

Joint Statement by the Chancellor of the Exchequer and the Finance Minister of Brazil at the third UK-Brazil Economic and Financial Dialogue held in London on 8 August 2018

1. We, the Finance Ministers of Brazil and the UK, met today in London for the third round of the Economic and Financial Dialogue (EFD).

I. GLOBAL ECONOMY AND POLICY RESPONSES

2. We welcome the recent strength of the global economy and the pick-up in global trade growth. The UK economy has grown every year since 2010, and GDP growth remained solid in 2017 at 1.7%. Brazil has resumed growth as structural reforms are being carried out. Both countries reiterate their belief that a combination of a more responsible, transparent, predictable macroeconomic framework, aligned with international standards, is crucial for sustainable economic growth and development.
3. Brazil and the UK agree that globalisation has had a positive impact on the world, and remain advocates for open markets. We agree that international cooperation is vital if we are to make the global economy work for everyone and address shared global challenges. Both sides commit to strengthen their co-operation in the G20, WTO, IMF and other multilateral bodies to that end.
4. Brazil and the UK reaffirm their commitment to the multilateral, rules-based trading system and the principles of free trade. Ministers emphasise the importance of a stable and predictable global trading system which is of benefit to all countries and commit to strengthening the contribution of trade in goods and services to our economies.
5. We support maintaining a strong, quota-based and adequately resourced IMF, to preserve its role at the centre of a strengthened global financial safety net. We urge all members to work constructively towards the completion of a new quota formula and of the 15th General Review of Quotas by no later than the Annual Meetings of 2019, to reflect the relative positions of the countries in the world economy.
6. The UK and Brazil welcome the approach agreed between the EU and UK during the March European Council that the UK is to be treated as member state of the EU for the purposes of international agreements during the EU/UK Implementation period. This agreement will support continuity of our bilateral cooperation, economic growth and support our trade and investment relationship.
7. We commit to continue our fight against terrorist financing, money laundering and proliferation financing. The UK welcomes the efforts Brazil has made to improve its anti-money laundering and counter-terrorist financing regime and encourages the fulfilment of Brazil's commitments as a Financial Action Task Force member. We call for the full, effective and swift implementation of the FATF standards worldwide.

II. BILATERAL ECONOMIC RELATIONSHIP

Trade and Investment

8. In the year to end Q1 2018, the value of trade between Brazil and the UK was £5.6 billion.¹ In 2016, Brazil represented 24% of UK exports to Latin America.² The UK outward FDI stock in Brazil was £13.5bn in 2016.³ In the year to end Q1 2018, Brazil exported US\$ 835 million to

¹ Source ONS: UK Economic Accounts 2018Q1 (seasonally adjusted series).

² Source: ONS

³ Source: ONS Foreign Direct Investment Involving UK Companies 2016

the UK and imported US\$ 501 million. In the same period, UK represented 7.4% of Brazil exports to European Union. In 2016, there were around 3,500 UK businesses exporting goods to Brazil worth around £1.9bn and 3,800 UK businesses importing goods from Brazil worth around £2.5bn.⁴

9. Both countries recognise the WTO as the cornerstone of the international rules based system for free and fair trade. As the UK prepares to leave the EU, it will look to Brazil as a key partner in the WTO and for its support in establishing its independent position in the WTO. They agreed to work together to ensure a positive agenda in the WTO including expediting the trade facilitation agenda, with the full and timely implementation of the WTO Trade Facilitation Agreement significantly reducing transaction costs for businesses importing and exporting goods and services.
10. The UK welcomes Brazil as an observer of the Government Procurement Agreement. Brazil welcomes the formal circulation of schedules as a positive step towards the UK's independent accession to the GPA. Brazil and the UK agree that all countries benefit from public procurement markets that are open to international competition as it increases choice and value for money.
11. Ministers welcome the findings of the UK Brazil Joint Trade Review undertaken by trade ministries in Brazil and the UK. Brazil and the UK reaffirm their commitment to continue to explore means to deepen UK-Brazil economic and financial relations and improve the business environment for firms from both countries. Ministers welcome the work of officials to identify issues in which Brazil and the UK could further develop regulatory practices and the intention to deliver technical assistance through the Prosperity Fund.
12. Both countries also reiterated their support for the timely conclusion of an ambitious and balanced EU-Mercosul Free Trade Agreement and Association Agreement.

Cooperation in Economic Development

13. Brazil welcomes further development of the UK's Prosperity Fund, which is now moving into delivery of transformative programmes of up to £80m over the next four years. This will deepen our UK-Brazil Prosperity Partnership, as the Prosperity Fund works to support increased competitiveness and productivity in Brazil, driving renewed economic growth and poverty reduction.
14. Brazil and the UK recognise the value of the Fund's objectives and its focus on trade, energy, green finance, urban development, health and skills. Targeted on areas on which both countries agree to cooperate, and the UK has leading expertise, the Prosperity Fund will strengthen the UK's partnership with Brazil to reduce transaction costs and to stimulate competition and innovation.

OECD Accession

15. The UK welcomes Brazil's application to start the OECD accession process, and supports Brazil's ambition to converge to the OECD's technical criteria. The UK recognises Brazil's close working relationship with the OECD. As a 'Key Partner', Brazil has now adhered to 54 OECD instruments and participates in 24 OECD bodies, and is the most closely engaged non-OECD country to OECD standards.

⁴ Source: HMRC Trade in Goods by Business Characteristics 2016

16. The UK recognizes Brazil's efforts towards greater convergence with OECD standards, with particular attention to rules on taxation. In that effort, the UK supports the OECD's transfer pricing project, with resources provided by the UK Prosperity Fund. The UK also looks for Brazil's progress towards meeting the OECD accession requirements.
17. The UK and Brazil recognise the importance of effective dispute resolution and investor redress mechanisms to provide legal certainty for investors. In light of this, the UK welcomes Brazil's efforts in strengthening its legal and institutional framework following the G20/OECD Principles of Corporate Governance and commits to supporting Brazil on this through the Prosperity Fund Trade programme. UK and Brazil also agree to continue to work on the creation of a comprehensive UK Prosperity Fund-supported programme in line with Brazilian needs, to support Brazil's convergence to OECD standards in other important areas, such as the ongoing "Advancing the convergence of Brazil to the OECD Codes of Liberalisation" and other financial affairs.

Tax

18. The UK welcomes Brazil's commitment to a dialogue on tax matters. Further discussions are required on the issues of transfer pricing and taxation of technical services, with a view to substantive discussions on a comprehensive Double Taxation Agreement as soon as possible.
19. Brazil and the UK reiterate their commitment to the Tax Transparency agenda. Both countries highlight the importance of their active participation in the work of the OECD/G20 Inclusive Framework on base erosion and profit shifting (BEPS), the Global Forum on Transparency and Exchange of Information on Tax Matters, and also the implementation of initiatives to advance the automatic exchange of information for tax purposes, with reference to financial assets and income, tax rulings and country-by-country reporting by multinational groups.

Infrastructure

20. Brazil and the UK welcome the focus on infrastructure in the G20 this year and the endorsement of the "G20 Principles for the Infrastructure Project Preparation Phase" in July. We support the implementation of these Principles for infrastructure projects.
21. The Finance Ministers welcome the launch of Brazil's National Building Information Modelling (BIM) strategy, which will serve as a key tool for efficiency and transparency in infrastructure project spending.
22. Building on progress at the last EFD, the UK-Brazil Infrastructure and Capital Markets Task Force met again in May 2018, with representatives from UK and Brazilian industry. Both governments note the outcomes of the Task Force (Annex A) and support the immediate development of an Action Plan to set the path for cooperation in the coming years.

III. FINANCIAL SERVICES

Cooperation between Financial Regulators

23. The UK and Brazil recognise the continuing importance of financial regulatory cooperation across a range of issues. Brazil recognises the UK as an important player in the global financial system and both sides welcome further engagement by the UK regulatory authorities – Bank of England, the Prudential Regulation Authority (PRA), and the Financial Conduct Authority (FCA) – with Brazilian regulatory counterparts, including Banco Central do Brasil and Comissão de Valores Mobiliários.
24. To this end, the UK and Brazil welcome efforts towards the development of a Memorandum of Understanding on information sharing between the FCA and Banco Central do Brasil.

Capital Markets

25. The UK and Brazil recognise the significant opportunities that exist to strengthen cooperation in the field of capital markets, including the benefits for wider economic and social development. Both sides recognise the depth, liquidity, and innovation of UK capital markets and the opportunities this affords to dynamic Brazilian companies to raise international finance and grow their businesses globally.
26. Both sides recognise the UK's offering for Brazilian issuers, making London a potential listing venue for institutions to access global investors. This includes the London Stock Exchange's new International Securities Market (ISM), a multilateral trading facility (MTF) launched last year.
27. The UK and Brazil recognise the vital role that small and medium sized enterprises (SMEs) play in driving prosperity and promoting dynamism and innovation, while creating jobs and driving economic growth. Both sides therefore welcome the collaboration agreement signed between the London Stock Exchange Group (LSEG), the Instituto de Desenvolvimento de Mercado de Capitais (IDMC), and the Federation of Industries of the State of Minas Gerais (FIEMG) in November 2017 to launch of LSEG's ELITE programme in Brazil and support Brazilian SMEs with international business development and long-term capital raising. The first cohort of 10 Brazilian companies joined ELITE Brazil in March 2018 and both sides look forward to the next cohort joining in September 2018.

Green Finance

28. The UK and Brazil recognise the central role that private finance has to play in driving investment into climate change adaptation and mitigation, and ensuring the long-term stability and resilience of the global financial system. The UK welcomes the pioneering work of the Brazilian government and private sector in developing finance flows for green and sustainable projects. Brazil recognises the UK's position as a global hub for green finance and as an important international partner on this vital agenda.
29. The UK and Brazil continue to recognise the importance of efforts to grow the global green finance market and the key role that multilateral cooperation plays in driving this agenda. In that vein, both sides commit to pursue further cooperation in multilateral fora to promote green and sustainable finance, including via the G20's Sustainable Finance Study Group. Both sides also commit to continue to promote the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures.
30. Following the launch of the private sector UK-Brazil Green Finance Partnership at last year's EFD, convened by the City of London's Green Finance Initiative and Brazil's Green Finance Initiative, the UK and Brazilian governments welcome the Partnership's commitment to undertake work in the following areas, with the objective of generating recommendations ahead of the next EFD, and generating commercial opportunities in the Brazilian and UK markets:
 - Policy and regulation – assessing UK and Brazilian policy and regulatory frameworks, with a view to maximising opportunities and overcoming existing barriers to promote greater green investment.
 - Facilitating green capital flows between both markets – through financial product innovation, greening existing financial products, developing risk mitigation structures such as green securitisation vehicles, and sharing bilateral best practice on the application of technology to financial services.

- Institutional investment – engaging and enabling institutional investors to support asset allocation and portfolio diversification towards green.
 - Climate-related risks and opportunities – sharing bilateral experiences and best practices on the adoption of the FSB's Task Force on Climate-related Financial Disclosures.
31. Brazil and the UK recognise the opportunity to develop long-term private sector collaboration between the UK and Brazil on green finance. To this end, Brazil welcomes the UK's initiative to launch a new global Green Finance Institute in London. The Institute will provide a global focal point to deepen the UK's ongoing key bilateral strategic partnerships on green finance. Once established, the Institute will provide a platform to scale up the private sector UK-Brazil Green Finance Partnership, bringing added resource and expertise to unlock real commercial opportunities in each market.
32. The UK and Brazil recognise the fundamental role that Brazilian financial institutions have to play in facilitating investment into green and sustainable projects. Both sides welcome the possibility of Brazilian financial institutions issuing offshore international green bonds in London, including as part of a UK-listed medium-term note programme.
33. The UK and Brazil welcome the opportunity to further widen bilateral cooperation on green finance. Both sides recognise the opportunity – supported by the UK's Prosperity Fund – to strengthen Brazil's green finance market and facilitate capital flows that meet Brazil's long-term sustainable infrastructure needs. Both sides understand the importance that institutional investors have on the development of local capital markets and particularly on the financing of infrastructure projects. BNDES, with the help of the UK Government, will seek to engage domestic institutional investors with a view to integrate socio-environmental elements into their investment processes, policies and mandates. In addition, in the spirit of the Brazil-UK Year of Science and Innovation 2018-19, the two countries agree to explore ways of enhancing research collaboration on green finance between their respective academic institutions.

Insurance and Reinsurance

34. The UK and Brazil recognise the significant opportunity that exists to deepen links between our insurance markets, leveraging the experience, specialist expertise, and innovation of the UK market to further develop the Brazilian market for insurance and reinsurance.
35. The UK and Brazil recognise the role that reinsurance plays in managing large risks and supporting economic growth, especially income and wealth stability. The UK therefore welcomes the steps taken by Brazil since the last EFD to remove barriers for foreign reinsurers operating in the Brazilian market, specifically the removal of: mandatory placements with local reinsurers and intra-group restrictions.
36. The UK welcomes Brazil's intention to improve the insurance market by encouraging greater participation of foreign reinsurers in the Brazilian market. To this end, the UK welcomes Brazil's commitment to analyse remaining barriers for foreign reinsurers, to help strengthen the competitiveness and continued internationalisation of the Brazilian market. Both sides also agree to explore how to further strengthen ties between the UK and Brazilian markets, including promoting greater Brazilian participation in the UK reinsurance market.
37. The UK and Brazil continue to recognise the importance of international reinsurance in supporting the de-risking of economies. Following the commitment made by Brazil at the last EFD, the UK welcomes Brazil's recent interpretative ruling on the tax status of Admitted Reinsurers, to better reflect the scope of activities in which Admitted Reinsurers engage in practice.

38. Both sides recognise the role that the Brazilian authorities can play in creating an attractive business environment for insurers and reinsurers doing business in Brazil. In this light, the UK welcomes Brazil's efforts to modernise its regulatory and supervisory methods to better respond to the challenges and opportunities facing the insurance and reinsurance sectors, and agrees to consider what support could be made available to assist in this effort.
39. The UK and Brazil recognise how innovation plays an important role in improving insurance products and consumer choice, while providing greater options for diversification of risk at reduced cost. Both sides recognise London as a global hub for insurance innovation and welcome Brazil's advances in the context of SUSEP's Innovation Commission. In this light, the UK and Brazil agree to enhance cooperation on innovation within the insurance and reinsurance sectors. Specifically, both sides agree to promote greater opportunities for InsurTech solutions and welcome the recent announcement by Lloyd's of London to launch an insurance incubator, the Lloyd's Lab. The Lab will further promote London's role as the global hub for specialist (re)insurance and will be open to InsurTechs and start-ups from Brazil and around the world.
40. Building on the theme of innovation, the UK and Brazil agree to explore the role such products can play in diversifying complex risk in the Brazilian economy, including through the use of the UK's newly launched framework for insurance linked securities.

Asset Management

41. The UK and Brazil recognise the opportunities to enhance collaboration in asset management and institutional investment and, building on progress already made, agree to take further steps to promote investment and capital flows between both markets.
42. The UK welcomes the changes made to domestic Brazilian regulation since the last EFD, specifically reforms designed to facilitate increased overseas investment by Brazilian pension funds. Looking forward, Brazil's steps towards implementation of these and other regulatory changes, aligned with international best practices, will support further liberalisation of capital flows and ensure increased choice for Brazilian investors, as well as enable greater portfolio diversification and risk mitigation.
43. In this light, the UK welcomes PREVIC's commitment to design a best practice guideline aimed at increasing knowledge of the Brazilian market and building capacity within the industry on complex and innovative investments, including on Environmental, Social, and Governance (ESG) related opportunities.
44. The UK will – for the fifth year – support the UK-Brazil Annual Pension Fund Mission to the UK, which will take place in October 2018. The Mission will bring Brazilian pension funds to the UK to showcase the UK's expertise in asset management.

FinTech

45. The UK and Brazil continue to recognise the significant opportunities and transformative impact presented by technology and innovation in financial markets. To that end, both sides reinforce their commitment to collaborate on matters relating to the development of the Fintech ecosystem in both markets. This includes Brazilian regulators welcoming further cooperation with the UK regulatory authorities in this area.
46. Recognising the UK's position as the global Fintech hub, both sides also welcome further regulatory cooperation between the FCA and Brazilian authorities. This includes sharing insights from the FCA's implementation of its innovative regulatory sandbox mechanism, providing a valuable opportunity for Brazil to apply this experience to introduce its own

sandbox initiative. The UK also welcomes future participation by the Brazilian authorities in the FCA's global sandbox project, an ambitious network of international regulators that aims to increase collaboration on regulatory support. Both sides recognise the opportunity to step up collaboration in this space with a view to promoting future commercial benefits in both markets.

47. The UK and Brazil also recognise the opportunities and challenges arising from a new competitive open banking environment. Brazil welcomes the UK's development and launch of an Open Banking Standard, recognising how this is an important driver of innovation in financial services, and has the potential to be a powerful tool in promoting financial inclusion. Both sides welcome further efforts to promote cooperation on information and experience sharing between UK authorities and bodies, such as the Open Banking Implementation Entity, and the Brazilian authorities around the implementation, evolution, and impact of the adoption of open banking.

Next Steps

48. We agree to continue to work closely to ensure follow through on our commitments, and look forward to the next edition of the Economic and Financial Dialogue in 2019.