

Opening Remarks by SUZUKI Eikei, Parliamentary Vice-Minister
Financial Action Task Force (FATF) Virtual Assets Contact Group
Tokyo, 12 April 2023

- Good morning. Welcome to Japan. As a Parliamentary Vice-Minister responsible for Japan's Financial Services Agency, it's a great pleasure that Japan hosts the FATF's Virtual Assets Contact Group meeting and its private sector outreach. It is becoming more and more important to strengthen AML/CFT/CPF measures on virtual assets in light of the growing risk of virtual assets being misused for money laundering, terrorist financing and proliferation financing, including theft and misuse of virtual assets by North Korea. I would like to express my deep respect to the VACG members and FATF secretariat who are working on such an important issue.
- I also feel honored that Japan has contributed to VACG work with you all as a VACG Co-Chair since the establishment of the VACG in 2019.
- Japan, under its G7 Presidency this year, chose to strengthen AML/CFT/CPF measures for virtual assets as one of the priorities of the G7 Finance Track.

In this regard, Japan supports the FATF's initiative to promote implementation of the FATF Standards, including the Travel Rule, in all jurisdictions as soon as possible. Japan also supports the FATF's work

on monitoring and exploring responses to emerging risks, including decentralized finance or DeFi arrangements and peer-to-peer or P2P transactions.

- I hope that you will discuss those topics actively and constructively at this meeting.

- In 2019, under its G20 Presidency, Japan also supported and highlighted initiatives on regulating and supervising virtual assets. In June of the same year, the FATF adopted revised FATF Standards on virtual assets, and the VACG was established under the FATF's Policy Development Group. Since then, the VACG has delivered many important outcomes.

- For example, since 2020, the FATF has published annual reports on the progresses of implementation of the FATF Standards in each jurisdiction and by the private sector. In 2021, the FATF published updated guidance on virtual assets and virtual asset service providers, putting forward more granular guidance on important issues, including stablecoins and the Travel Rule. Through those initiatives, the VACG has supported jurisdictions and the private sector to improve their understanding of the FATF Standards and to promote the implementation of the Standards.

In addition, the VACG has actively engaged with the private sector around the globe to encourage private sector initiatives and has

gained strong trust from the stakeholders.

- These VACG achievements have been highlighted in past G7 and G20 communiqués and have been highly appreciated.
- However, it is also true that challenges remain, such as (1) the existence of jurisdictions where FATF Standards have not yet been implemented, (2) implementation of the so-called Travel Rule, and (3) emerging risks, including DeFi arrangements and P2P transactions. Japan strongly supports and expects the ongoing work of the VACG and the FATF, and will continue committing to this work. While fully recognizing the importance of taking advantage of new technologies and innovations, we should not compromise in adequately addressing ML/TF/PF risks.
- Japan's Financial Services Agency, JFSA is an integrated regulatory and supervisory authority covering banking, insurance, and securities. Taking advantage of this institutional framework, the JFSA makes a proactive contribution to a wide range of discussion related to the financial sector in various international forums.
- In addition, the JFSA utilizes the learning gained from international discussion in formulating domestic policy. For example, Japan was one of the first countries to introduce regulations and supervision of virtual

asset service providers. In the case of the FTX bankruptcy last November, the customers' assets in FTX Japan, a registered virtual asset service provider in Japan, were preserved under the Japanese regulations that require virtual asset service providers to segregate and preserve customers' assets. FTX Japan has started returning customers' assets to them.

- In closing, I would like to express my best wishes for the great success of this meeting. Thank you.