

**The main issues raised by the FSA at opinion exchange meetings with
trade associations
[held on February 16, 2021, with the Japan Securities Dealers
Association]**

1. Financial Measures in Response to the 2021 Earthquake Occurred off Fukushima Prefecture

- We express our condolences and sympathies to victims of the earthquake that occurred on February 13.
- The Disaster Relief Act is applied to Fukushima Prefecture in relation to the latest disaster and the FSA issued a notice requesting financial measures to relevant financial institutions, etc.
- We understand that securities companies in the disaster-afflicted areas have been making efforts to continue offering required services while taking infection control measures amid the COVID-19 pandemic, but we must further ask you to fully ascertain opinions and needs of disaster victims and provide support meticulously from their standpoint, based on the notice we issued recently.

2. Continuation of Required Services under the Declaration of a State of Emergency

- On January 7, in response to the issuance of the declaration of a state of emergency, the Minister for Financial Services delivered a statement to request financial institutions to continue offering required services to customers while making the utmost efforts to prevent the spread of infection, not only in areas subject to the declaration.
- In particular, securities companies in areas subject to the declaration are requested to
 - continue required financial services while making the most of remote functions, and

- take sufficient measures to prevent infection for continuing face-to-face services, such as the introduction of an advance reservation system, based on customers' requests.
- We ask for your continued efforts for preventing the spread of infection and continuing required services in response to customers' needs and requests under the current serious situation.

3. Efforts for Achieving the Status of an International Financial Hub

- The national government's financial measures decided at a Cabinet meeting on December 8, 2020, include a policy package concerning the initiative to make Japan an international financial center
- This January, the FSA and Local Finance Bureaus jointly established the "Financial Market Entry Office" to handle all procedures from registration to supervision as a single point of contact by developing and reorganizing the "Financial Market Entry Consultation Desk."
- The FSA will commence a model program, etc. to partially ease statuses of residence in collaboration with the Ministry of Justice and offer support for foreign nationals' business start-ups and daily living also with cooperation of private companies.
- The FSA will endeavor to steadily implement the compiled policy package in cooperation with the securities industry with the aim of increasing the appeal of Japan's financial and capital markets.

4. Review of Procedures Requiring Documents, Seals and Face-to-Face Contact

- The Registration-Electronic Certification System of the Ministry of Justice was renewed and a mechanism to link and share registration information among national government administrative organs was launched last October.
- The mechanism permits the omission of a certificate of registered information to be attached upon applications, etc. under laws and regulations, and the FSA also started

to accept applications, etc. without the certificate. We would like to take this opportunity to disseminate that information.

5. Promotion of People's Acquisition and Use of Individual Number Cards

- Based on the "Policy on Diffusion of Individual Number Cards and Promotion of Utilization of Individual Numbers," which was decided at the Digital Government Ministers' Meeting held on June 4, 2019, the national government has been encouraging people's positive acquisition and use of individual number cards.
- On February 10, 2021, the FSA issued a notice requesting financial institutions' cooperation for disseminating information on sending of application forms with a QR code, which enables easy online applications for individual number cards. We would like to take this opportunity to further ask for your cooperation.

6. Topics Scheduled to be Discussed at This Year's International Conferences

- In November 2020, the Financial Stability Board (FSB) published a report titled "Holistic Review of the March Market Turmoil", analyzing the market turmoil brought about by the COVID-19 shock. Standard setting bodies, including the FSB and the International Organization of Securities Commissions (IOSCO), are continuing to discuss matters regarding the non-bank financial intermediation (NBFII) sectors this year as well.
- It was decided that the work concerning money market funds (MMFs) be carried out from the perspective of overviewing the entirety of the short-term funding markets.
- In addition to the work concerning MMFs and open-end funds, other diverse topics, such as the market microstructure and liquidity provision in corporate bond markets during COVID-19 pandemic, are being discussed.
- At the IOSCO Annual Meeting held last November, IOSCO members discussed priority issues to be addressed in 2021 and decided to focus on issues that may arise from COVID-19 pandemic.

7. International Trends Regarding Sustainable Finance

- This year, each country is expected to accelerate their climate change actions toward the 26th UN Climate Change Conference of the Parties (COP26) to be held in the UK in November. Climate finance will further attract international attention, centered on such viewpoints as the mobilization of private funds to achieve decarbonization, promotion of disclosure of climate-related information, and financial institutions' management of climate-related risks. European countries have been taking the lead in this field. Also the Financial Stability Report published by the Federal Reserve Board (FRB) picked up climate change as one of the risks for financial stability for the first time and the Biden Administration made climate change a priority and has already signed a document to rejoin the Paris Agreement and to put the United States on a path to achieve net zero emissions by 2050. In the 2020 Democratic Party Platform, Democrats had advocated that they will require public companies to disclose climate risks and greenhouse gas emissions.

(IOSCO's Sustainability-related Initiatives)

- IOSCO has also been positively carrying out initiatives concerning sustainable finance. In April 2020, the IOSCO published a report titled "Sustainable Finance and the Role of Securities Regulators and IOSCO," in which it analyzes the sustainable finance issues, including improvement of comparability of companies' sustainability-related disclosure and investor protection concerns such as greenwashing. In order to address these issues, the Sustainability Task Force (STF) was established within IOSCO in June, 2020, and working groups have been engaged in discussions under such themes as companies' sustainability-related disclosure, greenwashing and investor protection, and ESG ratings, respectively. The FSA serves as a co-leader of Working Group III (ESG ratings) together with the European Securities and Markets Authority (ESMA).
- With regard to the companies' sustainability-related disclosure, IOSCO, aiming at working together with the IFRS Foundation and five major private standard setters, presented its intention to support the establishment of a new standard setter and to maintain collaboration with the Foundation for building a comprehensive system of

corporate reporting in its comment letter in response to last year's consultative discussions on the Foundation's report on sustainability. IOSCO's comment letter is consistent with the content of the comment letter of the IFRS Council of Japan, in which the Japan Securities Dealers Association also participated.

- Sustainable finance is a field where international developments are moving very rapidly. The FSA would like to positively participate in international discussions to have Japan's opinions reflected thereon. We hope that we can closely collaborate with you and exchange opinions and information for that purpose.

8. IOSCO Report on Impact of Pandemic on Retail Market Conduct

- In December 2020, IOSCO published a report titled "Initial Findings and Observations About the Impact of COVID-19 on Retail Market Conduct."
- The report compiles case studies of the past crisis and COVID-19 in 2020 and, seeks to assist regulators in responding to the retail market conduct issues caused by stress events such as the current COVID-19 pandemic.
- Please access the FSA website or IOSCO website to read the report.

9. IOSCO Report Titled "Investor Education on Crypto-Assets"

- In December 2020, IOSCO published a report titled "Investor Education on Crypto-Assets."
- Considering that the issue concerning crypto-assets is one of the top priorities of IOSCO as a whole, the report was compiled as a part of a project commenced by the Committee on Retail Investors (Committee 8), in which the Japanese Securities Dealers Association also participates as an observer. In order to prepare the report, a fact-finding survey among its members was conducted.
- The report includes several examples of investor education materials that IOSCO members have already used and offers four areas of guidance: developing educational content about crypto-assets, informing the public about unlicensed or

fraudulent firms, using a variety of communication channels to inform investors, and forming partnerships to develop and disseminate educational materials.

- Please access the FSA website or IOSCO website to read the report.
- The FSA will fully utilize these opinion exchange meetings and other opportunities to broadly introduce the trends of international discussions. We hope that the information we provide is helpful for financial institutions' daily operations.