

## Japan Securities Dealers Association

### **1. Response to FATF fourth round of mutual evaluations of Japan and release of AML/CFT report**

- The FATF on-site evaluation was performed from October 28 to November 15. Thank you to all who cooperated with the on-site evaluation.

On the other hand, as we have mentioned, for anti-money laundering and combating the financing of terrorism (“AML/CFT”) measures, together with the importance of thorough enforcement of basic actions at the time of transactions in daily business, the voluntary confirmation of the state of affairs and continuous reviews by the management ranks are necessary regarding items which require continuous establishment of AML/CFT regime from the medium to long term point of view, such as ongoing customer due diligence.

Going forward, the involvement of the public and private sector are necessary, and we’d like to ask that they continue to do so.

- Also, the FSA published “Current status and challenges of anti-money laundering and combating the financing of terrorism” (AML/CFT report) on October 21. (At major banks, it has already been mentioned at strategic dialogue in October.)
- The purposes of the report are to assist financial institutions with the establishment of more effective AML/CFT regime, and also to help the users of financial institutions to understand the current status and challenges of anti-money laundering and combating the financing of terrorism through providing them with the trends and examples that we have obtained through the monitoring that has been carried out up to this point.

## **2. Customer-oriented business conduct**

- Since the announcement of the “Principles for Customer-oriented Business Conduct,” the number of financial institutions that have adopted the principles has been steadily increasing, but there are business categories that the ratio of financial institutions have not yet announced the results of the initiative is still high.

As the FSA recommends not only the adoption of the principles but also the announcement of the results of the initiative (their respective KPIs and the common comparable KPIs), only financial institutions who make a total announcement that includes the results of the initiative from among the financial institutions that have adopted the principles and announced their policy will be published in the financial institutions list, starting from those to be compiled and announced as of the end of December of this year.

## **3. Efforts to promote innovation**

- Based on the “Financial Services Policy: Assessments and Strategic Priorities 2019” and from the point of view of promoting sound innovation, the FSA is continuing to support financial institutions and FinTech companies that are working to promote efforts for the creation of new financial services.
- Regarding all matters for consultation, including those brought before the Local Finance Bureau, we are conducting better information sharing and close cooperation between the FSA’s Supervision Bureau, Policy and Markets Bureau, and Strategy Development and Management Bureau, and responding in a smoother and more timely manner. In particular, we identify the following fields are requiring careful attention: (i) information utilization, (ii) implementation of blockchain technology, (iii) use of AI and big data, and (iv) payment systems.

- Until now, FinTech Support Desk, which is responding to consultations related to new efforts regarding FinTech, has been utilized primarily by FinTech companies, but it is also accepting consultations from those at financial institutions, so if they face any troubles when considering new initiatives, we would welcome their proactive use of FinTech Support Desk.
- Also, FinTech Proof of Concept (PoC) Hub, which provides continuous support regarding unprecedented PoC projects by FinTech companies and financial institutions, is strengthening support for socially significant PoC projects. Going forward, we plan to provide even more proactive support with a focus on the four previously mentioned fields, so we would appreciate it if you do not hesitate to consult with us regarding such PoC projects.

#### **4. Actions necessitated by Typhoon Hagibis**

- (1) Package of measures to rebuild the lives and livelihoods of those affected by the disaster
- Based on a direction from Prime Minister Abe to quickly deliver a package of measures to rebuild the lives and livelihoods of those affected by the disaster, the Livelihood Support Team for those Affected by Typhoon Hagibis determined the “Package of measures to rebuild the lives and livelihoods of those affected by the disaster” on Thursday the 7th.
  - As an FSA policy, the items of
    - Support for the adjustment of debts for those affected by natural disasters
    - Appeals to financial institutions for support for those affected by the disaster
    - Providing notification on the insurance contract inquiry contact point

## Extraordinary measures concerning the Money Lending Business Act

### Extraordinary measures for the identity verification under the “Act on Prevention of Transfer of Criminal Proceeds”

Are included in the “Extraordinary financial assistance for those affected by the disaster.”

- Based on this package, the FSA plans to promote the support measures for those affected by the disaster with all its capacities while cooperating with the related ministries. In regards to financial institutions, we ask that they understand the details of the package and continue providing proactive support to those affected by the disaster.

### (2) Financial facilitation, etc., based on the current situation of the disaster and other factors

- The FSA, together with joint signatory the Bank of Japan, has requested “Financial Measures against disasters associated with Typhoon Hagibis of 2019.”
- Also, after the aforementioned request, the FSA has been dispatching its personnel, including its management members, to disaster-stricken areas since October 23. We are working to learn as much as possible from those affected by the disaster and local financial institutions, etc., about the damage situation and needs of the area.
- Taking into account the severe, widespread damage this disaster has inflicted upon small and medium enterprises and based on the needs of those affected by the disaster determined by the dispatch of personnel, the FSA issued a call for the “Facilitation, etc., of finance based on the current situation, etc., of the disaster associated with Typhoon Hagibis of 2019” on November 11.
- The specific items set forth in the call are as follows:
  - To endeavor to understand the situation and needs of individuals

and business operators affected by the disaster and to provide beneficial information to those affected by the disaster, such as information on all kinds of subsidies that contribute to support for those affected by the disaster

- Taking into account reports of secondary damage caused by this disaster, such as having an impact on the supply chain and damages caused by misinformation, in addition to financial support, to endeavor to provide meticulous, flexible support that responds to the situation and needs of business operators affected by the disaster for market expansion and matching through proactive cooperation with other financial institutions and related local government organizations
- To proactively understand the customers' intent and provide timely, appropriate support for those affected by the disaster who face problems with double loans, business continuity, or business succession, while cooperating with the relevant organizations such as the Regional Economy Vitalization Corporation of Japan and the Small and Medium Enterprise Economy Vitalization Council, and the Business Succession Support Center
- While we are aware that financial institutions operating in disaster-stricken areas are proactively endeavoring to support those affected by the disaster, based on these calls to action we once again ask that they put themselves in the position of those affected by the disaster and upon adequately understanding their needs and opinions, proactively cooperate with other financial institutions and relevant organizations, and respond with detailed support toward restoration and reconstruction.
- Also, in regards to insurance companies, based on these calls to action we once again ask that they put themselves in the position of those affected by the disaster and respond flexibly by considering prompt insurance payments and extending grace periods for the

payment of insurance premiums.

## **5. Meeting to exchange opinions with local securities companies**

- As stated by Commissioner Endo at this meeting in July, we have been establishing in the current administrative year as a venue for the exchange of opinions among the leaders of the FSA, the directors of the local finance bureaus and the managers of local securities companies, we hope to hear the managerial problems faced by local securities companies and the honest opinions and requests of the relevant authorities.
- In the current administrative year, we are planning to exchange opinions with local securities companies under the jurisdiction of the Kanto, Kinki, Tokai, and Hokuriku Local Finance Bureaus. We have already exchanged opinions with local securities companies under the jurisdiction of the Kinki Local Finance Bureau (a total of 14 companies) on October 23. We are making arrangements to use the meeting of the Japan Securities Dealers Association Tokyo District Council on the 22nd of this month to exchange opinions with securities companies under the jurisdiction of the Kanto Local Finance Bureau, and the securities social gathering organized by the Japan Securities Dealers Association Nagoya District Council in next December to exchange opinions with securities companies under the jurisdiction of the Tokai Local Finance Bureau.
- The FSA has presented on the “Financial Services Policy: Assessments and Strategic Priorities” of this administrative year, but we have learned through our dialogues with financial institutions that “Psychological Safety” is important. At these meetings, we will endeavor to build a relationship of trust in which it is easy for anyone to consult with the FSA, and to create an atmosphere in which more in-depth dialogues can be held.

(Provisional translation)

- Going forward, we plan to roll out preparations for this kind of venue, so we would appreciate your honest opinions.