

## The Principles in the Financial Services Industry

Principles	Practical image
Financial service providers are expected to: 1. Pursue greater customer benefits and fulfill expected roles through voluntary efforts with creativity.	(1) Ceaseless efforts aimed at providing financial services to meet customer needs (2) Proper relationship with diverse stakeholders (3) Conformity to expectations that Japan's financial services industry generate high value-added and contribute to sustainable growth of the national economy (4) Responses aimed at meeting social responsibilities
2. Participate in the markets with the resolve to improve the functioning thereof as a whole and secure fairness and transparency therein.	(1) Compliance with laws and regulations as well as self-regulations (2) Contribution to improving market functions, including market efficiency, through pursuit of best practices and improvement in self-regulations as needed (3) Contribution to securing market transparency and fairness, by strictly confronting malicious acts that may harm transparency and fairness of the markets
3. Pay due regard to reasonable customer expectations and conduct business with integrity and professional prudence in order to meet their needs.	(1) Due consideration of customer needs to be reflected in provision of appropriate financial services and management of contracts thereafter, including follow-ups (2) Maintenance of decency in transactions, including by preventing abuse of dominant positions (3) Thorough protection of customer information (4) Fair treatment among customers and compliance with arm's-length rules
4. Pay due regard so as to provide customers with information and advice on a timely basis and in a clear and fair manner, thus enabling them to make economically rational judgments.	(1) Disclosure of information with accuracy and clarity for customer decision-making, thereby securing substantive fairness (2) Conformity to the customer suitability rule (3) Provision of truthful information to customers and avoidance of misleading explanations
5. Respond to customer consultations and inquiries with integrity and provide needed information and advice, while making efforts to disseminate financial knowledge.	(1) Commitment to gaining customers' understanding and confidence to the extent possible (2) Accumulation and analysis of cases of consultations, inquiries and complaints, thereby improving business operations, particularly in the area of customer explanation (3) Dissemination of correct financial knowledge
6. Prevent abuse stemming from conflicts of interest between one's self, including group firms, and the customers, or among different customers.	(1) Sufficient verification as to whether conflicts of interest and other business conflicts are being handled properly (2) Implementation of appropriate control over conflicts of interest to avoid abuses (3) Performance of duties with integrity
7. Manage customers' assets in an appropriate manner, corresponding to the responsibilities assumed.	(1) Appropriate management of customer assets (2) Fulfillment of obligations borne as asset managers (e.g., responsibilities to provide good managerial care, keep in separate custody and meet fiduciary requirements, depending on the context of contracts)
8. Establish appropriate mechanisms for corporate governance, including by way of making necessary personnel allocations, and achieve effective corporate governance, to ensure financial soundness and proper business operation.	(1) Establishment of effective and efficient corporate governance (2) Appropriate allocation of executives and employees (3) Compliance with laws, regulations and other business rules, and sound and proper conduct of business thereby (4) Appointment of directors qualified as being fit and proper
9. Conduct appropriate information disclosure, considering the significance of both setting market discipline to work and enhancing transparency of corporate management.	(1) Timely and appropriate disclosure of information to the markets (2) Timely and appropriate disclosure of information to stakeholders at large
10. Establish mechanisms so as to avoid being exploited by financial crimes, including by way of blocking anti-social parties' access.	(1) Implementation of mechanisms aimed at preventing involvement in or exploitation by financial crimes, including blocking off anti-social parties' access (2) Implementation of mechanisms for customer management and collaboration with relevant organizations
11. Maintain sound financial basis corresponding to risk profile.	(1) Proper evaluation and assessment of the structure of assets, debts and capital in the light of the risk profiles of the firms in question (2) Maintenance of capital proportionate to the extent of risks
12. Conduct appropriate risk management in accordance with the size and features of the business operation and inherent risk profile.	(1) Implementation of appropriate risk management mechanisms (2) Comprehensive recognition and effective control of various risks that may adversely affect assets, debts and profits and losses (3) Establishment of sustainable profit structure
13. Establish countermeasures against large-scale disasters and other contingencies in accordance with the role it fulfils in the markets.	(1) Prospects for market liquidity in times of market turmoil (2) Establishment of crisis management systems and coordination among the parties involved in the event of crises
14. Provide accurate information with integrity upon reasonable requests from the FSA, and facilitate effective communication with the FSA, including by way of interactive dialogues.	(1) Prompt provision of sufficient and accurate information meeting the FSA's needs, in response to reasonable requests (2) Effective communication between the FSA and financial service providers through enhanced interactive dialogue