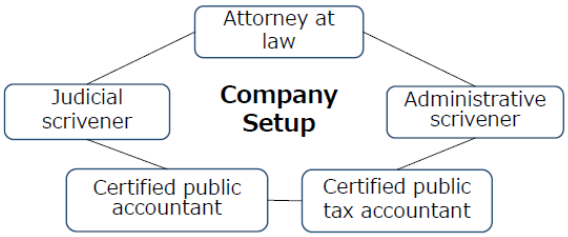
● Spouses of highly-skilled professionals can **work full-time without working visa** under certain conditions

Note: Bullets starting with ○ are preferential treatments for asset managers
"Certain conditions" are under discussion

(4) Company setup and livelihood support

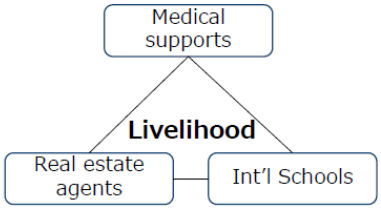
Company setup support

- Company setup in Japan
- Acquisition of Residence status
- Obtaining license and/or registration etc.



Livelihood support

- Medical supports
- Housing
- International Schools



Support by private companies

Implement a trial business project offering a **free one-stop** seamless support service for foreigners and overseas asset management businesses that are considering setting up companies in Japan

Support by the Government

Enhance "Financial Market Entry Office" (slide 5) to cover total relocation support including settling in and establishing a livelihood (in corporation with local governments and Foreign Residents Support Center)

（5） Information sharing

Enhancement of information sharing

Launch a dedicated page under JFSA's website to collectively share information on the following policy measures and total relocation support

(1) Tax policy initiatives
(2) Regulatory policy initiatives
(3) Residence status
(4) Company setup and livelihood support

Contact information

Financial Market Entry Office
marketentry@fsa.go.jp
https://www.fsa.go.jp/en/policy/marketentry/index.html

Disclaimer

This document is prepared by Japanese Financial Services Agency (hereinafter referred to as "JFSA") as the summary of tentative discussions. To identify applicable regulatory requirements in particular, please refer to the respective laws and regulations.

The information contained in this document is based on the Comprehensive Economic Measures and the Tax Reform Proposals which were respectively published on December 8 and 21. The information contained in this document is subject to change due to revisions in laws and regulations and/or the preparation and execution of budgets.

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BIS Working Papers No 932

Macroeconomic consequences of pandexit

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Abstract

This paper proposes a quantitative framework to analyse the interactions between epidemiological and economic developments, and assesses the macroeconomic impact of managing the late stage of the Covid-19 pandemic.

The framework features a susceptible-exposed-infectious-recovered (SEIR)-type model that describes the pandemic evolution conditional on society's mobility choice, and a policy unit that chooses mobility optimally to balance lives and livelihood objectives.

The model can be matched to daily data via a fast and robust empirical procedure, allowing a timely policy analysis as situations evolve.

As of 10 March 2021, the projected median output loss across 27 advanced and emerging market economies in 2021 is about 21/4% of pre-pandemic trends.

This projected outcome hinges on a sustained progress in vaccination and no major epidemiological setbacks. Vaccination impediments or a third-wave surge in infection rate could raise median output loss to 3 – 33/4%.

In the most severe scenario, virus mutations that compromise existing immunity could require more protracted lockdowns. In this case, median output loss may reach 5% in 2021 alone, with further repercussions in subsequent years.

Introduction

The Covid-19 pandemic is both a global health and economic crisis. As of 10 March 2021, more than 2.6 million lives have been lost to the disease, more than one million of which occurred since December 2020 as a result of a second wave of infections. Authorities around the world have put in place drastic measures to restrict human interaction and curb the virus spread, extending them as needed to suppress a resurgence of cases.

These measures, while necessary from a public health standpoint and enacted as a means to end the crisis, have led to macroeconomic consequences of truly historic proportions.

Output losses during the `great lockdown' of 2020 are as high as 8% on average, exceeding even the sharp contraction associated with past financial crises.

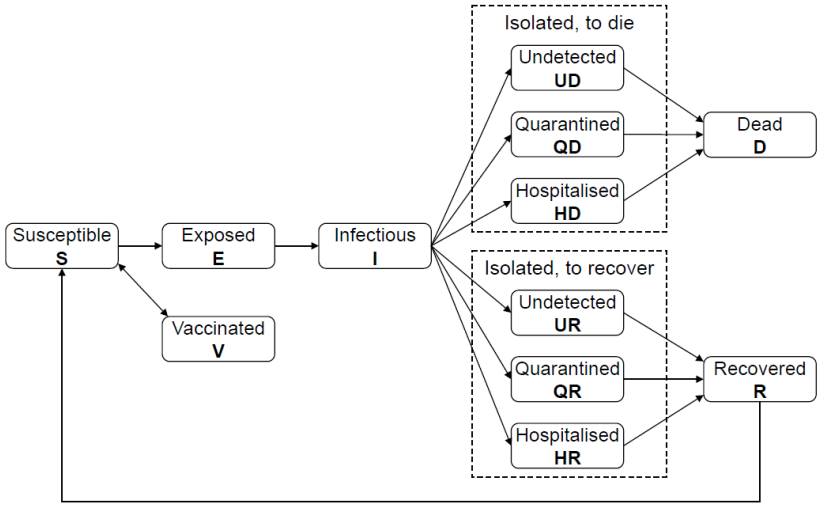
The macroeconomic damages are higher still for those reliant on the most affected sectors, such as tourism and services.

The arrival of vaccines in late 2020 ushered in a new phase of the pandemic and opened up the possibility of a quick and smooth `pandexit'. After showing high efficacy in trials, several vaccines are being quickly rolled out in a number of countries, particularly in advanced economies that have secured most of the available dosages.

At the same time, significant challenges and risks remain in the months ahead. If the production and take-up of vaccines disappoint, economic activity could suffer again.

Virus mutations could also present unpredictable new challenges, possibly negating the effects of vaccines. Should these downside risk scenarios play out, what would be the resulting macroeconomic consequences? How long should lockdowns and mobility restrictions be expected, and to what extent? These questions are of first-order importance for macroeconomists and those in charge of fiscal, monetary and regulatory policies.

To read more: https://www.bis.org/publ/work932.pdf



Note: Boxes represent 12 key states of the SEIR model, with arrows denoting the direction of population flows between states. See Table 1 for further explanation of notations.

Brave new world

Sam Woods, Deputy Governor for Prudential Regulation of the Bank of England and Chief Executive of the Prudential Regulation Authority (PRA), at the Association of British Insurers.

Thank you for the invitation to speak today, and for coming along to this session. Although I can see nobody on my screen the ABI assures me that an implausibly large number of leaders of the insurance industry are in fact present, and that some of you may even be listening to this speech.

As a prudential regulator we oversee a large and vibrant insurance sector supplying vital financial services to the wider economy.

I will not bore you with another list of the magnificent variety, size and importance of those services – that is the job of the ABI. But safeguarding the stability of their supply is the whole point of our role. That role is about to change in two ways.

First, the Solvency II review is well under way – I will come back to that.

But I want to begin with the second change, which is more fundamental – the proposed reforms to the architecture of financial regulation as we enter the brave new world of post-Brexit Britain – and explain why we favour a shift towards more rule-making by the regulator, and the enhanced accountability that needs to come with that.

The future regulatory framework: rules and statutes

Now you may be thinking: "quelle surprise, the regulator wants to have more control over the rules!" In fact, I can tell you that the PRA has no pro-active desire to increase its responsibilities. We have enough on our plate already.

It's just that it seems clear that, for our market, putting the details in the regulator's rules rather than in statute (as the EU typically does) is a better approach.
I say better for our market, but in fact this is the norm in all major jurisdictions apart from the EU and Switzerland.

As a point of principle, it is consistent with the established model of an independent regulator taking time-consistent decisions in pursuit of long-term objectives given to it by Parliament.

This follows the same logic as the arrangements in this country and many others for setting monetary policy. And on a purely practical level, it ensures that rule-making is closely informed by the day-to-day risk assessments that we have to make as supervisors.

This approach also helps ensure that rule-making keeps pace with developments and supports innovation.

A changing world requires a tough but flexible regulatory regime that can adapt itself rapidly as needed – both to remove unnecessary barriers to innovation and to give policyholders reasonable protection from any new risks that arrive with it.

The alternative is a more sluggish regime, more conservatively calibrated to compensate for its lack of manoeuvrability.

A regime largely contained in the PRA's rulebook is also easier to update when it seems that a rule is not working properly.

The most obvious current example is the current implementation of the risk margin – no one here can be unaware of this issue, or if you are you've come to the wrong webinar!

At a more granular level, while we will always take a very close interest in internal models given they set capital requirements, I have long wanted to simplify the bottom-up process for approving them, which entails assessing compliance with more than 300 tests and standards – all of them currently set out in legislation.

That is just one example of our more general, longterm aspiration to condense and reduce the volume of material that defines the regime – the original Solvency II came in at nearly 1000 pages of legislation plus many hundreds more of technical standards.

Having a streamlined set of rules all in one place would substantially ease the burden of compliance on firms and on us, without reducing resilience.

In short, now that we have left the EU we have no interest whatsoever in lowering levels of resilience or policyholder protection, but we can and should make changes to tailor regulation so it fits our market better and is more efficient and coherent.

That process will take some time but it will work better if the detailed rules are placed into our rulebook.

Risks of changing the regulator's role

If you accept the case for detailed rules being made by regulators, the next debate then is over what checks and balances are needed to give stakeholders confidence in the operation of the new framework.

Might we pursue the stability of the graveyard by imposing ever more stringent rules? Or might we go the other way, becoming captured by industry and not protecting policyholders enough? Put bluntly, can we be trusted with more power?

To address the point about the graveyard head on: I do not for one moment accept the caricature of a rampant regulator intent on crushing the industry under a slow-motion avalanche of new capital requirements, heedless of the wider consequences.

History gives the lie to this caricature. Take the topical example of the matching adjustment (MA), which I read in the trade press last month is to be a 'key battleground' in the review of Solvency II.

The primary effect of the MA is to reinforce the incentives that life insurers have to make longterm investments. It is something that the PRA had to fight hard for in EIOPA, often with little support from other countries.

This matching is prudentially beneficial and may make annuities cheaper than they would otherwise be, but of course it also involves taking more risk because it boosts capital levels and lowers capital requirements.

Another way to consider the graveyard question is to look at the returns of the insurance firms that we oversee and ask whether or not they resemble tombstones.

Empirically, returns on equity can be volatile thanks to things like competitive pricing pressures, catastrophe risk losses and asset market volatility, but they have remained healthy in recent years. Since the introduction of Solvency II, returns have been in ranges of about 8 to 10% in general insurance, and 10% to 15% in the life sector.

Our insurance sector is clearly alive and kicking. Moreover, the PRA does not aspire to a zero failure regime – more than fifty insurers regulated by the PRA are currently in some form of run off, for example – and even our primary objective of safety and soundness is in some ways just a means to end.

Policyholders are not well served by firms that are so safe and cautious that they might apparently be able to live forever, but never grow or change.

Such firms are more likely to be broken by a storm than to bend with it.

On the contrary, policyholders are better protected by firms that: first, are sufficiently profitable and attractive to external capital to be able to change and grow in response to the changing external environment; and second, are able, if their business models do fail, to exit the market in an orderly fashion, paying their remaining liabilities as they fall due.

To read more:
https://www.bankofengland.co.uk/speech/2021/march/sam-woods-association-of-british-insurers-executives-neds-and-chairs-network-webinar

FinCEN Informs Financial Institutions of Efforts Related to Trade in Antiquities and Art

The Financial Crimes Enforcement Network (FinCEN) is issuing this Notice to inform financial institutions about:

(1) the Anti-Money Laundering Act of 2020 (the AML Act) efforts related to trade in antiquities and art,

(2) select sources of information about existing illicit activity related to antiquities and art, and

(3) provide specific instructions for filing Suspicious Activity Reports (SARs) related to trade in antiquities and art.

FinCEN encourages financial institutions to continue filing SARs regarding these topics.

New AML Act Measures

- *Antiquities Regulations:* Section 6110(a) of the AML Act amends the definition of "financial institution" under the Bank Secrecy Act (BSA) to include persons "engaged in the trade of antiquities" and directs FinCEN to promulgate implementing regulations.

  The BSA obligations imposed by Section 6110(a) will take effect on the effective date of those final regulations.

- *Art Study:* Section 6110(c) of the AML Act requires the Secretary of the Treasury, in coordination with the Director of the Federal Bureau of Investigation, the Attorney General, and the Secretary of Homeland Security, to perform a study of the facilitation of money laundering and the financing of terrorism through the trade in works of art.

  The study will include an analysis of, among other things, which markets should be subject to regulations and the degree to which the regulations, if any, should focus on high-value trade in works of art, and on the need to identify the actual purchasers of such works, in addition to other persons engaged in the art trade.

Illicit Activity Associated with Trade in Antiquities and Art

Financial institutions with existing BSA obligations, including the reporting of suspicious activity, should be aware that illicit activity associated with the trade in antiquities and art may involve their institutions.

Crimes relating to antiquities and art may include looting or theft, the illicit excavation of archaeological items, smuggling, and the sale of stolen or counterfeit objects.

Crimes relating to antiquities and art also may include money laundering and sanctions violations, and have been linked to transnational criminal networks, international terrorism, and the persecution of individuals or groups on cultural grounds.

SAR Filing Instructions

- Financial institutions' SAR reporting, in conjunction with effec tive implementation of their other BSA compliance requirements, is crucial to identifying and stopping money laundering and other crimes related to trade in antiquities and art.
- FinCEN requests that financial institutions reference "FIN-2021- NTC2" in SAR field 2 (Filing Institution Note to FinCEN) and the narrative portion of the SAR to indicate a connection between the suspicious activity being reported and the activities highlighted in this notice.
- Financial institutions should also select SAR field 36(z) (Money Laundering - other) as the associated suspicious activity type, and note if the suspicious activity relates to "Antiquities," "Art," or both (in some instances, an object could be considered both an antiquity and a work of art.

SAR Narrative.

FinCEN also requests that filers detail the reported activity in the narrative portion of the SAR, explaining how the suspicious activity relates to "Antiquities," "Art," or both. Filers should provide any av ailable details that may assist in the identification of:

(1) the objects connected to the financial transactions,

(2) other transactions or proposed transactions that may involve antiquities or art, and

(3) any other relevant information.

Filers should provide all available details (such as names, identifiers, and contact information—including Internet Protocol (IP) and email addresses and phone numbers) regarding:

(1) the actual purchasers or sellers of the property, and their intermediaries or agents,

(2) the volume and dollar amount of the transactions involving an entity that is—or may be functioning as—a dealer in antiquities or art, and

(3) any beneficial owner(s) of entities (such as shell companies).

In the case of stolen art or antiquities, filers should provide a detailed and specific description of the stolen item(s) and indicate whether photographs of the items are available. Filers should also provide information about the place(s) where the reported individuals or entities are operating.

To read more:
https://www.fincen.gov/

Note:

FinCEN is a bureau of the U.S. Department of the Treasury. The Director of FinCEN is appointed by the Secretary of the Treasury and reports to the Treasury Under Secretary for Terrorism and Financial Intelligence.

FinCEN's mission is to safeguard the financial system from illicit use and combat money laundering and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities.

FinCEN carries out its mission by receiving and maintaining financial transactions data; analyzing and disseminating that data for law enforcement purposes; and building global cooperation with counterpart organizations in other countries and with international bodies.

FinCEN exercises regulatory functions primarily under the Currency and Financial Transactions Reporting Act of 1970, as amended by Title III of the USA PATRIOT Act of 2001 and other legislation, which legislative framework is commonly referred to as the "Bank Secrecy Act" (BSA).

The BSA is the nation's first and most comprehensive Federal anti-money laundering and counter-terrorism financing (AML/CFT) statute.

In brief, the BSA authorizes the Secretary of the Treasury to issue regulations requiring banks and other financial institutions to take a

number of precautions against financial crime, including the establishment of AML programs and the filing of reports that have been determined to have a high degree of usefulness in criminal, tax, and regulatory investigations and proceedings, and certain intelligence and counter-terrorism matters.

The Secretary of the Treasury has delegated to the Director of FinCEN the authority to implement, administer, and enforce compliance with the BSA and associated regulations.

The issues – cultural property

There is a lucrative black market in cultural property with strong links to organized crime

Cultural property in conflict zones

During the last decade, our world has witnessed a considerable increase in the destruction of cultural heritage due to armed conflict.

This has been accompanied by the organized looting, illicit trafficking and sale of cultural objects that were an integral part of a country's heritage, history and identity.

Crimes against cultural heritage do not just strike at objects. The destruction of heritage is linked to persecution of individuals and communities on cultural grounds. This can also represent a security and stability issue, and a war crime.

Cultural heritage is also underwater

Underwater cultural heritage includes monuments, shipwrecks and artefacts, which have been under water for at least 100 years.

These sites are exposed daily to a range of critical challenges, notably plunder, trade, fishing and the extraction of natural resources. In addition, underwater archaeological sites are regulated by extremely different national legislations worldwide.

Which objects are most frequently stolen?

The majority of art thefts are carried out from private homes but museums and places of worship are also common targets.

The type of objects stolen varies from country to country but generally speaking, paintings, sculptures, statues and religious items are very sought after by thieves.

However, no category is spared, including such antique items as artifacts, books, furniture, coins, weapons and gold and silverware.

Illicit excavation of items

Another phenomenon is the illicit excavation of archaeological and paleontological items. This is especially disturbing since it can damage historical sites and reduce the opportunity to know more about them – when an item is removed from its site, its scientific value is lost and it holds only economic value.

Fake art and artifacts on the market

Fake works of art pollute the legitimate market. The problem of the enormous amount of forgeries flooding into the market is an extremely complex phenomenon, and disrupting networks involved in it requires a high level of expertise.

To read more: https://www.interpol.int/Crimes/Cultural-heritage-crime/The-issues-cultural-property

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