



**Financial Services Agency**

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## ■ About the Financial Services Agency (FSA)

"Finance" is like blood circulating in the human body—an appropriate supply of funds enhances the economy and people's lives.

The Financial Services Agency (FSA) engages in financial regulation with the aim of enhancing national welfare through sustainable corporate and economic growth and stable asset building, etc., by achieving a balance between

- (1) stability of the financial system and demonstration of financial intermediation functions,
- (2) user protection and user convenience, and
- (3) market fairness/transparency and market vigor even amid the rapid changes in the financial environment.



## ■ The Role of the FSA

The FSA is responsible for ensuring stability of Japan's financial system, protection of depositors, insurance policyholders and securities investors, and smooth finance through such measures as planning and policymaking concerning the financial system, inspection and supervision of private sector financial institutions, and surveillance of securities transactions. The FSA thereby plays extremely important roles for the sound development of the national economy.

Act for Establishment of the Financial Services Agency (Extract)

(Missions)

Article 3

- (1) The Financial Services Agency has a mission to secure the stability of financial functions in Japan and protect depositors, policyholders, securities investors, and any equivalent persons, and facilitating financing.
- (2) Beyond what is specified in the preceding paragraph, the Financial Services Agency has a mission to assist with affairs of the Cabinet concerning specific important policies of the Cabinet relating to the mission referred to in that paragraph.
- (3) The Financial Services Agency is to assist the Cabinet Secretariat in carrying out the mission referred to in the preceding paragraph.

## ■ Affairs handled by the FSA (Article 4, etc. of the Act for Establishment of the Financial Services Agency)

- ◆ Planning and policy making of financial systems
- ◆ Inspection and supervision of private sector financial institutions, including banks, insurance companies, and financial instrument business operators, as well as market participants, including exchanges
- ◆ Establishment of rules for trading in markets
- ◆ Establishment of business accounting standards and others concerning corporate finance
- ◆ Supervision of certified public accountants (CPAs) and auditing firms
- ◆ Participation in activities of international organizations and bilateral and multilateral fora on financial issues to develop internationally consistent policy
- ◆ Surveillance of compliance of rules in markets

### FSA's symbol mark

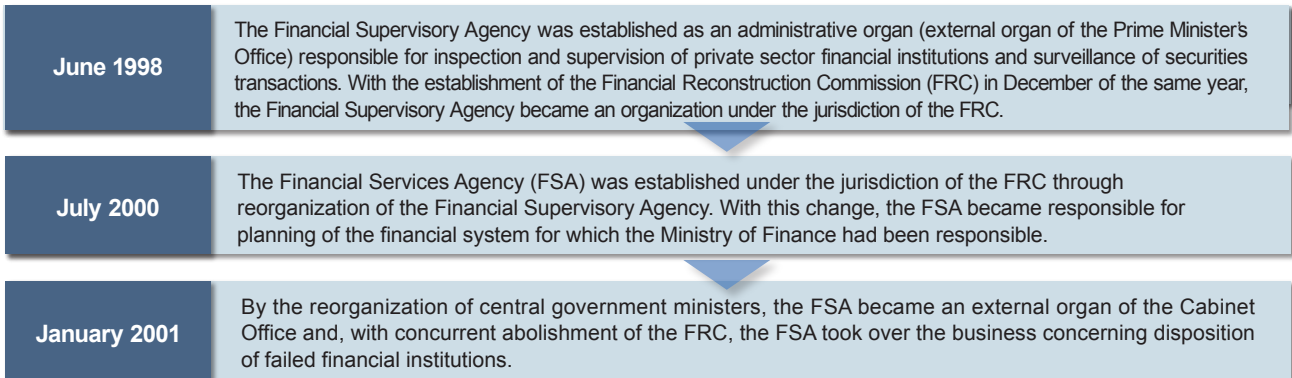


The FSA's symbol mark has been designed from "FSA"—the initial letters of the Financial Services Agency.

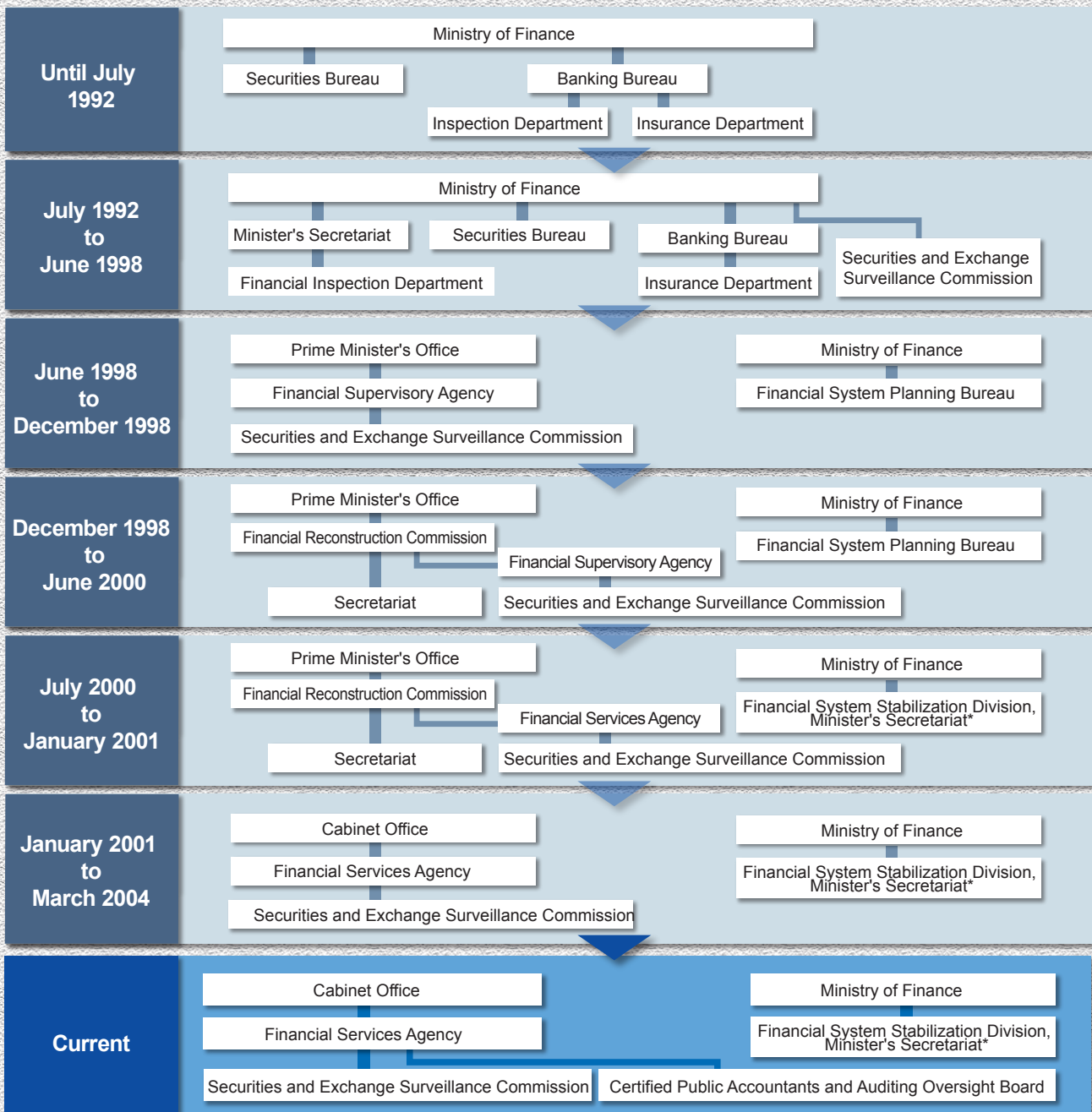
The middle "S" represents a smooth flow of finance, which is being guarded from both sides.

The light blue color expresses the smooth flow of finance and the transparency of the FSA's policy.

## History of the FSA



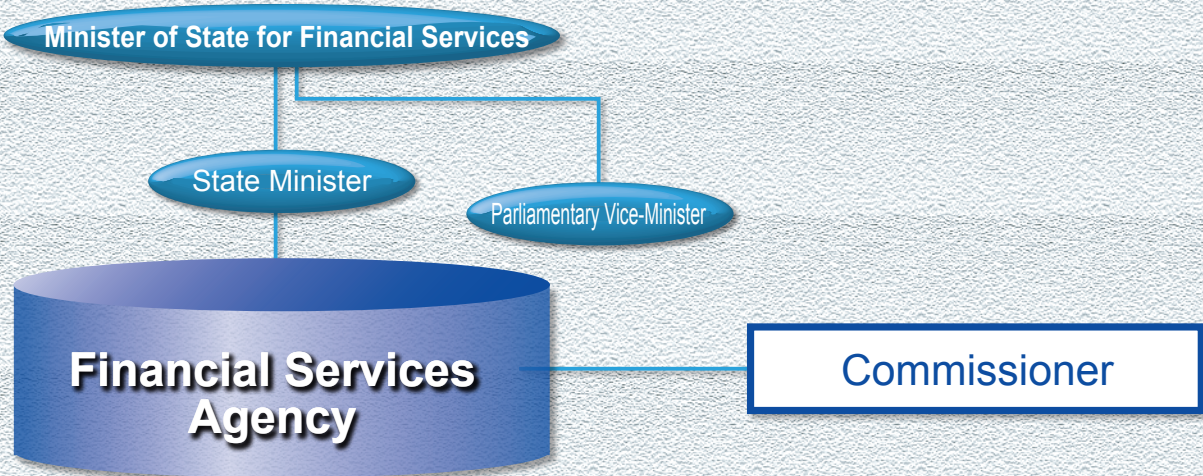
## Organizational Changes



\* Concurrently responsible for planning and policymaking concerning the system for disposal of failed financial institutions and concerning financial risk management.

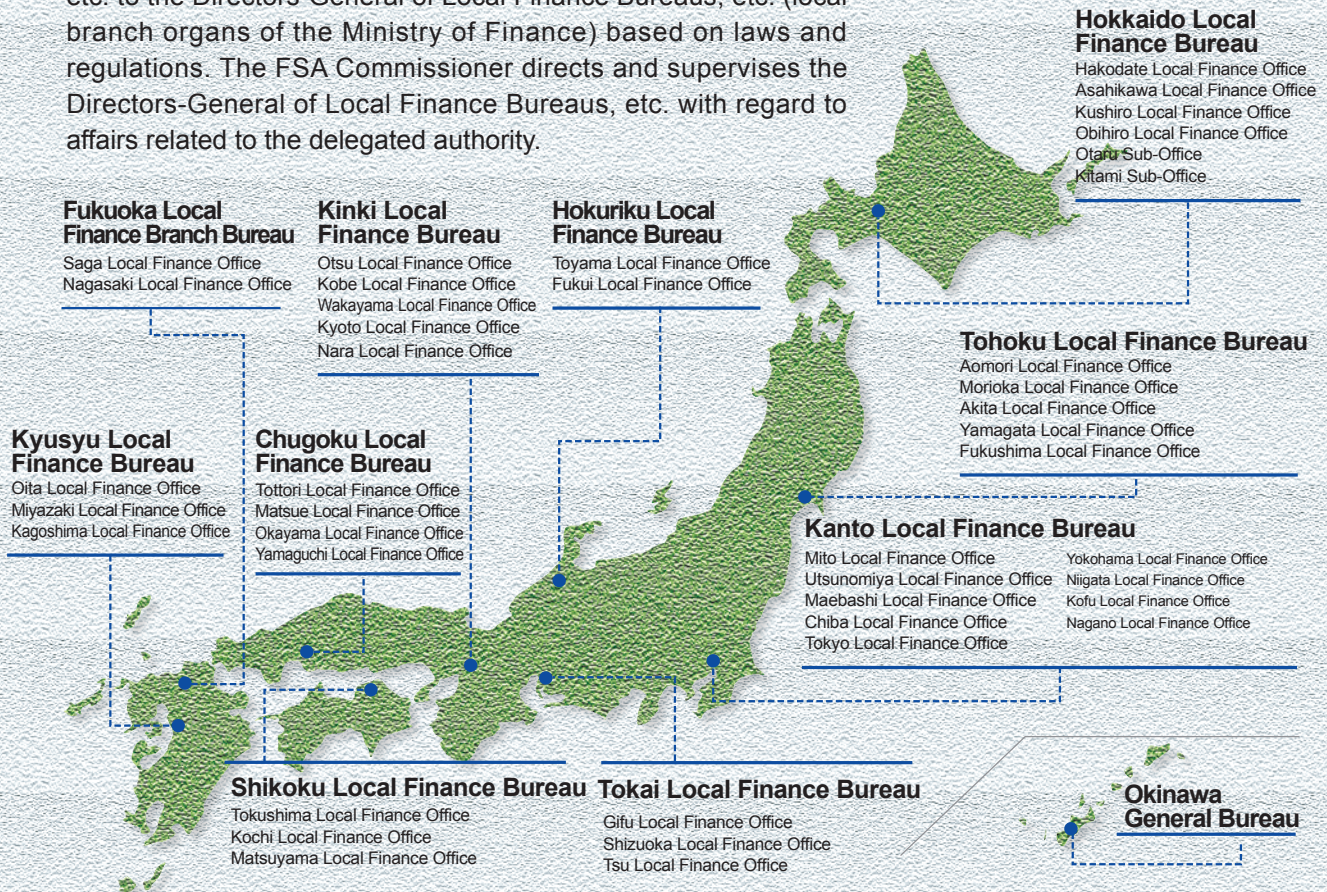
# FSA's Organization Chart and Local Finance Bureaus

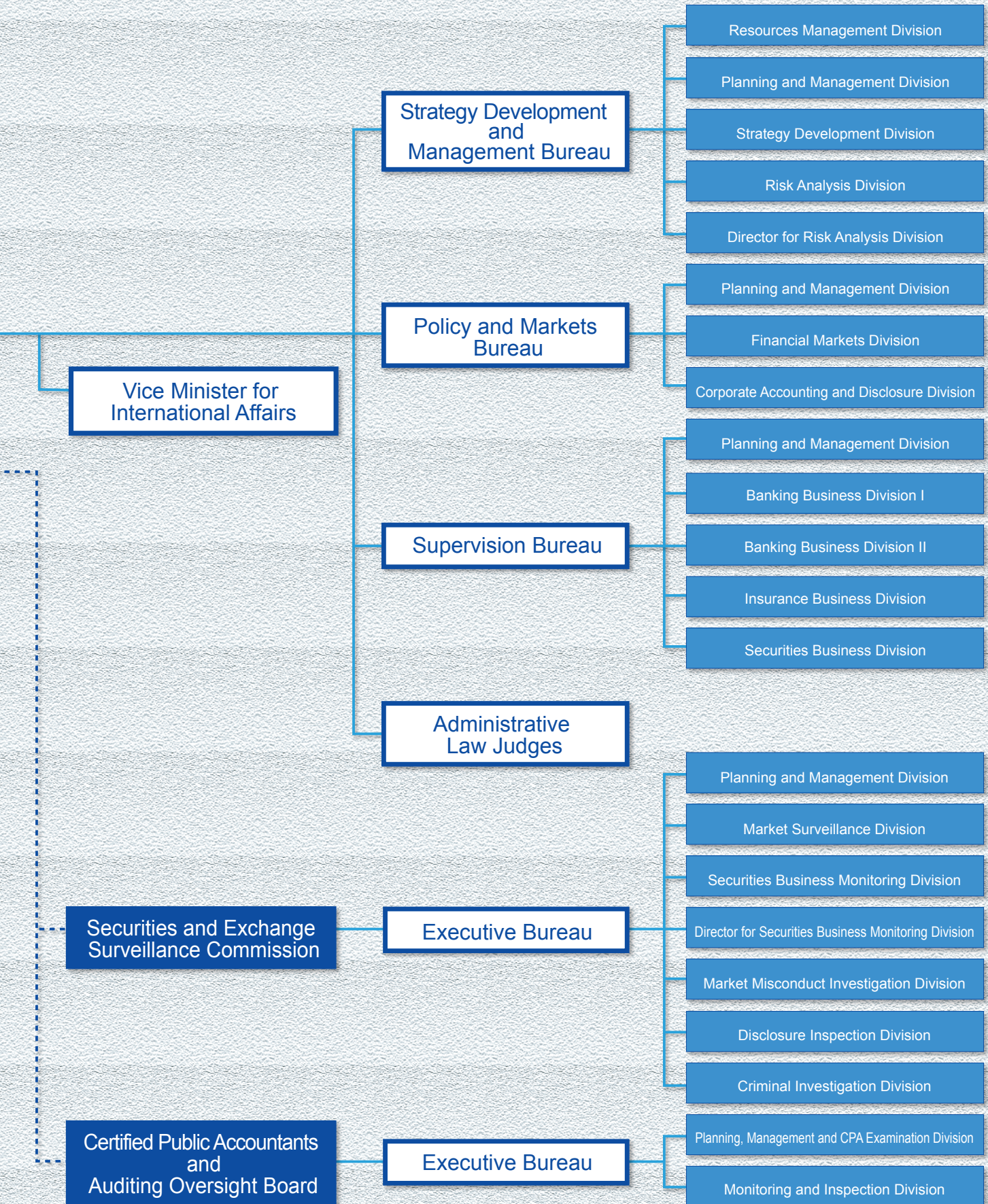
## Organization of the FSA



## Local Finance Bureaus

The FSA Commissioner delegates a part of the authority for inspection and supervision of local private financial institutions, etc. to the Directors-General of Local Finance Bureaus, etc. (local branch organs of the Ministry of Finance) based on laws and regulations. The FSA Commissioner directs and supervises the Directors-General of Local Finance Bureaus, etc. with regard to affairs related to the delegated authority.





\* The chart shows the organization as provided above the Cabinet Office Ordinance for Organization of the Financial Services Agency.

## FSA's Policies

Financial regulation and supervision have three major policy objectives: to ensure stability of the financial system; to enhance user protection and user convenience; and to establish fair and transparent markets.

These policy objectives have been shared for a long time among the authorities of many countries around the world without essential changes. However, financial situations are constantly changing, as represented by innovation of financial technologies and globalization of financial markets.

The FSA faces a major policy challenge to adapt the methods of financial regulation and supervision to these changes, and to enhance their quality.

### Strategy Development and Management Bureau

The functions of the Strategy Development and Management Bureau are largely divided into the following three.

#### Acting as the FSA's control tower

The Bureau makes overall coordination of matters concerning the entire FSA, such as strategic policy planning and communication and coordination among departments within the FSA. From the viewpoint of the FSA's operation of activities based on the PDCA cycle, the Bureau collectively summarizes and publishes the results of the FSA's policy in the previous program year and the strategic priorities for the current program year. It also engages in the reform of the FSA in order to constantly enhance the quality of the FSA's policy.

#### Playing a central role in financial diplomacy

In order to deepen international collaboration in the financial sector, the Bureau contributes to discussions on international financial regulations and works to strengthen the network and cooperation with overseas authorities.

#### Determining hidden risks in the financial system

The Bureau monitors the financial risks, stability, and other aspects of the overall financial system by conducting inspections as well as creating databases and analyzing data. It also conducts cross-sectoral monitoring of issues common to financial institutions, such as anti-money laundering measures and cyber security measures. In addition, the Bureau monitors and supervises FinTech firms, such as crypto asset exchange service providers and funds transfer service providers.

### Policy and Markets Bureau

#### Building a stable and vigorous financial system and developing efficient and fair financial markets

The Policy and Markets Bureau mainly engages in the designing and planning of finance-related laws, regulations, and systems.

Specifically, the Bureau sets rules to be observed by financial institutions, etc. through establishment, amendment, and abolition of finance-related laws and regulations such as the Banking Act and the Financial Instruments and Exchange Act. It also works to build a stable and vigorous financial system and develop efficient and fair financial markets so as to enable people to invest assets with a sense of security and companies to smoothly procure funds.

In designing and planning laws, regulations, and systems, it is important to respond to changes in the ideal forms of financial services and financial institutions in line with the progress of digitalization, etc. made in recent years. Therefore, the Bureau formulates the grand design of the financial system in a forward-looking manner by incorporating the opinions of a wide range of stakeholders, including financial institutions and users, acquired through discussions at the Financial System Council and solicitation of public comments.

The Bureau is also in charge of supervising corporate governance reform and activities of CPAs, audit corporations, etc., examining and making dispositions on annual securities reports and other disclosure documents, and supervising financial instruments exchanges.

## Supervision Bureau

### Conducting supervisory administration using continuous monitoring

The purpose of financial inspection and supervision is to achieve the sound and appropriate operation of services of financial institutions in order to maintain their credibility, ensure protection for depositors, etc., and facilitate financing, thereby contributing to the sound development of the national economy.

The Supervision Bureau carries out continuous monitoring by gaining an understanding of actual conditions and holding dialogue, etc. according to each financial institution's size, characteristics, and probability of occurrence of serious problems in financial soundness or compliance. Based on the monitoring results, the Bureau implements supervisory measures or takes other actions as necessary to prevent occurrence of serious problems, and encourages financial institutions to make various voluntary efforts for realizing better practices through dialogue, etc.

The FSA aims to establish transparent and fair policy based on clear rules, in principle. Therefore, the Bureau formulates and publishes Supervisory Guidelines, which systematically organize matters such as the basic concept for inspection and supervision, points of attention in the conduct of administrative processes, and supervisory evaluation points, as manuals for officials engaging in the inspection and supervisory work.

## Securities and Exchange Surveillance Commission

### Acting as the guardian of the market

The mission of the Securities and Exchange Surveillance Commission (SESC) is to secure fairness and transparency in markets and protect investors. The SESC consists of a chairman and two commissioners appointed by the Prime Minister, and performs duties independently from the FSA.

The SESC's Executive Bureau engages in operations including market surveillance and monitoring of Financial Instruments Business Operators, etc., investigation of market misconduct such as insider trading, inspection of disclosure documents, and criminal investigations against serious and malicious violations.

If any statutory violation is identified as a result of these inspections or investigations, the SESC may make recommendations to the Commissioner of the FSA etc. to take administrative disciplinary actions or recommend for administrative monetary penalty payment order.

## Certified Public Accountants and Auditing Oversight Board

### Ensuring Confidence in Audit

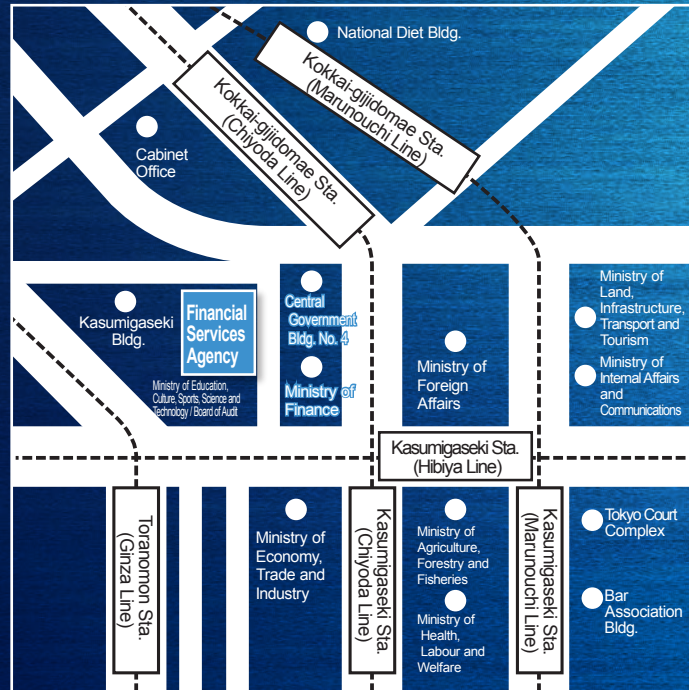
The Certified Public Accountants and Auditing Oversight Board (CPAAOB) consists of a chairperson and nine commissioners appointed by the Prime Minister. The CPAAOB exercises its authority independently from the FSA.

The CPAAOB reviews and examines reports on Quality Control Reviews on audit firms conducted by the Japanese Institute of Certified Public Accountants, and if necessary, conducts on-site inspections. In case that the serious deficiencies are found in the firm's quality control, the CPAAOB recommends that the Commissioner of the FSA take administrative actions.

The CPAAOB is also responsible for the fair and smooth implementation of CPA examinations as well as the examination/deliberation of disciplinary actions against CPAs and audit firms. Through these activities, it endeavors to ensure and improve the quality of audits and secure the reliability of accounting audit in Japan.

Moreover, it also works to ensure and improve the quality of global audits through active participation in the International Forum of Independent Audit Regulators (IFIAR),\* for example.

\* IFIAR is the only international financial organization that has its secretariat in Japan (Tokyo).



## Financial Services Agency

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### Access

(By subway)

- 6-minute walk from Toranomom Station on Ginza Line (G07)
- 6-minute walk from Kasumigaseki Station on Chiyoda Line (C08) or Hibiya Line (H07)
- 9-minute walk from Kasumigaseki Station on Marunouchi Line (M15)
- 7-minute walk from Kokkai-gijidomae Station on Marunouchi Line (M14) or Chiyoda Line (C07)