FSA Strategic Priorities

July 2026–June 2027

Executive Summary

In July 2026, the Government of Japan formulated the *Financial Services Strategy to Promote Growth Investment—Upgrading "Promoting Japan as a Leading Asset Management Center"*, setting out a direction for creating a virtuous cycle of capital to support corporate transformation and business restructuring in Japan.

The Financial Services Agency (FSA) will steadily implement and advance the key initiatives set out in the Strategy, including through: strengthening the functioning of financial institutions and markets; advancing corporate governance reform to promote growth investment; strengthening the capabilities of regional financial institutions to support local businesses and address regional challenges; enhancing asset owner capabilities and asset management services; supporting steady asset building by households; and enhancing financial market infrastructure.

To uphold trust in finance, which underpins these efforts, the FSA will conduct both cross-sectoral and sector-specific monitoring, taking into account changes in the financial and economic environment, advances in digital technologies, cyber risks, and the growing sophistication of financial crime.

Against this backdrop, the FSA will prioritize the following measures under the three pillars for the 2026 program year. To avoid duplication with the Financial Services Strategy, the FSA Strategic Priorities for the 2026 program year focus primarily on areas that require further elaboration or complementary measures.

1. Contributing to Sustainable Growth through Enhancing Financial Functions

Strengthening the functioning of financial institutions and markets to support growth investment. Efforts will focus on enhancing the functioning of equity and corporate bond markets, promoting constructive dialogue between companies and investors, and improving disclosure frameworks to provide investors with useful information while ensuring efficient disclosure practices. The FSA will encourage companies to enhance their human capital disclosures and will actively contribute to the development of global standards on human capital disclosures. The FSA will also promote the provision of growth capital to startups and private assets, as well as impact investment and climate transition finance.

Strengthening the capabilities of Japan's regional financial institutions. The FSA will encourage regional financial institutions to strengthen their capabilities in providing funding and support for business management, human resources, M&A, business succession, and business revitalization. The FSA will also encourage financial institutions to make use of the enterprise value collateral framework and promote lending that does not rely on personal guarantees provided by business owners.

Supporting steady asset building by households and advancing asset management services. The FSA will monitor asset management sector's efforts to enhance its investment management capabilities and product governance, encourage financial institutions to contribute to the enhancement of corporate defined contribution pension plans and iDeCo (individual-type defined contribution pension plan), and support steady asset building by households through financial and economic education.

Advancing digital finance and financial market infrastructure. The FSA will promote the development of convenient and competitive financial infrastructure while ensuring customer protection and financial stability. The FSA will advance discussions on the social implementation of on-chain finance at the *On-Chain Finance Forum for the AI Era* and will host *Asia Day 2027* under the theme of new forms of finance in the digital era. Through revisions to the AI Discussion Paper, the FSA will support initiatives by financial institutions to transform their business models, including through greater operational efficiency and enhanced financial services.

2. Ensuring Trust in Stable Financial System and Fair and Secure Markets

The FSA's sector-specific supervision divisions and cross-sectoral monitoring offices will work closely together under the Vice Commissioner for Systemic Stability and Risk to conduct effective onsite and offsite supervision tailored to the risk profile of each financial institution.

Enhancing monitoring of individual financial institutions and the financial system. The FSA will monitor how financial institutions are addressing challenges arising from changing economic and financial environment, such as rising interest rates and growing corporate financing needs. The FSA will also monitor the accumulation of risks associated with developments and challenges in each sector and new financial products broadly offered by certain financial institutions, and monitor their potential implications for overall financial stability. Given the intended diversification of funding providers supporting growth investment and the expansion of non-bank financial intermediation (NBFI), the FSA will consider effective monitoring approaches, including how to assess their risk characteristics.

Ensuring effective governance at financial institutions. As financial institutions' business models and risk-taking activities evolve, the FSA will seek to ensure the effectiveness of their governance, risk management, and internal audit functions. In cases of misconduct, the root causes, including management approaches, organizational culture and internal checks and balances, will be analyzed. Rigorous action will be taken against serious or malicious cases, and the effectiveness of measures to prevent recurrence will be verified. Internal audit departments will also be encouraged to enhance their capabilities so that they can independently provide effective assurance and challenge.

- For large financial groups, the FSA will assess group-wide governance and risk management, taking into account sector-specific perspectives, for example, their global business operations and their use of generative AI and offshore bases.
- For insurance companies, the FSA will take rigorous supervisory action in response to misconduct, while encouraging ongoing dialogue between insurance companies and insurance agencies to ensure thorough implementation of customer-oriented business conduct.
- For crypto-asset exchange service providers, the FSA will conduct monitoring and take action against unregistered operators to ensure a safe trading environment.

Strengthening cyber resilience. In light of growing cyber threats driven by advancements in AI technologies, the FSA will continue monitoring efforts, as well as cross-sectoral initiatives such as the cybersecurity exercise (Delta Wall) and the Cyber Security Self-Assessment, to promote the timely and steady implementation of fundamental cybersecurity measures, including defense-in-depth and incident response preparedness, by financial institutions.

Promoting global financial stability and strengthening international cooperation. As national financial systems become increasingly interconnected, the FSA will draw on international expertise and analysis to assess current developments and actively participate in international discussions and rulemaking aimed at promoting global financial stability. Close information sharing and supervisory cooperation concerning the financial system and internationally active financial groups will be maintained with the Bank of Japan and overseas supervisory authorities on an ongoing basis. The FSA will also develop staff capabilities to plan and implement policies both domestically and internationally, based on an integrated understanding and analysis of domestic and global challenges.

Addressing financial crime and natural disasters. In cooperation with the National Police Agency and other relevant government agencies and private-sector entities, the FSA will work to prevent and contain damage from financial crime, including online and telephone fraud and unauthorized transactions resulting from account compromise, while strengthening anti-money laundering measures. In addition, the FSA will encourage financial institutions to support the restoration of livelihoods and occupations of those affected by the 2026 Kumamoto Earthquake and other natural disasters.

Upholding trust in capital markets. The Securities and Exchange Surveillance Commission will respond effectively to significant market changes and conduct rigorous investigations and onsite supervision where violations of laws and regulations, including large shareholdings and acquisitions designed to evade applicable rules, are suspected. The Certified Public Accountants and Auditing Oversight Board will also conduct risk-based and proportionate monitoring of audit firms and examine individual audits where false or inappropriate attestation is suspected.

3. Continuously Evolving as a Financial Regulator that Serves the Public

Advancing the FSA's operations through AI. To respond to rapid changes in the financial environment and emerging policy challenges, the FSA will enhance the process for policy planning, supervision, monitoring, and market surveillance through the use of generative AI. Building on these efforts, the FSA will drive AI transformation across its operations, fundamentally reshaping the way it works, including staff development and resource allocation.

Enhancing staff expertise and capabilities in policy planning and implementation. To continuously develop staff with advanced expertise, broad perspectives and sound judgment, the FSA will consider how it should evolve as an organization, as well as the competencies and qualities required of its staff. Practical areas of focus for monitoring will be identified, and onsite supervision and monitoring professionals will be systematically developed over the medium term through a combination of training and hands-on experience.