

745 Fifth Avenue
New York, New York 10151 USA
+1.212.660.2000

www.japonica.com

Rua Alexandre Herculano, 25
1250-008 Lisbon, Portugal
+351 308 803 808

3 June 2021

Financial Conduct Authority
c/o Mr. Nikhil Rathi
Chief Executive
12 Endeavour Square
London E20 1JN
Cp21-10@fca.org.uk
Nikhil.Rathi@fca.org.uk

Lord Jonathan Hill
Chairman, UK Listing Review
House of Lords
London SW1A 0PW
United Kingdom
ListingsReview@hmtreasury.gov.uk

Rt Hon Rishi Sunak
Chancellor of the Exchequer
House of Commons
London SW1A 0AA
United Kingdom
Rishi.Sunak.mp@parliament.uk

Ladies and Gentlemen,

Re: FCA's Request for Comments on SPAC Consultation Paper CP21/10 - Supplement #1

Pursuant to the FCA's request for comments on SPAC Consultation Paper CP21/10, we hereby provide our Supplement #1 containing additional advisory recommendations from the perspective of both (i) Japonica Partners as a prospective US\$4+ billion single SPAC sponsor seeking the most financially solid venue for our SPAC listing and (ii) firm that advises governments globally on improving their financial position and performance through world-class Public Financial Management (PFM).

Given the UK's history as a world leader in public administration (including the WGA annual reports since 2010), we trust you will fully appreciate our focus on the UK's current and historical financial position and performance. We also expect that the relevant government entities recognize the importance of accelerating the UK's full replacement of the anachronistic debt and deficit framework in their decision-making with a PFM framework using Government Total Net Worth (GTNW) as a percentage of GDP and Citizens' Wealth (CW) per person. As background to our discussions ahead, we attach four supplemental exhibits and provide select websites and definitions on page two of this letter.

Exhibit D: While not yet in the headlines, the significantly deteriorating UK GTNW as a Percentage of GDP and CW per person are even more alarming when compared to global benchmark New Zealand's impressive metrics. From 2010 to 2019, UK GTNW as percentage of GDP declined by 44 percentage points and UK CW per person declined by 129%. To illustrate the powerful benefits of these financial metrics, a government that uses these metrics for important financial decisions, the Government of New Zealand GTNW as a percentage of GDP decreased by only two percentage points while CW per person increased by 36%.

Exhibit E: It is wise to be concerned about the UK Government Total Balance Sheet, which is undeniably massive at 307% of GDP and has grown since 2010 at 4.1x the growth of the UK GDP, and its impact on the UK's wider ecosystem. Of note, the HM Treasury Balance Sheet Review Reports are a positive step forward in PFM.

Exhibit F: Japonica recommends 10 Citizens' Wealth key metrics for PFM decision-making and provides a comparison of the UK to PFM global benchmark New Zealand. We highlight two of the 10 key metrics for 2010 to 2019 below:

- UK's GDP/GTNW "Multiplier" is far less than one at 0.4x. Think of this as a GDP multiplier metric but with a decrease in GTNW replacing the increase in government debt. UK's GDP increased by 0.4x the £19,507 decrease in GTNW per person. By comparison and in stark contrast to the UK, New Zealand's GDP per person increased at the same time as its GTNW per person increased NZD6,927. Therefore, New Zealand reports a Multiplier of NM, as there was no decrease in GTNW (cost) to its increase in GDP.
- UK's CW Created/Destroyed "Return" was a negative 61%. Think of this as a return-on-investment metric but with the return being the change in CW per person and the cost being the decrease in GTNW per person. UK's CW per person decreased by £11,885 and the GTNW per person decreased by £19,507, and therefore a negative return. By comparison and in stark contrast to the UK, New Zealand's CW per person increased NZD24,607 with an increase in GTNW per person of NZD6,927. Therefore, New Zealand reports a Return of NM, as there was no decrease in GTNW (cost) to its increase in CW.

Exhibit G: Highlights of recent research confirm the benefits of using GTNW and CW as decision-making tools to improve government financial position and performance.

Most respectfully,

Paul B. Kazarian
Chairman and CEO
JAPONICA PARTNERS and Charles & Agnes Kazarian Foundation

For additional information:

Contact:

Christopher Magarian
Finance Director
JAPONICA PARTNERS and Charles & Agnes Kazarian Foundation
cmagarian@japonica.com

Websites:

www.japonica.com
www.kazarianfoundation.org
www.kazarianfoundation.org/citizens-wealth-glossary/

Definitions (see Citizens' Wealth Glossary at the Charles & Agnes Kazarian Foundation website):

1. Government Total Net Worth (GTNW): Government total assets less government total debts.
2. Citizens' Wealth (CW): Total economy GDP plus Government Total Net Worth.
3. GDP/GTNW "Multiplier": Change in GDP per person divided by the absolute value change in Government Total Net Worth per person during a specified period.
4. CW Created/Destroyed "Return": Change in CW per person divided by the absolute value change in Government Total Net Worth per person during a specified period.
5. Government Total Balance Sheet (GTBS): Government total assets plus government total debts.

EXHIBIT D

While Not Yet in the Headlines, the Significantly Deteriorating UK Government Total Net Worth as a Percentage of GDP and Citizens' Wealth is Even More Alarming when Compared to Global Benchmark New Zealand's Impressive Metrics

	<u>UK WGA</u>			<u>Government of New Zealand</u>		
	<u>2010</u>	<u>2019</u>	<u>Change</u>	<u>2010</u>	<u>2019</u>	<u>Change</u>
Government Total Net Worth (GTNW) % of GDP	-64%	-108%	-44 pps	47%	45%	-2 pps
Citizens' Wealth (CW) per person	£9,212	-£2,673	-129%	NZD 68,094	NZD 92,701	36%

Notes: Government Total Net Worth (GTNW) data from government annual financial reports; GDP and population data from IMF WEO April 2021 Database. Citizens' Wealth (CW) is total economy GDP plus Government Total Net Worth (GTNW). Data in local currency.

Prepared by Japonica Partners. 28 May 2021

EXHIBIT E

It is Wise to be Concerned About the UK Government's Financial Performance as the Government Total Balance Sheet is Massive at 307% of GDP and Has Grown at 4.1x the Growth of the UK GDP

	2010	2019	2010-2019
Government Total Balance Sheet Per Person (GTBS)	£69,726	£100,381	£30,655
GDP Per Person	£25,287	£32,677	£7,390
GTBS Per Person / GDP Per Person	276%	307%	4.1x

Notes: Government Total Balance Sheet (GTBS) from UK WGA adjusted for proper recognition of NFA; 2010 adjusted for subsequent restatements. GDP and population from IMF Oct 2019 WEO database.

Prepared by Japonica Partners. 28 May 2021

EXHIBIT F

The 10 Citizens' Wealth Key Metrics Provide Decision-Making Tools to Help Improve the UK Government's Financial Underperformance, Especially when Compared to Global Benchmark New Zealand

		<u>UK WGA</u>	<u>Government of New Zealand</u>
1.	CW - per person (2010-2019 Change)	-£11,885	NZD 24,607
2.	GTNW - per person (2010-2019 Change)	-£19,507	NZD 6,927
3.	GTNW/GDP Percentage (2010-2019 Change)	-44pp	-2pp
4.	GDP/GTNW "Multiplier" (2010-2019 Change)	0.4x	NM
5.	GTNW/GDP "Inverse Multiplier" (2010-2019 Change)	2.6x	NM
6.	CW Created/Destroyed "Return" (2010-2019 Change)	-61%	NM
7.	CW Created/Destroyed Per Day - billions (2010-2019)	-£0.391	NZD 0.086
8.	CW Decade Change "Swing" - per person (2000-2019)	NA	-NZD 9,671
9.	CW - per person (2019)	-£2,673	NZD 92,701
10.	GTNW - per person (2019)	-£35,885	NZD 28,748

Notes: Government Total Net Worth (GTNW) data from government annual financial reports. UK WGA adjusted for proper recognition of NFA; 2010 adjusted for subsequent restatements. UK Decade Change not available (NA) as first WGA was 2010. NZ NMs (not measurable) result from no decrease in GTNW (cost) to its increase in GDP or CW. GDP and population data from IMF WEO April 2021 Database. Citizens' Wealth (CW) is total economy GDP plus Government Total Net Worth (GTNW). Data in local currency. For additional information, see the Citizens' Wealth Glossary at the Charles & Agnes Kazarian Foundation website: <https://kazarianfoundation.org/citizens-wealth-glossary/>.

Prepared by Japonica Partners. 3 June 2021

EXHIBIT G

Recent Research Confirms the Benefits of Using Government Total Net Worth (GTNW) and Citizens' Wealth (CW) as Decision-Making Tools to Improve Government Financial Position and Performance: Highlight Examples

- IMF Research: Countries with stronger GTNW experience shallower recessions and recover faster in the aftermath of economic downturns. Managing GTNW means better managing government assets, which yields higher asset values, higher economic growth, and higher tax revenue.
- University of Oxford: GTNW is the most important country-specific fiscal factor driving bond yields.
- Moody's Sovereign Bond Ratings – former head: The greatest advance in sovereign risk analysis has been the development of a measure of Citizens' Wealth (CW).
- Kazarian Center for Public Financial Management: The benefits of replacing the debt & deficit framework with the PFM framework (with focus on GTNW & CW) can be seen in better financial performance throughout the economy and over business cycles.
- UK Treasury – Chief Secretary: The benefits to taxpayers from improved balance sheet management include increased returns on public assets, higher quality public services, lower taxes, as well as substantially reduced costs and risks across its liabilities.