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Access the online version here
In December 2002, the launch issue of "Access FSA" was published as an online monthly PR magazine whereby up-to-date information from the Financial Services Agency (FSA) can be immediately accessed in order to widely explain the FSA's policy measures in a timely and easy-to-understand manner.

As the FSA was fully dedicating its financial administration to normalizing the non-performing loan problem in order to restore public confidence in Japan's financial system at the time of the launch, we were making resourceful efforts in editing the online magazine, such as selecting timely topics related to finance that were mentioned in questions and answers at press conferences by the Minister for Financial Services and other occasions and creating a section that explains financial terms in an easy-to-understand manner.

In the No. 194 issue of Access FSA, which was published in September 2019, the layout was significantly renewed in order to make the magazine more attractive for readers, frequently using pictures and charts so that the background to the FSA's policies and other matters that are not described in press releases can be conveyed. In April 2020, the online magazine celebrated the publication of the milestone No. 200 issue.

We will continue to strive to enhance the contents of "Access FSA" as an approachable PR magazine of the FSA.
On March 16, Minister Aso held a meeting with Chairman TAKASHIMA Makoto of the Japanese Bankers Association and Governor TANAKA Kazuho of Japan Finance Corporation (JFC), among other officials, and made the following request with respect to financing for business operators in relation to the growing impact of the COVID-19 (novel coronavirus) outbreak.

**Specifics of the request**

**【Introduction】**
- In light of the approach of the busy season of financial activity around the end of the fiscal year as well as the voices of concern from business operators over fund-raising due to the growing impact of the novel coronavirus outbreak, today, we request you (financial institutions) once again to make every possible effort to provide adequate support to business operators in accordance with their actual circumstances.

**【Regarding private financial institutions】**
- We request private financial institutions to meticulously identify the actual situations of business operators through activities such as visiting them, and take prompt and flexible actions with respect to the provision of new loans and the modification of loan terms. We also request them to take flexible actions with respect to collateral and guarantee.
- In addition, in order to sufficiently raise awareness about initiatives like this among business operators, the FSA plans to make active awareness-raising efforts, including distributing leaflets to associations of small and medium-size enterprises across the nation.
- The FSA intends to continue closely monitoring the situation in order to ensure active support for fund-raising.
- Although we are not aware of a risk that financial institutions’ capital or liquidity may be immediately affected, we request internationally active financial institutions to use regulatory buffers as necessary.

**【Regarding policy-based financial institutions】**
- As a result of the establishment of a new loan program, the JFC has received many applications for consultation. While we are aware that the JFC is taking various measures to process those applications quickly, we request it to continue to handle the applications promptly.
- Meanwhile, the Development Bank of Japan (DBJ) has decided to launch crisis response operations, so we request it to make every possible effort to provide support for fund-raising by middle-ranked enterprises, among other borrowers.
- The Ministry of Finance will make thorough efforts to raise awareness about initiatives implemented by policy-based financial institutions, so we request each of those institutions to make active efforts to ensure that the benefits of policy measures filter through.

**【Conclusion】**
- In order to enable business operators to overcome this difficulty and return their business to the path of growth, it is essential to quickly implement bold initiatives based on innovative ideas. We hope that the entire financial sector, including both public and private financial institutions, will do its utmost to support business operators.

The FSA has prepared a leaflet intended for business operators facing difficulty due to the impact of the novel coronavirus outbreak (As for the contents of the leaflet, see the next page.⇒)

Banks and other financial institutions are making efforts to provide prompt and flexible support for fund-raising by business operators. Therefore, business operators should feel free to apply for consultation with banks and financial institutions with which they do business.

*For information on the most recent measures taken by the FSA, please access a special section of the FSA’s website at the following URL:
For those facing difficulties with cash flow as impact of the ongoing COVID-19 epidemic spreads

Are you having difficulties with cash flow? Please actively consult with your main banks.

Banks are providing timely and flexible cash flow support for companies and individuals. Please actively consult with your main banks.

Concrete support measures (New loans, changing conditions)

- Wish to request new loans
- Wish to consult about existing loans and concessions on repayment
- Wish to consult about home mortgage
- Wish to consider using government financial institutions

New loans, concessions on repayment of existing loans

Consultation

Quick and flexible

Emergency loans, changing conditions such as concessions on repayment

Consultation for new loans

Supporting with safety net loans

Financial institutions will support companies to meet their needs.
Financial institutions will also support individuals regarding home mortgage and project finance loans.

Financial Services Agency
The Financial Services Agency requests financial institutions as follows. (Statement by ASO Taro, Minister of Finance and Minister of State for Financial Services)

We are aware that private financial institutions have already been ascertaining companies’ circumstances and providing needed assistance in the form of financing based on customer’s business prospect and close-following support, and the current situation will put the true value of these efforts to the test. We also understand that tourism companies that have seen their sales drop off as the numbers of overseas and domestic travelers have fallen and manufacturers that have cut production because of difficulties procuring parts and materials from China are among a huge number of firms from various sectors voicing concerns about cash flow since the February 7 request.

In light of this situation, we strongly urge financial institutions to determine the business conditions and short-term cash flow at companies in even greater detail by visiting their facilities, setting up emergency consultation desks, etc. Given fears that cash flow could become even more challenging at the fiscal year-end, we request that financial institutions, including their front-line sales personnel, make full-fledged efforts to ensure that companies have access to the funding needed to get past the fiscal year-end by doing the following:

• Follow up carefully on circumstances at companies that have existing loans and be quick and flexible in changing loan conditions, e.g., offering concessions on principal/interest repayment
• Actively implement emergency lending programs for new loans (and make collateral/guarantee requirements more flexible) to meet the needs of companies promptly and appropriately, including the use of safety net loans/guarantees from policy financial institutions and credit guarantee associations
• Establish systems capable of providing prompt and appropriate support for companies.

We also urge that financial institutions take care not to unnecessarily require enormous volumes of documents from companies.

【Contact】

FSA consultation desk  (Business hours: 10:00 am – 5:00 pm on weekdays) (Available only in Japanese)
- Consultation Service for COVID-19
  - 0120-156811 (Toll free)
  - ※For IP phone: 03-5251-6813

Local Finance Bureaus’ consultation desks (Available only in Japanese)
- © Hokkaido Finance Bureau 011-729-0177
- © Tohoku Finance Bureau 0120-917-993
- © Kanto Finance Bureau 048-615-1779
- © Hokuriku Finance Bureau 076-208-6711
- © Tokai Finance Bureau 052-687-1887
- © Kinki Finance Bureau 06-6949-6530
- © Chugoku Finance Bureau 0120-99-0028
- © Shikoku Finance Bureau 087-811-7803
- © Kyushu Finance Bureau 096-353-6352
- © Fukuoka Finance Bureau 092-433-8066
- © Okinawa General Bureau 098-866-0095

Consultation desks of Bankers Associations/Government Financial Institutions (Available only in Japanese)
- © Japanese Bankers Association 050-3385-6091
- © The National Association of Shinkin Banks 03-3517-5825
- © National Central Society of Credit Cooperatives 03-3567-2456
- © Japan Finance Cooperation 0120-154-505
- © The Okinawa Development Finance Corporation 098-941-1795
- © The Shoko Chukin Bank, Ltd 0120-542-711
- © Development Bank of Japan Inc. 0120-598-600

Support measures for companies

Dedicated pages on the METI website provide details of various support measures.

Ministry of Economy, Trade and Industry  COVID-19 related Search by
On March 19, FSA Commissioner Endo attended "FinCity Global Forum—Future of Asset Management and Tokyo as a Global Financial City," a symposium co-hosted by FinCity.Tokyo and Nikkei Inc. and made the following speech. This event was held without an audience, in light of the spread of the novel coronavirus outbreak, and was streamed live online.*

In enhancing the welfare of the Japanese people through sustainable corporate and economic growth and stable asset formation, the asset management industry has a very important role to play. In order to ensure that the benefits of economic growth are brought to households, it is essential for asset management companies to improve their medium- to long-term investment performance. Therefore, the FSA is promoting dialogue intended to support the sophistication of asset management.

(1) Current status of the asset management industry

The outstanding amount of net assets in the Japanese market for publicly placed investment trusts has remained flat. It has been pointed out that one factor behind this situation is the presence of problems related to the investment performance, such as the low performance of many active funds in Japan compared with passive funds.

On the other hand, internationally, passive funds with low fees are attracting investment money and are further lowering their fees by taking advantage of the economy of scale due to the expanding investment size, a situation that leads to further inflows of money. As a result, an oligopoly by asset management companies handling passive funds and offering low fees is developing. In a move to counter this trend, there has been a succession of mergers between major asset management companies handling active funds, and as a result, the fee level has declined and international competition between asset management companies has intensified. In Japan as well, there is a trend of investment money shifting to passive funds, and the fee level has been on a downtrend, indicating that Japanese asset management companies are being exposed to intense international competition.

(2) Challenges for asset management companies

In light of the current situation described above, the FSA has started to engage in dialogue with major domestic asset management companies about efforts to secure customers’ interests by improving investment performance, while looking to overseas cases as a reference. Under these circumstances, asset management companies have started making efforts to address the following four challenges.

The first challenge for asset management companies is developing an appropriate governance system. For example, in the United States, there are boards of directors with dedicated responsibility for investment funds themselves, and those boards are comprised mainly of external personnel with an abundance of business and investment experiences. Directors perform the function of exercising checks against asset management companies under the fiduciary duty, which places the top priority on serving customers’ interests, by examining funds' fees, performance and profitability, among other factors. On the other hand, many Japanese investment trusts have no directors (board of directors) with dedicated responsibility because of differences in legal structure. As a result, it has been pointed out that the board of directors of asset management companies themselves have to play the central role in securing customers' interests. In particular, in the case of asset management companies belonging to financial groups, the risk has been pointed out that precedence may be given to originating products that are easier for parent companies to sell over securing customers’ interests by enhancing investment performance. Therefore, there is the view that more efforts should be made to develop a governance system that ensures that the top priority is placed on
securing customers' interests. In light of the abovementioned viewpoints, some major asset management companies have established an advisory board or a similar body whose members include outside directors and are striving to develop a system that enables the board to effectively perform its functions to secure customers' interests when studying the characteristics of products and managing funds.

The second challenge is developing an appropriate management system. In particular, some asset management companies established as subsidiaries of major financial institutions appoint directors (in charge of business execution) mainly from among personnel at parent companies who do not necessarily have sufficient knowledge regarding asset management business. On the other hand, some companies are inviting personnel well-experienced in asset management business from outside their groups to serve in key management positions.

The third challenge for asset management companies is clarifying the vision of their future and their strengths. Officials at major foreign asset management companies often mention how important it is for asset management business to clarify the companies' strengths in consideration of the external environment, formulating appropriate strategies for achieving the vision of their future, and steadily putting the strategies into practice. On the other hand, it has been pointed out that some domestic asset investment companies have failed to draw up a vision of their future and formulate concrete plans. In the meantime, some other companies have clarified strengths that set them apart from competitors and are conducting a study with a view to formulating concrete plans.

The fourth challenge is developing a business operation system that places emphasis on investment. It has been pointed out that the recruiting and personnel management policies, and the evaluation and remuneration systems, at asset management companies belonging to major financial groups may be failing to sufficiently take into consideration the characteristics of asset management business because of the influence of parent companies. In the meantime, in order to secure reproducible investment performance over the medium to long term, some asset companies have introduced recruiting and personnel management policies that are independent from the influence of parent companies, and personnel evaluation and remuneration systems that place emphasis on medium- to long-term investment performance.

(2) The top priority placed by the management team knowledgeable about asset management business on securing customers' interests, and a management system that operates from a long-term perspective.

- Securing professional managers well-experienced in investment-related practical affairs and asset management business
- Establishing a sustainable management system necessary for pursuing medium- and long-term investment results

(3) Clarifying the vision of the company's future and its strengths and formulating and implementing concrete plans

- Understanding the principle of asset management business, i.e. placing the top priority on securing customers' interests, and cooperating with and committing to promotion of the sophistication of asset management
- Formulating a short-term plan and medium- and long-term plans for realizing the vision of the company's future, and constantly reviewing and revising the plans

(4) Developing product governance, including systems of evaluation and remuneration for executives and employees, and product origination, and improving business operations, including with respect to administration of fund management

- Recruiting and managing personnel and operating evaluation and remuneration systems in ways that better reflect investment results
- Establishing a system of administering fund management that maximizes investment returns for customers
- Exercising a product governance function necessary for ensuring that product origination is implemented in consideration of the profiles of target customers

(3) Future actions

As described above, the asset management industry is making efforts to address the above four challenges. In order to ensure that those efforts deliver results and enable the industry to play a more significant role in promoting sustainable corporate and economic growth and asset formation by the Japanese people, the FSA will continue to deepen its dialogue with major domestic asset management companies and their parent companies.

*The video of the speech can be accessed through online distribution from the archive at the following URL:
Nikkei Channel：https://channel.nikkei.co.jp/e/20200319fincity (Available in Japanese)
Release of "Summary of Survey Results on the Use of LIBOR and Main Actions Needed"

HIRABAYASHI Takaaki, Deputy Director Banking Business Division I, Supervision Bureau

The FSA and the Bank of Japan (BOJ) conducted a joint survey on the use of LIBOR and published the results on March 13 in the form of "Summary of Survey Results on the Use of LIBOR and Main Actions Needed."*

Described below are the background to the implementation of the joint survey and the actions that financial institutions need to take in light of the survey results.

1. Background to the survey on the use of LIBOR

LIBOR (London Interbank Offered Rate) is an interest rate benchmark calculated based on the interest rates of interbank transactions in London. LIBOR is used as a reference with respect to various financial products and transactions, including loans, bonds, and derivatives. It is used by a wide range of market participants, including not only financial institutions but also non-financial corporations.

However, since the revelation of the fraudulent manipulation of LIBOR in 2012, interest rate benchmark reform has been ongoing internationally in order to eliminate fraudulent practices and enhance confidence in the benchmark. In light of this, Japan has also taken actions.

In July 2017, an official of the U.K. financial authority made an important speech that strongly suggested that the publication of LIBOR would be discontinued permanently after the end of 2021. Since then, financial authorities, mainly those in the U.K. and the U.S., have sent out messages strongly calling for a transition from LIBOR.

If the publication of LIBOR is discontinued without sufficient preparation, what impact would that have? For example, financial institutions may find it impossible to calculate interest rates on payments and receipts of funds in loan and bond transactions or face difficulty making online calculations of interest payment amounts.

This survey was conducted in order to encourage financial institutions to make efforts to transition from LIBOR by identifying and publishing the outstanding amounts of financial products and transactions referring to LIBOR that are held by domestic financial institutions (banks, securities companies, insurance companies, etc.) and the status of internal preparations for the transition from LIBOR to an alternative interest rate benchmark.

2. Key Points of the survey results on the use of LIBOR

Figure 1 shows an overall picture of the survey results on the quantitative aspect. In the aggregate of the five currencies, the amounts outstanding of contracts referencing LIBOR are 164 trillion yen of assets (e.g., loans), 35 trillion yen of liabilities (e.g., deposits and bonds), and 6,300 trillion yen of notional amounts of derivatives. By currency, U.S. dollar LIBOR contracts had the largest share, followed by yen LIBOR contracts. Compared with the shares of these two currencies, the shares of contracts denominated in the euro, the pound, and the Swiss franc were relatively small.

By business type, banks have the largest proportion of contracts referencing LIBOR, with about 90% of assets and about 70% of liabilities. For derivatives contracts, securities companies have the largest proportion, with about 65 percent, followed by banks, with about 35%. In terms of number of contracts, when compared within the same business type, some financial institutions have a remarkably large number of contracts referencing LIBOR in loans, deposits, bonds (on the liability side), and insurance products. Another noteworthy point is that few contracts maturing beyond the end of 2021 contain fallback provisions in June 2019 concerning a shift to the alternative benchmark upon the discontinuation of the publication of LIBOR.


Some figures and footnotes have been omitted due to space constraints. For the details, access the above URL.
Figure 2 shows the survey results concerning the qualitative aspect. As for the status of identification of the size of LIBOR exposures, almost all financial institutions have developed a framework that can continuously track the volume of contracts referencing LIBOR or recognize the approximate volume. In addition, the survey asked financial institutions whether they were able to identify business operations affected by LIBOR transition, because the impact of the discontinuation of the publication of LIBOR could affect a great variety of divisions within financial institutions. The survey results show that around 85% of all financial institutions have identified or roughly identified business operations affected by LIBOR transition. On the other hand, it is necessary not only to identify business operations affected by LIBOR transition but also to ensure that individual divisions take necessary actions. In this respect, some progress is observed for the early stage of preparations, such as the identification of IT systems requiring upgrades. However, most of the survey items reported indicate that preparations as a whole are still underway or not yet started.

3. Main actions that financial institutions need to take

The value and volume of contracts referencing LIBOR that are held by financial institutions are fairly large, and those contracts are spread across wide-ranging business operations. Financial institutions need to take comprehensive actions by the end of 2021, so it is desirable that they prepare to take concrete actions with the management team's responsible and active involvement.

For example, regarding customer services, it is important to introduce fallback provision to contracts referencing LIBOR that mature beyond the end of 2021, which is considered as a minimum necessary action taken by financial institutions. Instead of using the absence of a full range of alternative rate options as an excuse for putting off actions, with a view to addressing conduct risks, financial institutions should begin preparations for the transition to an alternative interest rate, starting with what they can do immediately, such as raising awareness among employees by providing training at an early time.

4. Future monitoring by the FSA and the BOJ

Keeping the time limit of the end of 2021 in mind, the FSA and the BOJ will monitor whether financial institutions take necessary actions with the management team's responsible and active involvement. To this end, the FSA and the BOJ will deliberate on the need to set more specific core targets and conduct on-site monitoring, taking into account the progress in financial institutions’ preparations for LIBOR transition.

(*) The following comment was offered by the Bank of Japan, with which the FSA conducted the joint survey.

A comment by KASAI Makoto, head of Financial Institutions Division 1, Financial System and Bank Examination Department

It was very significant that we were able to identify the volume of contracts referencing LIBOR on a financial system-wide basis and to have a clearer view of financial institutions' preparations for LIBOR transition through this survey. Going forward, financial institutions need to take a variety of actions such as implementing IT system upgrades and revising their business procedures, while they are expected to contribute to market-wide activities, such as establishing alternative interest rate benchmarks for LIBOR. In particular, it is important for them to negotiate appropriately with non-financial counterparties of contracts referencing LIBOR for necessary revisions. It should be noted that these non-financials are not necessarily familiar with the issues related to LIBOR transition. Only a year and a-half remains until the end of 2021. We need to be aware of the limited time available and prepare for the discontinuation of LIBOR while involving a wide range of entities both public and private. We, the FSA and the BOJ, have recently been enhancing cooperation on a variety of themes. We will work together to support financial institutions and other entities’ preparations for LIBOR transition and conduct continuously this joint survey. Your cooperation will be much appreciated.
**Introduction**

Applications for consultation concerning binary option trading using USB flash drives and other expensive information products are increasing. In particular, the number of troublesome cases is increasing rapidly, mainly affecting university students and people in their 20s. In typical cases, students and other young people purchase USB flash drives equipped with an analytical tool regarding binary option trading after hearing words of recommendation assuring them of profits from friends or people with whom they have become acquainted through SNS, start transactions with recommended business operators, and suffer a large amount of losses. In many such troublesome cases, transactions are conducted with unregistered foreign business operators. As a result, there have been many applications for consultation about such problems as the absence of a means to contact the business operators who are transaction counterparties or to have outstanding contracts cancelled. There have also been cases in which the Consumer Affairs Agency has taken administrative measures based on the Act on Specified Commercial Transactions against companies engaging in door-to-door sales of USB flash drives (a press release issued by the Consumer Affairs Agency on March 26, 2020, which can be viewed at https://www.ca.go.jp/notice/entry/019409/) (available in Japanese).

In light of the above situation, the FSA issued a warning regarding binary option trading in order to prevent the spread of similar harm.

Here, explanations will be provided with respect to the tightening of the regulation of binary option trading and the warning issued at this time.

1. **What is binary option trading?**

In binary option trading, the investor predicts the future movements of the value of an underlying asset, such as a foreign exchange rate, and, as the name of the trading suggests (the word "binary" refers to the presence of two elements), chooses either of two options, namely whether the value of the underlying asset at a predetermined point in time will be higher or lower than a prescribed level.

The purchaser of a binary option receives a prescribed amount of money from the seller if the prediction proves correct but receives no money if the prediction proves incorrect and suffers a loss in the form of the option premium paid at the time of the option purchase.

2. **The tightening of the regulation of binary option trading**

Binary option trading may appear to be simple, but it is a type of derivative trading based on a complex theoretical pricing formula. Binary option trading has been conducted mainly between institutional investors in the foreign exchange market. Around 2011, financial instruments business operators handling FX trading started a binary option trading service for individual investors.

At that time, investors engaged in transactions in which they predicted whether the exchange rate would rise or fall a very short time later, such as 10 minutes later. Because of the strong element of gambling involved and the risk of overly speculative transactions being conducted, the Cabinet Office Order on Financial Instruments Business, etc. and the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. were revised in 2013 from the viewpoint of securing and developing systems to ensure appropriate product design and business process implementation necessary for protecting public interests and investors.

Following the revision, rules regarding binary option trading were improved by a relevant self-regulatory organization and financial instruments business operators, and it was stipulated, among other requirements, that the minimum trading period should be two hours.

3. **Warning regarding binary option trading**

As described above, measures have been taken to ensure the soundness of binary option trading. However, in light of the fact that applications for consultation regarding binary option trading have recently been increasing as mentioned at the beginning, the FSA has issued a warning for investors via its website and Twitter account.

Right: A leaflet giving a warning regarding binary option trading
(1) A warning regarding binary option trading posted on the FSA website

On February 28 this year, the FSA posted a warning regarding binary option trading on its website. On the web page where the warning is posted, we explain the mechanism behind and risks involved in binary option trading and highlight points of attention regarding the trading. Also shown on the web page is a leaflet prepared jointly by the FSA and the Financial Futures Association of Japan, whose members are financial instruments business operators providing FX trading service and binary option trading service for individual investors.

(2) Sending messages via Twitter

In addition, on March 11, via its official Twitter account (@fsa_JAPAN), the FSA posted a tweet about the increase in troublesome cases, such as cases in which consumers who started engaging in binary option trading with an unregistered foreign business operators after purchasing expensive information products have been unable to contact the business operators.

The FSA issued a letter of caution to persons engaging in financial instruments business without obtaining registration under the Financial Instruments and Transaction Act. Via Twitter, the FSA is widely disseminating information on unregistered business operators to which a letter of caution was issued and is calling for investors to be careful about transactions with unregistered business operators. The tweet posted at this time also calls for investors to be careful about transactions with foreign business operators using expensive information products.

4. Points of attention regarding binary option trading

- **Risks involved in binary option trading.**

  Although binary option trading appears to be simple trading in which all that investors should do is predict whether the price of the underlying asset will rise or fall, it is complex financial trading that requires expert knowledge and advanced risk management if rational investment decisions are to be made. Consumers should be careful not to be deceived by solicitations assuring profits.

  As binary options can be purchased at a relatively low price and any loss that may be incurred by investors is limited to the equivalent of the option fee paid, investors tend to erroneously believe that binary option trading is low-risk trading. Therefore, there is the possibility that investors could repeatedly engage in trading without thinking carefully, with the result that they suffer a large amount of losses.

- **Be careful about transactions with unregistered business operators**

  Business operators that engage in binary option trading with investors who are Japanese residents are required to obtain registration for financial instruments business. Even business operators that have a financial instruments business license abroad are prohibited from engaging in financial instruments business without obtaining registration in Japan.

  If investors engage in transactions with unregistered business operators, it is extremely difficult to pursue the liability of the business operators in the event of problematic incidents. **Before starting trading, investors should make sure that their transaction counterparties are business operators that have obtained registration under the Financial Instruments and Exchange Act.**

- **Please conduct transactions with trustworthy financial instruments business operators**

  When engaging in transactions with business operators that have obtained registration under the Financial Instruments and Exchange Act, it is essential for investors to carefully evaluate the business operators' trustworthiness by collecting and examining as much information on them as possible. It is also essential for investors to sufficiently understand the trading mechanism and risks involved and engage in transactions on a self-responsibility basis only when the transactions are judged to be appropriate in light of their financial capacity and trading experience, among other factors.

Conclusion

Binary option trading is high-risk trading requiring sufficient knowledge and experience. Before starting trading, investors should make sure that their transaction counterparties are business operators registered under the Financial Instruments and Exchange Act and take due care to make appropriate investment decisions.

* For information on the warning regarding binary option trading, please access "Beware of Binary Option Trading!" ([https://www.fsa.go.jp/ordinary/chuui/binary.html](https://www.fsa.go.jp/ordinary/chuui/binary.html) [available in Japanese]) via "Topics" on the top page of the FSA website.
1. Outline of the event — Participation by State Minister Miyashita

“BookDrive 2020 in FSA” was convened on March 23-31. This event was to collect, mainly from FSA employees but also from visitors to the FSA, books that they have finished reading, have partner business operators assess the value of collected books, and donate the books through "Used Book Donations for Children's Future"*1 to the "Fund to Support Children's Future,"*2 which is operated by the Cabinet Office and other relevant entities.

The donation for the fund will be used for, for example, operating Kodomo Shokudo, or children’s cafeteria, that provide meals for free or at low prices to children of needy families or for assisting nonprofit organizations (NPOs) supported by grassroots movements.

To mark the start of the event, a commemorative photo with State Minister of Cabinet Office MIYASHITA Ichiro (in charge of financial services) was taken in front of the event space at the second-floor entrance.

This event was held as part of the Global Money Week (GMW), organized by the OECD to promote financial education and financial inclusion. Unfortunately, this year’s GMW-related international campaign has been abruptly postponed in light of the current circumstances, but this event was held according to the GMW's initial schedule. One of the teams (popularly known as the financial inclusion team) under the Open Policy Lab initiative working on studying the financial sector's possibilities in addressing the poverty issue was responsible for organizing the event.

*1 The website of the Used Book Donations for Children's Future: https://www.books-kodomomirai.jp/ (Available in Japanese)

*2 The website of the Fund to Support Children's Future: https://www.kodomohinkon.go.jp/fund (Available in Japanese)
2. Activities of the financial inclusion team (the financial sector's possibilities in addressing the poverty issue)

This team is comprised of six FSA employees who are interested in considering what activities the FSA and individual FSA employees can conduct in order to resolve the poverty issue in Japan. The team has been particularly considering what the FSA can do to address child poverty in Japan while working on activities such as research, exchanging opinions with financial institutions, industry associations, NPOs and relevant ministries and agencies that are addressing the poverty issue.

According to statistical data, in Japan, one in seven children is considered to be in a state of relative poverty (state of relative destitution compared with the country's cultural and living standards). However, through the researches and the exchange of opinions, it has been found that child poverty in Japan tends to be invisible under the surface of everyday life. As a result, it is difficult for the people to recognize this issue as their own matter. It is also difficult to spread the movement to resolve the issue.

Through the activities so far, the financial inclusion team has come to think that it is important to implement activities, placing the response to child poverty issue as "investment for the future" that is necessary for creating a society in which future generations can have hopes and expectation. Therefore, the team will continue to consider specifically what activities can be implemented and whether the FSA can do something in order to address child poverty. At the same time, the team also believes that it is important to raise awareness about child poverty more widely as a basis for expanding the activities across Japan.

"BookDrive 2020 in FSA" was held as an awareness-raising campaign in order to provide an opportunity for more FSA employees and visitors to become aware of child poverty in Japan, and to recognize that there are means whereby individuals can contribute to the resolution of this issue.

The financial inclusion team will continue to promote activities to address child poverty through exchanging opinions with a variety of relevant parties.

3. Summary

We express our heartfelt appreciation for those who offered cooperation, including donations, for holding this event. We hope that this event provided an opportunity for many people, including those who are involved in the financial sector, to reflect on child poverty.

(Reference) Open Policy Lab

Since the program year 2018, the FSA has been conducting the Open Policy Lab initiative. The Open Policy Lab, which is a framework for FSA employees to present voluntary policy proposals, is intended to develop and use the skills of employees, mainly younger ones, in order to invigorate the FSA’s organization. It is also intended to develop fresh and original policies by actively adopting employees' new ideas.
"Blockchain Global Governance Conference [BG2C]" and "FIN/SUM Blockchain & Business [FIN/SUM BB]." which were scheduled to be held for March 9 and 10, have been decided to postpone due to the outbreak of the Covid-19.

Amid this, the “special online panel discussion” was alternatively held on March 10 with key speakers involved in blockchain governance from around the world.

The discussion was highlighted on a new framework for global cooperation regarding decentralized financial system sustained by blockchain.

An Open, Global and Multi-Stakeholder Platform for Financial Diversity – New Genesis –

Panelists

- Toshihide Endo, Commissioner, JFSA
- Pindar Wong, Chairman, VeriFi (Hong Kong) Limited
- Shin’ichiro Matsuo, Research Professor, Georgetown University
- Mai Santamaria, Head of Financial Advisory team (SFAD), Department of Finance Ireland
- Aaron Wright, Clinical Professor of Law, Cardozo Law School

The video of the discussion can be viewed at the following URL: <https://www.bg2c.net/en_panel_discussion.html>

At the beginning of the panel discussion, Toshihide Endo, Commissioner, JFSA, delivered the opening remarks from his view as a regulator, that is abridged below.

- A decentralized financial system underpinned by blockchain will be capable of leveraging new financial services that could attain full P2P financial transactions that do not involve intermediaries and key attributes of blockchain technology (enhanced privacy and immutability etc.) will give rise to robust financial infrastructure. But it is stressed that the current regulatory frameworks may face lapses in regulatory enforceability by losing the regulatory targets and ability to trace dark deals as technologies develop.

- Anticipating this, in order to attain key regulatory objectives (stability, consumer protection and AML/CFT) and facilitate to deploy social benefits given by the fruits of innovation, we regulators should explore new approaches and seek necessary coordination with stakeholders whom we have not met before. Last year, the G20 under Japan’s presidency raised issues on a decentralized financial system and reached a consensus on the importance of enhancing dialogues among regulators and a wider range of stakeholders.

- The history of the Internet may be the most suggestive case to consider an idealistic model among various stakeholders to bring the governance at which the Internet community has been arrived.

- At the panel session, invited experts from various space will demonstrate how multiple parties could work together to achieve healthy governance in the blockchain community. Through this, we will be aware of the necessity for new global networks for further interactions among blockchain stakeholders.

In the panel discussion, Dr. Shin’ichiro made public the launch of a new global network named “Blockchain Governance Initiative Network” (BGIN – pronounced ‘BEGIN’).<sup>*</sup>

JFSA will contribute to the activities of BGIN as one of the stakeholders by taking advantage of the experiences cultivated through JFSA’s Blockchain Round-Table, G20 Fukuoka and related global conferences where JFSA participated.

*As for information on the launch of BGIN, access the following URL: <https://www.fsa.go.jp/en/news/2020/20200310.html>
**Establishment of the "Enterprise System and Frontrunner Support-Hub"**

The FSA has been implementing activities to promote innovative challenges in order to enhance financial services that contribute to user convenience and productivity improvement at a time when new players are inventing innovative services after their entry into the financial sector that is resulting from digitalization.

For example, from the viewpoint of accelerating efforts to take on innovative challenges using FinTech, the FSA has continued to support FinTech companies through various measures, including the FinTech PoC (Proof-of-Concept) Hub, which was established in September 2017 and continuously provides assistance with respect to practical challenges related to the interpretations of laws and regulations regarding unprecedented PoC projects.

While various business operators are creating innovations, the bloating and increased complexity of enterprise systems have caused many financial institutions to face such problems as difficulty in taking flexible actions to bring the benefits of digitalization to users, even though the systems have supported services of the financial institutions until now. For many financial institutions, particularly regional ones, which are in a very harsh business environment, curbing the overly high cost of developing and operating the enterprise systems has become an urgent task.

In light of this task, some financial institutions and system vendors have already started making proactive efforts to evolve the enterprise systems, which have become essential infrastructure for business processes and services, into those which enable the financial institutions to develop applications rapidly and connect flexibly with external services.

In order to support these activities, the FSA has established the "Enterprise System and Frontrunner Support-Hub" at the counter of the existing "FinTech PoC Hub."* This support hub supports financial institutions' innovative challenges related to the enterprise systems not only by providing the function of interpreting laws and regulations but also by starting discussions at an early stage from the viewpoints of IT governance and system monitoring, including IT-related risk management.

Moreover, the FSA expects that publishing the specifics of the support for financial institutions considering the development of new enterprise systems will encourage resourceful efforts by other financial institutions. The FSA is waiting for applications from many financial institutions for consultation about their innovative challenges.

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**Consultation counter**
(Available only in Japanese)

- Hours of accepting applications for consultation
  Weekdays: From 9:30 a.m. to 6:15 p.m.

- Contact
  Email: pochub@fsa.go.jp
  Phone: 03-3581-9510

- Division in charge:
  Strategy Development Division, Strategy Development and Management Bureau
  Desk in charge of FinTech demonstration experiments

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*(Note) Support provided by the Enterprise System and Frontrunner Support-Hub is not limited to that for deposit-taking financial institutions such as banks.
Editorial Postscript

Thank you for reading the April issue of “Access FSA.” This month, we reached the milestone of the No. 200 issue of “Access FSA.” This achievement represents the accumulation of efforts made since the publication of the launch issue in 2002. I am filled with deep emotion all the more because I joined the FSA in 2002, the same year as the publication of the launch issue.

Looking back, financial administration has faced various new challenges one after another, including the non-performing loan problem, the Lehman Shock, regional finance, and asset formation. We hope to continue to provide information on current challenges and policies in as timely and easy-to-understand a manner as possible.

At present, the FSA is devoting efforts to addressing the impact of the novel coronavirus outbreak. Minister Aso has been enhancing his response through such activities as issuing a ministerial statement and making direct requests to the chairman of the Japanese Bankers Association and other relevant parties.

All of us at the FSA will continue to appropriately address this challenge.

WADA Yoshitaka, Director, Public Relations Office, FSA
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