

Committee: Policy and Resources	Dated:
Policy & Resources Committee – For decision	16 November 2017
Subject: Memorandum of Understanding with the Tokyo Metropolitan Government	Public
Report of: Director of Economic Development	For Decision
Report author: Ben Cackett, Head of Global Exports & Investment Team, Economic Development Office	

Summary

Tokyo Metropolitan Government wishes to sign an MoU with the City of London Corporation to work in partnership and foster collaboration between Tokyo and London as International Financial Centres.

This paper seeks your Committee's approval for the Lord Mayor to sign a non-binding Memorandum of Understanding (MoU) with the Tokyo Metropolitan Government (TMG), Japan for the period 2017-2021.

The Lord Mayor will sign this MoU in his capacity as international ambassador for the United Kingdom's financial and professional services sector. It follows the model of the MoU between the City of London and the Shanghai Municipal Government, People's Republic of China for the period 2015-2019. The signing of this MoU in addition to the current MoU with the Shanghai Municipal Government demonstrate the significant opportunity Asia offers for City businesses, and will support longer term trade talks about Financial Services.

The MoU underpins the City of London's relationship with Japan and the TMG. It is a high-level expression of the City of London's commitment to working with Tokyo as it evolves as a financial centre and encouraging Japanese investment into the UK, as well as supporting City firms to do business in the region. This MoU would have no legal or cost implications for the City of London. The MoU would be signed during a joint video signing between the Lord Mayor and Governor of Tokyo, Yuriko Koike, on 1st December.

Recommendation(s)

Members are asked to authorise the Lord Mayor to sign the MoU with the Tokyo Metropolitan Government as set out in this report.

Main Report

Background

1. Over the last year, following the Fraser Review, Mayoralty Visits Advisory Committee agreed reforms aimed at increasing the effectiveness of Lord Mayoral overseas visits, with a stronger focus on quality, outcomes and developing long-term relationships with markets. The over-arching objective has been to align the Mayoral Visits programme with the strategic priorities of the Corporation's support for the UK Financial and Related Professional Services (FRPS) industry and of government. Other objectives have been to take a longer-term strategic view over three Mayoral terms, to embed visits within a wider and deeper overseas engagement programme, and to improve the quality and focus of business delegations.
2. In recognition of its growing importance to the UK financial and professional services sector, the City of London Corporation has been working to strengthen links with Japan. This work includes high level visits by the Lord Mayor to Japan, supporting inward visits such as the Deputy Governor of the Bank of Japan in October 2017, regular engagement with Japanese stakeholders and investors through the Economic Development Office's and Policy Chairman, and strategic level engagement with Tokyo Metropolitan Government (TMG) where Alderman Sir Roger Gifford sits on the TMG International Financial Centre Advisory Council.
3. The TMG International Financial Centre Advisory Council is an initiative of Governor Koike to bring financial services back to Tokyo. The Advisory Council has recognised the importance of global connections to enable international, innovative and competitive business and will focus on promoting new product areas such as asset management, green finance, infrastructure funds and fintech. To achieve these objectives TMG has recommended partnering with City of London to use London's expertise and experience in developing an international financial centre.
4. The City of London has identified Japan as a priority market following discussions with business, internal stakeholders and HMG (FCO, DIT, HMT, DFID). Japan is the third largest economy in the world, it is the second largest recipient of UK financial services outside the EU and financial services accounts for more than a quarter of UK exports to Japan.
5. Only one other MoU has been signed between the City of London and an international financial centre; between the City of London and the Shanghai Municipal Government, People's Republic of China for the period 2015-2019. The signing of this MoU in addition to the current MoU with the Shanghai Municipal Government demonstrates the significant opportunity Asia offers for City businesses, and will support longer term trade talks about Financial Services.

Current Position

6. The Economic Development Office's aims and objectives for Japan are as follows:
 - a. **Supporting strategic market engagement**- through support of TheCityUK's Japan Market Advisory Group, Sir Roger Gifford's involvement in the TMG International Financial Centre Advisory Council and promotion of City of London's innovation agenda; green finance, fintech and cyber;
 - b. **Retention of key FDI business in London**- reassuring existing Japanese investors on the importance and influence of the City of London post-Brexit, primarily through account management;
 - c. **Support of new inward investment projects**- working with London & Partners, and through our relationship with the British Embassy in Japan, to identify incoming investment projects from Japan; and
 - d. **Support and advance export opportunities**- working with the Department of International Trade and their High Value Campaigns (HVCs) to encourage exports in priority financial services sectors, namely asset management. Also using the Lord Mayor's visits to Japan to advance City business' interests in Japan.
7. These aims and objectives are underpinned by an ongoing, strong relationship with the British Embassy in Japan and growing relationships with Japanese businesses and stakeholders in the City.
8. The intention of the MOU is to deepen collaboration between the two cities' financial services sectors, encourage and retain Japanese investment in the UK and advance new opportunities for UK-based financial services firms pursuing business in the region.

Proposals

9. It is proposed that your Committee approve the signature of the MoU by the then Lord Mayor, Alderman Charles Bowman, during a joint video signing on 1st December 2017. This MoU would have no legal or cost implications for the City of London.
10. Tokyo, and Japan more broadly, presents significant opportunities for UK-based financial services firms, and strengthening the relationship through the MoU will support City firms to do business in the region.
11. The draft text of the MoU as submitted to the British Embassy in Japan is attached in the annex. It follows the pattern of previous MoUs. The Economic Development Office has also consulted a number of stakeholders in developing the draft MoU, to ensure it is consistent with their priorities and reflects their interests. Those consulted have shown strong interest in the MoU as a

framework for cooperation, a very encouraging result. The draft text has also been discussed with the British Embassy in Japan. The final version will be agreed in consultation with TMG.

12. The MoU is afforded significant importance by Japanese counterparts in Tokyo, as it provides a formal mechanism for cooperation which Japanese partners find useful for example in facilitating high-level event and other activities. From the City of London's perspective it is an expression of goodwill and provides a framework which City firms find helpful. The MoU is not legally binding. The commitments can be met within existing resources, although that will be kept under review as the MoU is implemented.

Corporate & Strategic Implications

13. The signing of a revised MoU with TMG conforms to the Corporate Plan vision: "The City of London Corporation will support, promote and enhance the City of London as the world leader in international finance and business services, and will maintain high quality, accessible and responsive services benefiting its communities, neighbours, London and the nation". It also supports the strategic aim "To support and promote 'The City' as the world leader in international finance and business services."
14. The MOU also advances strategic objectives within the EDO Business Strategy; "to sustain and enhance the UK's competitive regulatory and economic environment and enable access to global markets" and, "to promote the UK's value proposition to attract and retain investment to the UK and facilitate exports".
15. Equal opportunities considerations have been taken into account in the preparation of this report and we are content that there will be no negative impacts.

Implications

16. The proposal to sign an MoU with TMG does not have any specific financial implications.
17. The City of London will have no express or implied contract with the TMG.

Health Implications

18. There are no health implications by approving this MoU.

Consultees

19. Internal consultees include The Comptroller & City Solicitor, the Policy Chair, Director of the Economic Development Office, Sir Roger Gifford and the Executive Director of Mansion House.
20. External consultees include the British Embassy in Tokyo, Foreign and Commonwealth Office and TheCityUK.

Conclusion

21. In order to build on the strong relationship between the City of London and Japan, the MoU between the City of London and the TMG is of strategic importance. The document will be signed by the Lord Mayor and the Governor of Tokyo, Yuriko Koike.

Appendices

- Appendix 1- draft **Memorandum of Understanding between The City of London Corporation and Tokyo Metropolitan Government (2017-2021)**

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Memorandum of Understanding Between The City of London Corporation and Tokyo Metropolitan Government (2017-2021)

London and Tokyo have a long history of collaboration across many sectors which have contributed to the economic development and prosperity in their respective countries and in the world. The Tokyo Metropolitan Government (TMG), which is the administrative body of Tokyo, and the Foreign Commonwealth Office (FCO), are already working together on an agenda to revitalise Tokyo's financial sector.

The Financial Services sector is one of the key areas that continues to undergo transformation at an international level. In recognition of this the Lord Mayor and the City of London Corporation (CoLC), and the TMG will sign a Memorandum of Understanding (MoU) to further deepen their exchange and collaboration in financial services, so that the two international financial centres can mutually prosper and grow.

Working toward this goal, the CoLC and TMG agree to engage in exchange and cooperation in the following areas:

- **Co-operate on financial sector meetings, forums and industry discussions and information sharing between both cities.** The two cities, including its regulators, have cooperated in a variety of areas including market access barriers and regulation. For example, London was able to share its experience of implementing corporate governance and stewardship code to support Japan. The two cities will continue to look for opportunities to support each other. In addition, TheCityUK's Japan Market Access Group (JMAG) has recently been launched which can also assist this purpose.
- **Co-operation in building a wider alliance program across the supporting and enabling sectors.** The financial services sector is a beneficiary of key enabling sectors such as education, legal services, cyber security and admin/interpretation services. The two cities will look to strengthen the alliance between the supporting sectors.
- **Co-operation in developing and promoting international standards or exemplars as appropriate.** Financial services is undergoing rapid transformation with new products and services emerge rapidly driven by technology and innovation, for example, Fintech. The two cities will look for opportunities where they could work together to develop and/or promote new products, services or standards to help the two cities and the world, for example in Environment, Social and Governance (ESG) investment and green finance.
- **Co-operation in conducting promotional activities as international financial centres.** The CoLC and other associated bodies conducts a wide range of activities to promote London as an international financial centre including in areas such as green finance, Islamic banking and legal services as well as Fintech. As TMG look to strengthen its promotional capabilities, the two cities will look for opportunities to co-operate and support for mutual benefit.
- **Co-operation on promoting, retaining and growing investment activity.** Provide relationship management and support for business with the intention of retaining key Foreign Direct Investment (FDI) in Japan and the UK. TMG and the CoLC will also work together to support companies looking to invest in the UK or Japan.

- **Co-operation in advancing export opportunities.** Working together to co-ordinate Japanese delegations to the UK, and Lord Mayor delegations to Japan to further export opportunities.

Both parties designate International Affairs Division, Office of the Governor for Policy Planning, at TMG, and the Economic Development Office at the CoLC, as the departments responsible for facilitating execution and delivery of this memorandum.

Both parties shall conduct regular visits and exchanges to strengthen further our friendly and co-operative relationship that exists between the two cities.

Both parties shall exchange information on the areas listed above as applicable.

The Memorandum is not a legally binding document. Both parties will arrange by mutual agreement the timings for the review of the Memorandum and agree that, in the case of any issue or concern which arises in working together under this Memorandum, they shall be settled amicably through consultation or negotiation between the CoLC and TMG.

This Memorandum has been made in duplicate in English and Japanese, both equally authentic. Both cities shall hold one copy of each text.

Signed in Tokyo on Xth
November 2017

Governor of Tokyo
Yuriko Koike

The Rt. Hon Lord Mayor
Charles Bowman