

(Provisional translation)

Japan Securities Dealers Association

1. Public Comments on the Draft Amendments to the Guidelines for Supervision toward the Commencement of Transactions at Comprehensive Exchanges

- Toward the commencement of transactions at comprehensive exchanges, the FSA started to seek public comments on the draft amendments to the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators on February 10. The draft amendments add points which require particular attention from financial instruments business operators when soliciting customers and providing explanations in regard to commodity-related market derivatives transactions. Securities dealers planning to engage in commodity-related market derivatives transactions are recommended to confirm the details of the draft amendments and present opinions if any.
- Securities dealers already engaging in commodity-related market derivatives transactions need to complete the registration of changes by the time when comprehensive exchanges are opened. The FSA has received consultation on this matter from some dealers, but as a certain amount of time is required for examinations, please take the required actions promptly.
Securities dealers intending to newly commence commodity-related market derivatives transactions upon the opening of comprehensive exchanges are especially recommended to consult with the FSA regarding the registration of changes ahead of time.
- We understand that the Japan Securities Dealers Association has been proceeding with measures for starting procedures for registration of sales representatives, but we further ask you for continued cooperation for the opening of comprehensive exchanges.

2. Responses to the COVID-19 (novel coronavirus) pandemic

- On February 7, the FSA issued a request to financial institutions regarding required responses to the COVID-19 pandemic in consideration of the status of the spread of infection in and outside Japan and its impact on companies.
- Specifically, the FSA requested the following:
 - Endeavor to collect information on COVID-19 infection.
 - Make utmost efforts to alert employees, thoroughly clean workplaces, check employees' health conditions, and put in place measures to be taken in a case where any of the employees becomes infected, while taking proper countermeasures to prevent infection.
 - Regarding companies seriously affected by the infection, provide business consultation meticulously such as by making visits to relevant companies, and take appropriate support measures, including the provision of funds necessary for continuing businesses and the modification of terms of existing loans.
 - Make flexible responses to requests concerning financial services from customers who were forced to stay in designated facilities or were otherwise affected by the infection.
- The FSA asks financial institutions to prevent the spread of infection and provide positive support for companies in line with the request.

3. Expansion of applicable electronic application procedures

- The Act on Promotion of Administrative Procedures by the Use of Information and Telecommunications Technologies, which was promulgated in May 2019, provides that administrative procedures should be undertaken online, in principle. Therefore, the FSA is now working to expand the scope of procedures for which applications can be filed electronically using e-Gov or other means.
- For achieving online administrative procedures, cooperation from financial institutions, which submit application documents, is indispensable. The FSA

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continuously requests financial institutions to adopt electronic means wherever possible to undertake procedures, instead of paper-based procedures.

- We understand that companies that have yet to adopt electronic applications are also proceeding with preparations for adoption, but please develop the relevant system by around the end of February and shift to electronic applications.
- Upon adoption of online administrative procedures, financial institutions may need some operational changes for part of clerical work. The FSA will take necessary measures to the extent possible so as to avoid confusion in operation of financial institutions. If you have any questions or inquiries, please do not hesitate to ask us.

4. Financial Industry-wide Cybersecurity Exercise (Delta Wall IV)

- The FSA present an evaluation of the actions and decision making during the Financial Industry-wide Cybersecurity Exercise (Delta Wall IV), which was conducted in October 2019, to every single participating financial institutions on January 31, 2020.
- We will feed back the outcome to the financial industry as a whole so that problems and best practices found through the exercise can be referenced also by financial institutions that did not participate in the exercise.

5. Visualization of the initiatives of Customer-oriented Business

Conduct

- On February 6, 2020, the FSA publicized the "List of financial institutions that have adopted the Principles for Customer-oriented Business Conduct and have announced their respective KPIs and the common comparable KPIs" and the "Status of the visualization of the initiatives regarding Customer-oriented Business Conduct." Please take a look at them.

6. Further utilization of the Financial Policies Monitor System

- In January 2016, the FSA established a Contact for Financial Policies Monitor as a mechanism wherein external experts directly receive frank opinions and suggestions concerning financial policies as neutral third parties and convey such opinions and suggestions to the FSA for reflection in its financial policies.
- Under this system, when opinions are conveyed from Financial Policy Monitors to the FSA, data with which an individual or organization of affiliation can be identified are all masked to strictly assure anonymity of persons who presented opinions or suggestions. Additionally, during a financial inspection, the FSA never inspects details of the discussions within a financial institution leading to the submission of opinions on financial policies under this system.
- There have been multiple cases where opinions or suggestions from financial institutions led to reviews of specific regulations or supervision by the FSA. We hope for continued utilization of the Financial Policy Monitor System by financial institutions as one of the channels to convey their opinions and suggestions concerning financial policies to the FSA.

(Reference) Concrete example of an opinion from a financial institution leading to a review of regulations or supervision

Review of the uniform standard of "missing 1 million yen or more" as a standard to require reporting of the occurrence of misconduct under the Banking Act (2017)