

3

2020

MARCH

Monthly
magazine

Financial Services Agency Newsletter

Access FSA



Contents

Seminars & Conferences

Overview of State Minister Miyashita's Official Visit to Ireland and Germany ... (P1)

Policy Commentary Corner

Core Issues in Helping Improve Management and Governance at Regional Financial Institutions ... (P3)

KANEGASAKI Ikuhiro, Deputy Director
Regional Bank Monitoring Office, Banking Business Division II, Supervision Bureau

Promotion of the Tokyo Global Financial Center ... (P5)

SHIMODA Akihiro, Deputy Director, OZAWA Naotaka, Deputy Director
Strategy Development Division, Strategy Development and Management Bureau

Notices

"Regional Finance Meeting Kumamoto Dialogue" ... (P7)

FSA Measures Pertaining to the Covid-19 Outbreak ... (P8)

JFSA's Major Activities in February ... (P9)



← Access the online version here

<https://www.fsa.go.jp/en/newsletter/index.html>

Overview of State Minister Miyashita's Official Visit to Ireland and Germany

State Minister of the Cabinet Office (Economic and Fiscal Policy) MIYASHITA Ichiro officially visited Ireland and Germany from Tuesday, February 11 to Friday, February 14, 2020.

At the European Financial Forum hosted in Dublin by the Irish government, he gave a presentation entitled “Financial Services in Japan towards a New Decade”, and also exchanged views with Gabriel Makhoul, Governor of the Central Bank of Ireland.

He then visited Frankfurt, Germany, whose influence as a European financial center is expanding in the wake of Brexit, and discussed with Yves Mersch, a member of the European Central Bank (ECB) Executive Board, and with Frankfurt Main Finance e.V., whose mission is to make Frankfurt a global financial city.

1. Ireland

(1) European Financial Forum

The latest European Financial Forum*¹, the fifth such event, was held at Dublin Castle on Wednesday, February 12, hosting 700 participants for discussions on the main theme “Ready for a New Decade”.

Officially invited by the Irish government, State Minister Miyashita gave a 15-minute presentation at this Forum. Speaking on the topic of “Financial Services in Japan towards a New Decade”, he offered his thoughts on finance for the next generation, with a particular focus on Japan’s efforts, from four perspectives – (i) Digitization and Finance of Society as a Whole, (ii) Corporate Support and Finance, (iii) Environment and Finance, and (iv) Asset Building, Securities Markets and Finance – recognizing that financial roles and business models will increasingly require change as low interest rates persist internationally, populations decline, societies age and other major changes occur in the environment surrounding finance.*²



State Minister Miyashita giving presentation at European Financial Forum



Commemorative photo with Leo Varadkar, Prime Minister (right) and Michael D'Arcy, Minister of State at the Department of Finance (left) at the European Financial Forum

*¹ The European Financial Forum is a leading event in Europe that brings together business leaders, policymakers and other interested parties from major European countries to discuss the state of the financial industry and financial regulation. This year's Forum was hosted by the Irish government and attended by Ireland's prime minister, finance minister and central bank governor.

*² The text of State Minister Miyashita's presentation can be found at the Financial Services Agency website (see URL below).

- FSA website:

Japanese: https://www.fsa.go.jp/common/conference/danwa/index_kouen.html

English: https://www.fsa.go.jp/en/announce/state/index_speeches.html

(2) Meeting with Central Bank of Ireland Governor Makhlouf

State Minister Miyashita took advantage of his visit to Ireland to call on the Central Bank of Ireland (CBOI) and meet with Gabriel Makhlouf, CBOI Governor, with whom he exchanged views on a variety of issues, including Ireland’s responses to Brexit as one of the UK’s neighbors and opinions on FinTech.



Post-meeting commemorative photo with Makhlouf, CBOI Governor

2. Germany

While in Germany, State Minister Miyashita visited Frankfurt, whose influence as a European financial center is expanding in the wake of Brexit.

(1) Meeting with European Central Bank (ECB) Executive Board member Yves Mersch

State Minister Miyashita visited the ECB located in Frankfurt and met with Yves Mersch, ECB Executive Board member, and discussed a wide range of issues, including responses to Brexit, the impacts of the protracted low-interest environment, and thoughts on digital currency.

(2) Meeting with Frankfurt Main Finance (FMF)

State Minister Miyashita also met with Hubertus V ath, FMF Managing Director and Senior Advisor, and Jochen Biedermann, Managing Director at the World Alliance of International Financial Centers (WAIFC), to discuss responses to Brexit, measures to attract financial institutions to Frankfurt and approaches to FinTech.

In both Dublin and Frankfurt, he also exchanged views with locally-operating Japanese companies and financial institutions on the benefits and challenges of doing business in these cities and on their responses to Brexit.



Post-meeting commemorative photo with Yves Mersch, ECB Executive Board member



Post-meeting commemorative photo with Hubertus V ath, FMF MD (second from right) and Jochen Biedermann, WAIFC MD (second from left); also participating was KITO Takeshi, Representative Director, Fintech Association of Japan (first from left)

(Reference) As a token of his visit, State Minister Miyashita presented a plaque depicting the Takarabune (a mythical treasure ship bearing the Seven Lucky Gods) decorated with a mizuhiki (a string used to decorate gifts for auspicious occasions).

Core Issues in Helping Improve Management and Governance at Regional Financial Institutions

KANEGASAKI Ikuhiro, Deputy Director
Regional Bank Monitoring Office, Banking Business Division II, Supervision Bureau

(*The opinions expressed in this piece are the personal views of the authors and do not necessarily reflect the views of the organizations with which they are affiliated.)

1. Background

Regional banks are deeply rooted in communities and play key roles in supporting local economies by making deposit/loan services available to residents and providing fundamental payment functions.

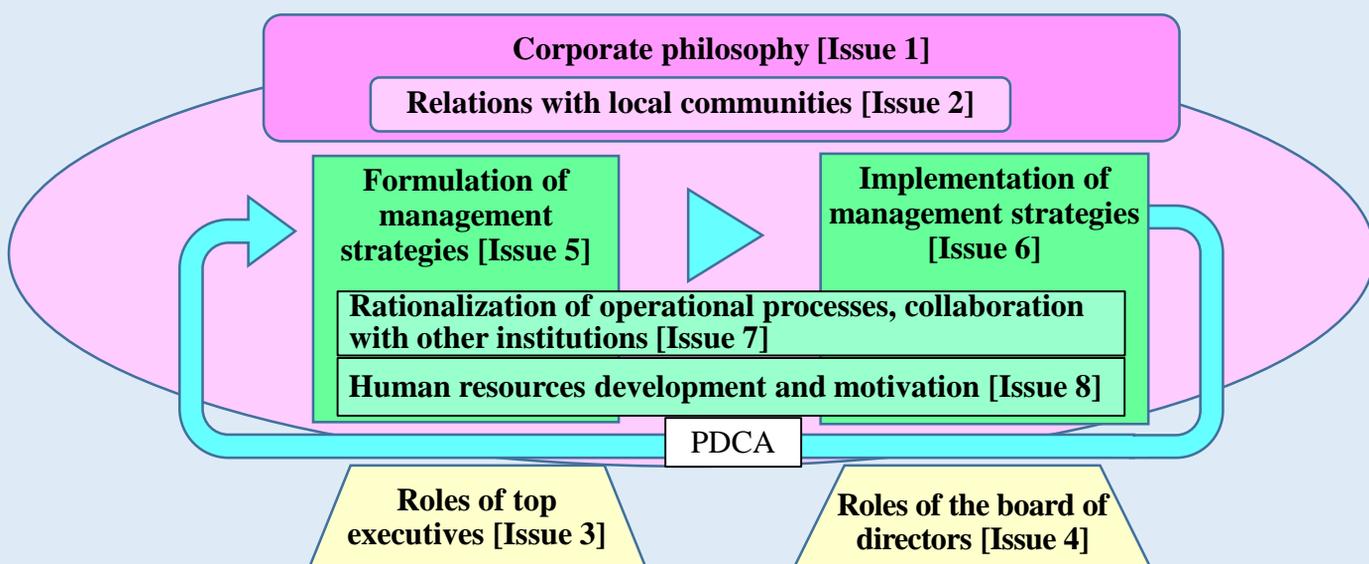
At the same time, with regional banks facing a business environment that grows more challenging each year, it has become increasingly important for these banks to develop sustainable business models to ensure sound futures for themselves and to continue serving their financial intermediary functions.

It has also become imperative that top executives and boards of directors take another look at their own banks' corporate philosophies, accurately analyze their banks' business environments and formulate/implement management strategies in line with effective governance.

“JFSA’s Initiatives for User-Oriented Financial Services in a New Era - Financial Services Policy: Assessments and Strategic Priorities 2019”^{*1} released on August 28 of last year presented “core issues in helping improve management and governance at regional financial institutions” (hereinafter, “core issues”) as a “package measure for developing sustainable business models at regional financial institutions”. On February 7 of this year, the major points of discussion were set down and public comment procedures begun to help improve the effectiveness of management and governance at regional banks.^{*2}

2. Nature of core issues

The core issues comprise eight of the major discussion points thought to be important for the management and governance of banks. These eight major discussion points and key specific aspects of these discussion points are given below:



*1 “JFSA’s Initiatives for User Oriented Financial Services in a New Era - Financial Services Policy: Assessments and Strategic Priorities 2019” was published on August 28, 2019. (<https://www.fsa.go.jp/en/news/2019/20190828.html>)

*2 “Publication of ‘Core Issues in Helping Improve Management and Governance at Regional Financial Institutions: The Transition from Form to Substance (Draft)’, etc.”, released on February 7, 2020 (Available in Japanese) (<https://www.fsa.go.jp/news/r1/ginkou/20200207/20200207.html>)

Core issues	Key specific aspects of core issues
[Issue 1] Corporate philosophy of regional banks	With corporate philosophy incorporating aspects of mission, value, and vision, what is the content of your bank's corporate philosophy? How is the corporate philosophy ingrained throughout the bank?
[Issue 2] Relations with local communities	How does your bank regard relations with local communities? How does it dialogue with stakeholders in local communities?
[Issue 3] Roles of top executives	How do top executives ascertain and evaluate the bank's strengths, weaknesses and other aspects of its current status? If a problem arises, how do they work to resolve it without delay? What are their views on cultivating successors?
[Issue 4] Roles of the board of directors	Given the bank's current status, what roles are expected of the board of directors? What roles are expected of external directors? How are the board of directors and external directors evaluated on the performance of their roles? If a problem arises, how does the board work to resolve it?
[Issue 5] Formulation of management strategies	What processes does your bank use to formulate its management strategies? How does it regard the relationship between its corporate philosophy and its management strategies? What is its PDCA process, e.g., how does it verify the progress made in implementing management strategies and reflect the findings in future management strategies?
[Issue 6] Implementation of management strategies	How are cost-return balances analyzed and portfolios built on the analysis results (how are operations structured and management resources allocated) when implementing management strategies?
[Issue 7] Rationalization of operational processes, collaboration with other institutions	When putting management strategies into practice, how does the bank regard such approaches as rationalizing operational processes and collaborating with other financial institutions?
[Issue 8] Human resources development and motivation	What skills does the bank require of its employees in light of its corporate philosophy, etc.? What efforts are made in human resources development toward that end? What steps have been taken to ensure that executives and employees feel proud and motivated by their work and to create an environment in which they can work without undue worries?

3. Methods for utilizing core issues, expected benefits, etc.

As mentioned in 1. above ("Background"), with regional banks facing increasingly challenging business environments, it is important that top executives consider the eight aforementioned core issues in an integrated fashion, and not as individual issues, using the corporate philosophy as an axis.

Corporate philosophies and management strategies are unique to each bank, and the Financial Services Agency is not looking for a single solution to address each core issue. Instead, it would like through its efforts to get top executives, etc., to "take notice" of the need to improve management and governance, and to gain a deeper understanding of the corporate philosophies and management strategies of individual banks through "in-depth dialogue" (exploratory dialogue) between the Financial Services Agency and top executives. When engaging in such discussions with top executives, we hope to carry out two-way dialogue between the FSA and top management while bearing the core issues in mind.

Although these core issues focus on regional banks, many of the key issues offer useful references for cooperative financial institutions as well. For that reason, the FSA would like to see these issues considered when cooperative financial institutions look back over their own management and governance as necessary in line with their philosophy of mutual aid and other characteristics.

4. Future plans

The period for public comment on these core issues is currently underway (this period ends on Monday, March 9). Once the public comment period has concluded, the results will be compiled and announced by the end of the fiscal year. We welcome any comments you might have.

Promotion of the Tokyo Global Financial Center

SHIMODA Akihiro, Deputy Director

OZAWA Naotaka, Deputy Director

Strategy Development Division, Strategy Development and Management Bureau

(*The opinions expressed in this piece are the personal views of the authors and do not necessarily reflect the views of the organizations with which they are affiliated.)

As part of our initiatives to improve the functions and attractiveness of financial/capital markets, the FSA is promoting the Tokyo Global Financial Center. It is a critical challenge for Tokyo to be recognized as an attractive place to operate financial business and to develop as a global city that gathers human capital, information and funds from overseas. Below we will introduce some of the relevant measures taken by the FSA.

(1) The Financial Market Entry Consultation Desk

Investment management companies with professional expertise are vital for revitalizing Japan's financial/capital markets and for achieving people's stable asset-building. Therefore, it is crucial to promote new entries of foreign investment management companies by reducing their burdens on establishing a business base in Japan.

From this viewpoint, the FSA opened the Financial Market Entry Consultation Desk (hereinafter, Desk) in April 2017. The Desk has been promoting new entries of foreign financial business operators into Japan by providing consultations on the laws and regulations including the registration screening procedures.*1 The Desk also collaborates with the consultation desk for foreign financial business operators run by the Tokyo Metropolitan Government.*2

Through the Desk, 20 foreign financial business operators (as of February 21, 2020), including investment management business and investment advisory and agency business, have completed registration. There are a variety of entry types, including Japanese subsidiaries of major foreign asset management companies and asset management companies run by Japanese fund managers who have been based overseas.

(2) Publication of the Guidebook for Registration of Investment Management Business and Other Financial Instruments Businesses

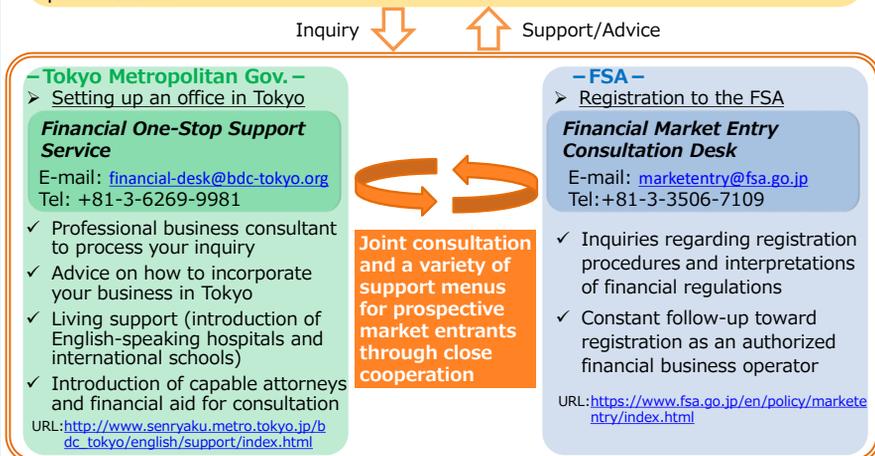
In addition to the consultation support by the Desk, the "Guidebook for Registration of Investment Management Business and Other Financial Instruments Businesses" (hereinafter, Guidebook) was published in both Japanese and English in January 2020 in line with the "Follow-up on the Growth Strategy" (June 2019 Cabinet Decision). The Guidebook provides information concerning the registration screening procedures to promote more entries of investment management business operators into Japanese market.*3

Previously, we received some feedback from foreign financial businesses looking to newly enter Japanese markets that it is not easy to understand the regulations pertinent to the financial instruments business, and that they would like to know the flow of registration procedures and the items to be screened when applying for registration. In response to these requests, the Guidebook provides flowcharts and diagrams to clearly explain the types of registration required for each major business scheme relevant to asset management business and gives explanation on registration screening procedures and requirements. The Guidebook also provides links to webpages with useful information at relevant points in a practical manner so that new entrants will easily collect information.

Joint Consultation Scheme by Tokyo Metropolitan Gov. and the FSA

The joint consultation service welcomes any inquiry from foreign financial business operators to establish a business base in Tokyo

Foreign Financial business operators can use either/both of the two contact points below



*1 Financial Services Agency, "The Financial Market Entry Consultation Desk"

URL: <https://www.fsa.go.jp/en/policy/marketentry/index.html>

*2 Tokyo Metropolitan Government, "Financial One-Stop Support Service"

URL: https://www.senryaku.metro.tokyo.lg.jp/bdc_tokyo/english/support/index.html

We will review and improve the Guidebook as necessary in response to feedback from readers; in light of this, we have named the current edition as “Version 1.0”. If you have any comments or requests on the Guidebook’s content, please do not hesitate to contact the FSA (refer to the contact information given on the cover of the Guidebook).

In addition, the form of the “Summary of Applicant for New Registration or its Change (Investment Management Business)” (hereinafter, Summary) was also published in both Japanese and English. The Summary is prepared to facilitate dialogue between investment management businesses and Local Finance Bureau/Local Finance Office in preliminary consultations for registration. Previously, the Summary was provided primarily to businesses that had already begun the registration process. The form of the Summary recently published, however, will make it easier for businesses to understand the items to be screened during registration procedures and will make screening processes more efficient by enabling businesses to better prepare for registration.

We hope that many financial business operators will make use of the Guidebook and the Summary, and that more entries into Japan will result in enhancing the functions/attractiveness of Japan’s financial/capital markets.

(3) Overseas promotion activities in collaboration with Tokyo Metropolitan Government, etc.

To promote new entries into Japan, it is also important to actively dispatch information on Japan’s financial/capital markets to foreign investment management companies. In collaboration with the Tokyo Metropolitan Government and FinCity.Tokyo, which was established in April 2019, the FSA has been taking part in financial promotion events not only in Japan but also in New York, London, Hong Kong and Paris. In these events, the FSA has been disseminating information on the attractiveness of Japan’s financial/capital markets and the progress of corporate governance reform.

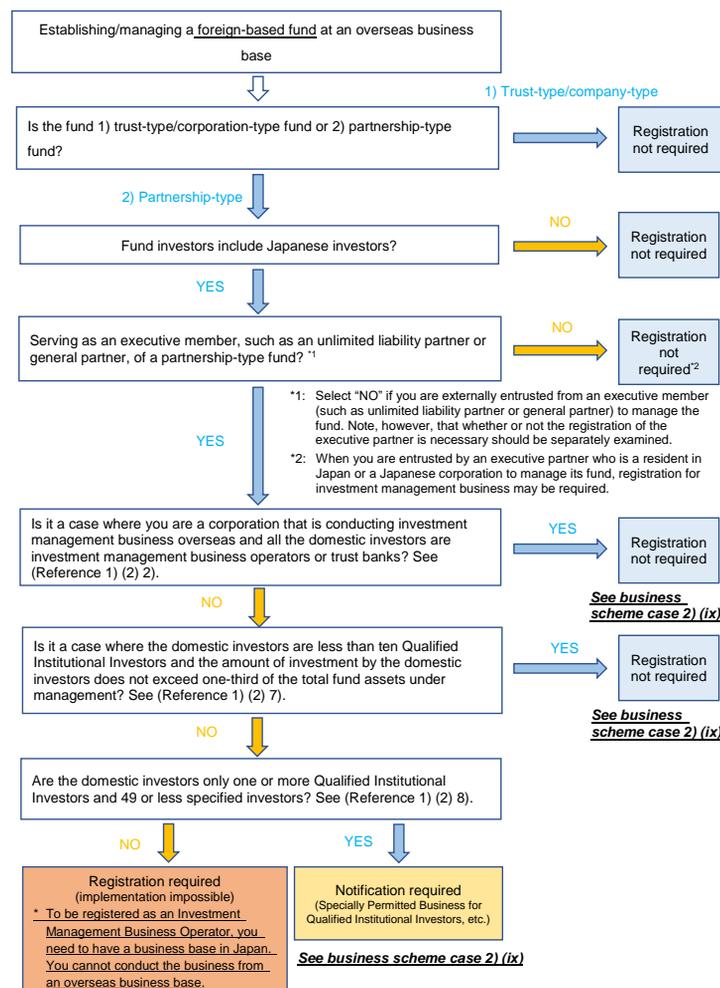
(4) Future initiatives

In addition to establishing a business base described above, there are several methods by which foreign investment management companies may expand their investment management businesses in Japan, such as reinforcing a registered business base in Japan and sub-delegating operations to a Japanese company. The FSA is also promoting expansion of investment management business in Japan by these methods. Moreover, it is conceivable that foreign financial business operators including investment management companies will choose to operate their business in Japan on a temporary basis in case of threats to business continuity in their home country. We are therefore considering revisions to Cabinet Office Orders to handle such situation.

Leveraging feedback on our initiatives from domestic/foreign financial business operators, we will analyze the strengths and weaknesses of Japan by researching measures taken by other countries, and will further take necessary approaches across a wide range of fields to promote the Tokyo Global Financial Center.

(b) Establishment and management of funds

(i) establishing/managing a fund



{ Excerpt from “Investment Management Business Guidebook” }

*3 The Guidebook can be downloaded at the following URL:
URL : <https://www.fsa.go.jp/en/policy/marketentry/guidebook.html>

QR Code:



“Regional Finance Meeting Kumamoto Dialogue”

Building on the momentum created by the Regional Finance Meetings, a “Regional Finance Meeting Kumamoto Dialogue” was arranged by volunteers in Kumamoto. Interested parties from the public and private financial sectors have continued discussions since March 2019 on creating the mechanisms necessary for transforming Kumamoto into an entrepreneur-/startup-friendly city, the topic of the Kumamoto Dialogue.

The “Entrepreneur/Startup Promotion Scheme” proposed by the Kumamoto Dialogue members was adopted by a public cooperation council – the Kumamoto Prefecture Small and Medium-sized Business Management Support Cooperation Council (Secretariat: Kumamoto Prefecture Credit Guarantee Corporation) – and service will officially begin in April 2020. Characteristic of this scheme is that “potential” entrepreneurs who have not yet formulated business plans are also covered, with experienced entrepreneurs serving as mentors and relevant support organizations providing assistance. For convenience’s sake, entrepreneur support information will be aggregated on the Kumamoto Prefecture Credit Guarantee Corporation website.

Representatives from the Kumamoto Prefecture Small and Medium-sized Business Management Support Cooperation Council visited Kumamoto Prefecture Governor KABASHIMA Ikuo on February 17, 2020, and MASAKI Shinichi, Chairman of the Kumamoto Prefecture Credit Guarantee Corporation (the Council’s Secretariat), and OTSU Toshiya, Chief of the Kyushu Finance Bureau and advisor to the Council, reported on the start of this service to the governor. Governor Kabashima lauded the project, expressing his expectations that it would contribute greatly to regional development and give a boost to creative recovery from the Kumamoto Earthquake and praising this Kumamoto-wide effort as a groundbreaking initiative for Japan.



Report on entrepreneur support projects being presented to Kumamoto governor
Left: Kumamoto Prefecture Startup Management Support Cooperation Council Members; right: Governor of Kumamoto Prefecture

Of the approaches discussed by volunteers brought together by Regional Finance Meetings along with the Regional Resolutions Support Team, this is the first ever officially converted into a service. Analysis by Kumamoto Dialogue members shows that the reasons this scheme made enough progress to launch an official service include the enthusiasm demonstrated by the members and the extended range of discussions enabled by the interaction of personnel from multiple organizations rather than a single organization.

The Regional Resolutions Support Team will continue to support efforts to resolve issues in all regions by forming communities of like-minded volunteers without regard to their affiliations.

Here’s the latest on the Regional Resolutions Support Team’s activities!

The FSA has established a “Policy Open Laboratory” to develop the skills of younger personnel and enable them to propose original and distinctive policies. The Regional Resolutions Support Team formed in the course of these efforts has supported the formation of regional economic ecosystems that cooperate in resolving regional issues by sending members out to communities, engaging in dialogue with regional financial institutions and local governments, and organically working in concert with them.

Parties troubled by issues should certainly consult with us. Let’s work together to resolve these issues! Please see below for further information on the Team’s activities heretofore.

URL: <https://www.fsa.go.jp/policy/chiikikadaiketsushien-team/chiiki-kadai-top.html>

(Available in Japanese)

<<Postponement of the 4th and 5th Regional Finance Meetings>>

We had been planning to hold the “4th Regional Finance Meeting in Tokyo” on February 29 and the “5th Regional Finance Meeting in Kyoto” on March 15 but, giving utmost priority to everyone’s safety, we have decided to postpone these meetings in view of the spread of the COVID-19 (Novel Coronavirus). More than 300 people have already registered, and we ask their understanding of this decision. We look forward to joining you for vigorous discussions on topics of mutual interest at future Regional Finance Meetings.

FSA Measures Pertaining to the Covid-19 Outbreak

✓ **Setup of a “FSA COVID-19 (Novel Coronavirus) Consultation Hotline”**

We have set up a toll-free “FSA COVID-19 (Novel Coronavirus) Consultation Hotline”, so please feel free to consult us with any concerns you have regarding transactions with financial institutions.

0120-156811 (toll-free) [Weekdays, 10:00 – 17:00]

* IP telephone users should dial 03-5251-6813 (available only in Japanese).

✓ **Requests to financial institutions**

The FSA has presented the following requests to financial institutions.

○ February 7: Measures in response to the COVID-19 (Novel Coronavirus) outbreak

[Request regarding business support]

Pursuing suitable responses such as financial institutions visiting companies impacted by the outbreak for in-depth management consultations, providing the funds needed to continue doing business, and modifying the conditions of existing loans

○ February 19: Measures to prevent the spread of COVID-19 (Novel Coronavirus) infections in Japan

[Requests regarding prevention of spread of infections in Japan]

- Creating environments permitting employees to take leave as stipulated in the “Consultation/Check-up Targets” from the Ministry of Health, Labour and Welfare

- Introducing initiatives to reduce the chances for employees becoming infected, such as staggered work shifts and teleworking

○ February 25: Measures in line with the “Basic Guidelines for COVID-19 (Novel Coronavirus) Countermeasures”

[Requests on preventing the spread of infections in Japan]

- Collecting information on COVID-19 (Novel Coronavirus) infections disseminated by the national government and local public entities

- Thoroughly enforcing general infection countermeasures such as hand-washing and coughing etiquette

- Recommending that employees with a fever or other cold-like symptoms take leave, actively encouraging staggered work shifts, teleworking, etc.

- Reconsidering the need to hold events, with due attention paid to the spread of infections and circumstances at the venue, in the interest of preventing the spread of infections

✓ **Deadlines for submitting securities reports, etc., in connection with the COVID-19 (Novel Coronavirus) outbreak**

Recognizing that companies might become unable to submit securities reports, etc., by the submission deadlines due to the ongoing COVID-19 (Novel Coronavirus) outbreak, the FSA announced the following.

○ Companies unable to submit disclosure documents required under the Financial Instruments and Exchange Act (securities reports, internal control reports, quarterly reports, and semiannual reports) by the stipulated deadlines for unavoidable reasons attributable to the ongoing COVID-19 (Novel Coronavirus) outbreak, e.g., a company is unable to continue auditing its Chinese subsidiaries, may receive extensions of the submission deadlines with approval from the Director-General of their Local Finance Bureau or Local Finance Branch Bureau, so please consult your Local Finance Bureau or Local Finance Branch Bureau.

(Note) Deadline for submission of securities reports and internal control reports:

no later than three months after the end of the business year

Deadline for submission of quarterly reports:

no later than 45 days after the end of the quarterly accounting period

Deadline for submission of semi-annual reports:

no later than three months after the end of the interim accounting period

○ If companies are unable to prepare even extraordinary reports due to the COVID-19 (Novel Coronavirus) outbreak, they may submit these reports as soon as practicable once circumstances allow and be deemed to have submitted the reports in a timely fashion.

○ Please do not hesitate to consult with your Local Finance Bureau or Local Finance Branch Bureau in the event your operations are impeded by the ongoing COVID-19 (Novel Coronavirus) outbreak or other difficulties besides those mentioned above.

* Please check the FSA website for further details.

Special website: “Information on COVID-19 (Novel Coronavirus)”

(<https://www.fsa.go.jp/en/ordinary/coronavirus202001/press.html>)

JFSA's Major Activities in February

(February 1 to February 29, 2020)



- [Game companies are required to notify the Japanese authority \(Local Finance Bureau\) in accordance with the Payment Services Act.\(Available in Japanese, English and Chinese\) \(February 5, 2020\)](#)
- [IFIAR announced the results of a four-year initiative to reduce the inspection findings rate \(February 5, 2020\)](#)
- [Joint Session of the 43rd General Meeting of Financial System Council and the 31st Meeting of Sectional Committee on Financial System \(February 10, 2020\)](#)
- [Publication of Final Report by the Expert Study Group on Capital Markets in Japan of the Financial System Council \(February 17, 2020\)](#)
- [Stewardship Code : 277 institutional investors have signed up to the Principles for Responsible Institutional Investors as of February 14, 2020 \(February 18, 2020\)](#)
- [International Forum of Independent Audit Regulators published the Report on 2019 Survey of Inspection Findings \(February 21, 2020\)](#)
- [FSA hosted the IOSCO Committee on Issuer Accounting, Audit and Disclosure \(Committee 1\) meeting \(February 21, 2020\)](#)
- [FSA publishes the status of loans held by all banks as of the end of September 2019, based on the Financial Reconstruction Act \(February 21, 2020\)](#)
- [FSA publishes English version of Reference Cases on Suspicious Transactions \(February 21, 2020\)](#)

- FSA Weekly Review
<https://www.fsa.go.jp/en/newsletter/index.html>



- JFSA's official English Twitter account
https://twitter.com/JFSA_en



We are promoting
information
dissemination using
Twitter!

Editorial Postscript

Thank you for reading the March issue of "Access FSA".

The ongoing novel coronavirus outbreak has been having serious social impacts. Accordingly, the FSA has asked financial institutions to suitably respond to the needs of companies, introduced some flexibility into the submission deadlines for securities reports, and taken other appropriate measures.

Regional Finance Meetings and other financial-related events have been postponed or cancelled, unfortunately reducing the opportunities we have to disseminate our policies. We will consequently be enhancing the content in Access FSA and on Twitter and the FSA website, so please keep an eye out for new information.

WADA Yoshitaka, Director, Public Relations Office, FSA
Edited and published by: Public Relations Office, FSA