



U.S. Chamber of Commerce
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Asia

U.S.-Japan
Business Council

JUBC
Japan-U.S.
Business Council

Financial Services



Appropriately regulated, transparent, open, and liquid global financial and capital markets are the most effective means for allocating capital to its most productive uses. While the U.S. and Japan remain global financial leaders, the Financial Services Working Group of the Japan-U.S. Business Council and the U.S.-Japan Business Council (“the Councils”) believe further improvements are desirable, achievable, and necessary, in the face of elevated geopolitical and economic uncertainty. The Councils encourage continued close coordination between the U.S. and Japanese governments to advance shared economic and strategic objectives. The Councils’ joint recommendations to the two governments focus on the following four themes:

1. Driving Investment for Economic Growth and Resilience

The Councils view two-way foreign direct investment (FDI) as a win for both economies, provided that such investments are commercially viable and bankable for both parties. They note that Japan has been the largest source of FDI in the U.S. for the past seven years, while the U.S. is the largest FDI contributor in Japan. Moreover, Japan committed up to \$550 billion for investment into the U.S. under the U.S.–Japan Strategic Trade and Investment Agreement announced on July 23, 2025. The Councils stress that foreign investment review processes should remain transparent, predictable, and narrowly tailored to legitimate national security concerns.

Supply chain transparency, sustainability, and security are critical to expanding trade and investment. Greater supply chain and trade data transparency can facilitate supplier diversification for critical goods and services. Emerging economies play an important role in building resilient supply chains, and thus should be supported in achieving sustainable growth without creating debt vulnerabilities.

Sound fiscal policies, predictable legal frameworks, and agreed international tax rules remain essential to promoting investment. Both governments should periodically review liquidity, capital, and other prudential requirements to ensure they support long-term investment, economic growth, and market liquidity, while preserving financial stability.

While recognizing legitimate national security concerns and the need for effective sanctions regimes, both governments should address national security concerns without unnecessarily restricting legitimate economic activity as financial sanctions become broader and more complex.

Key recommendations:

- Promote FDI between the U.S. and Japan by avoiding any unjustified regulatory or supervisory barriers and maintaining a transparent and predictable environment for investment and corporate transactions that supports shareholder choice and efficient capital allocation.
- Expand blended finance and transition finance through multilateral development banks, export credit agencies, and other public institutions; deepen public-private partnerships to develop resilient supply chains for critical minerals and other strategic inputs; foster private sector investment in emerging economies; and promote appropriate risk-sharing between the public and private sectors.
- Pursue credible medium-term fiscal frameworks that support debt sustainability while maintaining targeted incentives for private investment, innovation, and productivity growth.
- Enhance communication between public and private sectors to improve sanctions effectiveness and reduce compliance risks for financial institutions.

2. Advancing Regulatory Modernization and Coherence

As financial services become increasingly global and digital, regulatory frameworks should support consumer protection, efficient capital flows, and fair competition across jurisdictions, business models, service providers, and technologies. Internationally agreed standards remain essential to supporting cross-border coherence and reducing unnecessary regulatory fragmentation. The Councils encourage coordinated, evidence-based, and outcomes-oriented regulation, including in banking and insurance prudential frameworks.

The Councils also stress that market transparency and high-quality financial data, benchmarks, indices, and analytics are essential to informed investment decision-making, efficient capital allocation, and stronger U.S.-Japan investment ties.

Key recommendations:

- Further leverage multilateral or bilateral information exchange frameworks among regulators such as bilateral financial services regulatory forum modeled on the U.S.-EU Framework.
- Review and, where appropriate, recalibrate financial regulations, including liquidity and capital requirements, to better mobilize private investment for projects that contribute to economic growth and security. In doing so, account for the varying capacities of financial institutions and avoid a “one-size-fits-all” approach where possible.
- Encourage market transparency via appropriate alignment with international disclosure frameworks and continued support for public access to market data.
- Apply an activities-based approach to address systemic risks, including those arising from unregulated institutions and activities, while ensuring a level playing field across banks, (re)insurers, non-bank financial institutions and emerging financial service providers. This should include appropriate regulatory frameworks for fintech applications and stablecoin-related activities that support financial stability, fair competition, and innovation.
- Implement appropriately calibrated capital standards for insurers in the U.S. and Japan, ensuring outcomes comparable to the IAIS Insurance Capital Standard while preserving the strengths of the U.S. and Japanese insurance regulatory framework and recognizing insurers’ distinct business models in both countries, and at the same time ensuring treatments that are consistent at the subsidiary and consolidated bases. Concretely, in Japan, implement group capital standards in a manner that is consistent with the U.S. insurance prudential regulation, specifically by the removal of certain requirements under the Deduction and Aggregation Method and the recognition of NAIC designations, thereby enabling U.S. insurance subsidiaries to be assessed in a manner aligned with their local regulatory framework.
- Reassess the respective roles of their CFC regimes and minimum tax regimes and consider comprehensive simplification measures. Such measures should include, among other options, positioning the CFC regime and Pillar Two as mutually complementary frameworks, and clarifying the order of application of each regime and the corresponding tax adjustment mechanisms, so that double taxation on the same income as well as duplicative calculation and reporting burdens for businesses are eliminated.
- For the U.S. government, complete recalibration efforts surrounding the capital regulations for banks in an internationally harmonized manner that avoids excessive capital requirements compared with other major jurisdictions, including by finalizing its outstanding proposals to adopt the Basel III framework and to reform the Federal Reserve Board’s stress test and GSIB surcharge.
- For the U.S. government, allow insurance companies to offset losses from bond sales against operating income in their corporate income tax in a similar manner to banks.
- For the Japanese government, review Know Your Customer (KYC) rules and procedures using a risk-based approach aligned with international practices, particularly regarding well-recognized foreign financial institutions and institutional investors.

3. Promoting Financial Asset Building and Security for Individuals and Society

The Councils welcome the continued efforts by the Japanese government to promote Japan as a leading Asset Management Center. They also help households convert savings into sustainable retirement income by supporting measures that expand private pension coverage, employer-sponsored retirement plans, retirement assets

portability, and lifetime income solutions such as annuities.

Increasingly severe natural catastrophes, longer life expectancies, and aging populations have fueled substantial life, health, and retirement protection gaps in both countries. Public and private stakeholders, including the insurance sectors, should work together to address these gaps, including through solutions for longevity risk, healthy aging, and long-term care needs, while recognizing that certain risks may require public-sector support. Such solutions may include a range of risk-transfer and capital-management tools, including asset-intensive reinsurance (AIR) that can support long-duration insurance and savings products through effective risk transfer and management.

Key recommendations:

- Strengthen public-private collaboration to expand long-term household asset formation through enhanced financial education, broader access to diversified investment products, and targeted initiatives for youth and other underserved populations.
- Partner with the financial services industry, particularly insurers, to help households address aging, longevity, and retirement income needs, including by supporting the sound, transparent, and well-supervised development of AIR markets through robust risk-management, and effective regulation and communication, while protecting policyholders and financial stability.
- Narrow protection gaps by reducing the economic losses from natural catastrophes, promoting risk-transfer measures such as insurance and reinsurance, , and capital markets solutions such as insurance-linked securities and catastrophe bonds supporting collaborative efforts among a broad range of public and private stakeholders, and recognizing the need for public-sector support where certain risks cannot be fully absorbed by the private sector.
- For the Japanese government, promote defined contribution pension plans by encouraging participants to adopt an asset allocation based on personal risk tolerance, significantly increasing the contribution limit, and introducing catch-up contributions modeled after the U.S. 401(k) system.
- For the Japanese government, advance the “Promoting Japan as a Leading Asset Management Center” initiative to lay a foundation that drives Japan’s economic growth.

4. Promoting Digital Financial Innovation, Cybersecurity and Free Data Flow

Digital innovation, in particular, generative AI, AI agents, and other emerging technologies, offer significant opportunities to improve productivity, risk management, and customer outcomes across financial services. They also create challenges related to transparency, data governance, cybersecurity, third-party dependencies, and misuse. Closer government-industry cooperation is needed to develop interoperable governance frameworks and responsible adoption in the financial sector.

As critical infrastructure, the financial sector requires close public-private collaboration to maintain operational resilience against cyberattacks and other disruptions. Financial institutions should be able to deploy the most effective cybersecurity tools while maintaining robust risk-management standards.

The Councils reiterate the importance of data connectivity for financial services and call on both governments to pursue high-standard rules in the digital economy.

Key recommendations:

- Establish common principles, terminology, taxonomies, and risk-management expectations for AI use in financial services and create a structured regulatory dialogue to promote interoperability and reduce unnecessary regulatory fragmentation.
- Prioritize the use of AI to combat money laundering, fraud, cyber threats, and illicit finance, while expanding public-private information-sharing mechanisms and supporting secure cross-border data collaboration to expedite the identification and resolution of these threats.
- Support regulatory sandboxes, pilot programs, and other mechanisms that accelerate responsible AI adoption in financial services while maintaining appropriate safeguards, risk governance, and consumer protections.

- Establish clear, consistent and internationally interoperable regulatory frameworks for stable coins, tokenized deposits, tokenized financial assets, and other digital assets, and ensure that prudential and capital requirements are calibrated according to their distinct risk profiles, thereby supporting responsible innovation, financial stability, and consumer protection.
- Cooperate further to strengthen cyber resilience and cybersecurity capacities across the financial sector, including through enhanced public-private information sharing and cross-border incident response coordination.
- Promote Data Free Flow with Trust (DFFT) and the U.S.-Japan Digital Trade Agreement, including through policy discussions at the OECD and other international fora, while ensuring strong protections for privacy, cybersecurity, and confidential business information.