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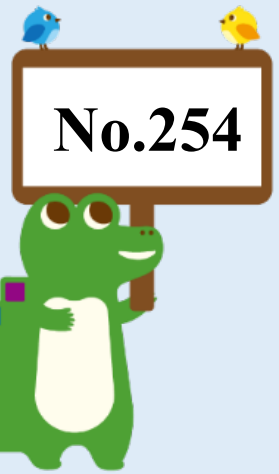
2024

October

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magazine

## Financial Services Agency Newsletter

# Access FSA



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# Appointment of the New Minister

On October 1 of this year, the new Cabinet was inaugurated by Prime Minister ISHIBA Shigeru, and KATO Katsunobu assumed the office of the Minister of State for Financial Services.

On October 2, Minister Kato delivered a speech to the Financial Services Agency employees and took over duties from the former Minister SUZUKI Shunichi.

At an extraordinary cabinet meeting held on October 3, IBAYASHI Tatsunori, the State Minister of the Cabinet Office, and KANDA Junichi, Parliamentary Vice-Minister of the Cabinet Office, were reappointed.

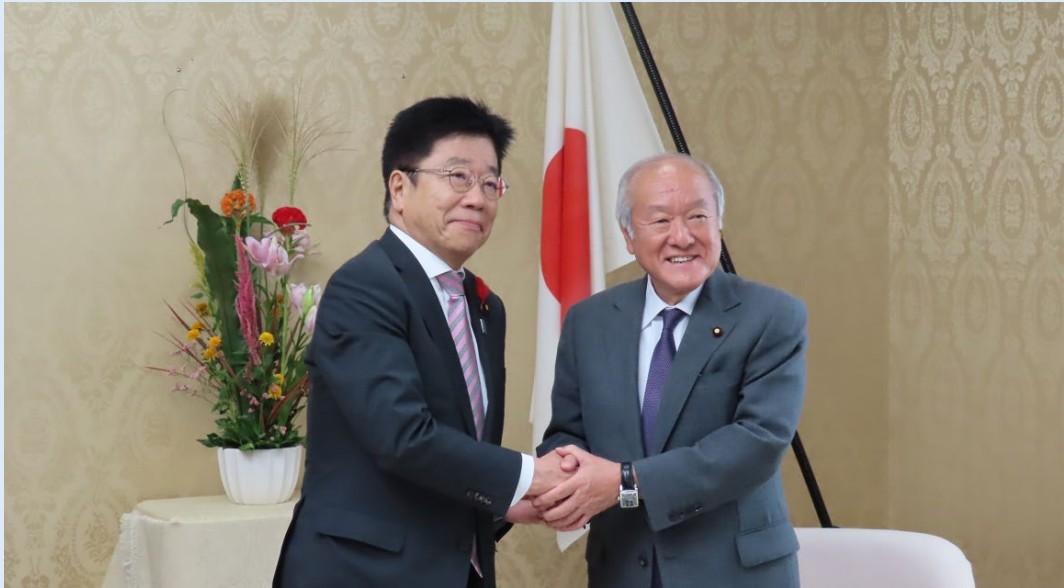
## Minister's Ceremony to Deliver a Speech



Photo: Minister Kato delivering a speech

- 
- The profile of the Minister Kato is available on the official website of the Prime Minister's Office of Japan. [https://japan.kantei.go.jp/102\\_ishiba/meibo/daijin/kato\\_katsunobu\\_e.html](https://japan.kantei.go.jp/102_ishiba/meibo/daijin/kato_katsunobu_e.html)
  - The press conferences following Cabinet meetings are posted on the Financial Services Agency website as needed. <https://www.fsa.go.jp/en/about/profile/minister.html>

**Handover Ceremony  
and Send-off**



（ Photo: Handover between Minister Kato and former Minister Suzuki ）



（ Photo: Send-off for former Minister Suzuki ）

# Japan Weeks 2024

## Establishment of the Asset Management Forum

### 1. Overview of Japan Weeks 2024

The Government of Japan is advancing its initiatives to realize Japan as an international financial center and leading asset management center. As part of these initiatives, Japan Weeks 2024 was held from September 30 to October 4 this year.

On September 23, just before the core week, the then-Prime Minister, KISHIDA Fumio gave a speech at the event (Japan's Financial Future | Elevating Asset Management) in New York for the top executives of Japanese and U.S. asset management companies. The Prime Minister called for the expansion of investments in Japan, introduced the initiatives for Japan as a leading asset management center and their achievements, and announced then and there the launch of the Asset Management Forum on October 3. A signing ceremony for the establishment of the Asset Management Forum was also held by Mr. Capito, President of BlackRock, Mr. Koike, CEO and President of Nomura Asset Management Co., Ltd., Mr. Tweebom, Japan Regional Head at Bloomberg, who serves as the secretariat, and Ariizumi, Vice Minister for International Affairs, Financial Services Agency (details of the Asset Management Forum are described in 2).

At the Japan Weeks opening reception held at the Museum of Contemporary Art Tokyo on September 30, the first day of the core week, then-Prime

Minister Kishida expressed his expectation for continuous initiatives for Japan as a leading asset management center. Furthermore, Prime Minister Ishiba delivered a video message at the National Securities Conference on October 2 and the annual meeting of the Asset Management Forum on October 3, just after his assumption of office, in which he stated that Japan would steadily continue and further develop its policy for Japan as a leading asset management center and aim to become an investment superpower that would attract investments from Japan and overseas, including investments in local regions. In addition, Minister for Financial Services Kato, who attended both events, expressed his intention to accelerate the transition from savings to investments and emphasized the importance of close communication with market participants and other parties involved such as financial institutions.

During Japan Weeks, a total of 70 events were attended by around 20,000 asset management companies and other financial professionals in Japan and overseas.

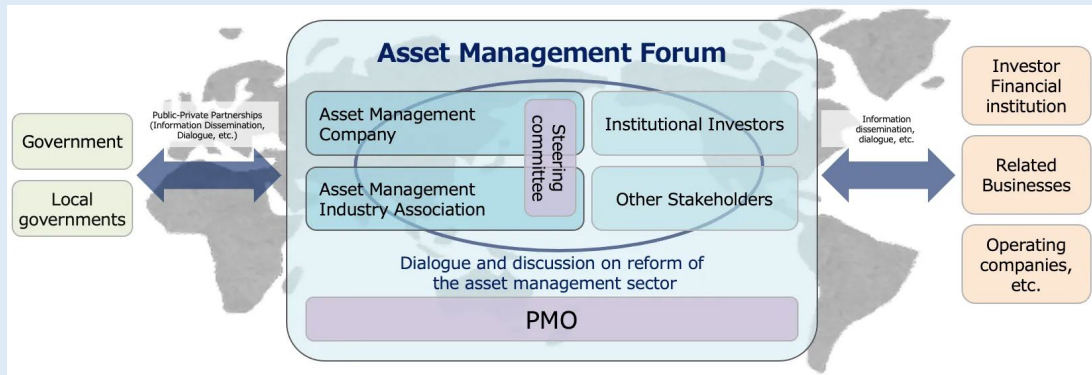


Photo: Dialogue with investors at the NY event  
(Source) Official website of the Prime Minister's Office of Japan



Photo: Then-Prime Minister Kishida's speech at the NY event  
(Source) Official website of the Prime Minister's Office of Japan

## 2. Establishment of the Asset Management Forum



On October 3, the first annual meeting of the Asset Management Forum, where a dialogue regarding the reform of asset management business in Japan by domestic and international asset management companies took place, was held. At the beginning of the meeting, Prime Minister Ishiba delivered a video message and declared the establishment of the Forum.

At the meeting, the Minister for Financial Services Kato and the co-chairperson of the meeting gave addresses, followed by keynote speeches by Mr. Ito, Commissioner of the Financial Services Agency, and Mr. Tweeboom, Japan Regional Head at Bloomberg. A panel discussion was then held among the top executives of global asset management companies including Sumitomo Mitsui Trust Asset Management, Blackstone Group Japan, and KKR Japan. Topics discussed there included the use of emerging asset management

companies (EMP), investment in various asset classes, promotion of sustainable finance, and measures to enhance corporate value through investments.

The number of member companies of the Asset Management Forum as of October 3 is 36, and it is planned that discussions will be held at the Asset Management Forum for the reform of asset management business in Japan, including the above topics.

➤ **Special website for Japan Weeks:**

[https://www.fsa.go.jp/internationalfinancialcenter/1p/japanweeks2024/index\\_en.html](https://www.fsa.go.jp/internationalfinancialcenter/1p/japanweeks2024/index_en.html)

➤ **Asset Management Forum special website:**

<https://english.amforum.jp/>



Photo: Prime Minister Ishiba's video message at the Asset Management Forum  
(Source) Official website of the Prime Minister's Office of Japan

### 3. Scenes from Each Event

Here are some events attended by government officials.

👉 Please visit the respective websites.

Official website of the Prime Minister's Office of Japan

<https://www.kantei.go.jp/>

Official website of the Financial Services Agency

[https://www.fsa.go.jp/common/conference/danwa/index\\_kouen.html](https://www.fsa.go.jp/common/conference/danwa/index_kouen.html)

▶ **Event hosted by Bloomberg on September 23**  
**(Japan's Financial Future | Elevating Asset Management)**

Reference: [Speech by Prime Minister Kishida](#) (on the FSA's website)

▶ **Symposium on Japan as a Leading Asset Management Center and**  
**GX Realization on September 30**

Reference: [Address by Parliamentary Vice-Minister of the Cabinet Office Kanda](#) (on the FSA's website)

▶ **Third Asset Management Business Conference on September 30**

Reference: [Address by Parliamentary Vice-Minister of the Cabinet Office Kanda](#) (on the FSA's website)

▶ **Japan Weeks Opening Reception on September 30**

Reference: [Address by Prime Minister Kishida](#) (on the website of the Prime Minister's Office of Japan)

▶ **2024 National Securities Conference on October 2**

Reference: [Video message by Prime Minister Ishiba](#) (on the website of the Prime Minister's Office of Japan)  
[Address by the Minister for Finance Services Kato](#) (on the FSA's website)

▶ **Annual Meeting of the Asset Management Forum on October 3**

Reference: [Video message by Prime Minister Ishiba](#) (on the website of the Prime Minister's Office of Japan)  
[Address by the Minister for Finance Services Kato](#) (on the FSA's website)



Photo: Minister Kato at the Asset Management Forum  
(Source) Bloomberg

# Official Launch of the Asia GX (Green Transformation) Consortium

On October 2 this year, the Asia GX (Green Transformation) Consortium held its high-level meeting in Tokyo, Japan and announced its official launch.

In order to promote transition finance, a financing method to provide funds to companies making steady efforts towards decarbonization, the consortium, participated by the Financial Services Agency and ASEAN Financial Authorities, as well as the Asian Development Bank, the Glasgow Financial Alliance for Net Zero (GFANZ), and financial institutions active in Asia, engages in practical discussions through case studies in Asia and other methods, with the aim to form specific methodologies and real cases of transition finance.\*

The representatives from these organizations participated in this high-level meeting. The press release and working paper on the content of discussions in this Consortium have been disclosed.

<https://www.fsa.go.jp/en/news/2024/20241002-01/20241002.html>

The Financial Services Agency will continue to promote transition finance and strengthen cooperation with each country's authorities through this Consortium.



Photo: Commemorative photo of participants in the Consortium from the FSA, ADB, the ASEAN Financial Authorities, and other organizations.

\* The consortium is composed of the Financial Services Agency, the ASEAN Financial Authorities, the ADB, GFANZ, MUFG, SMFG, MHFG, JBIC, DBJ, JICA, and observers. The ASEAN Capital Market Forum (ACMF) and the Working Committee on Capital Market Development (WC-CMD) jointly participate as the ASEAN Financial Authorities. Through the consortium's collaboration with Asian financial authorities and private financial institutions, this initiative will also contribute to the initiatives of the Asia Zero Emission Community (AZEC) and others.

# Summary of the “Monitoring Report for Improving Internal Audits of Financial Institutions (2024)”

YAMAZAKI Katsuyuki, Inspection Administrator, and NAGATA Akira, Deputy Director, Office of Inspection on Risk Management, Risk Analysis Division, Strategy Development and Management Bureau

## 1. Introduction

In September this year, the Financial Services Agency (FSA) released the Monitoring Report for Improving Internal Audits of Financial Institutions (2024) (hereinafter referred to as the “Report”).\*<sup>1</sup>

The FSA has been engaged in a dialogue regarding the development and establishment of internal audit systems at financial institutions and has encouraged them to improve internal audits. In 2019, the FSA released Current Situation and Issues for Improving Internal Audits of Financial Institutions (hereinafter referred to as the “Current Situation and Issues”)\*<sup>2</sup> presenting the direction financial institutions should pursue to improve internal audits and a guideline to measure the degree of achieving such a direction, by dividing the maturity level of internal audits into four phases: administrative deficiency audit (1st phase), risk-based audit (2nd phase), management audit (3rd phase), and trusted advisor (4th phase). In October last year, the FSA released the Progress Report for Improving Internal Audits of Financial Institutions (Interim Report) (hereinafter referred to

as the “Interim Report 2023”)\*<sup>3</sup> that organizes and summarizes the status of initiatives conducted and challenges identified by major banking groups to present three issues for advancing initiatives to improve internal audits.

- Issue 1:** Support for the internal audit function by management teams, audit committee members, and corporate auditors
- Issue 2:** Improving the system and strengthening the infrastructure of the internal audit function
- Issue 3:** Understanding of internal audits for audited departments and fostering risk ownership

Three perspectives		Issues for monitoring	
a	Support for the internal audit function by management teams, audit committee members, and corporate auditors	<b>Issue 1</b>	<b>Support for the internal audit function by management teams, audit committee members, and corporate auditors</b>
		Main actors: Management teams, audit committee members, and corporate auditors - (1) Examining the ideal state of internal audits; (2) Supporting the improvement of internal audits; (3) Status of initiatives regarding the utilization of internal audit functions	
b	Initiatives for improvement of the internal audit function	<b>Issue 2</b>	<b>Improving the system and strengthening the infrastructure of the internal audit function</b>
		Main actors: Internal audit function	
		Sophistication of an auditing system	- (1) Exchange of opinions and information with management teams, audit committee members, and corporate auditors; (2) Ensuring independence; (3) Identifying risks and narrowing down the scope of audit; (4) Flexible response to risk changes; (5) Audit depth (including root cause analysis); (6) Utilization of IT/data analysis; (7) Continuous improvement of audit quality; (8) Status of initiatives of group/global system development
		Strengthening of an audit infrastructure	- (1) Status of initiatives to secure and develop human resources; (2) Status of implementation of the audit system
		Co-sourcing	- (1) Utilization policy; (2) Responsibility for final evaluation; (3) Status of initiatives to absorb knowledge and know-how
c	Initiatives for audited departments	<b>Issue 3</b>	<b>Understanding of internal audits for audited departments and fostering risk ownership</b>
		Main actors: Management teams, audit committee members, corporate auditors, and internal audit functions - (1) Understanding of internal audits for audited departments; (2) Status of initiatives regarding evaluation and fostering of risk ownership in audited departments, and communication with audited departments	

[Figure 1] Three issues and their main content

\*<sup>1</sup> Released on September 10, 2024

\*<sup>2</sup> Released on June 28, 2019

\*<sup>3</sup> Released on October 24, 2023

<https://www.fsa.go.jp/news/r6/ia/20240910.html>

[https://www.fsa.go.jp/news/30/20190628\\_naibukannsa.html](https://www.fsa.go.jp/news/30/20190628_naibukannsa.html)

<https://www.fsa.go.jp/en/news/2024/20240220/20240220.html>



Even after the release of the Interim Report 2023, the FSA has been monitoring major banking groups as well as organizations such as regional financial institutions, and exchanging opinions with external experts (such as consulting firms) based on the three issues. The FSA received many comments, including “please provide specific examples of each phase of phase-specific evaluations,” “please provide specific examples on which even small financial institutions can work,” and “please provide an image for the 4th phase (trusted advisor).”

In order to respond to such comments, the Report organizes initiatives taken not only by major banking groups but also by regional financial institutions and major securities or insurance companies according to the three issues and introduces numerous examples for each issue. Based on the monitoring results, the key points for promoting initiatives for improving internal audits are organized and presented together with the awareness of problems and level of expectations by the FSA.

With reference to the Report and the Interim Report 2023, we would like relevant organizations to further advance their initiatives for improving internal audits according to their own size and characteristics. We hope that the Report will also serve as a reference for general business corporations.

## **2. Monitoring Result (Overall Evaluation)**

It was confirmed that each financial institution, on the whole, continued to carry out initiatives to improve internal audits according to its size and characteristics. On the other hand, there was a marked difference in the progress of initiatives to improve internal audits between financial institutions whose initiatives have been advanced (hereinafter referred to as “advanced financial institutions”) and financial institutions whose initiatives have still been developing (hereinafter referred to as “developing financial institutions”), and it was confirmed that the difference in awareness by the management team had a greater impact on the initiatives to improve internal audits than on the organization size.

At advanced financial institutions, awareness of the importance and availability of internal audits is permeating and expanding among the management

team, audit committee members and auditors (hereinafter referred to as the “Management Team, etc.”) through close communication with the internal audit function. On the other hand, at developing financial institutions, communication between the Management Team, etc. and the internal audit function is insufficient, and the purpose and role of internal audits are not shared. In particular, it was confirmed that it was difficult to provide sufficient support when the Management Team, etc. had low awareness.

As a result, regional financial institutions, in particular, showed a widening gap in the progress of improvements, with some financial institutions showing an increase in their phase-specific evaluations compared to the levels of internal audits at the time of the release of the Current Situation and Issues, while others showed little change.

These points are linked to the awareness of problems and level of expectations by the Financial Services Agency as explained below.

Please refer to the Report for specific examples of good practices and challenges for each issue.

## **3. Awareness of Problems and Level of Expectations by the Financial Services Agency**

The awareness of problems and level of expectations by the Financial Services Agency are a summary of the points of which each financial institution should be aware in continuing to carry out initiatives to improve internal audits.

In this regard, the term “level of expectations” refers to basic matters including the “role of internal audits to maintain and improve governance and risk management” and “root cause analysis,” as well as technical matters including “group global” and “use of co-sourcing” to further advance the initiatives to improve internal audits from the 2nd phase to 3rd phase, and from the 3rd phase to 4th phase.

On the other hand, the term “awareness of problems” refers to underlying issues faced by most of financial institutions in order to realize improvements in response to such technical matters.

As mentioned in the overall evaluation, if we could summarize “awareness of problems,” it would be that “the management team should reaffirm the importance of establishing internal controls and risk management systems that use internal audits not only for short-term gains but also for medium- to long-term sustainable business, and work proactively to improve internal audits.” Each financial institution faces different management issues, and difficult decisions must be made on how to allocate limited management resources. However, if they simply say that the internal audit function is responsible for improving internal audits, they will not be able to make progress. We strongly hope that the management team will change the awareness of internal audits, reaffirm their importance, and then identify what it means to improve internal audits, what they should do and what they can do to achieve it to actively support the internal audit function.

Even if the framework is formally improved, it is meaningless if it is not effective. We hope that the management team will ensure their effectiveness.

#### **4. Future Monitoring Policy, etc.**

Based on the three issues, the FSA will continue to promote in-depth monitoring of financial institutions and promote improvements in internal audits through monitoring.

At the same time, with a view to encouraging financial institutions to further improve internal audits, the FSA will continue to consider the necessity of updating the Current Situation and Issues (including the necessity of reviewing phase-specific evaluations), taking into account the monitoring result, international trends and other relevant matters.

If you have any comments on the Report, please contact <Office of Inspection on Risk Management, Risk Analysis Division, Strategy Development and Management Bureau, Financial Services Agency>. We will use your comments as a reference for future reports.

## **JFSA's Major Activities in September (September 1 to September 30, 2024)**

- [Prime Minister Kishida's Speech at Bloomberg-hosted event in NY \(September 24\)](#)
- [The FSA publishes the status of loans held by all banks as of the end of March 2024, based on the Financial Reconstruction Act \(September 24\)](#)
- [Publication of the summary from "The JFSA Strategic Priorities July 2024-June 2025" \(September 13\)](#)
- [Bilateral meeting between Commissioner Ito and Chairman Kim, the Financial Services Commission of the Republic of Korea \(September 4\)](#)

JFSA's official English X(formerly Twitter) account  
[https://x.com/JFSA\\_en](https://x.com/JFSA_en)



**We are promoting  
information dissemination  
using X (formerly Twitter)!**

## FSA Staff Reports and Columns

The Financial Services Agency has been writing about the status of its activities, including the introduction and explanation of measures taken by the Agency, in various publications, and publishing such writings on the website of the [Financial Research Center](#). Starting with this issue, this article will cover some of these writings.

- Introduction of recently published contributions -

◆ [Outline of cryptoasset standard amendments and new framework for disclosure of cryptoasset exposures by the Basel Committee on Banking Supervision](#)

- [International agreement on the finalization including the classification conditions for stablecoin and implementation in the beginning of 2026 –](#)

(provisional English title) [available only in Japanese]

SEKI Yuichiro, Senior Accountant, and MATSUNO Yutaka, International Division,  
Financial System and Bank Examination Department, Bank of Japan

NAKAMURA Shun, Deputy Director, Prudential Standards Office, Risk Analysis Division,  
Strategy Development and Management Bureau, Financial Services Agency

(Published in the September 24 issue of the KINZAI)

◆ [Future priorities and actions under the next chair state of the FATF](#)

- [Finalization of amendments to recommendations for regulating and supervising bank and non-bank payment service providers offering cross-border payment services –](#)

(provisional English title) [available only in Japanese]

HABUCHI Takahide, Head of International AML/CFT Policy Office and Deputy Commissioner for  
International Affairs, Strategy Development and Management Bureau, Financial Services Agency

(Published in the August 13 issue of the KINZAI)

👉 For other contributions, please visit the website of the Financial Research Center.

<https://www.fsa.go.jp/frtc/kikou/index.html>

<https://www.fsa.go.jp/frtc/english/seika/reportscolumns.html>

### Editorial Postscript

A new Cabinet was inaugurated this month. Japan Weeks 2024 coincided with the Minister's change, and personnel in charge were spending busy days in a place where they could not be seen from the outside. During the subsequent general election of members of the House of Representatives, there was no response to the Diet, and some departments were less busy, so the period was relatively calm.

As for me, I started about four years ago and am continuing to do so, but I bring my bento box and coffee every morning. There are two types of bento, and I make it a rule to prepare either low-temperature cooked meat or flavored minced chicken on weekends. I gained weight especially during the time of COVID-19, so I started eating healthily. Since then, on weekdays, I usually bring two bento boxes, one for lunch and the other for dinner. This saves me time going out to eat or buying something, and I also find it invaluable, since I can take it out of the refrigerator and eat it even when I am busy. For coffee, I add hot water to espresso extracted by a machine, which used to cost about 10,000 yen, to make it into so-called Americano, and put it in two water bottles to bring them to the office. The taste and temperature can be kept fresh for a few hours. I drink it first thing right after I get to work, and I am quietly healed. It's a strange thing, but when you make it a habit, none of these things bother you, and they become important items that get you through the day.



HONDA Koichi, Director of the Public Relations Office, FSA  
Edited and issued by the Public Relations Office, FSA

(\*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.)