



FINANCIAL SERVICES AGENCY
Government of Japan

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Subject: Exchange of Letters on the cooperation of competent authorities regarding supervision and enforcement in the area of CRAs

Dear Mr. Rathi,

In order to promote the effective supervision of credit rating agencies operating in both Japan and the United Kingdom (the UK), I am pleased to exchange this Letter, which sets out a framework through which our authorities, the Japanese Financial Services Authority of Japan ("JFSA") and the Financial Conduct Authority of the UK ("FCA"), may cooperate.

FCA and JFSA, who are responsible for supervising Credit Rating Agencies ("CRAs") in their respective jurisdictions, confirm, in light of the cross-border activities of certain CRAs and the global nature of ratings generally, the importance of ongoing supervisory and enforcement cooperation in this area and consider in particular:

- that CRAs play an important role in global financial markets, as their credit ratings are used by investors, borrowers, issuers and governments as part of making informed investment and financing decisions;
- that many jurisdictions have determined that CRAs will be regulated and have introduced regulatory regimes to that end; and
- that Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (Retained EU Legislation) as amended and supplemented by the Credit Ratings Agencies (Amendment etc.) (EU Exit) Regulations 2019 (the "UK Regulation") have introduced "endorsement" and "certification" mechanisms for the benefit of CRAs established outside the UK, where both require that a mechanism for cooperation as set out in Article 34 and 35 of the UK Regulation be in place between the home regulatory Authority of the endorsing CRA or the competent Authority that grants the authorization for the certification on the one hand, and the non UK competent Authority responsible for supervising the CRA on the other;

have reached the following non-legally binding framework. This framework has been reached to meet the conditions established under Article 34 and 35 of the UK Regulation:

I – Definitions

For purposes of this Letter, the following definitions apply:

1. "Authority" means:
 - (a) In Japan, the Financial Services Agency ("JFSA"); or
 - (b) In the UK, the Financial Conduct Authority ("FCA").
2. "Assistance" means any activity conducted by a Requested Authority for the purpose of supporting a Requesting Authority in discharging its legal and regulatory duties and responsibilities in respect of CRAs and their ratings.
3. "Cooperation" means all kinds of:
 - (a) Co-ordination;
 - (b) Ongoing Assistance; and
 - (c) Assistance.
4. "Co-ordination" means consultation amongst Authorities on CRAs whether on an ad-hoc or periodic basis for the purpose of exchanging relevant supervisory information and concurring if possible on common approaches of supervisory activity and enforcement action with regard to CRAs.
5. "Credit Rating Agency" ("CRA") means a legal person or a group of legal persons (group of CRAs) registered and regulated in any jurisdiction whose occupation includes the issue of opinions regarding creditworthiness on a professional basis.
6. "Cross Border CRA" means a CRA or a CRA belonging to the same group which is identified for the purposes of this Letter as being such, as set out in Section IV and which is subsequently concurred upon as being listed in the Appendix 1 by the Authorities.
7. "Laws and Regulations" mean all legally binding national and international rules concerning the regulation and supervision of CRAs and groups of CRAs applicable in the jurisdictions of the Authorities that fall within the competence of the Authorities.
8. "Ongoing Assistance" means all assistance including the provision of information provided by one Authority to another Authority without a specific request.
9. "Requesting Authority" means the Authority making a request for cooperation under this Letter.
10. "Requested Authority" means the Authority to whom a request for cooperation is made under this Letter.

II – General Principles

1. This Letter sets forth the Authorities' intent to cooperate with each other in executing the relevant Laws and Regulations in relation to the discharge of their responsibilities related with CRAs to the fullest extent legally permissible. The Authorities confirm the importance and desirability of cooperation for the purpose of effectively supervising CRAs relating to, and enforcing and securing

- compliance with, the relevant Laws and Regulations.
2. The content of this Letter does not create legally binding obligations or supersede legally binding national or international rules.
 3. This Letter does not authorize or prohibit an Authority from taking measures other than those identified herein to obtain information necessary to ensure enforcement of, or compliance with, the relevant Laws and Regulations.
 4. This Letter does not confer upon any person who is not an Authority, the right or ability, directly or indirectly to obtain, suppress or exclude any information or to challenge the execution of a request for assistance under this Letter.
 5. As this Letter is not legally binding on the Authorities, it may not give rise to any legal claim on behalf of an Authority or third parties in the course of their practical implications.
 6. The Authorities represent that the Laws and Regulations in their respective jurisdictions prevent interference with the content of credit ratings and credit rating methodologies.
 7. Where a request for assistance is denied or not available under the domestic law of the country of the Requested Authority, the Requested Authority will provide the reasons for not granting the cooperation and if necessary consult with each other in line with Section IX.
 8. The Requesting Authority will bear in mind the legitimacy and the proportionality of the need for the request and the administrative burden it will require for the Requested Authority.
 9. In respect of the list of information and actions set out in the Annexes to this Letter, the Authorities concur that the inclusion of this list of information and actions in Annex form as opposed to inclusion in the body of the text of this Letter is only for the purposes of periodically reviewing the information set and facilitating appropriate changes to it in a speedy and efficient manner and does not reflect any differences in terms of how the Authorities are concurring on cooperating with each other.

III – Scope

1. The Authorities will, within the framework of this Letter, provide each other with the fullest cooperation permissible to supervise Cross Border CRAs and enforce their compliance with the relevant Laws and Regulations. Cooperation may be denied:
 - (a) where the cooperation would require an Authority to act in a manner that would violate domestic law;
 - (b) where a request for assistance is not made in line with Sections VII and VIII; and
 - (c) on grounds of public interest or essential national interest.
2. The Authorities confirm and concur that the need to cooperate with each other under the terms of this Letter in discharging their legal responsibilities in respect of CRAs may be triggered by a number of different events mainly by requests for assistance (Sections VII and VIII), while there are a number of different events that can trigger the cooperation without specific requests.
3. Although it is not possible to set out an exhaustive list of what the events that may trigger the need for cooperation may be or when the need to cooperate

may arise, it is anticipated that the need for intense cooperation will arise in the following circumstances:

- (a) the initial application for registration by a CRA also operating in another Authority's jurisdiction (Section IV);
- (b) the ongoing supervision of Cross Border CRAs (Section V); and
- (c) the assessment of the need for and the subsequent taking of supervisory or enforcement action against Cross Border CRAs (Section VI).

IV – Application of CRAs for Registration

1. When a CRA applies for registration with an Authority, and the Authority considers that the CRA could be a Cross Border CRA, the Authority will accordingly notify the other Authority about the application, and will inform the other Authority about the status of the CRA's registration and will provide the other Authority with the information regarding the CRA's cross border operations.
2. Following the initial sharing of information, the Authorities will consult with each other regarding whether or not they consider this CRA to be a Cross Border CRA and if it is regarded as such, add it to the list of Cross Border CRAs in Appendix 1.
3. The Authorities will cooperate with each other in order to enable a comprehensive assessment of the Cross Border CRA's application for registration. Such cooperation may take a number of different forms, but will, without an additional separate request, include the provision of the information and statement listed in Annex 1 (Information and statements to be provided upon application for registration).
4. Upon request, the Authorities will also provide their current Laws and Regulations on which the registration and supervision are based, including a translation of the relevant Laws and Regulations into English. If there are any material changes in the provided Laws and Regulations, the Authorities will provide a general description of that change as soon as practicable.
5. The Authorities will cooperate in the registration process also in any other manner not specified above in order to facilitate a full assessment of the Cross Border CRA's application for registration.

V – Ongoing Supervision of Cross Border Credit Rating Agencies

1. The Authorities concur that they will cooperate with each other in discharging their responsibility in respect of ongoing supervisory functions in relation to Cross Border CRAs.
2. Such cooperation may take a number of different forms, but includes the actions listed in Annex 2 (Form of cooperation in respect of ongoing supervision of Cross Border CRAs).

VI – Supervisory or Enforcement Actions against Cross Border CRAs

1. The Authorities will inform each other immediately when a supervisory or enforcement action has been taken against a Cross Border CRA, together with

- a statement on whether this enforcement action is open to appeal.
2. The Authorities will inform each other immediately when the supervisory or enforcement actions specified in Annex 3 (Supervisory or enforcement actions against Cross Border CRAs) have been taken with regard to a Cross Border CRA.
 3. The Authorities of Cross Border CRAs considering the circumstances of the case will inform each other in advance about any action and/or measure set out in paragraph 1 and in Annex 3 (Supervisory or enforcement actions against Cross Border CRAs) before the action and/or measure is taken.

VII – Assistance

1. The assistance available under this Letter includes, but is not limited to, the following:
 - (a) providing information and documents held in the files of the Requested Authority regarding the matters set forth in the request for assistance;
 - (b) obtaining information and documents regarding the matters set forth in the request for assistance; and
 - (c) attendance at meetings that the Authorities may organize for example to discuss matters relating to their cooperation under the terms of this Letters.
2. Each authority may request to carry out visits of a Cross Border CRA's offices located within the territory of the other Authority's jurisdiction to the extent permitted by the laws, regulations and other relevant legal provisions in that jurisdiction. The Requesting Authority will appropriately inform the Requested Authority prior to conducting such an on-site visit, and the Authorities will discuss and reach common understanding on the terms regarding the on-site visit, taking into full account each other's sovereignty, legal framework and statutory obligations. Where the representatives of the Requested Authority do not accompany the representatives of the Requesting Authority on such on-site visits, the Requesting Authority will share with the Requested Authority the outline of the findings when the visit is completed.
3. In cases where the information requested may be maintained by, or, is available to, another authority within the jurisdiction of the Requested Authority, the Authorities will to the extent legally possible endeavor to provide full assistance in obtaining the information requested. If necessary, the Requested Authority will provide the Requesting Authority with sufficient information so as to establish direct contact between the Requesting Authority and the other authority.

VIII – Requests for Assistance

1. Requests for assistance will be made in writing, be transmitted in a number of different ways and be addressed to the contact person of the Requested Authority listed in Appendix 2.
2. Requests will be actioned as soon as practicable.
3. In cases of emergency, requests for assistance may be made orally provided

that they are confirmed in the manner required by this section unless the Requested Authority consents to waive such requirements.

4. Requests for assistance will specify the following information:
 - (a) reference to this Letter;
 - (b) an indication of the sensitivity of the information contained in the request and whether the Requesting Authority is content with the Requested Authority disclosing the request to persons whom the Requested Authority may need to approach for information;
 - (c) description of the specific information needed or assistance sought;
 - (d) description of the purposes and uses for which the assistance is sought, especially if the purposes are to take supervisory or enforcement actions;
 - (e) if it is anticipated that the information being requested will be shared with other third parties, a list of such third parties; and
 - (f) an indication of the desired time period for the reply.
5. In addition, where relevant, all or part of the information specified in Annex 4 (additional information to be included in requests for information) may also be included.

IX – Consultation

The Authorities will consult on an ongoing basis with each other regarding this Letter about matters of common concern with a view to improving its operation and resolving any issues that may arise as well as enhancing the cross-border supervision and enforcement of CRAs. In particular, the Authorities will consult in the event of:

- (a) a significant change in market or business conditions or in legislation where such change is relevant to the operation of this Letter;
- (b) a demonstrated change in the willingness or ability of an Authority to meet the content of this Letter; and
- (c) any other circumstance that makes it necessary or appropriate to consult, modify or extend this Letter in order to achieve its purposes.

X – Confidentiality and Permissible Uses of Information

1. Each Authority will keep all cooperation under this Letter, the contents of requests for cooperation, information exchanged and the non-public information received and exchanged under this Letter as well as all consultations between Authorities confidential. Specifically, in application of the National Public Service Act in Japan and Article 32 of the UK Regulation, staff of the JFSA and FCA are bound by professional secrecy. Similar obligations apply to staff at the FCA under the Data Protection Act 2018. To the extent permitted by respective domestic Laws and Regulations and without prejudice to paragraphs 4 and 6 of this section, the JFSA and the FCA will treat any information received confidentially, and will not disclose it or share it with any third party without the prior written consent of the Authority which has provided the information.
2. Without prejudice to the previous paragraph, the Authorities will not disclose

non-public documents and information received under this Letter, except in response to a legally enforceable demand. In the event of a legally enforceable demand, the Authority in question will notify the Authority which has transmitted the information prior to complying with the demand, and will assert such appropriate legal exemptions or privileges with respect to such information as may be available. The Requesting Authority will use its best efforts to protect the confidentiality of non-public documents and non-public information received under this Letter.

3. In the event of the termination of the cooperation between the Authorities under this Letter, the information obtained under this Letter will continue to be treated as confidential in line with this section.
4. Any Authority may use non-public information and non-public documents furnished under this Letter solely for:
 - (a) the purposes set forth in the request for assistance;
 - (b) conducting a civil or administrative enforcement proceeding relating to possible breach by a CRA or any of its employees;
 - (c) conducting any investigation relating to possible breach by a CRA of the applicable laws and regulations as set out in the request for which the Requesting Authority is responsible for administering; or
 - (d) the purposes of discharging any legal responsibility in respect of CRA's and securing compliance with or enforcement of Laws and Regulations.
5. Information received will not be used for purposes not listed above, including criminal proceedings carried out by a court or judge. In the case that such use is needed, an additional request must be made in line with procedures for Japan's provision of mutual legal assistance in criminal matters to foreign countries, which are set out in the Law for International Assistance in Investigation and Other Related Matters or relevant international agreements.
6. If a Requesting Authority intends to use information furnished under this Letter for any other purpose than those stated in paragraph 4, excluding the case stated in paragraph 5, it must obtain the prior written consent of the Requested Authority.

XI – Modifications

1. The Authorities may jointly make modifications in writing to this Letter and any of its Annexes and Appendix 1. In addition, the Authorities will consider the development of other mechanisms for cooperation as set out in Article 34 and 35 of the UK Regulation reached for the purposes of the UK Regulation of Cross Border CRAs.
2. Factual changes to the information in Appendix 2 can be made by the Authority which has provided the information by giving notice to the other Authority.

XII – Duration

1. The cooperation under this Letter will commence as to the undersigned at the date set out below.

2. The cooperation under this Letter can be terminated by either of the Authorities at any time by giving, at least, thirty days prior written notice to the other Authority.

We believe that further cooperation set out in this Letter will lead to a mutually beneficial relationship between the JFSA and the FCA.

With my best regards,

NAKAJIMA Junichi
Commissioner
Financial Services Agency
Government of Japan

Annex 1 – Information and statements to be provided upon application to registration

1. The Authority receiving a notice that the CRA in question is a Cross Border CRA in line with paragraph 1 in the Section IV following the consensus reached with the other Authority will provide to the other Authority the following:
 - (a) information and documents held on file regarding the following:
 - i. Documents about the organization and rating processes provided to the notified Authority by the Cross Border CRA in question in their latest available version.
 - ii. Relevant documents provided to the notified Authority by the Cross Border CRA and evidencing the Cross Border CRA's eligibility for a registration under the notified Authority's CRA legal and regulatory regime.
 - iii. Views from the notified Authority regarding the Cross Border CRA's systems and controls, senior management and governance structures, management of conflicts of interest procedures and the rating process in general.
 - (b) a statement regarding whether or not the Cross Border CRA has been registered to conduct credit rating activities and is subject to supervision by the Authority and a meaningful description of the nature of such registration and supervision.
2. The Authority will also provide information regarding material supervisory and enforcement actions that may have been taken against a Cross Border CRA.

Annex 2 - Form of cooperation in respect of ongoing supervision of Cross Border CRAs

1. Exchange of and consultation regarding the respective supervisory plans if such plans exist at least on an annual basis;
2. Notification of any deviations from the exchanged supervisory plan if it was exchanged;
3. Where appropriate annual meetings;
4. Provision of any information that may have a significant impact on the ongoing supervision;
5. Sharing of the outcome of any assessment by an Authority of a Cross Border CRA's compliance with their ongoing obligations;
6. Sharing information about approaches to the supervision of Cross Border CRAs and notification of changes by the Authority of its approach to its supervision of the Cross Border CRAs;
7. Immediate notification by the Authorities in respect of any action that may be taken against a Cross Border CRA to the extent that it is feasible in the given circumstances (if not, immediately after, the action has been taken) that may have a material and direct impact on the CRA in question's eligibility for continued, registration or its ability to continue to meet its ongoing obligations in the other Authorities jurisdiction, including at least the following:
 - i. the partial or total revocation or any other change of the Cross Border CRA's registration;
 - ii. the imposition of a temporary or permanent prohibition on the Cross Border CRA's issuing of credit ratings that are used in the other Authorities' jurisdiction for regulatory purposes;
 - iii. the suspension of the use, for regulatory purposes, of the credit ratings issued by the CRA;
 - iv. measures to ensure that the Cross Border CRA in question continues to comply with its legal requirements; or
 - v. the issuing of a public notice of a Cross Border CRA's breach of its ongoing obligations.

Annex 3 - Supervisory or enforcement actions against Cross Border CRAs

1. On-site inspection and core inferences drawn from it;
2. Core measures by the Authority to ensure that the Cross Border CRA in question continues to comply with its legal requirements;
3. Suspension of authorisation to issue credit ratings;
4. Referrals of matters for criminal prosecution;
5. Imposition of financial penalties;
6. Changes in the composition of the CRA's administrative or supervisory board;
7. Suspension of an individual who sits on the CRA's administrative or supervisory board;
8. Recommendations to make improvements to the CRAs systems and controls;
9. Full or partial withdrawal of the CRA's registration;
10. Temporary prohibition on the CRA's issuing of credit ratings that are used in the other Authorities' jurisdiction for regulatory purposes;
11. Suspension of the use, for regulatory purposes, of the credit ratings issued by the CRA; or
12. Issuing by the Authority of a public notice of a Cross Border CRA's breach of its ongoing obligations.

Annex 4 - Additional information to be included in requests for information

1. Description of the facts underlying the request including the CRA, the individuals involved and chronology of relevant events;
2. Any information including the sources of such information, known to, or in the possession of the Requesting Authority that might assist the Requested Authority in identifying either the persons believed to possess the information or documents sought or the places where such information may be obtained;
3. The time period for which documents and other information is expected to be gathered;
4. Description of how the specific information requested will assist the Requesting Authority;
5. The Laws and Regulations that may have been violated and that relate to the subject matter of the request;
6. Whether the Requesting Authority is or has been in contact with any other authority or law enforcement agency in the state of the Requested Authority in relation to the subject matter of the request; or
7. Any other Authority of whom the Requesting Authority is aware that it has an active interest in the subject matter of the request.