



U.S. Chamber of Commerce  
International Affairs

U.S.-Japan  
Business Council



# Financial Services



Appropriately regulated, transparent, and liquid global financial and capital markets are the most effective mechanism for allocating capital efficiently toward its most productive uses. While the U.S. and Japan remain globally leading financial markets, the Financial Services Working Group of the Japan-U.S. Business Council and the U.S.-Japan Business Council (“the Councils”) nonetheless believe that in numerous areas improvements are desirable, and achievable, particularly at a time of elevated geopolitical and economic uncertainty.

With this belief in mind, the Councils believe the two governments should closely coordinate to understand each other’s policy priorities and act to reach shared goals. Aiming at addressing the current priorities and challenges facing our member companies, the Councils would like to focus on the following four themes and to recommend the U.S. and Japanese governments to consider the listed policy actions:

## 1. Driving Investment in the U.S. and Japan

Investment is a key driver for economic development. Promoting investment in businesses as well as infrastructure is a policy priority in both countries. Japan has been the largest source of foreign direct investment (FDI) in the U.S. for the past 6 years, and the U.S. is the largest FDI contributor in Japan. Moreover, Japan committed to making up to \$550 billion available for investment into the U.S. to strengthen core American industries in the U.S.-Japan Strategic Trade and Investment Agreement announced on July 23, 2025. The Councils view two-way FDI as a win for both economies and stress that the foreign investment review process should be conducted objectively.

Investment is driven by savings, which should contribute to individual asset formation. The Councils underline the need for targeted policy measures, such as tax incentives or subsidies, to support individual asset formation and improve financial literacy for individuals to take a more active role in managing their personal assets. At the same time, the Councils reemphasize that sound fiscal policies, and stable and predictable legal frameworks, including agreed-upon international tax rules, remain essential to promoting investment in both countries.

### Key recommendations:

- Promote foreign direct investment between the U.S. and Japan, lifting any unjustified impediments, including regulatory or supervisory barriers.
- Establish and utilize blended finance frameworks involving public institutions such as export credit agencies, to mobilize private sector resources.
- Strengthen public and private collaboration in enhancing the incentives for personal financial asset formation and increasing financial literacy, particularly among the vulnerable and youth.
- Partner with the financial services industry including the insurance sector to meet the evolving financial needs of consumers, such as long-duration insurance and savings products that help prepare for aging and close life and retirement protection gaps.
- For the Japanese government, advance its initiative of “Promoting Japan as a Leading Asset Management Center” to lay a foundation that furthers Japan’s economic growth.

## 2. Strengthening Ensuring Regulatory Coherence and Level Playing Field

Regulatory fragmentation in financial services can raise risks to financial stability and market efficiency, increase transaction costs, and harm economic growth. The Councils urge alignment between the U.S. and Japanese governments on policies and regulations that are coordinated, balanced, evidence-based and outcomes-oriented, to achieve financial regulatory coherence.

With increasing globalization and digitalization of financial services, fair and consistent regulatory treatment across jurisdictions is essential to enable healthy competition, safeguard consumers, and promote efficient capital flows. The Councils emphasize the importance of establishing a regulatory environment that ensures a level playing field between jurisdictions, financial sectors, and types of service providers, which are in the interests of the U.S. and Japanese financial sectors. Internationally agreed standards and principles are instrumental in aligning regulatory frameworks across borders.

### **Key recommendations:**

- Further leverage multilateral or bilateral information exchange frameworks among regulators such as bilateral financial services regulatory forum patterned after the one between the U.S. and the European Union (EU), to discuss various financial sector and market regulations and challenges.
- Consider reliance on trusted supervisory arrangements and established assessment frameworks to promote regulatory deference, avoid duplication, and facilitate efficient capital flows.
- Apply regulations designed to address similar identified risks in the financial markets across all similar providers and ensure a level playing field between new entrants and incumbent players and between tech-focused companies and traditional financial institutions.
- Implement appropriate capital standards for insurers in light of the Insurance Capital Standard (ICS) finalized by the International Association of Insurance Supervisors and the U.S. implementation of the ICS via the Aggregation Method.
- For the U.S. government, expeditiously finalize the Basel III framework in an internationally harmonized manner, and calibrate the capital regulations for banks, including the enhanced supplementary leverage ratio (eSLR), the Federal Reserve's stress test and the capital floor, to avoid excessive capital requirements compared with other major jurisdictions.
- For U.S. authorities, work with all stakeholders to refine the requirements in cross-border swaps regulation under the Commodity Futures Trading Commission's rulesets, paying due regard to the equivalent rulesets overseen by the Japanese regulators, and recalibrate the extra-territoriality of the Security Exchange Commission's mandatory clearing requirements of U.S. Treasury cash and repo transactions.
- For the Japanese government, review its Know Your Customer (KYC) rules and procedures based on a risk-based approach in harmony with international practices.

## 3. Advancing Economic Resilience and Security

The Councils understand that finance represents a critical infrastructure sector, requiring public and private sector collaboration to ensure provision of safe and sustainable services required in critical situations, especially against cyber-attacks. Both governments should coordinate to ensure national security while taking care not to impede free economic activity, given the increasing number of targets and growing complexity of financial sanctions.

To strengthen global economic resilience, the Councils support efforts to enhance the sustainability and security of international supply chains, particularly by diversifying sources of critical goods and services. In this context, emerging economies play a key role. The Councils appreciate both governments supporting sustainable growth of emerging economies which are vulnerable to risks arising from environmental changes, while avoiding debt problems.

In recent years, more frequent and severe natural catastrophe (NatCat) events occurred, and the NatCat protection gap in disaster-prone areas becomes a major issue for both countries and the world. Similarly, longer life spans and aging populations have fueled a substantial life, health and retirement protection gap in many countries, including Japan and the U.S. The Councils support the collaborative efforts of multiple various public and private stakeholders, including especially insurance sectors, to narrow these protection gaps.

**Key recommendations:**

- Cooperate further to strengthen capability of cybersecurity at financial institutions.
- Enhance communication between public and private sectors to improve sanctions effectiveness and reduce compliance risks for financial institutions.
- Promote transition finance and blended finance involving multilateral development banks, export-import banks, and other public institutions, and partner with public-private initiatives to foster private sector investment in emerging economies and to develop resilient supply chains for strategic materials.
- Narrow protection gaps by reducing the economic losses caused by NatCat events, promoting risk transfer measures such as insurance and reinsurance, and encouraging further capitalization of insurance sectors.
- Facilitate innovative insurance products that meet evolving customer needs and ensure sufficient coverage.

#### 4. Promoting Digital Financial Innovation and Free Data Flows

The Councils recognize the importance of resolving regulatory and operational issues to promote digital financial innovation. When developing legal frameworks, it is vital to hold adequate consultation with market participants and provide timely, clear, and integrated guidance to balance innovation with financial stability and consumer protection.

The Councils welcome international efforts for reliable AI systems, such as the launch of the G7 Hiroshima AI Process in 2023, and the establishment of the AI Safety Institute in respective countries. Both governments should lead international discussions related to the use of AI and the associated risks to avoid duplicative or conflicting regulations.

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. The Councils urge the two governments to reaffirm their commitment to supporting free flow of data across borders, as embodied in the U.S.-Japan Digital Trade Agreement.

**Key recommendations:**

- Ensure a level playing field among banks, non-bank financial institutions and non-financial institutions in fintech applications and methods with particular attention to cybersecurity.
- Provide appropriate regulations to enable stablecoin providers and traditional financial institutions to build resilient financial systems under a fair competition environment, allowing financial institutions to hold, issue, transact in and custody stablecoins.
- Ensure that internationally agreed standards for digital assets, such as those of the Basel Committee, are properly calibrated for risk and achieve widespread adoption.
- Refrain from creating new, stringent regulations, instead prioritizing flexible, risk-based guidance on the use of AI in the financial sector, and engage actively in international standard-setting bodies.
- Promote Data Free Flow With Trust (DFFT), including through policy discussions under the Organization for Economic Co-operation and Development (OECD) and other relevant international venues, while paying due attention to data privacy protection and cyber security.