



2021

June

Monthly
magazine

Financial Services Agency Newsletter

Access FSA

No.214



Contents

Seminars & Conferences (P1 -)

- P1 Holding of the Fifth Kasumigaseki Dialogue
P2 Holding of the IFIAR Symposium: Towards the Realization of High Quality Audit—The Vision of Audit in the New Normal—

Policy Commentary Corner (P3 -)

- P3 Formulation of the Basic Guidelines on Climate Transition Finance
KOZAKI Aiko, Deputy Director, Strategy Development Division,
Strategy Development and Management Bureau
- P5 Public Invitation for Participation by Organizations and Employees following Start of Full Operation of Business Support Knowhow Sharing Site (First Additional Registration)
WAKAO Hitoshi, Senior Officer for Support for Regional Productivity Improvement
WATANABE Shigeki, Deputy Director
KAWAGUCHI Eisuke, Officer for Support for Regional Productivity Improvement
Regional Financial Planning Office, Banking Business Division II, Supervision Bureau
- P7 New initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions
YAMAZAKI Kaori, Deputy Director
KIDO Hiroya, Section Chief
Risk Analysis Division, Strategy Development and Management Bureau

Notice (P9 -)

- P9 FSA and JPX co-hosted seminar
"TCFD Disclosure and Transition Finance: Towards Carbon Neutrality by 2050"
- P11 Formulation and Publication of the Action Plan for Promoting Empowerment of Female Employees and Employees' Work-Life Balance

JFSA's Major Activities in May (P13)



←Access the online version here
<https://www.fsa.go.jp/access/index.html>

Holding of the Fifth Kasumigaseki Dialogue

On May 19, 2021, the Regional Solutions Support Team*1 held a Kasumigaseki Dialogue session—whereby civil servants in the Kasumigaseki district (officials of central government ministries and agencies) engage in direct communication with employees at financial institutions and local governments who are aware of problems—in an online format. The dialogue was attended by around 130 participants, including employees of financial institutions and local governments.

The Kasumigaseki Dialogue has been held to provide opportunities for officials of central government ministries and agencies not only to unilaterally explain policies for which they are responsible but also to help frontline employees at regional financial institutions and local governments better understand the policies through direct communication.



[Photo: A scene of the Kasumigaseki Dialogue session]

In the latest, fifth session of the dialogue, State Minister for Financial Services AKAZAWA Ryosei, who also attended the previous session, advocated the value of regional networks of connections and called for civil servants and financial institutions to work together to deal with the COVID-19 crisis.

According to a questionnaire survey conducted in advance to ask participants about which policies they need information, many respondents requested information useful for regional revitalization and support for business operators. Therefore, we invited officials in charge of the Subsidy for Business Restructuring at the Small and Medium Enterprise Agency, the Program to Promote Intra-regional Cooperation in Enhancement of Regional Tourism Resources at the Japan Tourism Agency and the Program to Promote ESG Regional Finance at the Ministry of the Environment to attend the dialogue. After the officials explained their respective policies, participants from regional financial institutions and local governments joined group sessions regarding the policies

in which they were interested in for in-depth discussion.



[Photo: State Minister AKAZAWA delivering a speech before the participants]

After past Kasumigaseki Dialogue sessions, new regional initiatives started in some cases. One financial institution that participated in a past dialogue session held a briefing for the SME Digitalization Support Team Program in order to encourage the use of the program by business clients. Another regional financial institution is planning to promote regional revitalization efforts by taking advantage of the Program to Promote Next-Generation Community Businesses to Secure the Sustainability of Sparsely Populated Farming, Forestry and Fishing Villages.

The Regional Solutions Support Team will support the establishment of networks of connections intended to resolve regional challenges and promote the development of regional economic ecosystems by participating in forums of discussions about regional challenges among relevant organizations and by providing information on government policies to regions.

In addition to the Kasumigaseki Dialogue, the Regional Solutions Support Team held a Regional Finance Meeting, a forum for exchange between universities, civil servants, and financial institutions, on the occasion of a special convention of the Japan Association of Regional Development and Vitalization*2 held on May 23 to mark the 10 anniversary of the Great East Japan Earthquake. As part of efforts to expand the scope of its activities, the Regional Solutions Support Team also participated in the Regional Finance Meeting Tottori*3 (held on June 11), which was held by municipalities, financial institutions and other relevant organizations in Tottori Prefecture in order to promote cooperation between industry, academia and government.

*1 "FSA Employees Ready to Exchange Opinions on the Frontlines—Regional Solutions Support Team":

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

*2 Japan Association of Regional Development and Vitalization: <https://www.chiiki-kassei.com/> (Available in Japanese)

*3 For detailed information on the Regional Finance Meeting Tottori, please access the following URL:

<https://www.chihouseusei-hiroba.jp/bbs/detail.php?ymd=20210525&cd=2> (Available in Japanese)

Holding of the IFIAR Symposium: Towards the Realization of High Quality Audit—The Vision of Audit in the New Normal—

The "IFIAR Symposium: Towards the Realization of High Quality Audit—The Vision of Audit in the New Normal—" was held under the co-sponsorship of the Japan Auditing Association and the Japanese Institute of Certified Public Accountants. At the symposium, YUFU Motoyuki, Deputy Director-General of the Policy and Markets Bureau, INOUE Toshitake, Deputy Director-General of the Policy and Markets Bureau, and NAGAOKA Takashi, Deputy Commissioner for International Affairs, made speeches. In May 2021, a video of the symposium started to be distributed online to members of the IFIAR Network on an on-demand basis. Explained below are the outlines of the symposium and the speeches.

(Note) IFIAR Network: Established in December 2016 in order to support the development of networks of diverse stakeholders who are involved in accounting audits and to assist the activities of the IFIAR Secretariat in Japan. It is comprised of associations related to accounting audit, tax affairs, businesses, financial and capital markets and so on.

1. Outline of the IFIAR Symposium

At the symposium, diverse participants discussed how to realize quality audits with a view to the new normal. In order to improve the quality of audits and realize high quality financial reporting, it is necessary that not only auditors but also various other stakeholders, including companies, investors, market participants and regulatory organizations, play their respective roles and become actively involved. Therefore, experts in various fields, including academic, business and administrative affairs, held discussion with a view to improving the quality of audits and enhancing efforts by stakeholders.

2. Keynote Speech: Overview of Discussions at the IFIAR

As part of the keynote speech, IFIAR Chair Duane M. DesParte and Deputy Commissioner for International Affairs NAGAOKA, who serves as IFIAR Vice Chair, talked about their efforts and initiatives to achieve the IFIAR's mission (to serve the public interest, including investors, by enhancing audit oversight globally), including support for the improvement of the oversight capability of IFIAR Member regulatory authorities, continuous dialogue with stakeholders including the six largest global audit firm networks, and the enhancement of the impact of audit regulatory community.

3. Panel Session (i): Initiatives to Realize Quality Audits

In this panel session, experts in various fields made presentations regarding challenges surrounding audits and the future of audits in view of international trends. Deputy Director-General INOUE of the Policy and Markets Bureau explained measures the Financial Services Agency is taking in response to the COVID-19 pandemic and domestic initiatives, including corporate governance reform, in addition to the IFIAR's activities.

4. Panel Session (ii): Quality Audits and Initiatives to Improve the Credibility of Financial Reporting

In this session, experts in various fields held discussions on the financial reporting ecosystem that contributes to quality audits and financial reporting. Deputy Director-General YUFU of the Policy and Markets Bureau explained a trend in inappropriate accounting practices and the role of auditors, and expressed his view on audits in the new normal after COVID-19.



(Note: After the video was recorded, Mr. DesParte and Mr. NAGAOKA were elected Chair and Vice Chair, respectively, of the IFIAR)



Formulation of the Basic Guidelines on Climate Transition Finance

KOZAKI Aiko, Deputy Director, Strategy Development 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.)

The Financial Services Agency, together with the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE), held a meeting of the Taskforce on Preparation of the Environment for Transition Finance (chaired by Prof. ITO Kunio, Director of the Hitotsubashi CFO Education and Research Center at Hitotsubashi University). Since January 2021, the taskforce has held discussions with a view to formulating the "Basic Guidelines on Climate Transition Finance" as a guidance for conducting transition financing. Recently, the Basic Guidelines on Climate Transition Finance* was published after the public comment process. Described below are the background to the formulation of the basic guidelines and the main items thereof.

1. Background to the Formulation of the Basic Guidelines

Recently, interest in climate change has rapidly grown worldwide against the backdrop of the emergence of problems related to climate change. In Japan as well, initiatives to resolve climate change challenges are ongoing in the business and financial worlds. Under these circumstances, in October 2020, Prime Minister SUGA Yoshihide announced the policy of aiming to achieve net zero emissions of greenhouse gases (carbon neutral) in Japan by 2050.

The path to becoming carbon neutral is not easy. In order to become carbon neutral, bold transformations of the industrial structure and social and economic systems are required. It is necessary to nurture new industries and encourage industries emitting large amounts of greenhouse gases (high-emission industries) to transition to decarbonization at the same time. Therefore, not only are efforts by industries important, but also the financial industry has an important role to play in supporting the efforts. Under the Long-Term Strategy under the Paris Agreement as Growth Strategy, which was adopted upon a cabinet decision in 2019, the "promotion of green finance" is advocated as a major pillar, indicating the importance of finance in resolving problems related to climate change.

Providing finance based on the assessment of efforts toward a steady transition of all industries, including high-emission industries, to decarbonization is known as "transition finance." In particular, it is difficult for high-emission industries to rapidly become carbon neutral, and therefore, it is necessary to implement the transition in stages while mitigating the negative impact. In Japan, manufacturing industries' share is large compared with their share in other countries, with raw materials industries, including high-emission industries such as steel and chemicals, accounting for nearly 30%. As a result, transition finance has an important role to play in Japan. The Basic Guidelines is intended to promote the sound development of transition finance and ensure that sufficient amounts of funds are provided for efforts to transition to decarbonization.

<Figure 1>

2. Content of the Basic Guidelines

One characteristic of the Basic Guidelines is its emphasis on the setting of targets and strategy for decarbonization. According to the mountain-climbing analogy described in Figure 1, while the Basic Guidelines calls for setting firm targets for "aiming for the top" and developing a realistic strategy for doing so, individual climbers (stakeholders) have a diverse range of options from which to choose a suitable path.

The Basic Guidelines includes items that may serve as a reference when fund raisers, fund providers and other market participants consider what specific actions to take while complying with the Climate Transition Finance Handbook, which was published by the International Capital Market Association (ICMA) on December 9, 2020.



• "Basic Guidelines on Climate Transition Finance" Announced," published on May 7, 2021:
<https://www.fsa.go.jp/en/news/2021/20210524.html>

More specifically, the Basic Guidelines provides guidance on the four elements for which disclosure is recommended by the ICMA's Handbook and specific actions that should be taken with respect to those elements. The key points regarding the four elements are shown in Figure 2. Transition finance as defined under the Basic Guidelines refers to fund-raising instruments which meet the four elements and which take the form of "Use of Proceeds instruments (bonds or loans)" or "General Corporate Purpose instruments" (bonds or loans) for which targets are predetermined in line with the transition strategy and for which the terms of lending, etc. change depending on the achievement of the targets.

The items of the Basic Guidelines are classified and explained as follows: items using the wording "should" refer to the basic factors that financial instruments eligible for the "transition finance" label are expected to meet; items using the wording "recommended" refer to factors that such financial instruments are recommended to meet although meeting those factors is not a prerequisite; and items using the wording "be considered" or "possible" refer to factors provided as examples or as interpretations although meeting the factors is not a prerequisite. While the taskforce held wide-ranging discussions, one particular point of discussion was whether or not to stipulate that Scope 3 emissions "should" be covered by targets for the reduction of greenhouse gas emissions. Scope 1 emissions are direct emissions from business operators and Scope 2 emissions are indirect emissions from the generation of purchased electricity, while Scope 3 emissions are indirect emissions other than those included in Scope 2, such as emissions arising from the procurement of raw materials, business trips, and investment and loans. In recent discussions, particularly in Europe, it has been argued that it is desirable to include Scope 3 emissions in emission reduction targets. Even so, several experts pointed out that if Scope 3 emissions are defined as emissions that "should be" covered by reduction targets, the burden on issuers may become excessive. However, eventually, agreement was reached that Scope 3 emissions should be defined as emissions that "should be" covered by reduction targets because it is important to gain public trust by conforming to the global standards.

<Figure 2>

Key points regarding the elements			
Element 1	Issuers' Climate Transition Strategy and Governance	Element 2	Business Model Environmental Materiality
Purpose of transition finance <ul style="list-style-type: none"> Execute a transition strategy that seeks to transform the business model in a way that contributes to alignment with the goals of the Paris Agreement and achieves decarbonization. Take into consideration the impact on the society and environment other than climate change (just transition) 		Initiatives covered by transition strategy <ul style="list-style-type: none"> Core business activities that are environmentally material at present and will remain so in the future (including business activities of fund raisers that identify climate change as part of their materiality). 	
Disclosure of transition strategy and governance <ul style="list-style-type: none"> It is possible to make disclosure aligned with reporting frameworks such as the Recommendations of the TCFD. 			
Element 3	Science-Based Climate Transition Strategy (Targets and Pathways)	Element 4	Implementation Transparency
Science-based targets and pathways <ul style="list-style-type: none"> Science-based targets are GHG reduction targets required for achieving the goals of the Paris Agreement (covering Scopes 1 to 3) Short- to mid-term targets should be set on the pathway toward the long-term targets. There are diverse pathways as the targets are set in view of various matters, such as regional and industrial characteristics. 		Items covered by investment plans <ul style="list-style-type: none"> Investment plans include not only capital expenditure (Capex) but also capital and operational expenditure (Opex). Costs related to research and development (R&D), M&A, and dismantling and removal of facilities 	
References and benchmarks <ul style="list-style-type: none"> Scenarios recognized in the international community: Sustainable Development Scenario (SDS) outlined by the International Energy Agency (IEA) Deliberation by internationally recognized NGOs: e.g., Science Based Targets Initiative (SBTI) National reduction targets and industry-by-industry roadmaps which are aligned with the goals of the Paris Agreement and which are science-based. 		Outcomes and impacts of implementation of investment plans <ul style="list-style-type: none"> Quantitative indicators where possible. If quantification is difficult, external certification may be used as a qualitative indicator. Consideration of a "just transition" is incorporated into the transition strategy 	

3. Toward Securing Credibility

What is most important for the sound development of transition finance is to secure credibility. According to the mountain-climbing analogy in Figure 1, the situation of credibility being secured is one in which all climbers earnestly aim to reach the summit and are making steady progress toward the summit under a realistic strategy. In order to secure credibility, there are two important points.

The first point is to add up good practice cases. In the future, it is certain to become clearer what transition finance means as more and more cases referencing the Basic Guidelines are added up. It will become necessary for fund raisers and fund providers to develop a relationship in which they complement each other, with fund raisers taking on more challenging tasks and fund providers providing support. Furthermore, ESG evaluation organizations, which are responsible for external evaluation, and NGOs, which are responsible for providing constructive criticism, will also have an important role to play.

The second point is to formulate sector-specific roadmaps. Sector-specific roadmaps, which are mentioned as reference benchmarks in Element 3 "Climate transition strategy to be science-based including targets and pathways" of the Basic Guidelines, are planned to be formulated by the government. As the roadmaps are expected to be used as a reference for the transition finance of high-emission companies, it is necessary to formulate them in a way that can obtain international approval.

Sound development of transition finance can be achieved, with everyone successfully reaching the summit, only if fund raisers, fund providers, ESG evaluation organizations, NGOs, and government officials perform their respective roles with a sense of discipline.

Public Invitation for Participation by Organizations and Employees following Start of Full Operation of Business Support Knowhow Sharing Site (First Additional Registration)

WAKAO Hitoshi, Senior Officer for Support for Regional Productivity Improvement
 WATANABE Shigeki, Deputy Director
 KAWAGUCHI Eisuke, Officer for Support for Regional Productivity Improvement
 Regional Financial Planning Office, Banking Business Division II, Supervision Bureau

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

In order to open a site for sharing knowhow on supporting business operators (Business Support Knowhow Sharing Site) within the Regional Revitalization College, operated by the Cabinet Secretariat's Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, for exclusive use by employees of regional financial institutions and credit guarantee associations, the Financial Services Agency started a trial operation (with the participation of 45 organizations and 122 people) on January 22, 2021. By the end of the trial operation period (March 31), opinions had been actively submitted.

Some employees who participated in the trial operation expressed the view that the sharing of knowhow across the boundaries of regions, business types, and organizations was useful. However, others pointed out problems such as the possibility that if the convenience of the site improves and if the number of participants increases rapidly, it may become difficult to share knowhow with a sense of security.

The FSA took the following actions in view of the opinions expressed by the trial participants:

- Started full operation by the end of April, after making improvements to the site; and
 - Extended a public invitation for organizations and employees to become participants in the site for the purpose of the first additional registration in order to increase the number of participants gradually.
- For organizations that may consider participating in the site, the FSA prepared a new framework for the use of the site for viewing only.

<https://www.fsa.go.jp/news/r2/ginkou/20210427/20210427.html> (Available in Japanese)

◆ Outline of the Measure

Under the JFSA priorities for July 2020-June 2021, the FSA stipulated that "we will improve the business environment and support financial institutions' initiatives by encouraging them to process loans in digital way and share know-hows to support businesses across regions and organizations."

So far, public and private financial institutions have provided various forms of financing support to business operators affected by the COVID-19 pandemic. Going forward, with an eye to a "with-COVID-19 and post-COVID-19" society, frontline employees of financial institutions are expected to engage in not only financing support but also support activities in areas such as management improvement, business rehabilitation, business model transformation, and business succession.

However, amid the ongoing COVID-19 crisis, some people warn that regarding the practical knowhow and knowledge required for financial institutions' frontline employees to engage in such business support, it is not necessarily sufficient to focus on steadily promoting diffusion through training provided by industry associations and individual financial institutions.

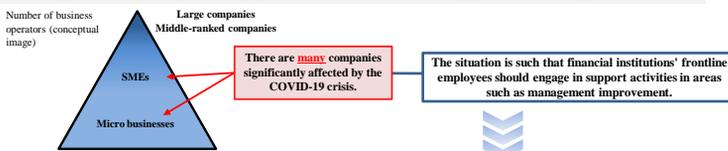
Therefore, in order to promote a "mutual help" initiative to share practical knowhow and knowledge on business support among frontline employees across the boundaries of regions and organizations, the FSA will take the following actions:

- (i) Open a business support knowhow sharing website in cooperation with the Cabinet Secretariat's Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan.
- (ii) Support ongoing regional initiatives to promote sharing of business support knowhow.

Before opening the knowhow sharing site in (i), the FSA set a trial period for the purpose of reviewing the convenience of the site in order to ensure active knowledge sharing.

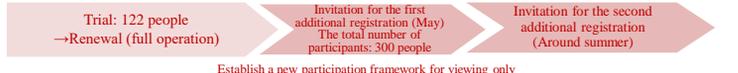
Platform for enhancing the capabilities of regional financial institutions' employees—Sharing of business support knowhow

Support sharing of business support knowhow among financial institutions' frontline employees across the boundaries of regions and organizations in order to ensure the effectiveness of regional support systems so that relevant regional organizations (e.g., financial institutions and credit guarantee associations) can smoothly provide business support.



(i) Established a web platform for business support knowhow sharing for exclusive use by financial institutions (full operation) Use the framework of the Regional Revitalization College within the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan

- Trial operation started on January 22, 2021 (with the participation of 45 organizations and 122 people), and opinions were actively submitted by March 31.
- Some employees who participated in the trial operation expressed the view that the sharing of knowhow across the boundaries of regions, business types, and organizations was useful. However, others pointed out problems such as the possibility that if the convenience of the site improves and if the number of participants increases rapidly, it may become difficult to share knowhow with a sense of security.



Establish a new participation framework for viewing only

- Started full operation after renewing the sharing site in light of the opinions expressed during the trial, with the number of participants to be increased gradually.
- Established a participation framework for viewing only for use by organizations that may consider participating in the sharing site.
- End of May 2021: People who became participants at the time of the first additional registration started using the sharing site (the upper limit on the number of participants was set at around 300 people).
- Around summer 2021: People who became participants at the time of the second registration will start using the sharing site.

(ii) Support the expansion of the sharing of knowhow on regional business support Introduction of and cooperation with experts and practitioners involved in regional business support, and collection of knowhow (Example) Financial institutions and credit guarantee associations in Tochigi Prefecture held a symposium on fostering enterprise supporters on November 13 (Friday). At the symposium, which was also attended by officials from the Local Finance Bureau and the FSA, speeches were delivered and participants were divided into small groups of around 10 members to study cases related to business support, among other activities.



During the trial period, opinions were exchanged across the boundaries of regions, business types and organizations.

More specifically, opinions were exchanged about concrete challenges related to business support that are faced by participants amid the COVID-19 crisis as follows:

- In response to a question concerning a sales recovery at micro businesses, a participant recommended considering the matter on an industry-by-industry basis.
- In response to a question concerning the approaches to guaranteed-loan programs and the modification of lending terms, a participant pointed to the need for prioritizing items of consideration.

As a result of exchanges of opinions between young employees engaging in business support activity and facing concrete challenges that should be resolved and employees equipped with knowledge and knowhow, networks of connections required for implementing business support are being formed.

In order to maintain and develop those networks, the FSA has decided to gradually increase the number of participants.

To be more specific, when operating the site after the first additional registration, the FSA intends to set the upper limit on the number of participants at around 300, or about double the number at the time of the trial operation. In addition, in view of some people's wishes to decide whether or not to participate after looking at the actual operation of the site, the FSA prepared a new participation framework for viewing only.

Going forward, the second additional registration is scheduled for around this summer.

In order to promote a strong economic recovery with an eye to the post-COVID-19 new normal, the FSA, together with financial institutions' frontline employees, will support the further exercise and enhancement of financial intermediary functions, including support for management improvement, business rehabilitation and business model transformation at SMEs and micro businesses, through the "mutual help" scheme.

Meanwhile, regarding frontline business operations necessary for financial institutions to support client business operators, the FSA has partially amended the Comprehensive Guidelines for Supervision of Small and Medium-Size and Regional Financial Institutions* in order to promote adaptation to the new normal due to the effects of the COVID-19 pandemic and improve productivity.

To be more specific, the amended guidelines stipulate the following points:

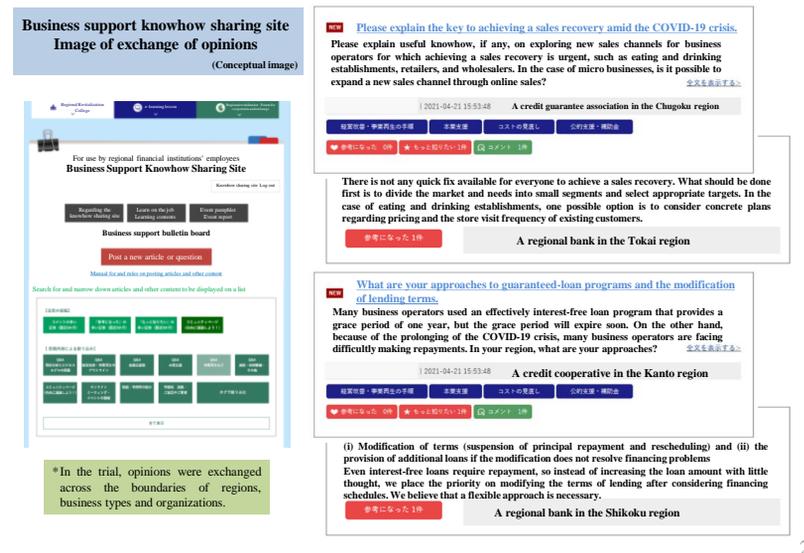
- Regarding the exercise of financial intermediary functions, sharing of knowledge and knowhow among employees of different financial institutions across the boundaries of regions and organizations may be an option for enhancing the capabilities of sales employees.
- Regarding IT governance, under the new normal, it will become essential for regional financial institutions to develop information and communication infrastructure, including email communication, as a means to communicate internally and with customers.

With respect to the means of information and communication in (ii), the FSA believes that individual financial institutions should make decisions as to which concrete means to use. The latest amendment of the guidelines does not require all financial institutions to lend an internet access terminal and assign an email address to each and every employee.

At financial institutions' client companies as well, the needs are growing for electronically making appointments and exchanging documents, in addition to conducting face-to-face, telephone and fax communications, in response to the COVID-19 pandemic.

The importance of information security and cybersecurity needs no mention, and attention should also be paid to the risk of information leakage due to "shadow IT," which refers to employees' use of terminals and network circuits without approval from management divisions.

The FSA expects regional financial institutions to continue to develop their ICT environment in light of customers' needs.



* "Results, etc. of the Public Comment Process Regarding the Partial Amendment of the Comprehensive Guidelines for Small and Medium-Size and Regional Financial Institutions," published on April 30, 2021: <https://www.fsa.go.jp/news/r2/ginkou/20210430-2/20210430-2.html> (Available in Japanese)

New initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions

YAMAZAKI Kaori, Deputy Director

KIDO Hiroya, Section Chief

Risk Analysis Division, Strategy Development and Management Bureau

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

On April 12, 2021, the Financial Services Agency published "New initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions"*1 aiming at further promoting the "visualization" of financial institutions' efforts based on the "Principles for Customer-Oriented Business Conduct" (hereinafter referred to as the "Principles"). Explained below is the background to and the purpose of this press release.

1. Background

Four years have passed since the formulation and publication of the Principles in March 2017 (revised on January 15, 2021). Over this period, in order to support retail customers' stable asset-building by "visualizing" financial institutions' efforts to implement customer-oriented business conduct, the FSA has required financial institutions that signed up to the Principles to formulate and disclose their policies as well as their progress (original KPIs and common KPIs) and has periodically announced, on its website, the status of their disclosure in the form of the List of Financial Institutions signing up to the "Principles for Customer-Oriented Business Conduct" and publicizing their respective customer-oriented business conduct and KPIs (hereinafter referred to as the "List of Financial Institutions").

By the end of December 2020, a total of 2,098 financial institutions adopted the Principles and disclosed their policy for implementation efforts, with 1,238 of the total disclosing "original KPIs" and 534 disclosing "common KPIs."

In the meantime, the "Report of the Working Group on Financial Markets of the Financial System Council – Toward the Enhancement of Financial Institutions' Customer-Oriented Business Conduct" *2 observed that the periodic disclosure of policies for implementation efforts and KPIs by financial institutions that adopted the Principles has helped to promote the "visualization" of the financial institutions' efforts. On the other hand, the report pointed out that several financial institutions have done little more than formulating and disclosing policies that are only slightly different in wording from the Principles and that some financial institutions that choose not to implement some items of the Principles are failing to explain the reasons for doing so or to describe alternative measures.

In view of the above, the report recommended the following points:

- (i) Financial institutions signing up to the Principles should, if they are committed to implementing Principles 2 to 7, provide plain explanations about their policy regarding each of the items of those principles and, if they are not committed to implementing those principles, they should provide plain explanations about the reasons for not doing so or about alternative measures in their policies. When disclosing their policies and the status of progress, they should verify implementation regarding each of the items of Principles 2 to 7 and explicitly present the results.
- (ii) When announcing the List of Financial Institutions, the FSA should make it easier to compare the policies and status of efforts of individual institutions with respect to each of the items of the Principles. The FSA should also conduct a comparable analysis between cases of good and bad practices employed by financial institutions and provide information in ways that are easy for retail customers to understand by making active use of its website and through other means.

2. Outline of the Press Release

On April 12, 2021, the FSA published "New Initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions" based on the abovementioned recommendation.

(1) Reporting to the FSA

Since the formulation and publication of the Principles in 2017, the FSA has required financial institutions which have signed up to the Principles and which request to be put on the List of Financial Institutions to report on the disclosure of their policies. Recently, the FSA has decided to expand the reporting format and require reporting on the relationship between the policies and each of the items of Principles 2 to 7.

*1 "New Initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions," published on April 12, 2021: https://www.fsa.go.jp/news/r2/kokyakuhoni/202104/fd_2021.html (Available in Japanese)

*2 "Report of the Working Group on Financial Markets of the Financial System Council – Toward the Enhancement of Financial Institutions' Customer-Oriented Business Conduct": https://www.fsa.go.jp/singi/singi_kinyu/tosin/20200805/houkoku.pdf (Available in Japanese)

(2) The new List of Financial Institutions

The FSA has decided to check reports submitted and only list financial institutions which have been confirmed to have explicitly presented their policies with respect to each of the items of Principles 2 to 7 (the deadline for the first report has been set at the end of June).

(3) "Key Points for the FSA's Analysis of Cases of Good Practice Related to Efforts to Implement Customer-Oriented Business Conduct"

The "Key Points" is a summary of issues that are considered to be important analysis points when the FSA conducts a comparative analysis of cases of good practices. This is based on the results of dialogues with financial institutions based on the policies for implementation efforts disclosed by them. The FSA decided to publish the "Key Points" because it is considered to contribute to financial institutions' deliberations on policies for implementation efforts.

(Figure: Outline of the "Key Points")

Principles	Key Points
Principle 2 【Pursuit of customers' best interests】	<ul style="list-style-type: none">• The benchmark for checking the realization of "customers' best interests" should be indicated.• The concept of "customers' best interests" as the basis of the above benchmark should be specifically indicated.
Principle 3 【Appropriate management of conflicts of interest】	<ul style="list-style-type: none">• A policy for managing conflicts of interest, including at the time of sales and recommendation of financial products to customers, should be specifically indicated.
Principle 4 【Clarification of fees, etc.】	<ul style="list-style-type: none">• A list of financial products and services for which fees and other costs are shown in detail to customers should be specifically indicated.
Principle 5 【Clear provision of important information】	<ul style="list-style-type: none">• When "important information" is provided to customers, the reference materials used and the method of explanation should be specifically indicated.
Principle 6 【Provision of services suitable for customers】	<ul style="list-style-type: none">• From the viewpoint of providing financial products and services suitable for customers, the approach to the development of a product lineup should be specifically indicated.• When identifying and disclosing the attributes of target customers for sales, a concrete standard for doing so should be prepared and a system to identify and disclose the attributes of such customers in a consistent manner should be indicated.
Principle 7 【Appropriate motivational framework for employees】	<ul style="list-style-type: none">• Regarding systems for performance evaluation of sales branches and for personnel evaluation of sales staff, concrete activities conducted from the viewpoint of implementing customer-oriented business conduct should be indicated.

3. The Objectives of the New Initiative

One objective of the above efforts is to consider once again what efforts should be made and what efforts should not be made by financial institutions signing up to the Principles with respect to each of the items of the Principles in view of the business models that they will pursue in the future and the actual situation of sales branches and sales staff. Another objective is to encourage the provision of specific and clear information on their policies. As a result, the FSA hopes that the "visualization" of financial institutions' efforts regarding customer-oriented business conduct will be promoted, contributing to the creation of a mechanism whereby financial institutions making better efforts are selected by customers. At the same time, the FSA hopes that developing a common understanding between headquarters, employees engaged in sales, and customers on specific implementation efforts by financial institutions will help to further promote and embed customer-oriented business conduct in the frontlines of sales.

Although the first reporting deadline for financial institutions requesting to be put on the List of Financial Institutions has been set at the end of June 2021, the FSA would like them to use this opportunity to once again fully review the contents of their policies and the way of providing information instead of regarding meeting the deadline as an end in itself (multiple reporting deadlines are scheduled to be set each year).

The FSA hopes that users will look not only at the cost of trading and ease of access but also at specifically how financial institutions intend to provide financial products and services in order to contribute to users' asset building and that they use the information when selecting which financial institution to transact with. Going forward, the FSA will compile the List of Financial Institutions in a way that enables comparison of their with respect to each provision of the Principles based on the contents of the reports submitted by financial institutions by the end of June 2021 and publish the list in August or later. Please also use the list as a reference.

In order to support retail customers' stable asset building, the FSA will continue efforts to promote and embed the customer-oriented business conduct of financial institutions.

FSA and JPX co-hosted seminar "TCFD Disclosure and Transition Finance: Towards Carbon Neutrality by 2050"

On April 28, 2021, the Financial Services Agency (FSA) and Japan Exchange Group (JPX) jointly held an online seminar "TCFD Disclosure and Transition Finance: Towards Carbon Neutrality by 2050."

TCFD is an abbreviation of the Task Force on Climate-related Financial Disclosures, which was established by the Financial Stability Board (FSB) in 2015. The TCFD recommends the disclosure of risks and opportunities caused by climate change based on a framework comprised of four elements—governance, strategy, risk management, and metrics and targets.

To facilitate companies' and investors' understanding on the TCFD disclosure, the FSA has cooperated with JPX in continuously holding relevant events since 2019. The latest seminar, the third of its kind, which was held virtually, was viewed live by around 800 people, mainly domestic company officials in charge of sustainability.

Below, a summary of the seminar is provided.

1. Panel Discussion: Tripartite Talks among Three Government Organizations—The Significance of the TCFD Disclosure and Transition Finance Toward Carbon Neutrality

In the first panel discussion, working-level officials of the Ministry of Economy, Trade and Industry (METI), the FSA and the Ministry of the Environment (MOE) discussed the TCFD disclosure and transition finance, presided over by HAYASHI Reiko of BofA Securities Japan Co., Ltd. as the moderator.

At the beginning, the officials talked about their government organizations' relevant initiatives, and then they expressed frank opinions on the significance of the three organizations working together in conducting deliberations on transition finance^{*1} and future challenges for achieving carbon neutrality by 2050.

All officials shared an understanding on the importance of various government organizations cooperating toward a common goal while respecting their different points of view and areas of expertise and on the need to take strategic actions in accordance with the characteristics of companies and industries instead of seeking a single solution to problems related to climate change, which involve a high level of uncertainty. They expressed the view that promoting best practices accumulated through such efforts in and outside Japan will expand the scope of decarbonization efforts, including within local communities and among individuals, thereby making it possible for Japan to exercise leadership in "the age of the great competition" for decarbonization among countries.

^{*1} Since January 2021, METI, the FSA, and MOE have jointly convened the Taskforce on Preparation of the Environment for Transition Finance, and on May 7, they published the Basic Guidelines on Climate Transition Finance, as an outcome of discussions by the taskforce.
<https://www.fsa.go.jp/en/news/2021/20210524.html>

2. Speech: JPX ESG Knowledge Hub's Activities and the Future Outlook

Next, TORII Kaho of JPX talked about the JPX ESG Knowledge Hub, which was opened in November 2020. At the website of the hub, explanatory video programs, such as "ESG Information Disclosure Seminar," and example cases of disclosure by individual companies are available for viewing. The video of the seminar and presentation materials are distributed online in the "Related Seminars"^{*2} section.



3. Panel Discussion: Discussions at the TCFD about (KPIs) to Measure Transition

Finally, four experts, presided over by IKEDA Satoshi of the FSA as the moderator, participated in a panel discussion, which focused on "strategy" and "metrics and targets," among the four elements of the TCFD disclosure.

At the beginning, TAKASE Kae of CDP Japan talked about CDP's activities and developments related to the SBT^{*3} initiative, followed by NAGAMURA Masaaki of Tokio Marine Holdings, Inc. and FUJIMURA Takehiro of Mitsubishi Corporation, who are both TCFD members, talked about the most recent discussions within the TCFD. They discussed the current situation, in which the disclosure of reasonable metrics and targets and strategies linked to financial impacts is required.

Next, TOMITA Motoshi of the Central Research Institute of Electric Power Industry explained developments related to measuring Scope 3 emissions^{*4} by financial institutions. He pointed out that the international trend of requiring reporting on Scope 3 emissions is accelerating, but it is intended for companies to understand the actual status of their own emissions, rather than conduct comparison with other companies.

All panelists expressed the view that climate-related disclosure is not something that should be forced upon companies and called for companies to use it as an opportunity to identify their own challenges and advantages.



Picture: Chief Sustainable Finance Officer IKEDA acting as the moderator

^{*2} JPX ESG Knowledge Hub: Related seminars <https://www.jpx.co.jp/corporate/sustainability/esgknowledgehub/esg-seminar/index.html> (Available in Japanese, but only the first panel discussion is available to view in English below) Panel from FSA-JPX seminar "TCFD Disclosure and Transition Finance" now available in English: <https://www.jpx.co.jp/english/corporate/sustainability/news-events/20210526-01.html>

^{*3} SBT stands for Science Based Target. SBTs are reduction targets for greenhouse gas emissions in line with what the latest climate science deem necessary to achieve the Paris Agreement goals.

^{*4} Scope 3 emissions are greenhouse gas emissions generated in relation to companies' business activities excluding direct own emissions (Scope 1) and indirect emissions from the use of electricity and other energy supplied by other companies (Scope 2). In the case of financial institutions, their Scope 3 emissions cover Scope 1 to 3 emissions of the entities in which they invest or to which they extend loans (financed emissions).

Formulation and Publication of the Action Plan for Promoting Empowerment of Female Employees and Employees' Work-Life Balance

At a meeting on January 29, 2021, of the government's Council on Promoting Empowerment of Female Employees and Work-Life Balance, the Guidelines for Actions to Promote Empowerment of Women and Work-Life Balance Among National Civil Servants (hereinafter referred to as the "Action Guidelines" was revised for the first time in five years.

The Action Guidelines stipulates that the sustainability of public duties should be secured and that the quality of policies and administrative services should be maintained and improved. It also calls for efforts to create a workplace environment in which all employees, regardless of gender, age, and the presence or absence of time constraints, can vigorously work with a sense of responsibility and pride under any circumstances. Ministries and agencies are required to formulate action plans for implementing a working style reform to promote work-life balance and a reform for the empowerment of women based on the Action Guidelines.

In view of the above, the Financial Services Agency has recently formulated and published the Action Plan for Promoting Empowerment of Female Employees and Employees' Work-Life Balance (hereinafter referred to as the "Action Plan"), which covers the period from FY2021 to 2025. The Action Plan aims to make it possible to efficiently perform duties through the improvement of long working hours and flexible choice of the place of work and working time by adopting the review and efficiency improvement of jobs, promotion of digitalization, and management reform as the pillars of the working style reform. At the same time, it calls for actions to realize work-life balance in the true sense of the term so that all employees can exercise their capabilities to a maximum and gain a sense of fulfillment in both work and life. In addition, regarding the working style reform as essential to enabling everyone to work without being conscious of gender, the Action Plan calls for actions to empower women through such measures as increasing the hiring and assignment to important posts of women and systematic training.

For example, the FSA has developed an environment that allows all employees to take their PCs home so that they can engage in telework and also prepared a sufficient circuit capacity to enable all employees to engage in telework at the same time. While the FSA is also making improvements to the telework environment, including the introduction of a web-conference function that enables participation by people outside the FSA, the introduction of the BYOD (Bring Your Own Device) initiative and a shift to light-weight PCs, the Action Plan requires the FSA to continue to promote further improvements. It also calls for promoting new working styles using telework. For example, in order to deal with cases in which employees wish to temporarily move to a remote location so that they can care for parents, the Action Plan calls for actions to make it possible to perform the job duties of the FSA from a temporary residence. When child-caring employees find it difficult to return to their former workplace because of problems related to childcare facilities, the Action Plan calls for consideration to be given so that they can do so at an early time by assigning them to jobs that can be performed through telework alone.

At the FSA, each and every employee understands the importance of promoting work-life balance and empowering female employees and steadily implements measures listed in the Action Plan.

Action Plan for Promoting Empowerment of Female Employees and Employees' Work-Life Balance (Outline)

I. Basic concept

- Secure sustainability of public duties and maintain and improve the quality of policies and administrative services.
- Make efforts to create a working environment in which all employees, regardless of gender and age, can vigorously work with a sense of responsibility and pride.

II. Working style reform for promoting work-life balance

<p>1. Promoting job efficiency and digitalization</p> <ul style="list-style-type: none"> • Concentrate limited resources on truly necessary jobs • Improve the efficiency of routine jobs using RPA, etc. • Promote telework • Improve the efficiency of jobs related to the National Diet 	<p>3. Management reform</p> <ul style="list-style-type: none"> • Share policies and ideas of senior bureau officials and division directors with staff employees • Conduct a survey on employee satisfaction and implement multi-faceted evaluation. • Provide training for multi-faceted evaluation around the time of assignment to a management post.
<p>2. Computerizing working time management and ensuring thorough management</p> <ul style="list-style-type: none"> • Introduce centralized electronic management of working time. • Consider how to objectively keep track of working time 	<p>4. Support for maintaining work-life balance</p> <ul style="list-style-type: none"> • Raise the proportion of male employees who take child care leave to 30% (by 2025) • Raise the proportion of male employees who take five or more days of special leave to 100% (every year)

III. Reform for promoting empowerment of female employees

<p>1. Hiring and assignment to important posts of women</p> <ul style="list-style-type: none"> • Raise the proportion of women among new recruits to 35% (every year). • Raise the proportion of women among division directors to 10%. • Raise the proportion of women among deputy division directors to 17%. • Raise the proportion of women among unit chiefs to 30%. • Raise the proportion of women among newly appointed unit chiefs (35%) <p><small>* The above figures are targets to be achieved by the end of FY2025 (the same as government targets under the Fifth Basic Plan for Gender Equality)</small></p>	<p>2. Systematic training for achieving the target for assignment of female employees to important posts</p> <ul style="list-style-type: none"> • Promote recruiting PR activity targeted at women. • Assign female employees to posts in accordance with their capabilities and achievements while taking into consideration their wishes and career path. • Support career development through such measures as providing diverse job opportunities. • Develop a system of counseling
---	--

IV. Systems for promoting empowerment of female employees and work-life balance

- Follow up on the status of actions and announce the results every year (to be summarized by the Cabinet Bureau of Personnel Affairs)

* "Action Plan for Promoting Empowerment of Female Employees and Employees' Work-Life Balance," published on April 23, 2021: https://www.fsa.go.jp/common/about/sonota/woman_wlb.html (Available in Japanese)

Dear valued customers

– COVID-19 safety precautions and considerations –

As a bank, we will work to provide essential banking to support our customers' everyday life and business through these challenging times.

As we rise to meet these challenges, the health and safety of our customers remain our top priority. With that in mind, we have implemented measures in order to avoid the "Three C's"; closed spaces, crowded places and close-contact settings.

We also would like to kindly ask our customers to consider the below actions in order to minimize the spread of the COVID-19.

01 When visiting a branch

Social Distancing



We are limiting the number of customers permitted in our branch at one time so you may experience longer than normal wait times.

Masks and temperature checks



Please consult your bank prior to your visit for any urgent services you may need to perform when feeling sick.

02 Other banking options

- Please refrain from visiting a branch on dates that are expected to be crowded.
- Please consider using other channels available to you, such as online & ATM services and call center.
- Especially for property tax payments, we highly recommend customers use ATM or online services when "Pay-easy" mark  is on the invoice.

Expected crowded dates in June 2021

 the expected crowded dates.

SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

 Duration of the state of emergency extended to June 20, 2021.

Services available as usual

Deposits and withdrawals of ordinary account

Cancellation of time deposits, investment trust etc.

–Transfer funds
–Taxes and utility bill payments

Reporting of lost items

–Issuance of new passbook and card
–Magnetic malfunction of card

Help with borrowing loans

Services for you to kindly reconsider performing on crowded dates

Opening and closure of accounts

Depositing money into a time deposit account

Notice of amendment and bank statements

Request to withdraw certain coins and banknotes

Property accumulation products

Money exchange

* Please ask the bank or check its website for the details of transaction handled.

* Please consult the bank for your specific reasons of the needed transaction.

JFSA's Major Activities in May

(May 1 to May 31, 2021)



- [Updated statistics of money lending business \(May 31, 2021\)](#)
- [Stewardship Code : 307 institutional investors have signed up to the Principles for Responsible Institutional Investors as of April 30, 2021 \(May 26, 2021\)](#)
- [FSA publishes an English translation of the "Comprehensive Guidelines for Supervision of Insurance Companies" and the "Monitoring Report For IAIGs" \(May 26, 2021\)](#)
- [FSA updated Information on COVID-19 \(Novel Coronavirus\) \(May 24, 2021\)](#)
- ['Basic Guidelines on Climate Transition Finance' Announced \(May 24, 2021\)](#)
- [Revision of the Corporate Governance Code \(May 19, 2021\)](#)
- [FSA publishes English translation of monthly magazine, Access FSA No.212 \(May 11, 2021\)](#)
- [Lessons from the Japanese banking crisis- Presentation by HIMINO Ryoza, Commissioner, Financial Services Agency of Japan, at an on-line seminar hosted by the Financial Stability Institute of the Bank for International Settlements \(May 10, 2021\)](#)
- [TLS1.0/TLS1.1 for Encrypted Communication on the FSA Website to be Disabled \(May 7, 2021\)](#)

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



We are promoting
information
dissemination using
Twitter!

-
- Please send your opinions using the following email address to the Public Relations Office's personnel in charge of Access FSA.
E-mail : fsa_kouhou@fsa.go.jp

Editorial Postscript

How are you doing as the rainy season approaches?

From my point of view as another PR person, I have enjoyed a recently broadcast TV drama series in which a PR man at a prestigious university was the main character. As for MATSUZAKA Tori, the actor who played the main character, what remains strongly in my mind about him is Matsuzaka Tori's Silk Road Journey, a documentary program aired in 2017. I was attracted by the delicious-looking Lanzhou noodles, a local food introduced to viewers in this documentary, which featured the Chinese Western Region's spectacular scenery and showed Matsuzaka following the historic path taken by Zhang Qian, one of the heroic figures described in the *Shiji* (Records of the Grand Historian). I am delighted that recently, the number of noodle shops serving Lanzhou noodles is gradually increasing across Japan.

I am also very glad that Mala peanuts are becoming available for purchase at more and more shops. In particular, I love the spicy, delicious flavor of UHA Mikakuto's Ma-pi, which is similar to the flavor of real Mala peanuts. It has become my habit to buy Ma-pi at a nearby convenience store.

This is an unpleasant season with high humidity, but let's push away the unpleasantness by enjoying delicious, spicy foods.

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