

# 4

2021

April

Monthly  
magazine

# Financial Services Agency Newsletter

# Access FSA

No.212



## Contents

### Seminars & Conferences (P1 -)

- P1 Holding of the Meeting to Exchange Views on the Facilitation of Finance for SMEs
- P2 Speech by Minister ASO Taro and State Minister AKAZAWA Ryosei at FIN/SUM2021
- P5 "Regional Finance Meeting," a Platform for Exchange and Communication between Government Employees and Financial Institution Employees, Held Online

### Policy Commentary Corner (P7 -)

- P7 Revision of the Guidelines for Administrative Processes Regarding Fraudulent Withdrawals from Bank Accounts through Settlement Services Provided by Fund Transfer Service Providers  
ISHIKAWA Yuhei, Section Chief, Fintech Business Monitoring Office, Risk Analysis Division, Strategy Development and Management Bureau
- P9 Revision of the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism

ITO Kenichi, Deputy Director  
KOBAYASHI Hiroyuki, Deputy Director  
Risk Analysis Division, Strategy Development and Management Bureau  
YOSHIMORI Daisuke, Deputy Director  
ITO Yuya, Deputy Director  
OKAZAKI Nobuhisa, Deputy Director  
AML/CFT Policy Office, Risk Analysis Division, Strategy Development and Management Bureau

### Notices (P11 -)

- P11 Message to the Market (March 24, 2021)
- P12 Announcement of the Results of the Certified Public Accountant Examination 2020

### JFSA's Major Activities in March (P13)



⇐ Access the online version here  
<https://www.fsa.go.jp/en/newsletter/index.html>

# Holding of the Meeting to Exchange Views on the Facilitation of Finance for SMEs

On March 8, 2021, the Financial Services Agency (FSA) held a meeting for exchange of opinions on facilitation of finance for small and medium-size enterprises (SMEs)\* between government officials, including Minister of State for Financial Services ASO Taro and Minister of Economy, Trade and Industry KAJIYAMA Hiroshi, and representatives of private-sector financial industry organizations in light of concerns that the impact of the COVID-19 infection, which entered its second year, on business operators may become prolonged due to constraints imposed on economic activities until now. (An online format was also used for the meeting.)



Photo: Minister ASO delivering a speech at the meeting for exchange of opinions

At the meeting for exchange of opinions, Minister ASO expressed his appreciation to the representatives of public- and private-sector financial industry organizations for contributing to the support for business operators amid the COVID-19 crisis. At the same time, Minister ASO requested that financial institutions not only avoid restricting new loans or calling in existing loans but also continue to handle loan transactions in the most flexible manner from the standpoint of business operators in order to prevent misunderstandings regarding lending practices. In addition, with respect to the grace period and repayment period of interest-free and unsecured loans, Minister ASO requested financial institutions to deal with borrower companies in a conscientious and careful manner, for example by giving due consideration to their needs and by actively presenting proposals, such as long-term extension of the loan period. He also called

for active use of subordinated loans recognizable as capital in light of business operators' needs and close cooperation between public- and private-sector financial institutions, including in providing support for application for such loans.

Representatives of private-sector financial industry organizations who participated in the meeting pointed out that it is necessary to closely watch the business conditions of individual business operators and take actions suited to their respective conditions, as the effects of the COVID-19 crisis vary depending on the company size and business type. They also expressed readiness to provide full support in the busy season near the end of the fiscal year.



Photo: A scene of the meeting for exchange of opinions

<Financial industry organizations that participated in the meeting for exchange of opinions>

Japanese Bankers Association, Regional Banks Association of Japan, The Second Association of Regional Banks, National Association of Shinkin Banks, National Central Society of Credit Cooperatives, Trust Companies Association of Japan, National Association of Labour Banks, The Norinchukin Bank, Japan Finance Corporation, Japan Federation of Credit Guarantee Corporations, The Okinawa Development Finance Corporation, The Shoko Chukin Bank Ltd., Development Bank of Japan Inc., Japan Housing Finance Agency

On the same day as the meeting for exchange of opinions on facilitation of finance for SMEs, the FSA issued a letter of request regarding financing support (Regarding Facilitation of Finance for Business Operators at the End of the Fiscal Year), which included requests made by Minister ASO at the meeting. The letter of request was made public in order to ensure full awareness about the specific requests.

\* For detailed information, please access "Facilitation of Finance for Business Operators at the End of the Fiscal Year" at the "Press Releases" section on the FSA's website. (URL indicated on the right)  
<https://www.fsa.go.jp/en/ordinary/coronavirus202001/20210422.html>

# Speech by Minister ASO Taro and State Minister AKAZAWA Ryosei at FIN/SUM2021

The Financial Services Agency (FSA) and Nikkei Inc. held the FIN/SUM2021— Fintech as a Service, in search for a platform for digitalized society, which is the largest FinTech/RegTech conference in Japan, on March 16-18.



At this time, from the viewpoint of ensuring protection against the COVID-19 infection, measures were taken to prevent the 3Cs (closed spaces with poor ventilation, crowded places with many people nearby, close-contact settings) situations among participants. Also, the conference was held in a hybrid format combining elements of in-person and online conferences, enabling remote participation using an online conference system meeting as well as live viewing.

On the second day of the conference, March 17, a symposium sponsored by the FSA was held with the theme "New Paradigm of Trust in Financial Services," and discussions were held among participants from the academic world, technology community, financial authorities, and companies on such matters as the building of new confidence in a post-COVID-19 era, the possibilities and challenges for digital assets, user-centric financial services, and innovations in the FinTech industry.

Presented here are the texts of an opening speech by State Minister AKAZAWA Ryosei and a closing Speech by Minister ASO Taro.

## 【Opening Remarks : AKAZAWA Ryosei State Minister for Financial Services】

Hello, everyone. I am Rio Akazawa, State Minister of Cabinet Office for Financial Services. It is our pleasure to hold the FIN/SUM 2021 FSA Symposium today. I would like to provide some opening remarks as the organizer.

COVID-19 has caused irreversible changes in our behavioral patterns. We are now right in the middle of digital transformation, such as spreading telework and non-face-to-face services. The accelerating digitalization is bringing about major changes in economic, social and industrial structures. This transition to a "new normal" should be seen as an opportunity to make our lives more productive and convenient. Japan has positioned digitalization as an issue with the highest priority.

In the financial sector, digitalization has been progressing ahead of this trend. In the midst of this development, our financial services have been changing since the first FIN/SUM five years ago. Collaboration through information between financial institutions and FinTech companies has advanced. An increasing number of non-financial institutions are offering one-stop services that incorporate financial functions. As we notice, a new environment is being ready. In that environment, everyone has access to a wide variety of daily-basis financial services via smartphone applications. Such financial services include, for example, fund settlement, asset management, and insurance.

In this "new normal", FinTech will play an increasingly important role. As you know, FinTech is a financial service that utilizes innovative technology. At the same time, FinTech aims to solve various social issues by providing financial services to a wide range of people.

In this context, it is important for the financial authorities to create a good environment for those businesses which newly enter the financial sector.

Specifically, it is necessary to ensure that start-up companies and businesses with innovative technologies and ideas are able to enter the financial sector without anxiety. The FSA has set up a dedicated contact point to provide consultation services to start-up companies and other businesses. The FSA has also been working to support new Proof of Concept by corporates, including financial institutions. I am also aware that the countries participating in today's symposium have taken various measures to support start-ups.

We, the financial authorities, need to continue to engage in dialogue with various stakeholders. We need to solve social issues and meet the expectations of people with truly innovative technologies and ideas. Financial service users are seeking far more affluent daily lives than now. In order to continue to meet the expectations of such users through financial services, what kind of efforts are required from financial institutions and FinTech companies?

This question is relevant to the theme of today's FSA symposium, "New Paradigm of Trust in Financial Services". People's behavioral patterns are changing drastically, and digitalization is advancing rapidly. In such situation, in order to create a bright future of financial services, I believe it is essential to reexamine the premise "trust" now.

I hope that the following sessions today would greatly help you think about "trust".



State Minister for Financial Services AKAZAWA delivering the opening remarks.

Today, due to the COVID-19 situation, we have no choice but to have a number of active experts in various fields to speak online. Once again, I would like to thank all the speakers for accepting our invitation. I would also thank Nikkei, Inc. for their efforts in organizing this global conference as the co-organizer.

To conclude, I sincerely hope that we have fruitful discussions today. Thanks for your attention.

【 Closing Remarks: ASO Taro, Deputy Prime Minister, Minister of Finance and Minister of State for Financial Services】

Good evening, distinguished guests, ladies and gentlemen. I am Taro Aso, Deputy Prime Minister of Japan in charge of Finance.

Thank you very much for participating in the FIN/SUM 2021 today. As the organizer of the FIN/SUM 2021 Financial Services Agency Symposium, I would like to provide some closing remarks.

First of all, I would like to express my sincere gratitude to the speakers who kindly participated in the active and informative sessions today. By fully taking advantage of our online technology, we had the pleasure of having a large number of distinguished speakers join us from both Japan and abroad.

COVID-19 has dramatically changed our lifestyle. Remote work and virtual meetings have now become the so-called "new normal," while technologies that support digitization, such as web-conferencing tools, are rapidly developing. This is quite different from the business world we used to know, where face-to-face communication played a dominant role in building trust in relationships with customers and colleagues. Some people may feel isolated and suffocated from physical constraints and are apt to look at the negative side of the rapid transition to a more digital environment.

However, the digital world has great potential. For example, let us look at verification of one's identity. Rather than by taking a conventional approach to check ID cards physically, it could be done much more efficiently and accurately by using data in IC chips on ID cards, biometric information, or location information. As for electronic documents with e-signatures and time stamps, cryptography will guard them against falsification and ensure that their contents and time of production are authentic. This will surely contribute to improving the confidence in the information, contracts, ownership rights, and other matters embodied in the documents.

In addition, there are no constraints with regard to physical location or travel time in the digital world. To see one of the benefits, we only need to look at the sheer number of speakers joining us from abroad today; and I think that many of the audiences are watching us now from their homes via computers or smartphones. The time we used to spend for traveling, commuting, and printing out documents can now be better allocated for our customers and business partners. Some people may have gained trust from other parties by increasing the frequency of communication. Lengthy time of commuting nightmare can now be used instead for strengthening family ties at home.

These are just a few examples. I believe that great opportunities and possibilities await us where technologies and approaches that have not been employed for building trust in the past, may be put to use and thereby contribute to improving the efficiency of social and economic activities.

On the other hand, however, security and privacy concerns, such as unauthorized access and excessive targeted-advertising, could easily impair trust in the digital world. We need to appropriately address these concerns including by conducting thorough risk assessment for business collaboration and listening to customer feedback regarding data utilization. A "one size fits all" solution probably does not exist, and thus selection and implementation of appropriate technology for specific cases and proper sharing of responsibilities among relevant stakeholders become critical.

Another important perspective is to realize a digital transformation in which no one will be left behind. To realize an inclusive society, it is essential that everyone, regardless of region, age or nationality, can receive financial services. To this end, I would call for your creative endeavors.



Minister ASO delivering the closing remarks.

These issues are all true challenges, and building digital trust is by no means an easy task. I believe that many of the participants today are struggling day by day in the face of unprecedented difficulties. That is why we have organized today a multi-stakeholder discussion forum under the title "New Paradigm of Trust in Financial Services," with the presence of a wide variety of experts on various issues relevant for building digital trust. I hope that today's discussion can help to give us useful hints to resolve the issues and reap the benefits of digital transformation.

Of course, the government, too, will continue to do its utmost to advance financial digitalization.

To conclude, I would like to once again express my gratitude to the co-organizer, Nikkei, Inc., for holding the FIN/SUM in a new format in spite of the COVID-19.

Thank you for your attention and thank you for your participation.

Thank you.

# "Regional Finance Meeting," a Platform for Exchange and Communication between Government Employees and Financial Institution Employees, Held Online

## ■ Overview of the meeting

The Regional Finance Meeting (Chiikin-kai), which consists of employees of government ministries and agencies, including members of the FSA Regional Solutions Support Team (the "Support Team"),\* and like-minded employees of financial institutions, was held online on Saturday, March 13, for the first time in nine months, with the participation of approximately 400 people from around the nation. This meeting serves as a platform for exchange and communication among government employees, financial institution employees and staff of support organizations. The meeting has led to the establishment of "dialogues" in various areas to discuss solutions to problems specific to respective areas. The latest meeting, in which presentations were made by 15 dialogues that have been established or are being established nationwide, aimed to deepen collaboration and dialogues between government ministries and agencies, private companies, and universities, etc. and to also expand networks to enable dialogues to share required human resources, information, ideas, etc. through promoting exchange among them.

At the opening of the meeting, State Minister for Financial Services AKAZAWA Ryosei presented his passion for regional revitalization and introduced activities concerning financial policies, disaster prevention and mitigation, and countermeasures against the COVID-19 infection, etc., of which he is in charge, and finished his speech while expecting participants' voluntary efforts for solving regional problems.



Photo: State Minister AKAZAWA extending greetings

金融×公務員ミートアップイベント  
第5回 **ちいきん会**  
2021 3.13 SAT 14:00-17:00  
参加無料(事前申込制) | オンライン開催 (Zoom)

ちいきん会は何を生み出し、どこへ向かうのか。  
全国各地の取り組みを一挙紹介!

タイムテーブル  
14:00 Zoomチェックイン  
14:10 開会のあいさつ  
14:15 3分ピッチ発表  
15:00 グループセッションI  
15:15 3分ピッチ発表  
15:55 グループセッションII  
16:10 中絶、質疑応答  
16:30 質疑グループセッション  
17:00 終了

参加対象 「地域活性化に熱意ある」公務員と金融機関職員、学生・民間事業者  
参加費 2021年3月11日(木)23:59  
\*Zoom ID参加費が無料なため、1円(等)のみを参加料として、当日は無料参加費が設定されています。  
(主催)ちいきん会 運営事務局

## ■ Concrete activities of dialogues in respective areas

Dialogues, which were established in various areas basically based on consultations from residents, commonly have discussions on problems specific to respective areas on a regular basis after building a relationship of trust among participants from different standpoints, such as from the industry, academia, government, financial institutions, and the press, and securing psychological safety.

\* FSA personnel consider and discuss problems together: "Regional Solutions Support Team"

<https://www.fsa.go.jp/policy/chiikikadaikaketsushien-team/chiiki-kadai-top.html> (Available in Japanese)

However, dialogues' purposes, themes, members, operation systems, progress, etc. are diversified depending on the circumstances of respective areas.

For example, leaders of dialogues broadly include personnel of prefectural governments, banks, shinkin banks, universities, Credit Guarantee Corporations, local newspaper companies, etc., in addition to officials of Local Finance Bureaus in charge of supporting the creation of regional economic ecosystems. Purposes and themes are also diverse, such as aiming to make proposals to local governments with regard to projects necessary for supporting local companies, or to consider concrete collaboration methods to enhance the effectiveness of local governments' policies or means to cultivate seeds for regional revitalization through organic collaboration among the industry, academia, government, financial institutions, and the press. Some dialogues aim to materialize such collaboration and others intend to regularly have talks without setting specific goals and share trends in regional revitalization and regional problems seen from respective standpoints.

### ■ Dialogues' recent activities

"Kasumigaseki Dialogue," which was planned mainly by the Support Team in cooperation with like-minded groups at various ministries and agencies, was held on two days, February 24 and March 3. The dialogue provides opportunities for responsible personnel of respective ministries and agencies to make presentations on their policies and have talks with financial institution employees and local government officials to deepen their understanding of policies of respective ministries and agencies. The latest dialogue was the fourth one. State Minister AKAZAWA also attended, conveying a message of encouragement to participants and listening to frank opinions presented by frontline officials in group sessions. Seven national government projects were explained in the dialogue over two days and approximately 250 people participated.

In February, a new dialogue, "Kanagawa/Hiratsuka Dialogue," was established in collaboration among shinkin banks in Kanagawa Prefecture and Shinkin Central Bank. It commenced activities to explain the national government's policies to SME owners and deepen their understanding jointly with other financial institutions.

Additionally, on March 19, as a new collaborative action, four dialogues, namely Iwate Dialogue, Hiratsuka Dialogue, Shizuoka Dialogue and Nara Dialogue, jointly held a study session concerning the national government's new project to support tourism. Under this project, the national government offers support to tourism plans taking advantage of regional characteristics that respective local players formulated by creating a network. In the study session, financial institutions and local governments also participated, and they sought means to better utilize financial institutions' functions, such as through filing applications jointly with local governments.

The Support Team will continuously support the creation of regional economic ecosystems through linking local key persons or otherwise helping regional efforts for networking aiming to solve regional problems and through developing platforms for discussions and providing information on the national government's policies and projects.

Photo (right): State Minister AKAZAWA extending greetings in Kasumigaseki Dialogue



# Revision of the Guidelines for Administrative Processes Regarding Fraudulent Withdrawals from Bank Accounts through Settlement Services Provided by Fund Transfer Service Providers

ISHIKAWA Yuhei, Section Chief, Fintech Business Monitoring Office, Risk Analysis Division, Strategy Development and Management Bureau

(\*The opinions expressed in this report are the personal views of the author and do not necessarily reflect the organization with which the author is affiliated.)

On February 26, 2021, the FSA partially revised the Guidelines for Administrative Processes—Financial Companies and the Comprehensive Guidelines for Supervision of Major Banks, etc. (Guidelines for Administrative Processes, etc.).\*<sup>1</sup> The background to the revision and major points of revision are explained below.

## 1. Background

Last year, there were several cases in which malicious third parties opened accounts at fund transfer service providers in the names of depositors on whom they had fraudulently obtained information and made fraudulent withdrawals by transferring funds to those accounts from the depositors' bank accounts.

In response to these cases, since September 2020, the FSA has set the following requirements for banks and fund transfer service providers:

- Banks and fund service providers should implement fraud prevention measures, such as enhancing the authentication (banks) and identification (fund service providers) procedures.
- Policies for compensation should be formulated and implemented.
- A control environment for conscientiously responding to users' requests for consultation should be developed.

In addition, in October 2020, the FSA issued an alert\*<sup>2</sup> to the effect that depositors should check the transactions records in their accounts (passbooks, etc.) once again to make sure that no suspicious transaction has been conducted.

Based on the above recommendations, the Japanese Bankers Association and the Japan Payment Service Association formulated and published their respective industry-wide policies concerning this matter, including prompt compensation for financial losses. (The Japanese Bankers Association published its policy on November 30, 2020, while the Japan Payment Service Association published policies on December 3, 2020 [for fund transfer service providers] and on January 28, 2021 [for prepaid card issuers].)

The FSA also invited public comments regarding the draft of revised Guidelines for Administrative Processes, etc. prepared in response to the abovementioned cases, starting on December 25, 2020, and published the public comment results and put into effect the revised Guidelines for Administrative Processes, etc. on February 26, 2021.

## 2. Major Points of Revision

### (1) Implementing fraud prevention measures

#### (i) Risk assessment

One presumed cause of the abovementioned cases is the inadequacies of risk examination concerning settlement services as a whole, including security measures taken by business partners, and information sharing with business partners. Therefore, the FSA requires banks and fund transfer service providers, when they jointly provide services through business partnerships, to examine risks related to the services as a whole, cooperate in each other's risk

## Beware of Fraudulent Withdrawals from Bank Accounts through Cashless Settlement Services You Are Not Aware Of!

There are many cases in which criminals opened accounts for cashless settlement services (e.g., XX Pay) based on fraudulently obtained customer information and linked those accounts with customers' bank accounts in order to illegally withdraw funds.

### ! Points of attention

- Customers who are not using cashless settlement services and people who are not using internet banking have also suffered financial losses due to fraudulent withdrawals made through this means.
- You should check transaction records of your bank accounts (e.g., internet banking records and passbooks) once again in order to make sure that no suspicious transaction has been conducted and be careful in managing account information.
- When you have found transactions you are not aware of, please consult with your banks or the business operators providing the cashless settlement services indicated in the records.
- Banks and cashless settlement service providers cooperate with each other and fully compensate for financial losses due to fraudulent withdrawals by malicious third parties.
- Also beware of acts of fraud aiming to take advantage of victims of crime cases like the abovementioned ones.

● If you would like to ask questions or need consultation, please consult with the following contact point.

FSA Counseling Office for Financial Services Users	Phone: 0570-016811; Hours: 10:00 a.m. to 5 p.m. on weekdays
National Police Agency	If financial losses due to fraudulent withdrawals have been found, please consult with your nearest police station.
Consumer Hotline	Phone: 188 (calls are routed to the caller's nearest contact office for consumers)
Counselling office at the Japanese Bankers Association	Phone: 0570-017109, 03-5252-3772 Dates: Monday to Friday (excluding public and business holidays) Hours: 9:00 a.m. to 5:00 p.m.
Japan Payment Service Association Customer Counselling Office	Phone: 03-3556-6261; Hours: 10:00 a.m. to 5 p.m. on weekdays.



\*1 "Results, etc. of the Public Comment Process Concerning the Partial Revision of the Guidelines for Administrative Processes—Financial Companies, the Comprehensive Guidelines for Supervision of Major Banks, etc.," published on February 26, 2021: <https://www.fsa.go.jp/news/r2/sonota/20210226/20210226.html> (Available in Japanese)

\*2 "Beware of Fraudulent Withdrawals from Bank Accounts through Cashless Settlement Services You Are Not Aware Of!": <https://www.fsa.go.jp/news/r2/sonota/20201014.html> (Available in Japanese)

assessment in order to examine risks related to their joint services as a whole, and clarify the division of roles and responsibilities with business partners with respect to services provided through business partnerships.

When problems have been recognized with respect to provided services, the service providers are required to take necessary measures, including temporarily suspending the services.

### (ii) Appropriate authentication

Various factors may lead to password leakage in the above and other cases. As it is necessary to prevent password leakage from immediately resulting in fraudulent withdrawals, it is necessary to implement robust security measures. Therefore, the FSA is calling for the enhancement of the authentication procedure.

For example, in addition to a fixed password system, banks are required to introduce a multi-factor authentication system that combines two or more effective factors, such as a one-time.

Meanwhile, fund transfer service providers are required to enhance user identification in an effective manner by using a public personal identification system or other means. In addition, they are required to implement fraud prevention measures, such as cross-checking confirmed information with information held by banks.

### (iii) Notification required in account linkage

There are also cases in which financial losses may be prevented if depositors are notified promptly when their bank accounts have been linked with accounts at fund transfer service providers. Therefore, when starting to provide a joint service with a business partner, banks are required to notify account holders of the forming of the partnership and the specifics of the joint service.

### (iv) Monitoring

When fraudulent transactions have occurred, it is important to detect them promptly in cooperation with business partners in order to prevent the expansion of financial losses. To that end, the FSA requires financial institutions to set appropriate scenarios and threshold values and develop systems to identify suspected fraudulent transactions at an early time. When fraudulent transactions have been detected, financial institutions are required to share information with business partners and, as necessary, notify users who are at risk of suffering financial losses.

### (v) Strengthening fraud prevention measures

In light of the increasing sophistication of criminal schemes, the FSA is calling for the strengthening of fraud prevention measures, including introducing public personal authentication.

## (2) Formulation of a policy for compensation

From the viewpoint of protecting users against fraudulent transactions, it is important for financial institutions to make clear, in advance, their policy for compensating for financial losses, including who should provide compensation. Therefore, the FSA requires that financial institutions formulate a policy for compensation with respect to who should compensate victims of fraudulent transactions, contact information regarding consultation, and the compensation procedures, among other matters and make sure that users are aware of the policy. They are also required to develop a control environment for prompt provision of compensation in accordance with the policy.

## (3) Development of a control environment regarding consultation

When a fraudulent transaction has occurred, it is important to prevent a situation in which neither the bank nor the fund transfer service provider takes on the responsibility for handling the case and fails to appropriately deal with victims. Therefore, the FSA requires the development of a control environment for taking measures to deal with victims in a conscientious manner, including providing consultation regarding business partners, and the clarification of specific methods of cooperation with business partners.

(Note) The points of revision indicated in 2. concern cases where a bank and a fund transfer service provider provide joint services, but similar revisions have been made with respect to joint services provided by deposit-taking financial institutions other than banks and prepaid card issuers or electronic settlement service agents.

## 3. Future Actions

The FSA will devote efforts to monitoring in order to ensure that fund transfer service providers and banks appropriately conduct business operations based on the revised Guidelines for Administrative Processes, etc.

## Outline of the revisions of the Guidelines for Administrative Processes and the Guidelines for Supervision ,etc.

- In light of the recent cases of fraudulent withdrawal, the FSA has called on banks and fund transfer service providers to take the following actions.

### 1. Implementation of fraud prevention measures

- (i) Examine risks regarding business partners' authentication methods, among other matters, and clarify the roles and responsibilities.
- (ii) Introduce an appropriate authentication method commensurate with risks, and implement measures such as strengthening authentication by banks and user identification by fund transfer service providers.
- (iii) Notify depositors at the time of conclusion of a contract for account transfer payment.
- (iv) Implement fraud prevention measures in light of the possibility that fraudulently concluded contracts may remain among existing contracts for automatic fund transfer.
- (v) Appropriate monitoring of suspected fraudulent transactions

### 2. Formulation and implementation of a policy for compensation

### 3. Development of a control environment for conscientiously responding to users' requests for consultation

- In light of the above requirements, the Japanese Bankers Association and the Japan Payment Service Association formulated and published industry-wide policies regarding cases of fraudulent withdrawal, including prompt provision of compensation for financial losses (November 30 and December 3, 2020)
- The FSA revised the Guidelines for Supervision and Guidelines for Administrative Processes so as to address the abovementioned matters (February 26, 2021).

# Revision of the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism

ITO Kenichi, Deputy Director  
 KOBAYASHI Hiroyuki, Deputy Director  
 Risk Analysis Division, Strategy Development and Management Bureau  
 YOSHIMORI Daisuke, Deputy Director  
 ITO Yuya, Deputy Director  
 OKAZAKI Nobuhisa, Deputy Director  
 AML/CFT Policy Office, Risk Analysis Division, Strategy Development and Management Bureau

(\*The opinions expressed in this report are the personal views of the author and do not necessarily reflect the organization with which the author is affiliated.)

On February 19, 2021, the FSA announced the revision of the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism (Guidelines).<sup>\*1</sup> Here, the background to the revision and the purpose of particularly important points of revision are explained.

## **1. Background**

Before describing the background to the revision, we briefly explain the importance of anti-money laundering and combating the financing of terrorism (AML/CFT) and Japan's AML/CFT activities.

It is essential that AML/CFT activities be conducted through international cooperation.

Regarding international cooperation in AML/CFT, the Financial Action Task Force (FATF), which functions as an inter-governmental forum to promote the cooperation, has published various guidance documents in addition to the 40 Recommendations (FATF Recommendations), which serve as an international standard for AML/CFT. FATF also monitors countries' compliance with the FATF Recommendations (mutual evaluation). When financial institutions' compliance is inadequate, they may be excluded from the international financial system through the cancellation of correspondent banking arrangements, among other measures. Therefore, ensuring compliance with the FATF Recommendations is a very important challenge.

In Japan as well, since the Ministry of Finance asked financial institutions to implement customer identification in June 1990, various AML/CFT measures have been implemented. As part of those activities, in February 2018, the FSA encouraged financial institutions to enhance the AML/CFT control environment and published the Guidelines as guidance for the monitoring of AML/CFT activities.

Subsequently, in April 2019, the FSA made the first revision to the Guidelines and has monitored financial institutions' AML/CFT control environment. In the meantime, while some requirements under the Guidelines have come to be followed, it has become clear that the FSA should more clearly convey its intentions regarding other requirements.

Against this background, the Guidelines have been revised at this time in order to make the purpose of existing requirements clearer and indicate new points of attention in light of a rise in the required level of standards in and outside Japan.

## **2. Key Points of Revision**

For specific points of revision, please refer to the comparison table between the pre-revision and revised requirements.<sup>\*2\*</sup><sup>\*3</sup> Here, particularly important points are explained. The sub-headlines are those used in the Guidelines.

### **1. II-2-(1) 【Required actions for a financial institution】 iv.**

Financial institutions are obligated to develop a risk management control environment and adopt a risk-based approach in order to prevent the use of their products and services for money laundering and financing of terrorism (ML/FT). The latest revision made clear that as part of this obligation, financial institutions are required to examine ML/FT risks involved in new products and services, including the effectiveness of business partners' risk management control environment.

<sup>\*1</sup> The Results of the Public Comment Process Concerning the Revision of the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism, published February 19, 2021:  
[https://www.fsa.go.jp/news/r2/202102\\_amlcft/202102amlcft.html](https://www.fsa.go.jp/news/r2/202102_amlcft/202102amlcft.html) (Available in Japanese)

<p>✓ The FSA made revisions with respect to the following matters for the purpose of calling for attention in light of specific cases identified in the process of its monitoring.</p> <p><b>Points of attention regarding the joint provision of services with business partners</b></p> <ul style="list-style-type: none"> <li>○ Calling for attention in light of cases in which financial institutions failed to conduct sufficient checks on the status of AML/CFT at business partners when providing new products and services through the partners.</li> </ul> <p><b>Additional countermeasures against high-risk transactions</b></p> <ul style="list-style-type: none"> <li>○ Moved from the "expected actions" category to the "required actions" category in light of cases in which financial institutions permitted customers to make unnatural overseas remittances without checking appropriateness even though the transactions are unreasonable in light of the specifics of the customers' businesses.</li> </ul>
<p>✓ Expanded the description concerning overseas remittances and added a new description concerning financing and provision of credit related to import/export transactions, etc. in light of the internationally required standards of countermeasures.</p> <p><b>Overseas remittances</b></p> <ul style="list-style-type: none"> <li>○ Expanded the description concerning risk assessment regarding correspondent banks and entrusting financial institutions.</li> </ul> <p><b>Financing and provision of credit related to import/export transactions, etc.</b></p> <ul style="list-style-type: none"> <li>○ Made it clear that risk mitigation measures should be appropriately implemented within the framework of a risk-based approach in light of the fact that the standards required by the international community are becoming higher because import/export transactions, etc. involve the risk of abuse.</li> </ul>

The revision was made as follows with respect to four particularly important points related to the identification, assessment, and mitigation of risks in light of the fact that the actions taken in relation to the "Required actions for financial institutions" were found to be insufficient in the process of the FSA's monitoring.

Identification and assessment of risks	Customer due diligence	Transaction monitoring and screening	Suspicious transaction reporting (STR)
<p><b>Material from which the outline is taken (see the outline)</b></p> <ul style="list-style-type: none"> <li>○ Identification of risks was insufficient, as exemplified by failure to implement comprehensive and concrete verification.</li> <li>○ Assessment of own risks was insufficient.</li> <li>○ Involvement of the management team was insufficient.</li> </ul>	<ul style="list-style-type: none"> <li>○ Customer risk assessment was not conducted based on the results of the identification and assessment of risks (perfunctory application of scoring and rating based on customer attributes and the specifics of transactions).</li> <li>○ Continuous customer due diligence measures were not considered or implemented.</li> <li>○ Risk mitigation measures commensurate with customers' risk assessment level were not implemented.</li> </ul>	<ul style="list-style-type: none"> <li>○ Own risk assessment was not reflected in the selection criteria (e.g., scenarios and threshold value) regarding transaction monitoring.</li> <li>○ Analysis of the effectiveness and the improvement of the selection criteria (e.g., scenarios and threshold value) were insufficient.</li> <li>○ An appropriate transaction screening system was not developed.</li> </ul>	<ul style="list-style-type: none"> <li>○ Judgment as to whether customers' transactions constitute suspicious transactions was not sufficiently appropriate.</li> <li>○ The contents of submitted reports were not reflected in the assessment of own risks and customers' risks or in risk mitigation measures.</li> </ul>
<p><b>Point reflected in the outline</b></p> <ul style="list-style-type: none"> <li>○ Make it clear that identification and assessment of risks are linked with each other while distinguishing the two processes in order to implement appropriate identification and assessment of risks.</li> <li>○ Implement own risk assessment based on the analysis of STR reports.</li> <li>○ Ensure the exercise of leadership by the top management so that all divisions cooperate and collaborate with each other.</li> </ul>	<ul style="list-style-type: none"> <li>○ Implement customer risk assessment with respect to all customers (effective customer risk assessment commensurate with changes in risks).</li> <li>○ Clarify the specifics of simplified due diligence (SDD) commensurate with risk.</li> <li>○ Implement risk mitigation measures commensurate with customers' risk assessment level (particularly appropriately reflecting the assessment in transaction monitoring).</li> </ul>	<ul style="list-style-type: none"> <li>○ Set the selection criteria regarding transaction monitoring, analyze the effectiveness of the criteria, and improve the criteria in a manner that appropriately reflects the assessment of own risk.</li> <li>○ Develop an appropriate transaction screening system commensurate with risks, for example by setting a fuzzy search function and by promptly conducting checks when an entry or person has been newly designated as subject to economic sanctions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Make appropriate judgment regarding STR by taking into consideration example cases of suspicious transactions and the contents of own STR reports submitted in the past.</li> <li>○ Reassess customers risks in light of the contents of submitted reports and implement risk mitigation measures commensurate with the reassessment results.</li> </ul>

Financial institutions should also continue to mitigate risks with respect to existing products and services while taking into consideration business partners' risks.

**2. II-2-(3)(ii) [Required actions for a financial institution] ix.**

Financial institutions are required to appropriately identify and assess risks that they face and, based on the assessment, take more effective measures on an institution-wide basis by shifting some resources from low-risk areas to high-risk areas (risk-based approach).

The latest revision makes it clear that financial institutions should implement risk mitigation measures commensurate with the customer risk assessment through measures such as raising the threshold level regarding transaction monitoring and varying the scope and method of investigation of customer information and the updating frequency of the information with respect to customers whose risk assessment level is particularly low.

**3. II-2-(3)(ii) Customer due diligence [Required actions for a financial institution] x. e.**

Transaction monitoring, which is a means of risk mitigation, refers to continuously monitoring transactions conducted by customers in order to appropriately detect suspicious transactions.

The latest revision makes it clear that financial institutions should take risk mitigation measures commensurate with the risks—particularly appropriately reflecting the customer risk assessment in their transaction monitoring by setting scenarios and threshold values commensurate with the results of the assessment.

**4. II-2(3)(iii) [Required actions for a financial institution] ii.**

In order to ensure effective transaction screening, it is necessary for financial institutions to prepare their own checklists in accordance with the risks they face and make effective use of a fuzzy search function.

The latest revision makes it clear that financial institutions should develop an appropriate transaction screening system in light of those points.

It also makes it clear that when an entity or person has been newly designated as subject to economic sanctions based on a resolution by the United Nations Security Council or through other means, financial institutions should add the newly designated entity/person to their checklists without delay and check whether or not that entity/person is among their customers.

**5. II-2(3)(v) [Required actions for a financial institution] iii.**

The latest revision makes it clear that when judging whether customers' transactions constitute suspicious transactions, financial institutions should consult "Reference Cases of Suspicious Transactions", published by the FSA, and their own past reports on suspicious transactions in order to make better judgement regarding suspicious transaction reporting (STR).

**3. Outlook for the Future**

Three years have already passed since the Guidelines were adopted. Countermeasures against money laundering and terrorist financing are an international demand. Improving the system is an increasingly important issue, given that Japanese financial institutions may be excluded from the international financial system if their systems are inadequate.

The FSA will continue to conduct rigorous monitoring of financial institutions to ensure that they have adequate systems in place and effectively operated.

\*2 Comparison table between the pre-revision and revised provisions: [https://www.fsa.go.jp/news/r2/202102\\_amlcft/shinkyu.pdf](https://www.fsa.go.jp/news/r2/202102_amlcft/shinkyu.pdf) (Available in Japanese)

\*3 The Guidelines: [https://www.fsa.go.jp/common/law/amlcft/2021\\_amlcft\\_guidelines.pdf](https://www.fsa.go.jp/common/law/amlcft/2021_amlcft_guidelines.pdf) (Available in Japanese)

## Message to the Market (March 24, 2021)

The Securities and Exchange Surveillance Commission (SESC) posts explanations on recommendations it has given on its website as an article titled "Message to the Market."

The "Message to the Market" posted on March 24, 2021, is summarized below.

\* The complete Japanese text is available on the SESC website: <https://www.fsa.go.jp/sesc/message/20210324-1.html> (Available in Japanese)



### Recommendation for administrative disciplinary action against i Global Asset Management Co., Ltd.

On January 29, 2021, the SESC recommended that the FSA take administrative disciplinary action against i Global Asset Management Co., Ltd. (hereinafter referred to as the "Company").\*1

[Outline of the case]

- Regarding an investment trust that it formed and managed (hereinafter referred to as the "Investment Trust"), the Company expressed its intention to invest in foreign exchange margin transactions using a fund of funds scheme through investment in foreign investment securities based on a spot arbitrage strategy (\*).
  - According to the Company, as a computer system constantly monitored the market, it was expected that stable profit-earning opportunities (opportunities to take advantage of differences between prices proposed by exchange trade business operators [arbitrage opportunities]) would be seized to instantly execute transactions (conduct a pair of transactions denominated in the same currency and in the same unit simultaneously).
- When managing an investment trust in the form of a fund of funds scheme, Investment Management Business Operators need to sufficiently examine the investment methods and management of the investment trust's investment targets with due care of a prudent manager from the viewpoint of performing fiduciary responsibility to investors.
- However, the Company formed and managed the Investment Trust without sufficiently examining the investment structure, methods and management of the Investment Trust's investment targets (foreign investment securities).
- In addition, although the Company did not sufficiently examine the feasibility of its spot arbitrage strategy, it provided sales companies entrusted with sales of the Investment Trust and beneficiaries with written explanations that made it appear as if that strategy could secure stable profits.
- The Company's above acts were recognized as neglect to conduct investment management business with due care of a prudent manager on behalf of beneficiaries of the Investment Trust and therefore were recognized as a violation of the "duty of due care of a prudent manager" as defined under Article 42(2) of the Financial Instruments and Exchange Act.

### [Message from the SESC]

- Although the Investment Trust takes the form of a fund of funds, its scheme is designed in such a way that most investment trust assets are invested in particular foreign-registered funds, and therefore, it is in effect structured in the same way as outsourcing of investment management.
- Investment management companies should perform fiduciary responsibility to investors by continuously conducting adequate due diligence and monitoring in accordance with the product scheme.
- The SESC will continue to strictly deal with this kind of act, which is problematic from the viewpoint of protecting investors. It should be noted that as an administrative disciplinary action, the FSA Commissioner ordered the Company on February 3, 2021, to improve business operations.\*2

\*1 "Recommendation for administrative disciplinary action against i Global Asset Management Co., Ltd.," published on January 29, 2021: [https://www.fsa.go.jp/sesc/news/c\\_2021/2021/20210129-1.htm](https://www.fsa.go.jp/sesc/news/c_2021/2021/20210129-1.htm) (Available in Japanese)

\*2 "Administrative Disciplinary Action against i Global Asset Management Co., Ltd.," published on February 3, 2021: <https://www.fsa.go.jp/news/r2/shouken/20210203.html> (Available in Japanese)

# Announcement of the Results of the Certified Public Accountant Examination 2020

## Certified public accountants

The mission of certified public accountants is to secure the reliability of financial information as experts in accounting and auditing, thereby protecting investors, etc. and contributing to sound development of the national economy. In addition to the auditing of financial information, they are expected to fulfil their roles in a broad range of fields using their highly specialized skills, such as the planning of companies' business strategies, financial investigations in relation to M&As, and provision of support for stock offering.

In order to be a certified public accountant, it is required to pass a Certified Public Accountant Examination organized by the Certified Public Accountants and Auditing Oversight Board.\*1 The examination consists of a multiple-choice examination held twice a year (usually in December and May) and an essay examination held once a year (usually in August). (For the details of the duties of certified public accountants and the examination, see the examination pamphlet\*2 available on the website of the CPAAOB.)

## Implementation status and results of the Certified Public Accountant Examination 2020

The examination in 2020 was held by changing dates in light of the nationwide status of the COVID-19 infection.\*3 From the perspective of securing the safety of applicants, temperature check at the entrances and other infection control measures were taken. Thanks to these efforts, the examination was held, and the results were announced on February 16, 2021, free from any significant impact of the infection.

Out of 13,231 applicants, 1,335 passed the examination. The number of successful applicants was almost the same as in the previous year but has been moderately increasing in recent years.

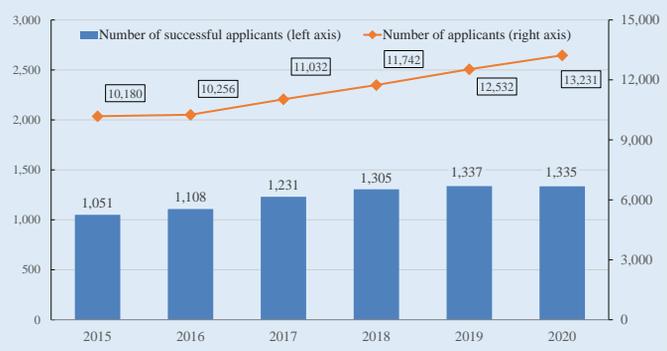
## Outline of successful applicants

The average age of applicants who passed the examination in 2020 was 25.5. The percentage of successful applicants younger than 25 exceeded 60%, maintaining the level above 50% for five consecutive years. In the meantime, successful applicants include a certain number of adults aged 30 or older every year.

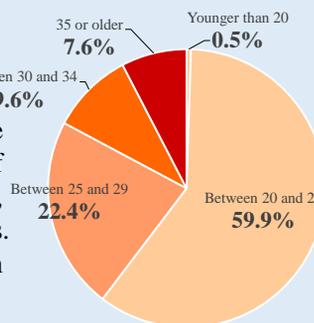
By occupation, over 50% of successful applicants were students. Students majoring in economics, commercial science, and business science, etc. are generally large in number, but those majoring in legal studies or science and engineering have been increasing recently. Majors of successful applicants are thus diverse.

In recent years, the number of successful female applicants in particular has been increasing. The percentage of females was 24.6% in 2020, up by 1.0 point from the previous year, marking a record high since 2006, when the current examination system was introduced.

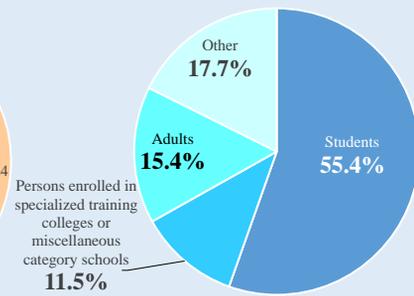
Changes in Numbers of Applicants and Successful Applicants



Distribution Ratio of Successful Applicants by Age (Examination in 2020)



Distribution Ratio of Successful Applicants by Occupation (Examination in 2020)



Number of Successful Female Applicants



\*1 In order to become a certified public accountant, an applicant must pass a Certified Public Accountant Examination and must (i) have work experience not shorter than two years and (ii) have finished a professional accountancy education program.

\*2 Pamphlet on the Certified Public Accountant Examination, "Aim to be a certified public accountant! Why don't you take on the challenge?": <https://www.fsa.go.jp/cpaob/shinsakai/pamphlet/pamphlet2021.pdf> (Available in Japanese)

\*3 The second multiple-choice examination was held in August instead of in May, and the essay examination was held in November instead of in August.

# JFSA's Major Activities in March

(March 1 to March 31, 2021)



- [Request for Notification of Originator and Beneficiary Information upon Crypto Assets Transfer \(i.e. the travel rule\) \(March 31, 2021\)](#)
- [Revision of the Corporate Governance Code \(March 31, 2021\)](#)
- [Dedicated International Financial Center Page Launched \(March 30, 2021\)](#)
- [Updated statistics of money lending business \(March 30, 2021\)](#)
- [Living in Japan: How to Open a Bank Account and Send Money \(March 29, 2021\)](#)
- [Financial sector's roles in the transition to carbon neutrality- Concluding Remarks by Himino Ryozi, Commissioner, Financial Services Agency of Japan, at the Bank of Japan International Research Workshop on Climate-related Financial Risks \(March 29, 2021\)](#)
- [EU-Asia Pacific Forum on Financial Regulation \(March 26, 2021\)](#)
- ["The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" the Twenty- Sixth Council \(March 24, 2021\)](#)
- [International Forum of Independent Audit Regulators published the Report on 2020 Survey of Inspection Findings \(March 23, 2021\)](#)
- [Closing Remarks by ASO Taro, Deputy Prime Minister, Minister of Finance and Minister of State for Financial Services at FIN/SUM 2021, Tokyo \(March 23, 2021\)](#)
- [Opening Remarks by AKAZAWA Ryosei, State Minister for Financial Services at FIN/SUM 2021, Tokyo \(March 23, 2021\)](#)
- [FSA publishes English translation of monthly magazine, Access FSA No.210 \(March 22, 2021\)](#)
- [Keynote Speech by MORITA Tokio, Vice Minister for International Affairs at the 7th EU-ASIA Financial Services Dialogue \(March 22, 2021\)](#)
- [FSA updated Information on COVID-19 \(Novel Coronavirus\) \(March 22, 2021\)](#)
- [The Announcements Pertaining to Global Money Week 2021 \(March 18, 2021\)](#)
- [FSA updated Information on COVID-19 \(Novel Coronavirus\) \(March 10, 2021\)](#)
- [Preparation for permanent cessation of LIBOR \(March 8, 2021\)](#)
- ["The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" the Twenty- Fifth Council" \(March 2, 2021\)](#)
- [Exchange of Letters on Co-operation in the area of Insurance Supervision with the European Insurance and Occupational Pensions Authority \(March 2, 2021\)](#)
- [G20: Efforts on Governance Issues in Decentralized Financial Systems "BGIN" - new global network \(March 2, 2021\)](#)
- ["FIN/SUM 2021" \(March 2, 2021\)](#)
- ["The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code" the Twenty- Fifth Council" \(March 2, 2021\)](#)
- [Exchange of Letters on Co-operation in the area of Insurance Supervision with the European Insurance and Occupational Pensions Authority \(March 2, 2021\)](#)

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

• JFSA's official English Twitter account  
[https://twitter.com/JFSA\\_en](https://twitter.com/JFSA_en)



We are promoting  
information  
dissemination using  
Twitter!

## Editorial Postscript

Immediately after the beginning of April, cherry blossoms have fallen in Tokyo. How are you readers spending the early days of the new fiscal year?

As new recruits joined the FSA as well, we held a welcoming ceremony while taking measures to prevent the COVID-19 infection. I went to an integrated junior and senior high school in Tokyo (well known for imposing on students such ordeals as an excursion over Daibosatsu Pass and wintertime, early-morning physical exercises), but there are not many fellow alumni among the bureaucracy of the Kasumigaseki district. At the FSA, there has been no other alumni from my high school until now. At this time, to my secret delight, a new recruit who comes from that high school has joined the FSA, marking my first encounter with a fellow alumni at this agency.

I pray for such a happy encounter for all of you, too, at the beginning of the new fiscal year.

SAKAI Yoshitaka, Director, Public Relations Office, FSA  
Edited and issued by the Public Relations Office, FSA