

Financial Services Agency Newsletter

Access FSA

No.219

Provisional
Translation

2021

November

Monthly
magazine

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← Access the online version here
<https://www.fsa.go.jp/access/index.html>

New Minister, State Minister, and Parliamentary Vice-Minister

On October 4, 2021, newly elected Prime Minister KISHIDA Fumio organized a new Cabinet, and Mr. SUZUKI Syunichi was appointed as the Minister of State for Financial Services. At the extraordinary Cabinet meeting held on October 6, Mr. KIKAWADA Hitoshi and Mr. MUNEKIYO Koichi were appointed as the State Minister and the Parliamentary Vice-Minister, respectively.

Minister SUZUKI, State Minister KIKAWADA, and Parliamentary Vice-Minister MUNEKIYO gave instructions to the FSA staff and succeeded to the duties of their respective predecessors, former Minister ASO Taro, former State Minister AKAZAWA Ryosei, and former Parliamentary Vice-Minister WADA Yoshiaki.

Inaugural speech to FSA staff



Photo: State Minister
KIKAWADA



Photo: Minister SUZUKI



Photo: Parliamentary Vice-Minister
MUNEKIYO

Succession ceremonies



Photo: State Minister KIKAWADA
(right) and former State Minister
AKAZAWA (left)



Photo: Minister SUZUKI (left) and
former Minister ASO (right)



Photo: Parliamentary Vice-Minister
MUNEKIYO (left) and
former Parliamentary Vice-Minister
WADA (right)

Video Message from (then) Minister ASO at the National Securities Industry Convention

On September 30, 2021, the Japan Securities Dealers Association (JSDA) held the National Securities Industry Convention 2021 and (then) Minister ASO Taro made an address as follows by means of a video message.

The report on the Convention can be viewed on the JSDA's website.*

[Introduction]

Thank you very much for inviting me today to the National Securities Industry Convention.

I am grateful for your considerable cooperation in financial sector policies so far, and would appreciate your ongoing support.

Like last year, this year's National Securities Industry Convention is held online, so I would like to make an address by means of a video message.

I feel it has become common recently to hold government meetings and international conferences online. Once we try, we find that the online format also has convenient aspects, such as not being required to go to the meeting hall.



〔 Photo: Video message from (then) Minister ASO 〕

It is true that some things may be better conveyed face-to-face rather than online. However, in all we do, it is important to flexibly adapt to changes in the situation and exercise ingenuity with what we have available. Therefore, I also welcome this online format as a shift to a new social style.

I would like to extend my congratulations upon the successful holding of this convention, and provide a few words on this occasion.

[Toward living with COVID-19]

Looking back over the past year, our greatest challenge was, of course, how to respond to COVID-19.

Recently, Japanese people who were vaccinated twice have exceeded 50% of the population, surpassing the U.S. vaccination rate. From now on, we need to pursue economic recovery, while taking infection control measures.

Although news reports constantly focus on the number of new COVID-19 cases, the number of COVID-19 deaths relative to population is extremely low in Japan. Therefore, it is essential not to be excessively intimidated, but to deal with the situation calmly while maintaining appropriate caution.

Now, in order to bring the economy to full-fledged recovery in the future, the confidence of the economic environment is important.

Financial assets held by Japanese households amount to 1,992 trillion yen. Of these, cash and deposits alone account for 1,072 trillion yen, exceeding 1,000 trillion yen. When viewed as a whole, households possess money. Therefore, it is considered important to develop an environment in which households use such money, and personal consumption grows as a result.

The first of the three major elements of the gross domestic product (GDP) is this personal consumption. The second important element is capital investment. It will become extremely vital also for companies to not only build up their internal reserves, but to take an "aggressive stance," such as allocating funds to capital investment and promoting digitalization or advancing into new businesses.

I believe that an essential key would be for you, as supporters of capital markets, to bolster companies' active initiatives, and supply them with capital for growth.

[Stable asset building by citizens]

As I mentioned earlier, Japan has household financial assets totaling as much as 1,992 trillion yen, but more than half of them, worth 1,072 trillion yen, sit dormant as cash and deposits.

* JSDA website, Report on the National Securities Industry Convention 2021:

<https://www.jsda.or.jp/about/gyouji/20130919203231.html>

As the interest rate of ordinary deposits is currently 0.001%, one billion yen needs to be deposited to gain a 10,000 yen return. Moreover, separate taxation of 20% will be applied, so 1.2 billion yen has to be deposited to make the return of 10,000 yen. Even so, people keep their money as cash and deposits.

I have never heard of any other country in the world where cash and deposits make up half of household financial assets. I have been suggesting, if only 10,000 yen interest income can be gained by depositing 1.2 billion yen, why not invest in shares, investment trusts, or various other investment products that are available.

One issue to address in this regard is how we can urge the large wealthy class population in Japan to invest their funds in assets. It is important for the financial securities sector to further improve their asset management techniques and gain customer trust.

Another issue is that investment still has not gained ground among young people. As asset building requires efforts in the long term, I believe it is necessary to encourage people to think of their life plans and start building assets from a younger stage.

On our part, we have been working to introduce and expand NISA in order to promote stable asset building by households.

Tsumitate NISA (Dollar-Cost Averaging NISA) marks its fourth year this year. I am pleased to say that the number of users and the amount of investment are both steadily increasing, mainly among young people. With general NISA combined, up to 15.86 million accounts were opened and about 23.1 trillion yen were invested by the end of March this year.

I hope to further accelerate this trend through disseminating and promoting the system into the future.

I also ask you to actively make creative efforts toward promoting stable asset building by citizens.

[International financial center]

The abundance of Japan's household financial assets, which I talked about earlier, provides our nation with a strong advantage against other countries.

In addition, Japan has other advantages, including stable government and legal systems, as well as a favorable public security and living environment. It also has strong potential for asset management businesses, with a large real economy and stock markets.

The FSA aims to establish Japan as an international financial center in Asia, and in global terms, by effectively utilizing these advantages and potential.

In January 2021, we launched the Financial Market Entry Office to provide a single point of contact for foreign asset management companies newly entering Japan to help them undergo procedures from registration to supervision in English. Four companies have already completed registration in English through this office.

Japan's nominal GDP is 536 trillion yen (FY2020). In contrast, its gross national income (GNI) is 557 trillion yen. This GNI also includes income from investments in foreign shares, etc. and other similar incomes. Today, Japan's GNI is higher than its GDP. Japan is now shifting from a conventional trading nation to a financial nation.

We will continue our efforts toward making Japan an international financial center along with various other policies.

[Closing]

I would like to say another word before I close.

The Tokyo 2020 Olympic and Paralympic Games were held recently.

I am extremely delighted that Japan earned its record-high 58 medals at the Olympics and its second-highest 51 medals at the Paralympics.

Although there was some opposition from the media about the holding of these events, I am sure most of the Japanese public were strongly encouraged by the athletes' performance amid the difficult situation of the COVID-19 pandemic.

I myself have experienced competing in the Olympics as I took part in the Montréal 1976 Olympic Games as a clay shooter.

I feel that competing with other countries' athletes on the same stage is similar to various companies learning from each other in friendly competition and achieving growth in the globalizing financial market.

Due to the efforts of the financial securities sector to date, the Japanese financial market has been growing substantially through competition with overseas markets.

I would like to conclude my address by asking for your ongoing cooperation and support as the FSA continues to commit itself to further increasing the international appeal of the Japanese market.

The FSA Donated Emergency Food Stockpiled for Disasters to Food Bank Organizations, etc.!

The FSA stockpiles constant amounts of food and drinking water in its office building so as to be able to continue operations even at the times of a disaster, such as an earthquake. These emergency food items, etc. are appropriately managed according to their respectively specified storage methods, and they are regularly replaced for new items according to the best-before date*¹ specified for each item.

On April 21, 2021, relevant ministries and agencies agreed, as a government-wide measure concerning the national government's food stockpiled for disasters, that they would "conduct an initiative to provide emergency food stockpiled for disasters, which have served their purpose by being replaced for new items, to food bank organizations, etc.,*² in principle, so as to effectively use them from the viewpoint of reducing food losses, supporting impoverished people, and other objectives."

In light of this agreement, the FSA decided to donate the stockpiled food items whose best-before dates were October or November, 2021, to food bank organizations, etc. before they reached the best-before dates. Specifically, during the period from August 30 through September 3, 2021, the FSA gave a public notice on its website to the effect that it will donate 4,128 cans of food (1,704 cans of sausages, 720 cans of *yakitori* [Japanese grilled chicken], and 1,704 cans of beef *yamatoni* [beef stewed in soy sauce]), and donated the cans to the eight food bank organizations, etc. that applied for the offer. These food items are being delivered to impoverished, elderly, or other people who truly need them via the food bank organizations, etc. to which they were donated this time.

The FSA will also conduct the same initiative for the emergency food items, etc. that are to be replaced the next time onward in coordination with the relevant ministries and agencies, in order to contribute to reducing food losses, supporting impoverished people, and other objectives.



Photo: Handing over the food to Kamata Kodomo Shokudo (right), an eatery for children



Photo: At Kamata Kodomo Shokudo (photo provided by Kamata Kodomo Shokudo)



Photo: The food was provided to Yokohama City University via Food Bank Kanagawa (the cans shown in the bottom left of the photo are the yakitori cans donated by the FSA). The university, in cooperation with Food Bank Kanagawa and other organizations, provides "food support" for students who are leading more difficult lives than before due to the effect of the COVID-19 pandemic (photo provided by Food Bank Kanagawa).

* The FSA has also received letters of appreciation from food banks to which it donated the food.

*¹ The best-before date is the date until which the product retains a good flavor, and the date until which all the expected quality of the product is deemed sufficiently likely to be preserved if stored according to the specified storage method.

*² "Food bank organizations, etc." include not only food bank organizations, but also organizations such as Kodomo Shokudo (eateries for children), which provide food or meals to impoverished or other needy people.

Current status of the Risk Analysis Division, which is now in its fourth year

SATO Masayuki, Risk Analysis Division, Strategy Development and Management Bureau

1. Introduction

The Risk Analysis Division is a new section within the FSA, and it is now the fourth year since its establishment through the FSA's Organizational Reform^{*1} in July 2018. Unfortunately, I should say that this division is not well known among the public, as I am often asked, "What does the Risk Analysis Division do?"

Actually, the Risk Analysis Division is one of the largest divisions among those of Japanese government, with nearly 300 employees assigned to 15 offices, groups, and teams.^{*2} It engages in a variety of operations. Therefore, it is in fact difficult to give a plain explanation about what this division is doing. It is indeed a complicated organization, but its low profile may be partly due to the insufficiency of the explanation provided by the FSA, including the materials posted on the FSA's website. Reflecting on this situation, I would like to introduce in this article what kind of section the Risk Analysis Division is.

The FSA annually reviews and reforms the assignment of operations among its divisions and offices as well as its organizational structure with a view to dealing with emerging important issues. The Risk Analysis Division is no exception; it currently assumes additional operations that were not initially assigned to it when it was established, and there is a good chance of reforms to its coverage of operations. Please note that the explanation provided herein is based on the operations assigned to the Risk Analysis Division as of October 2021.



{ Photo: Author }

2. Overview and Concept of the Risk Analysis Division

The launch of the Risk Analysis Division took place against the background of discussion for reconsidering how financial inspection and supervision should be conducted. Without going into detail, the policy document titled "JFSA's supervisory approaches: Replacing checklists with engagement" (June 2018),^{*3} for example, points out the importance of reform measures, such as introducing continuous and seamless monitoring and accumulating in-depth knowledge on individual financial institutions and issue-specific expertise, with the aim of achieving a shift from backward-looking, element-by-element compliance check with formal requirements, to substantive, forward-looking and holistic analysis and judgment in financial regulations. With such awareness, the Risk Analysis Division has been developed as a section specializing in overall coordination of research and analysis concerning the condition and trends of risks common to multiple financial institutions and the financial system, and conduct of comprehensive or particularly specialized research, analysis, and inspection, while undertaking some operations from the former Inspection Bureau. More specifically, the Risk Analysis Division can be described as a dedicated section to holistically deal with risks to the financial system as a whole and cross-sectoral issues through: [i] data analysis and monitoring infrastructure development; [ii] cross-sectoral monitoring; and [iii] sector-specific monitoring.

In connection with on-site inspection, at the time before the FSA's organizational reform when the term "monitoring" was not a common term used within the FSA, there was a division of roles between the Inspection Bureau, which was responsible for conducting on-site inspection, and the Supervision Bureau, which was responsible for responding to inquiries and issuing permission and authorization. Although the Inspection Bureau was abolished, the FSA continues to regard on-site inspection as an important approach as a financial regulator in Japan. At present, in the process of monitoring, including on-site inspection, the Supervision Bureau and the Risk Analysis Division closely cooperate with each other on a regular basis while performing their respective duties.

Among the personnel of the Risk Analysis Division, about 100 persons were experts from the private sector, including system experts and market risk/credit risk experts. It is a major theme for the Risk Analysis Division and further for the FSA as a whole to develop a framework for hiring experts in various areas and increasing the professional capacity of the organization.

^{*1} The FSA's organizational reform, including the establishment of the Strategy Development and Management Bureau. For details, see the following: <https://www.fsa.go.jp/en/news/2018/20180710.html>

^{*2} There may be several ways to count the number of organs in the Risk Analysis Division, such as including small teams formed within an office. The number mentioned here is counted with a focus on the actual functions of respective organs.

^{*3} The "JFSA's supervisory approaches: Replacing checklists with engagement" is available at: https://www.fsa.go.jp/en/wp/wp_revised.html

3. Overview of Offices, Groups and Teams in the Risk Analysis Division

Herein below, the offices, groups and teams in the Risk Analysis Division are divided into those engaging in back-office operations as required for running an organization, and those engaging in the three functions mentioned above, and the operations assigned to the respective organs are explained.

(1) Back-office operations sections

Back-office operations are assigned to the General Affairs Group and the Division Director's Group. The General Affairs Group serves the functions similar to those of general affairs divisions of central government bureaus, such as personnel affairs, budget, public relations, Diet affairs, organizational affairs and staffing. It works so that the Risk Analysis Division, which consists of a variety of people, can fulfill its potential more than ever as one unit.

The Director for Inspection Monitoring Group performs an overall coordination function for the FSA's monitoring focused on inspection, by supporting each monitoring team, managing the quality of inspection methods and dialogue approaches, and

implementing training programs. For example, in this COVID-19 pandemic, the shift to a new style of inspection that uses remote technologies has become a topic of discussion. The implementation status of inspections is subject to centralized management by this group, regarding not only inspections conducted by the FSA but also those conducted by local finance bureaus nationwide.

(2) Data Analysis and Infrastructure Development Group

The Data Analysis and Infrastructure Development Group carries out operations relating to the development and analysis of data that serves as the basis for financial monitoring, and operations relating to the development of necessary criteria for assessing the soundness of financial institutions. Data-related operations are assigned to three offices, namely, the Data Analysis Management Office, the Data Analytics Office, and the Macroanalysis Office, under the supervision of the Director for Data Analysis.

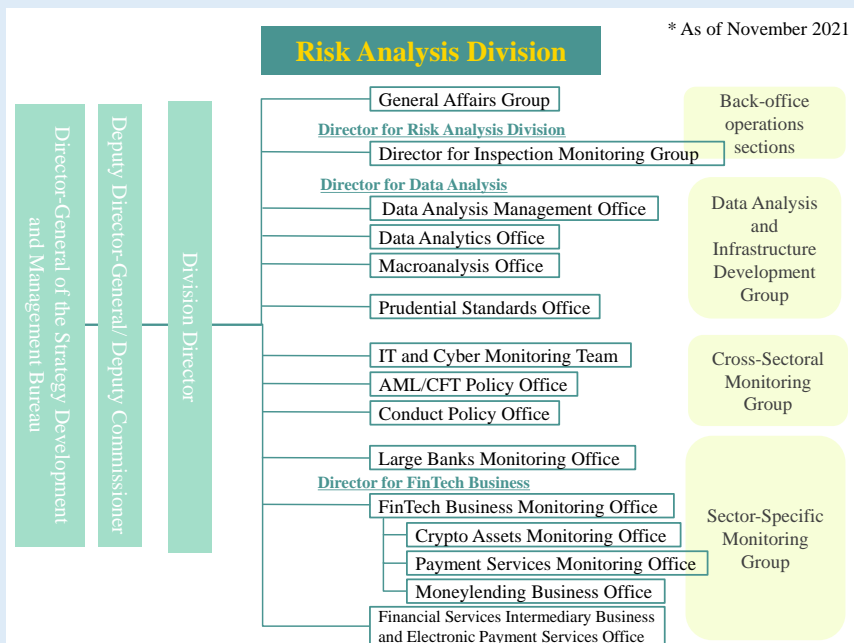
The Data Analysis Management Office promotes the sophistication of data analysis within the FSA. Specifically, this office engages in collectively controlling and supporting data analysis projects that are underway within the FSA, and studying measures to conduct analysis by combining data collected from financial institutions with macro-data on financial and economic situations and data on individual companies, and to use data with high granularity actively for financial monitoring.

The Data Analytics Office engages in conducting cleansing of data submitted by financial institutions and using the cleansed data as underlying data for monitoring, and operating monitoring systems.

The Macroanalysis Office engages in analyzing macroeconomic situations and financial market conditions in and outside Japan, which serves as the basis for financial monitoring and dialogue with financial institutions.

Operations relating to infrastructure development are carried out by the Prudential Standards Office. This office is responsible for operations relating to the national implementation of international banking regulations agreed at the Basel Committee on Banking Supervision. These regulations provide for standards for securing the soundness of financial institutions and serve as the basis for various monitoring activities of the FSA. Among a broad range of financial regulations based on international agreements, the work to achieve the national implementation of the finalized Basel III standards, which are scheduled to be put into effect from the term ending March 2023, is currently the major challenge of this Office.

[Reference 1] Organizational Chart of the Risk Analysis Division



(3) Cross-Sectoral Monitoring Group

In the Cross-Sectoral Monitoring Group, experts in various fields engage in monitoring activities across business sectors. As there are a number of challenges that should be addressed by the financial industry as a whole, and the movement toward collaboration beyond boundaries of business sectors has been becoming increasingly active, the need to conduct cross-sectoral monitoring is growing. This group consists of three sections: AML/CFT Policy Office, IT and Cyber Monitoring Team, and Conduct Policy Office.

The AML/CFT Policy Office assumes the mission of advancement of anti-money laundering and countering the financing of terrorism (AML/CFT) measures taken by Japanese financial institutions. In August 2021, the Financial Action Task Force (FATF) published the results of the mutual evaluation report of Japan (Fourth Round Mutual Evaluation Report). Taking into account the points mentioned in this report, this office is working on activities, such as development of anti-money laundering guidelines, inspection and monitoring of AML/CFT measures by financial institutions and public relations to users of financial services in cooperation with financial institutions.

The IT and Cyber Monitoring Team is in charge of the following operations: holding dialogue with financial institutions to ensure their IT governance and publishing reports; monitoring causes and remedial measures of system failures, and publishing reports on the monitoring results (tendency, causes, and countermeasures of failures); and promoting initiatives to raise the level of cybersecurity of Japanese financial institutions (e.g., cyber exercise programs).

The Conduct Policy Office engages in collecting and analyzing information submitted to the FSA concerning conduct risk,^{*4} and conducting monitoring with the aim of establishing customer-oriented business conduct. Specifically, this office works to enhance information dissemination by disclosing the initiatives of financial institutions for customer-oriented business conduct on the FSA's website in a comparable manner (visualization of initiatives), and publicizing best practices.

(4) Sector-Specific Monitoring Group

The Sector-Specific Monitoring Group is responsible for conducting in-depth monitoring by assigning each of its internal sections to each business sector. Given the fact that each division or office of the Supervision Bureau is also responsible for regulatory operations in the business sector assigned thereto, it may be closer to the actual situation to say that the Risk Analysis Division assumes part of the role of the sector-specific regulatory team. To fulfill this role, the Risk Analysis Division has in place the Large Banks Monitoring Office, the FinTech Business Monitoring Office, and the Financial Services Intermediary Business and Electronic Payment Services Office.

The Large Banks Monitoring Office conducts year-round monitoring by dedicated teams throughout each program year, targeting the nine large banking groups. In addition to monitoring concerning important issues faced by each banking group, this office conducts a horizontal review to verify the initiatives of multiple financial institutions in a cross-sectoral manner from a uniform perspective. It is also engaging in monitoring concerning common issues related to the credit and market risks of local banks and life insurance companies as well as large banks.

The FinTech Business Monitoring Office is in charge of the monitoring of business sectors, such as crypto-asset exchange business, funds transfer business, prepaid payment instruments issuance business, and moneylending business, and the Director for FinTech Business is responsible for the comprehensive monitoring of these business sectors. New types of digital financial services, such as crypto-assets exchange and online payment by smartphones, have emerged in the field of FinTech business, and related businesses have been rapidly changing. Under such circumstances, the FSA considers it important to strike a balance between user protection and prevention of money laundering, and promotion of innovation. From this perspective, the FinTech Business Monitoring Office engages in monitoring operations and pays attention to trends of new financial services. The FinTech Business Monitoring Office has the following three internal sections in charge of monitoring and supervision of the respective business sectors assigned thereto: the Crypto Assets Monitoring Office (crypto-asset exchange business); the Payment Services Monitoring Office (funds transfer business and prepaid payment instruments issuance business); and the Moneylending Business Office (moneylending business).

^{*4} "Conduct risk" generally refers to risk in that an act of a financial institution that is not in breach of law but deviates from social norms may affect the protection of users and market integrity, thereby causing damage to the creditworthiness and financial losses on the financial institution. For the FSA's view on compliance risk, including conduct risk, see the "JFSA's Approaches to Compliance Risk Management" published on October 15, 2018, at: https://www.fsa.go.jp/news/30/dp/compliance_revised.html (Available in Japanese)

New types of financial services have emerged, including the following: electronic payment services that allow a request for bank transfer to multiple recipients to be made with one click; and financial service intermediary business in which an intermediary is authorized to provide services in the banking, securities, and insurance sectors with one registration. The Financial Services Intermediary Business and Electronic Payment Services Office conducts the registration procedure and monitoring of these new business sectors. As the laws and regulations concerning the creation of the new business category of financial service intermediary business will come into effect in November this year, the smooth introduction of the new system is currently a major challenge of this office.

4. Current Challenges of the Risk Analysis Division

Finance is continuously in motion, and each section of the Risk Analysis Division is coping with the tasks assigned thereto. For detailed explanations of respective policy measures implemented by the FSA, please refer to the "JFSA Priorities" and other relevant materials. Herein below, the challenges to be tackled by the Risk Analysis Division as a whole by exercising the synergy effect of all of its internal sections are explained.

The first challenge is to enhance the expertise of personnel. As explained thus far, the Risk Analysis Division carries out a wide variety of operations, and it is impossible to do this without a high level of expertise. Therefore, while trying to hire experienced external personnel, it is very important to foster internal personnel from a mid to long-term perspective, and accordingly, we have a variety of human resources development programs. Specifically, from the perspective of adapting to the dramatic advancement of digitalization, we carry out initiatives to enhance IT and security literacy of all FSA personnel and encourage more personnel to participate in internal data analysis projects to improve their data science skills, while implementing necessary training programs. From the perspective of continuously improving the monitoring capability of personnel of the Risk Analysis Division, we also provide online video training that allows learning at any time and place and experience-based group training for developing the ability to think.

The second challenge is to strengthen cooperation with the Bank of Japan (BOJ). While there are differences between the BOJ and the FSA in terms of the scope of financial business sectors in charge, for example, we have a major objective in common, i.e., stabilization of the financial system. From the perspective of avoiding the duplicate burden on financial institutions, and making effective use of all the monitoring resources in Japan to achieve high quality monitoring, discussion on specific methods of cooperation is underway, mainly at the Financial Monitoring Council starting from June 2021, separately for each topic among coordination of the companies subject to the FSA's inspection or the BOJ's examination, exchange of opinions on important topics, unification of data, and cooperation in the field of macro-prudence.

The third challenge is to cope with new issues in connection with financial monitoring. For example, the case of unauthorized withdrawal of funds from a bank account via a funds transfer service provider, which occurred last year, required supervisory action respectively on funds transfer service providers and banks, as well as examination of the case from the aspect of the system. Issues that need to be addressed in a cross-sectoral manner, such as economic security and climate change, are currently emerging. While many of these new issues require the FSA's organization-wide initiatives, the Risk Analysis Division, as a section under the Strategy Development and Management Bureau, must take voluntary action to cope with these issues through collaboration among its internal sections specialized in various areas, such as data analysis and on-site inspection, in both cross-sectoral and sector-specific manners, based on the concept of the FSA's initiatives.

[Reference 2] Logo of the Financial Monitoring Council (FMC)

I have done my best to explain what the Risk Analysis Division is doing, and I hope my explanation makes enough sense that people can understand it after reading it only once. One major reason for this division's organization being so complicated is that the financial system that the FSA is facing is changing and becoming more complicated day by day. The Risk Analysis Division will continue to tackle various challenges as a dedicated section to holistically deal with risks to the financial system as a whole and cross-sectoral issues. I hope that this article will be of some help for people to understand the concept of its operations.



Recent Situation in India and Japan-India Financial Cooperation

NAGOYA Tomohiro, Second Secretary, Embassy of Japan in India

1. Introduction

When you think of India, the first things that may come to mind may be the enormous population, the effects of the deep-rooted caste system, and the air pollution, which is said to be at the world's worst level—all of which are negative aspects of the country.

India is composed of 28 states and eight union territories, and it has 23 official languages (the languages stipulated by the Constitution of India plus English) and a land area of 3.29 million km². These features are sometimes compared with those of the European Union (EU). The EU is composed of 27 member countries, and it has a land area of 4.29 million km² and 24 official languages. Thus, it may be possible to see India as having the same extent of diversity as the EU.

I consider that in order to understand India, it is essential to take into consideration the regional differences and diversity as in the case of understanding Europe (the EU). Japanese news media often report an event that occurred in one part of India as though it is occurring throughout India. It may be true in some cases, but I believe they often disregard India's diversity and cause misunderstanding of India among the Japanese public.

Year 2022 marks the 70th anniversary of the Japan-India diplomatic relationship, and India is to host the G20 summit in 2023. As the importance of the Japan-India relationship will continue to increase in the future, not only in economic terms, but also in diplomatic and defense terms, we intend to exert effort to help Japan and India build a good relationship.

2. COVID-19 Situation in India

In India, which is the place where the Delta variant was first found, the number of COVID-19 cases surged around April this year, with a large number of patients unable to be hospitalized. Many Japanese people may recall the scene from Japanese news reports of Indian people queuing up in search of oxygen tanks. During the second wave observed in April to May this year, the daily number of new COVID-19 cases throughout India recorded 410,000.

In that period, UK Prime Minister Boris Johnson and (then) Japanese Prime Minister SUGA Yoshihide had planned to visit India, but they canceled their visits due to the sharp rise in COVID-19 cases. I was working from home during that period, praying for the wave of infection to settle down, and stayed there for almost two full months.

Possibly due to such new reports, when I temporarily returned to Japan, I was frequently asked the COVID-19 situation in India, but the number of COVID-19 cases in India has stayed low as of October (the daily number of new COVID-19 cases throughout India shifting around the 10,000 to 20,000 level).

Looking at Indian media reports, there have been moves to prepare against a possible third wave of infection based on the lesson learnt from the second wave, and we see people still wearing masks today, although the infection situation has settled down.



Photo: A store when India was under a nationwide lockdown in March 2020. All frozen foods have been purchased, indicating the state of confusion at the time.

3. Economic Situation in India

Over the past few years, India's gross domestic product (GDP) growth rate has shifted around the 5 to 8% level. A

series of defaults by an Indian leading nonbank, Infrastructure Leasing & Financial Services Limited (IL&FS), in 2018 sparked a credit crunch among financial institutions, causing the economy to be sluggish in recent years. Moreover, the COVID-19 pandemic has caused severe damage to the Indian economy. Due to a long-term nationwide lockdown that started in March 2020, India's unemployment rate temporarily rose to the 20% level and the real GDP growth rate in FY2020 fell 7.3% year-on-year.

However, the Indian economy has subsequently shown a recovery trend owing in part to the government's economic policies. In particular, economic activities have gained momentum since July this year, and economic growth is expected to accelerate into the second half of the year. A noteworthy point is that India's stock price (SENSEX), which dropped to the 25,000 point level at one time due to the lockdown, has risen to the 60,000 point level by October. We can see the market's expectations for India's economic recovery.

4. Financial Situation in India

Another characteristic feature of India's financial environment is the high ratio of non-performing asset (NPA). As of March 2021, the NPA ratio was 7.5% for India's scheduled commercial banks (SCBs) overall, and 9.5% for public sector banks (PSBs) alone, which are extremely high compared to banks of other countries. These ratios need to be closely watched so that they will not trigger a financial crisis.

Another distinctive feature is the initiatives conducted for improving the quality of financial transactions and achieving financial inclusion by using digital technologies. For example, the Reserve Bank of India (RBI) have conducted experiments for realizing offline digital payments, in order to enable digital payments even in areas and occasions with bad or no internet access. Moreover, in order to raise the dissemination rate of digital payments in India, it is necessary to distribute points where digital payments can be made in a balanced manner across the country. Therefore, various initiatives are implemented to this end, including creating a framework for acquiring the locational information of places where the payment infrastructure is available. I feel that many of them are interesting initiatives that are not being implemented in Japan.

5. Holding the Japan-India Financial Dialogue

On April 14, 2021, the 6th Japan-India Financial Dialogue was held online. It is a meeting which has been held about once a year since November 2014 to have discussions for deepening economic and financial cooperation between Japan and India.

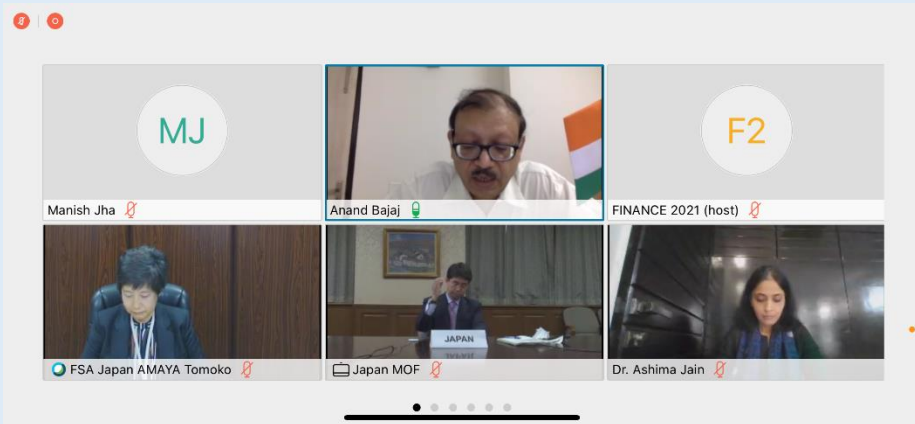
Participants from Japan included the FSA, the Ministry of Finance, and Japanese financial institutions, while

those from India included the Ministry of Finance in India, the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Insurance Regulatory and Development Authority of India (IRDAI).

At the beginning of the meeting, AMAYA Tomoko, Vice Commissioner for International Affairs, FSA (her position at the time), explained the past initiatives on the Japan-India relationship and India's potential. In addition, Japanese participants introduced how the Japanese corporate bond market has developed and Japan's initiatives for its further development, while Indian participants introduced initiatives of India's international financial center, Gujarat International Finance Tec-City (GIFT City), and the participants exchanged opinions.

GIFT City is an international financial center being constructed in Gujarat State (the home state of Prime Minister Narendra Modi) in western India. India's major local banks as well as banks such as Standard Chartered Bank have already launched operations there. The Indian government is also enthusiastic about attracting financial institutions to GIFT City, so this kind of occasion for exchanging opinions with the Indian government through this dialogue is considered to be extremely valuable.

We will work toward increasing such dialogue between Japan and India so as to further deepen the Japan-India relationship in financial terms in the future.



(Photo: The 6th Japan-India Financial Dialogue held online (bottom left: AMAYA Tomoko, Vice Commissioner for International Affairs, FSA (her position at the time))

Tsumitate NISA Meetup (called *Tsumippu*) Held Online

TSUKAMOTO Shuntaro, Deputy Director, Strategy Development Division,
Strategy Development and Management Bureau

The FSA has held *Tsumitate* NISA Meetups as opportunities to hear individuals' opinions on their asset building so that more and more people will be interested in asset building as a result of learning about *Tsumitate* NISA. Since May 2020, the meetups have been held online from the perspective of preventing the spread of the COVID-19 infection.

This time, we held a *Tsumitate* NISA Meetup on Friday, October 8, 2021, in time with the World Investor Week promoted by the International Organization of Securities Commissions (IOSCO). In the first section of the meetup, the FSA made a presentation titled "Asset Building and *Tsumitate* NISA." The FSA introduced the data of the Statistics of NISA Accounts that was released on that date, and explained that the number of *Tsumitate* NISA accounts reached about 4.17 million as of the end of June 2021, increasing by about 570,000 accounts over the number three months earlier, and that, by age group, the growth in the number of accounts was the highest for people in their 20s.

In the second section of the meetup, the FSA asked members of 104 consortium ("104" read as "toushi," meaning "investment" in Japanese), which is a group of people in their 20s who have gathered to think about investment, and FSA officials in their 20s about their questions and anxieties regarding investment, and asked Mr. NAKANO Haruhiro from Saison Asset Management Co., Ltd. and Ms. FUJISAWA Kumi from Think Tank SophiaBank to provide answers. The discussions were held in two parts: first about "how to think about investment" and second about "how to implement investment." In "how to think about investment," the participants discussed matters including how to collect information about investment, the investment return to be aimed at in asset building, the advantages of starting investment at a younger age, and how to decide the investment amount. Meanwhile, "how to implement investment" covered topics such as whether to choose between "general NISA" and "*Tsumitate* NISA," the standards to be used in selecting investment trusts, and whether to invest worldwide or in emerging countries.

<<Comments from participants>>

104 consortium

Ms. NAGAI Midori

Although I often hear people say that it is better to carry out long-term, installment-type investment, I had not actually realized its significance and advantages. The comment "time is your asset" left a deep impression in me. I had a notion that there are many things we must study when starting investment, and this had made me hesitant, but on hearing that "the first important step is to gain experience," I gave up on making excuses not to start. I would like to take my first step by opening a *Tsumitate* NISA account and reviewing the products in my corporate-type defined contribution pension plan, which I haven't given much thought to since somehow choosing them.

Ms. HACHISU Mai

I am making installment-type investments as well as lump-sum investments, and I was uncertain which type suits me better, but as Mr. NAKANO mentioned, I had come to be concerned about price fluctuations as a result of making large-amount investments. I was able to realize that the "installment type" suits me better from both viewpoints of long-term asset building and my personality. Instead of thinking about increasing money speculatively, I intend to review my stance toward making investments strategically, setting a goal, and thinking about how much installment-type investment I should make every month to achieve it. From now on, I would like to use the website of the investment trust evaluation company which Ms. FUJISAWA told us about, to compare investment trusts and choose products. Before, I had only considered the past investment performance and the like in making comparison, so I would like to use the knowledge I gained in the meetup, and try installment-type investments more wisely.



(Photo: Screen image of the *Tsumitate* NISA Meetup (center: Mr. NAKANO Haruhiro, Saison Asset Management Co., Ltd.)

Mr. MATSUMOTO Hideki

I extremely enjoyed being able to directly ask such distinguished members questions. They provided us with answers and explanations on essential matters concerning investment, such as the mechanism by which stock prices are formed and the global money circulation, which were very informative. It was also interesting to know how other people in their 20s are dealing with investment. I gained the impression that many people are actually making investments. I had held doubts as to whether long-term, diversified, and installment-type investments are truly effective, when everyone needs to securely build assets while limiting risks, but I came to understand their effectiveness by looking at the performance of 20-year investment returns. I thought how true it is that investing in installments makes the investor unaware of the unit purchase price, and consequently makes the investor unconcerned about stock price fluctuations. I understood in my own way that it is an investment technique that suits to the psychology of ordinary humans. I intend to continue investment in individual stocks for the time being, but when I can no longer take so much risk due to a change in the life stage or the like, I will shift to a long-term, installment-type, and diversified track!

FSA

Ms. SAKAGAMI Maki

It was an extremely meaningful opportunity to be able to interact with people around the same age as me who are interested in investment, and to be able to directly ask people from investment companies questions I have actually been thinking about. They told us that it is important to continue investment for a long time, even in small amounts, and I recognized anew the importance of starting to act early. Hearing that, when you choose an investment trust, one way is to choose by whether the fund receives continuous cash inflows, was very enlightening. Also, the statement that installment-type investment is "sending an allowance to your future self when you are no longer able to earn money" left an impression on me.

I would like to consult the website for comparing investment trust fees, which we were taught about this time, and start asset investment by the end of October.

Mr. SATO Kazutaka

On hearing the presenter's talk, I realized the importance of making investments. I was also able hear many specific stories about how to choose products and the amounts to be invested, among other matters, so I have a feeling that I can finally take a hesitant step forward toward investment. I was also able to learn a lot from valuable talks about how to think about and how to implement investment, such as choosing a fund based on the amount of cash flow, and considering investment as an expense that is as essential as the rent for a home. I felt that it is important to start investment as the first step. As new anxieties will surely arise in the process of making an investment, I would appreciate it if we could hear explanations about important technical points in that case.

Mr. TAKADA Kohei

I was inspired by the fact that many people around my age were steadily dealing with investment. Although the time was limited, I think it was a very valuable opportunity where participants could directly ask top professionals in the field candid questions. Also, when I had thought about investment, I felt that the hurdles were high as there was a need to analyze and understand detailed data. However, after learning about the contents and books that were introduced in the meetup and getting to know about the appropriate mindset, I understood well that an environment which allows even "beginners" to make investments safely and securely is already available. To begin with, I would like to start *Tsumitate* NISA as early as possible, with the stance of "the best way to learn about it is to just do it," which I have been told in the meetup.



Photo: Screen image from the *Tsumitate* NISA Meetup (center: Ms. FUJISAWA Kumi, Think Tank SophiaBank)

Message to the Market (Explanation on Recommendation for an Administrative Monetary Penalty Payment Order)

The Securities and Exchange Surveillance Commission ("SESC") posts explanations on recommendations it has given on its website as an article titled "Message to the Market."

The "Message to the Market" posted on October 29, 2021, is summarized below.

* The whole Japanese text is available on the SESC website:
<https://www.fsa.go.jp/sesc/message/20211029-1.html>



Recommendation for an administrative monetary penalty payment order against market manipulation relating to shares of gumi Inc.

On October 15, 2021, the SESC recommended the Prime Minister and the FSA Commissioner to issue an administrative monetary penalty payment order based on the results of investigation of transactions.

[Outline and characteristics of the case]

In this case, for the purpose of inducing purchase and sales of shares of gumi Inc., an individual investor who was engaged in internet transactions conducted a series of purchase and sales that were likely to mislead a person into believing that purchase and sales of those shares are thriving and to cause fluctuations in market prices of those shares, for 22 trading days, through methods such as the following: boosting the share price from the immediately preceding contract price by placing buy orders at a high limit price in succession; placing multiple layering buy orders at a lower price; and affecting the closing price by placing market-on-close buy orders.

As the specific transaction methods, the following were conducted for the purpose of inducing purchase and sales by other investors:

- (i) boosting the share price at the minimum trading unit or pushing up at a minimum cost;
- (ii) placing layering buy orders at a lower price; and
- (iii) boosting the share price by placing market-on-close orders.

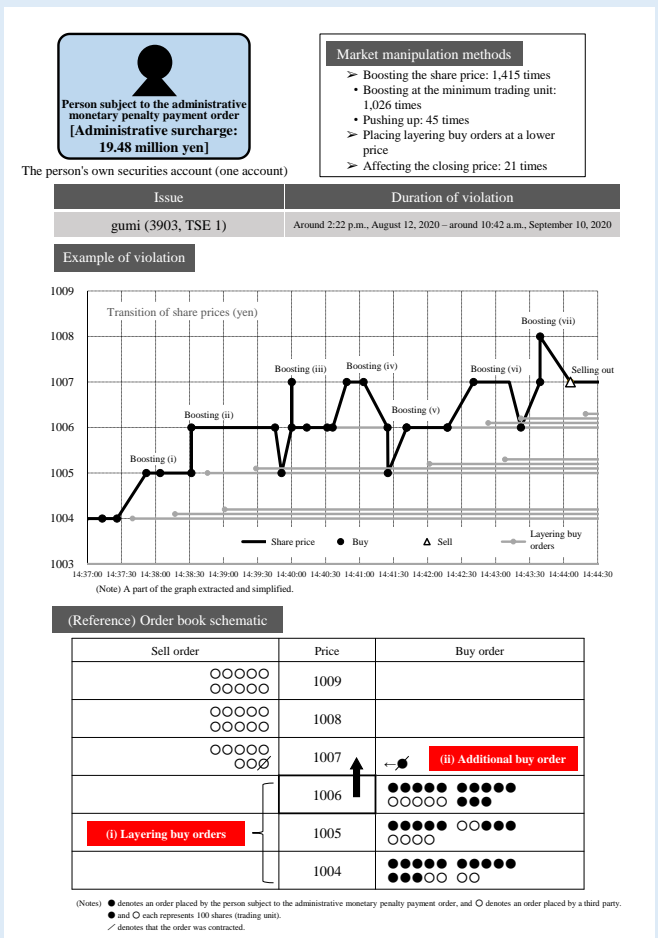
Through these and other transactions, the investor conducted a series of purchase and sales that were likely to mislead a person into believing that purchase and sales of those shares are thriving and to cause fluctuations in market prices of those shares.

During the duration of the violation, the investor raised the share price 1,415 times (boosting at the minimum trading unit: 1,026 times; pushing up: 45 times), and affected the closing price 21 times.

* Due to dissemination of internet transactions and progress in the ordering systems, individual investors have become able to conduct transactions in various ordering modes. Under such circumstances, the transaction methods used in market manipulation are also becoming increasingly sophisticated.

While considering such current situation, the SESC will continue to conduct strict investigations into unfair transactions that hamper the fairness and soundness of the securities market.

○ Outline of the violation



JFSA's Major Activities in August

(October 1 to October 31, 2021)



- [Publication of the "Social Bond Guidelines" \(October 26,2021\)](#)
- [The third meeting of the Working Group on Corporate Disclosure of the Financial System Council \(October 22,2021\)](#)
- [Publication of "Progress Report on Enhancing the Asset Management Business 2021" \(October 20,2021\)](#)
- [Fifteenth Meeting of the "Council for Cooperation on Financial Stability" \(October 19,2021\)](#)
- [Press Conference by the Minister of State for Financial Services \(September 24, 2021\) \(October 14,2021\)](#)
- [Press Conference by the Minister of State for Financial Services \(September 10, 2021\) \(October 14,2021\)](#)
- [Press Conference by the Minister of State for Financial Services \(September 3, 2021\) \(October 14,2021\)](#)
- [Stewardship Code : 316 institutional investors have signed up to the Principles for Responsible Institutional Investors as of September 30, 2021 \(October 11,2021\)](#)
- [Summary from "The JFSA Strategic Priorities July 2021-June 2022" \(October 8,2021\)](#)
- [Final Report of JFSA Multilateral Joint Research on Digital Identity \(October 7,2021\)](#)
- [Administrative Actions against Mizuho Bank, Ltd. and Mizuho Financial Group, Inc. \(October 7,2021\)](#)
- [Updated list of issuers of gift certificates in repayment procedures based on the 'Payment Services Act' \(October 5,2021\)](#)

- JFSA's official English Twitter account

https://twitter.com/JFSA_en



We are promoting information dissemination using Twitter!

- Please send your opinions using the following email address to the Public Relations Office's personnel in charge of Access FSA.

E-mail : fsa_kouhou@fsa.go.jp

Editorial Postscript

This issue features articles from unprecedented angles including the situation of India today and a look back at the four years since the establishment of the Risk Analysis Division.

As an unprecedented FSA initiative, "Unko Money Drill" Workbook (Unko Drill × FSA, "unko" means "poo") was greeted with a sensational response when published in March 2021.

We are happy to announce that its second edition was released on October 20!

The second edition focuses on how money is circulated in society.

We will explain more in the next issue of Access FSA!



Go to "Unko Money Drill" Workbook

SAITO Takafumi, Director,
Public Relations Office, FSA

