

### 1. Responses to Damage due to the Heavy Rain in July 2020

- First of all, we express our condolences and sympathies to victims of the heavy rain. We appreciate that securities companies have taken action flexibly, such as making the utmost efforts to respond to disaster victims' requests for same-day refunds for sale or cancellation of their deposited securities, etc. Please continue taking action kindly from the standpoint of disaster victims.

### 2. Responses in Consideration of the Impact of the COVID-19 Infection

- Under the declaration of a state of emergency, the FSA requested securities companies to continue necessary services in the market while making efforts to minimize the attendance of staff by basically utilizing remote functions for the purpose of preventing the spread of infection. Also after the declaration was cancelled, securities companies are endeavoring to develop systems for continuing services while taking infection control measures, based on the Guidelines for Preventive Measures against COVID-19 in the Securities Industry compiled by the Japan Securities Dealers Association.
- From now on, we need to balance infection control measures and socioeconomic activities, and non-face-to-face services may be increasingly required in the process of shifting to a new lifestyle in the post-COVID 19 era. How to build a far-sighted sustainable business model is a big challenge. Securities companies are required to reconsider means to ascertain investors' needs and provide optimal services accordingly

### 3. Past Initiatives of the FSA

- The ultimate goal of financial administration is to enable the citizenry to lead rich lives through stable asset building, etc. Therefore, the FSA has endeavored to create a virtuous cycle of funds that will contribute to asset building of the final beneficiaries, or a so-called investment chain. It is necessary to optimize the flow of

funds to households, the final beneficiaries, by ensuring that each participant of the investment chain fulfills expected roles.

- In this investment chain, securities companies are expected to play roles as mediators and gatekeepers in the market. More specifically, they are expected to provide quality financial instruments and services in accordance with diverse investor needs. In order to secure users' trust and sense of safety, providers of financial instruments and services must build an effective compliance management system based on the purport and purpose of relevant laws and regulations. Needless to say, it is important for securities companies to build their own sustainable business models.
- Some of the initiatives of the FSA from these perspectives are introduced below.

#### (1) Securities companies' business models

- The business environment for securities companies is shifting to non-face-to-face services amid the COVID-19 pandemic. Moreover, securities companies are facing severe business environment including population declines, aging of customers and continued low interest rates. The challenge for securities companies is to build an appropriate business model to ensure stable earnings and financial strength.
- The FSA has conducted monitoring of securities companies focused on their business models for the past two years. We recognize business models may vary by size and type of the firm, the followings are our findings:
  - As for major securities companies:
    - They have come to set up strategies prioritizing fee-based revenue from customer assets in recent years and in order to promote such new strategies, they have adopted the new system of personnel evaluation of sales representatives, which place importance on increases in their customer assets on a stock basis. These efforts are prevailing.
    - In addition, firms have been steadily taking cost cutting measures, such as the elimination and consolidation of existing branches and the use of upstairs

properties instead of street-level ones for better utilization of limited business resources. Also, a firm has been expanding networks by actively opening low-cost branch offices without back-office function, aiming to increase their customer base.

- There are also moves to shift customer accounts from face-to-face channels to non-face-to-face channels in response to customer needs.
- On the other hand, as will be discussed later, we also recognize that there are cases that the solicitation are with insufficient awareness of the principle of suitability thoroughly or efforts for calling customers' attention.
- With regard to second-tier and network securities companies:
  - Under a severer earnings environment due to reduction of brokerage commissions, etc., some have successfully achieved results through their efforts to secure revenue sources, such as the adoption of diverse business models, diversification of business activities, and capital and business partnerships, but on the other hand,
  - others have failed to bring results despite various efforts, or
  - have only maintained existing business models and have not reviewed their earnings structures.
- Many of the regional securities companies are facing difficulties in continuing conventional face-to-face services amid further population aging, the advancement of IT, and a trend of removing transaction fees, and have been unable to take any effective measures. Nevertheless, some are making efforts as follows in order to build sustainable business models:
  - A case where the top management team presented a determined direction and the company had made efforts to increase the balance of investment trusts on a long-term basis. As a result, customers have come to hold investment trusts longer and this has worked to stabilize earnings from trust fees or has otherwise exerted a positive impact on the company's business management;
  - A case where the company continues efforts to diversify financial instruments

it deals in while maintaining a certain level of earnings from sources other than stocks, and has been placing importance on local communities and promoting an initiative to assist local companies with their efforts to expand financing methods under a "shareholder community system," etc.

- Securities companies are expected to continue their efforts to build a sustainable business model.

## (2) Customer-oriented business conduct

- Since publishing the Principles for Customer-Oriented Business Conduct in March 2017, the FSA has promoted companies' efforts by (i) encouraging companies that adopted the Principles to make their initiatives visible and (ii) having dialogues with companies selling investment trusts, etc.
- As a result, the number of securities companies that have formulated the policies for respective conduct based on the Principles and have published the common KPIs has been increasing.

(Reference) As of the end of March 2020, among companies engaging in type I financial instruments business, 242 formulated their policies for respective conduct based on the Principles, 82 published their own KPIs and 76 published the common KPIs (an increase of 28 companies from the end of March 2018)

- However, as the policies themselves are only conceptual and lack of specifics, there is some concern that the formulation of the policies may not necessarily lead to concrete action or information provision in sales activities for customers.
- Therefore, the FSA considers that a virtuous cycle to be aimed at visualizing initiatives based on the comprehensive implementation of the Principles ([i] Customers check outcomes of various companies' efforts for the conduct and select the best suited company. → [ii] Companies make recommendations based on customers' lifestyles and product segmentations. → [iii] Customers compare multiple similar financial instruments and make investment decisions.) has yet to be common generally.
- Unfortunately, the monitoring of securities companies revealed cases where sales

personnel caused elderly customers to repeat stock transactions frequently or where sales personnel stopped cancellations of investment trusts against customers' will.

- On the other hand, good examples were also found through the monitoring:
  - An example of Ichiyoshi Securities, which internally and externally clarifies the company's policy not to deal in financial instruments whose contents are too complicated and difficult to understand or are evidently unsuited for medium to long-term asset building even if they sell well, and intends to fully disseminate customer-oriented business conduct among sales personnel;
  - An example of the Bank of Fukuoka, which recommends diversified investments to customers based on its original model portfolio tailored for the attributes of the customers;
  - An example of Resona Bank, which develops experts who can respond to diverse customer needs concerning inheritance and succession of assets, and endeavors to clarify sales personnel's career path.
- In light of such circumstances, the Working Group on Financial Markets under the Financial System Council has had discussions again mainly focused on reviewing the Principles. As a background, there have been moves to require companies selling financial instruments to act for the best interest of customers as ruled in the "Regulation Best Interest" of the United States and the EU's "Markets in Financial Instruments Directive II (MiFIDII)." These examples suggest that specific rules had to be introduced because the industry side had not necessarily acted for the benefit of customers in foreign countries as in Japan. The Working Group discussed how to deal with this problem in Japan and compiled the conclusion into a report, which states that a return to rule-based regulations should be avoided and the FSA should have more detailed principle-based dialogues with financial institutions and encourage them to visualize their initiatives to enable customers to make comparisons and selections easily. The report will be published in due course but managers of securities companies are encouraged to strengthen earnest efforts to fully disseminate customer-oriented

business conduct in consideration of the Working Group's discussion on this issue.

- The FSA will also step up its efforts to provide relevant information to the general public, such as by planning events in conjunction with programs for financial education, etc.

### (3) Building of a principle-based compliance management system

- The FSA has ascertained financial institutions' current status of compliance risk management through dialogues with managers of multiple financial institutions based on a risk-based approach as presented in the JFSA's Approach to Compliance Risk Management, which was published in October 2018.
- From the perspective of preventing a hindrance to securities companies' ingenuity and creativity caused by more uniformly excessive regulations on securities companies, compared to those on other types of financial institutions, the FSA repealed the Securities Inspection Manual that was in a form of a checklist and had been uniformly used for verification (on June 26, 2020). The FSA asked the Japan Securities Dealers Association to check and review their self-regulatory rules as to whether principle-based regulations and rule-based regulations are optimally mixed in a mutually complementary manner.
- Revisions of self-regulatory rules seem to have run behind schedule partly due to the impact of the COVID-19, but the FSA understands that securities companies are now reviewing (i) rules for elderly people, (ii) regulations on churning, and (iii) regulations on advertisements, etc. The FSA considers it significant to establish principle-based regulations and supervision through these efforts.
- On the other hand, the monitoring for the last two years revealed multiple cases that do not fall under legal violations but are inappropriate from a principle-based perspective.
- For example, the following cases of major securities companies were found:
  - (i) A case of inappropriate information provision that may significantly damage

the fairness and transparency of the market;

(ii) A case of a lack of explanations in accordance with customers' experience or explanations to have customers recognize possible specific risks.

- Fundamental causes of these problems in compliance at that time are considered to include the following:
  - An environment where sales representatives considered it all right as long as they did not fall under legal violations, and inappropriate acts were generally disregarded;
  - A corporate culture of imposing excessive pressure by setting sales goals without giving consideration to the actual situation of the each branches, prioritizing company's interest over customers' interest and compliance.
- The FSA has had dialogues with the companies involved in these cases to raise their awareness, and they are taking the following measures to change awareness internally and strengthen their governance based on fundamental causes of problematic conduct:
  - Develop conduct-related internal rules and review personnel evaluation systems;
  - Build a system for monitoring customer-oriented business conduct and principle-based quality of sales activities;
  - Rather than merely conducting rule-based checks formally, internally check and verify the status as to whether appropriate solicitation are being made in line with customers' risk tolerance and needs and whether appropriate explanations are being provided in accordance with customers' comprehension.
- Major securities companies have been thus taking measures for improvements based on fundamental causes. However, among second-tier and other securities companies, there are still cases of insistent solicitation or prevention of withdrawal with little regard for customers' intentions. That means, fundamental causes of problematic conduct which major securities companies used to have, seem to remain persistently in such middle size companies.

- As a premise for principle-based regulations and supervision, companies need to perform operation with strict self-discipline. In order to avoid returning to uniformly applied rule-based regulations and supervision, the top managements are requested to accurately ascertain the current status of their own compliance and utilize the PDCA cycle appropriately for building a principle-based compliance management system.

#### (4) Enhancement of the asset management business

- In order for stable asset building by the people, asset management companies, etc. fulfilling a function to manage assets in the investment chain must strengthen their ability and offer medium to long-term achievements to investors. With such understanding, the FSA compiled the current problems and future directions into the "Progress Report on Enhancing the Asset Management Business 2020" and published it on June 19, 2020.
- Financial groups engaging in the asset management business are required to strengthen their ability while placing the top priority on customer interest. The understanding and cooperation of all the groups, including parent companies, are indispensable for advancing required measures, not to mention efforts by asset management companies themselves.
- From such perspective, the FSA has had dialogues with parent companies of financial groups, not only with asset management companies. However, frankly speaking, there were large gaps among financial groups in levels of awareness and progress in efforts for business enhancement.
- As mentioned in the Progress Report, we found through the monitoring the following specific cases wherein efforts for business enhancement have been made with clear future directions set up for the entirety of a financial group:
  - The SMFG and its affiliated company, Sumitomo Mitsui DS Asset Management Company, carried out management reforms by appointing persons with rich experience in the asset management business from outside

the group as managerial personnel.

- The MUFG clarified its intention to promote the group's asset management business centered on its affiliated company, Mitsubishi UFJ Trust and Banking Corporation.
- The Nippon Life Insurance Group has strengthened the group's management business by such means as having its affiliated company, Nissay Asset Management Corporation, utilize know-how on asset management held by the group.
- On the other hand, some financial groups have not clarified the goals and strengths of the group as a whole or their affiliated companies and have not had discussions for business enhancement.
- In particular, asset management companies affiliated with securities companies include the following:
  - A company considered to be in need of improvements in members of the board of directors, which mainly consists of personnel in the group, by increasing persons with sufficient understanding of the asset management business;
  - A company considered to be in need of improvements in its fund governance, including restraints by a third party;
  - A company considered to be in need of specific measures for improving performance of active funds, which is currently inferior to other companies.
- It is not that a company's management system is considered to be appropriate only with the existence of managerial personnel appointed from outside the financial group or that a person without years of experience of engaging in the asset management business is not suited as a manager of an asset management company. It is important for each financial group to consider and build an optimal management system with clear intention and aim, not merely appointing personnel sequentially from within the group as before, for the purpose of promoting group-wide efforts to achieve the asset management business it aims at.

- The Progress Report also states that companies should focus on financial instruments that may achieve good performance over the medium-to-long term rather than merely increasing the number of instruments to provide, and that companies should ensure fund management from the perspective of prioritizing customer interest such as through redemptions or consolidations of unprofitable funds and small investment trusts whose mid- to-long term performance is deteriorating.
- Recently publicly-offered investment trusts were consolidated for the first time in Japan. This was a significant step forward, but securities companies are requested to further strengthen fund management and make redemptions or other required responses from the perspective of prioritizing customer interest. In particular, the understanding and cooperation of companies selling investment trusts are indispensable for redemptions and consolidations, and securities companies are expected to consider means from the perspective of ensuring medium to-long term interest of customers.
- Needless to say, financial groups engaging in the asset management business are entrusted with customers' assets and assume fiduciary duty. They are to take concrete measures to strengthen their asset management ability, with the understanding and cooperation of all the financial groups, so as to develop and provide customer-oriented financial instruments and achieve better performance. The FSA will have ongoing dialogues not only with asset management companies but also with the parent companies of their groups, including managerial personnel, to promote their efforts for business enhancement.

#### (5) Efforts to facilitate households' asset accumulation

- Financial education aims to encourage households to build their assets stably based on appropriate financial literacy and have them select financial institutions that provide customers'-interests-prioritized services and financial instruments with favorable performances. In this sense, financial education is crucial for the

investment-value-chain functioning effectively. Accordingly, the FSA has carried out various educational activities for these two years; (i) face-to-face events, (ii) online events, and (iii) refining contents for financial education programs.

- In addition to the FSA, relevant industries have been seen as indispensable contributors for promoting and materializing financial education initiatives
- The Committee for the Promotion of Financial Education, including constituents of academic and industrial experts, exclusively oversees public the financial education initiatives as a whole in Japan.
- The FSA appreciates JSDA's contribution as a key player participating the Committee to fulfill the mission to continue delivering effective financial education programs in Japan.
- It is also important to take taxation treatment to support long-term, dollar-cost-averaging method, and diversified investments for the purpose of promoting households' stable asset accumulation. Through the tax reform for FY2020, the NISA (Nippon Individual Savings Account) scheme was reviewed and extended the originally-set scheme termination period with the cooperation of the securities industry. We take this opportunity to express our gratitude to you.
- Today, data on NISA as of the end of March 2020 are to be published. The numbers of general NISA accounts and Tsumitate NISA accounts reached around 11.86 million and 2.20 million, respectively. Both have been showing steady increases since the commencement of the scheme, The FSA would like to continue efforts to achieve the ultimate goal together with you.

#### **4. Strengthening of the Japanese Market's Function as an International Financial Hub**

- Strengthening the Japanese market's function as an international financial hub for Asia and the whole world will contribute to creating jobs and new industries and enhancing the economic power of Japan, and at the same time will have significance in making Asian and international financial markets more resilient to geopolitical risks and disaster risks, etc. The national government will further strengthen the

Japanese market's function as an international financial hub.

- Accordingly, the FSA will also strengthen measures for the following, for example:
  - To develop an environment for accepting foreign financial institutions, etc. by such means as accelerating procedures for their registration and providing financial administration services in English, etc.;
  - To promote acceptance of foreign professionals, such as financial experts;
  - To enhance asset management in Japan;
  - To fundamentally strengthen marketing promotion activities under the initiative of the national government.
- In order to make the Japanese financial market open to the world, the roles to be played by self-regulatory associations and the financial industry are important, in addition to the roles of the national government, and your understanding and cooperation are indispensable. For example, with regard to the development of an environment for accepting foreign financial institutions, etc., there are requests from related parties for (i) the unification of the details and forms for making reports to self-regulatory associations and the utilization of cloud services and portals, (ii) the provision of self-regulatory services in English, and (iii) the creation of a system to introduce compliance officers. The FSA would like to consider and discuss problems and solutions for strengthening the Japanese market's function as an international financial hub, including responses to the aforementioned requests, together with you. Please provide us with your opinions and ideas.

#### 5. Further Utilization of the Financial Policies Monitoring

- The Financial Policies Monitoring is a mechanism to feed back people's candid opinions, suggestions, criticisms, etc. concerning financial administration in general to the FSA via financial policies monitors.
- One of the advantages of the system is that opinions can be presented indirectly and anonymously. Any complaints concerning the framework of the administration as a whole, for example, may be made frankly.

- We hope that the general public fully understand the purpose of this system as a channel to feed back candid opinions to the FSA and will positively utilize it to present opinions.

#### 6. Review of Conventional Systems and Practices Requiring Documents and Seals, etc.

- Based on an instruction from the Prime Minister, the Council for Promotion of Regulatory Reform deliberated requests, which were collected from some business associations concerning the review of conventional administrative procedures requiring documents, seals and face-to-face contact, as one of the countermeasures against the COVID-19 infection, and recently compiled the results of the deliberations into the Report on Promotion of Regulatory Reform.

(Review of procedures requiring documents, seals and face-to-face contact between the public sector and the private sector)

- The Report on Promotion of Regulatory Reform states that ministries and agencies should make emergency responses regarding administrative procedures requiring documents, seals and face-to-face contact as promptly as possible until the COVID-19 pandemic ends, and should also take permanent institutional measures.
- Against such a background, the FSA will issue a notice within days to announce the following emergency responses until institutional measures, including computerization and legal amendments, are put in place, with regard to financial institutions' applications and notifications to be filed with the FSA. We appreciate your cooperation.
  1. Applications and notifications, etc. for which e-Gov-based system or the Financial Services Agency Business Support Integration System cannot be used may be filed by e-mail, in principle, until these systems are made available. Applications and notifications, etc. for which these systems can be used may also be filed by e-mail if an applicant or a notifier does not have the relevant online environment for submission.
  2. Applications and notifications, etc. without seals (and without seal registration

certificates) are also considered to be valid.

3. With regard to attachments that are issued by public organizations (a certificate of registered information, copy of the certificate of residence, identification card, certified copy of the family register, etc.), they may be submitted in the form of electronic data on the premise of sending their originals later within around one month.

(Review of procedures requiring documents, seals and face-to-face contact between the Japan Securities Dealers Association and its members)

- We request you to eliminate documents, seals and face-to-face contact for the submission of reports, notifications, etc. from your members to the extent possible based on the aforementioned policy of the national government.

(Review of procedures requiring documents, seals and face-to-face contact among the private sector)

- The FSA established the "Panel for Reviewing Procedures Requiring Documents, Seals and Face-to-Face Contact in the Financial Industry" and has held meetings twice so far. We appreciate your participation in meetings.
- After the establishment of the Panel, the Cabinet Office, Ministry of Justice, and Ministry of Economy, Trade and Industry published a document, "Q&A on Seals," and the Report on Promotion of Regulatory Reform was also published on July 2 as mentioned earlier. At the Panel, we would like to sort out problems in reviewing the conventional procedures in the financial industry and promoting computerization based on those published documents, and discuss means for solving them.
- The declaration of a state of emergency, which had been issued in response to the spread of the COVID-19 infection, was cancelled, but financial institutions are required to continuously provide financial services as economic infrastructure at any rate and should make efforts to make it possible to handle all procedures remotely in preparation for future emergencies. While the digitalization of economy and society has been accelerated globally, it is becoming increasingly significant to facilitate digitalization also in the Japanese financial industry for the purpose of

improving customer convenience and enhancing productivity.

- Digitalization will not only contribute to improving work efficiency and reducing cost but also help financial institutions expand business through sophistication and diversification of financial services backed by digital technologies, which will lead to the improvement of customer convenience. Some financial institutions have already started various initiatives to accelerate digitalization and whether or not to make positive efforts for digitalization may affect their business performances.
- In order to promote digitalization, financial institutions need to fundamentally review their deeply-rooted conventional practices and awareness and create a new workflow on the premise of digitalization under far-sighted clear strategies. Such fundamental reform cannot be left to working-level officials, and the initiative of the top management team is indispensable. We expect your strong leadership.

#### 7. Roadmap, etc. for the Japanese Yen Interest Rate Benchmarks toward the Permanent Cessation of LIBOR

- The spread of the COVID-19 infection seems to have been affecting countries' progress for the transition from LIBOR, but the Working Group and British authorities announced that the schedule of the permanent cessation of LIBOR at the end of 2021 would remain unchanged. As the Financial Stability Board (FSB) also confirmed that the permanent cessation would be indispensable for strengthening international financial systems, Japan also needs to work on reforming interest rate benchmarks, while bearing in mind the deadline of the end of 2021.
- The Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks plans to compile the "Transition Plan in Preparation for the Permanent Cessation of LIBOR" ("Japan's Transition Plan") on July 16. Financial institutions are requested to take measures in line with the schedule presented in Japan's Transition Plan. On June 1, the FSA sent a "Notice to the CEO for the Purpose of Ascertaining the Progress of Measures for the Permanent Cessation of LIBOR" (so-called Dear CEO Letter) to managers of major financial institutions. It is necessary for financial institutions to advance their measures in preparation for the permanent cessation of LIBOR with

proactive and positive involvement of managers by referring to the content of the Dear CEO Letter.

- Financial institutions are also requested to review their individual transition plans as to whether they are feasible and whether any additional actions are required, and to update them as needed.
- The FSA will conduct monitoring and check whether financial institutions are properly taking measures in line with their individual transition plans. In particular, deliberations on the ISDA Fallback Protocol will be finalized within the second half of this year, and fallbacks will become applicable for ISDA derivatives transactions among parties that have ratified the Protocol. Additionally, the Working Group will materialize a spread adjustment methodology and this will make consultations with customers smoother. Financial institutions are thus expected to be able to make significant progress in the transition to alternative reference rates or modification of contracts containing fallback clauses.
- The FSA plans to survey the status of the use of LIBOR as of the end of this December at the beginning of the next year to check progress in financial institutions' efforts for transition. If a delay is found based on the survey results, we may ask relevant financial institutions to make more detailed reports. As there is not much time left until the end of 2021, managers of financial institutions should responsibly take required measures so as not to cause any confusion among customers upon the cessation of LIBOR.

#### 8. Publication of the Results of the Monitoring by the Strategy Development and Management Bureau in 2019 Business Year

- The results of the monitoring that the Strategy Development and Management Bureau conducted last business year were published. We hope financial institutions refer to them in their operations.
- The FSA compiles monitoring results as materials for dialogues with financial institutions to improve their operations. Financial institutions are expected to utilize

the monitoring results and devise means to develop their management system and enhance business. The FSA also intends to utilize the monitoring results in dialogues and monitoring in the future.

#### 9. Recent Activities of the IOSCO

- On June 26, the International Organization of Securities Commissions (IOSCO) published “Good Practices on Processes for Deference” as part of its efforts to avoid so-called market fragmentation, which was one of the priorities at the 2019 G20 under the Japanese presidency.
- Deference is an overarching concept to describe the reliance that authorities place on one another when carrying out regulation or supervision of participants operating cross-border. One example of deference is recognition, which is based on a jurisdiction’s assessment of a foreign regime as equivalent to its own. The FSA co-chaired the working group, which compiled a report presenting eleven good practices for improving and enhancing processes for deference. The FSA understands this report has significance in avoiding unintended and potentially harmful market fragmentation, which could for instance impair market efficiency.

#### 10. Promotion of Financial Digitalization

- In the 2018 business year, the FSA set up the financial digitalization strategy as a new pillar of financial administration and has been promoting eleven measures. In the 2019 business year, the FSA reorganized the strategy into new initiatives in the five major fields, in light of the progress made in the digitalization of the domestic and international economies, and has accelerated its efforts for financial digitalization.
- The spread of the COVID-19 infection triggered the introduction of teleworking and efforts for providing various services remotely or online. Digital transformation is thus expected to progress rapidly in Japan, and the FSA will endeavor to keep up

with such trend and take measures in a forward-looking manner.

- In this business year, the FSA will take on new challenges, such as the holding of hackathons for promoting RegTech/SupTech and the establishment of a consortium to tackle problems in data collaboration between FinTech businesses and financial institutions for enhancing security to further promote data utilization.
- The FSA will continuously support challenges of diverse players who aim to create new financial services that will lead to the enhancement of user convenience and productivity. We would encourage anyone in the financial industry who finds a problem in financial administration while making efforts for promoting sound innovation to present opinions and proposals frankly.

(Reference) Financial digitalization-related measures incorporated in the Follow-up on the Growth Strategy

iv) Promotion of innovations such as commercialization of FinTech

- In relation to collaboration between banks and electronic payment service providers, the status of transition from screen scraping to safer API-based data exchange is to be followed up.
- The FSA will endeavor to enhance financial services and administrative management by the use of technological innovation, such as the holding of hackathons for promoting RegTech/SupTech and the establishment of a consortium to tackle problems in data collaboration between FinTech businesses and financial institutions for enhancing security within FY2020.
- In order to achieve the goals of financial administration, including securing of the stability of financial systems, user protection, and prevention of money laundering, in a decentralized financial system based on blockchain technology, where regulation targets (intermediaries) do not exist, the national government will lead global discussions through proactive contribution to the Blockchain Governance Initiative Network (BGIN).
- At the "Enterprise System and Frontrunner Support-Hub" newly established in March 2020, the FSA gives advice concerning legal interpretations, IT governance and risk management to help financial institution's efforts to enhance their enterprise systems.

- The FSA will promote digitalization of financial administration, aiming to enable financial institutions under its jurisdiction to file all applications and notifications electronically within FY2021, from the perspective of facilitating fund provision to companies.

## 11. Concerning BGIN

- At the 2019 G20 Osaka summit, the Japanese national government raised issues of blockchain-based decentralized financial system, and it was agreed internationally that it would be important to strengthen dialogues among a wider range of stakeholders, including regulatory authorities and engineers. In response, the Blockchain Governance Initiative Network (BGIN) was established as a new global network in March 2020, and the first online meeting was held recently. BGIN is an open and neutral organization that anyone can participate in. If you are interested, please participate in this global initiative.
- At present, we are planning to hold the Blockchain Global Governance Conference (BG2C) jointly with Nikkei Inc. on August 24 and 25, which has been postponed due to the COVID-19 pandemic. The details will be updated on the FSA website. We welcome the participation of any interested persons in the financial industry.