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FSA

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Inaugural Interview with State Minister of Cabinet Office Iwata



IWATA Kazuchika

| | |
|---------------------------|--------------------------------------|
| Date of birth | September 20, 1973 |
| Birthplace | Saga Prefecture |
| Electoral district | 1st district, Saga Prefecture |
| Personal interests | Movies; Jogging; Cooking |

* For a detailed resume, refer to
[the website of the Prime Minister's Office](http://www.kantei.go.jp/jp/singi/syuryo/syuryo.html).
 (Available in Japanese)

Following the inauguration of the Takaichi Cabinet, we interviewed State Minister of Cabinet Office Iwata Kazuchika, who took office on October 22, 2025, asking him about matters such as his aspirations and everyday life activities.

Interviewer: First of all, could you tell us about your aspirations as the new State Minister of Cabinet Office for financial services?

The growth strategy is one of the key policies of the Takaichi administration, and the role to be played by the financial sector is extremely important. I would like to develop an environment, from a financial industry, that enables people to actively engage in economic and social activities with hope for Japan's future and in which such positive activities create favorable economy and society.

For the last five years, I have held many official positions in the economic area and have noticed various challenges. One of them is to make local economies, which are mainly driven by SMEs and small businesses, into sustainable ones. I am from Saga Prefecture and have engaged in my parents'

family business. Taking advantage of this experience, I would like to work, from the viewpoints of small business owners, to contribute to enhancing the regional financing capacity. In addition, around the world, there is dynamic shift to incorporate new technologies, such as Fintech and blockchains, in finance. I would also like to advance relevant measures so that Japan will lead the world in such global trend.

Interviewer: What prompted you to become a Diet member?

When I was 25 years old, I was first elected in an election for prefectural assembly members for Saga Prefecture as the youngest assembly member in Japan at that time. After serving as a prefectural assembly member for about 12 years, I became a Diet member.

The death of my father at the age of 47 was one of the turning points that led me into politics. He had been serving as a prefectural assembly member. At that time, I was just 20 years old. When I entered university, economic situation were favorable and I was looking forward to entering the workforce, but I faced the so-called ice age for employment at the time of my graduation. Amid significant changes in the world situation after the end of the Cold War, as a university student, I felt strong anxiety about Japan's future. That was when I started to think about becoming a politician, partly prompted by my father's death.

While working as a prefectural assembly member, I sometimes felt that various problems would not be resolved unless national structures were altered. I also thought that politicians should clearly present ideal forms for Japan and lead the people to achieve those goals based on a relationship of trust with them. I strongly felt that it was now a time when politicians needed to follow that kind of attitude, and felt like taking on a challenge and showing my strong commitment as a politician to the people. I thus finally decided to become a Diet member.

Interviewer: Among what you have done as a Diet member, which has left a deep impression on you?

First, public policies for startups. I am strongly committed to and have worked hard on them. When serving as the Parliamentary Secretary for Economy, Trade and Industry, I strongly made a direct appeal to then Prime Minister Kishida about policies for startups at the end of 2021, and in January 2022, then Prime Minister Kishida announced at a press conference that Japan would make the year 2022 the first year for fostering startups. Since then, I worked on various policies for startups, such as the formulation of the Startup Development Five-year Plan, in the Ministry of Economy, Trade and Industry. I think the environmental development for startups has progressed to some extent. Policies for startups are also included in the issues to be discussed in the growth strategy for the Takaichi administration. Therefore, the FSA must also endeavor to develop an environment to facilitate fund provision to startups. I would like to make further efforts to achieve an environment to enable startups to continue growing and support the Japanese economy and to lead the whole world.

I also worked hard for energy security in the field of economy and industry. While serving as the Senior Vice Minister of Economy, Trade and Industry, I visited the UAE twice and often made efforts on various problems related to energy. As the premise, the Japanese economy and people's lives cannot be maintained without energy imported from overseas, and therefore, how to stably secure energy from overseas has been a serious challenge. A stable supply of energy is the prerequisite for Japan's growth. I would like to continue working hard in this field. I also served as the chairperson of the local nuclear disaster response headquarters concurrently while serving as the Senior Vice Minister of Economy, Trade and Industry. I have no family member or relative residing in Fukushima Prefecture and had no direct connection with Fukushima at first, but as a result of performing my duties to support the earnest wishes of people in Fukushima to reconstruct their hometowns, now I feel a great deal of fondness for Fukushima. It is no exaggeration to say that Fukushima is my second home.



Photo: State Minister Iwata and Wanisa

So far, I have talked only about my days at the Ministry of Economy, Trade and Industry, but I have also served as the Parliamentary Vice-Minister of Defense. My experience at the Ministry of Defense will be helpful in working on security issues, one of the present administration's priorities, and I feel very lucky to have been able to gain broad experience in a wide range of fields so far as a Diet member. I would like to contribute to making Japan stronger and positive about the future.

Interviewer: How do you spend your time off?

I rarely take time off (laughter). I think I can have a day off on December 31, but my participation in the "New Year Walking/Running Meeting Visiting Five Shrines" event, held in my hometown, Saga, and political activities in front of the shrines are scheduled from January 1.

Interviewer: You are conscientious about protecting your health, aren't you?

Well, yes. I am over 50 and feel a need to make efforts to maintain good health. Exercise, such as jogging, eases my head and shoulders that get stiff with work and lowers my blood pressure. Honestly, I am too busy to spare time for much exercise, but I have competed in the Saga Sakura Marathon, which is held in my hometown every March, every year for more than ten years. I am planning to compete in a 10-km course in 2026 as well, but I am not so good at sports in general, and would like to start preparations soon so that I can run comfortably.

My work often provides opportunities to dine with people, and I like drinking. So, I often enjoy drinking in both professional and private settings. But these days, I consider my health and consciously choose days on which to refrain from drinking alcohol.

I also enjoy watching movies, but I cannot spare time to go to the cinema. In recent years, we can watch movies at home using video distribution services. But, anyway, I do not have blocks of time to spare, and the list of movies I want to watch is simply growing longer and longer (laughter).

End

(Interviewer: KUME Hitoshi, Director of the Public Relations Office)



Photo: State Minister Iwata being interviewed

Serial Feature: FSA Staff Members Frankly Talked about Financial Administration! —Supervision and Monitoring Organizations Series 1—

This feature introduces the organization and the affairs of the FSA in an easy-to-understand manner through interviews with senior officials and staff members in charge. From this month's issue, the organizations responsible for supervision and monitoring regarding the soundness and stability of financial institutions and the financial system are introduced in detail as an ongoing series.

* The interview was transcribed with the cooperation of Ms. Anzai Yurina, Mr. Kuwabara Yuya, Mr. Takahashi Ryoya, and Mr. Nitta Rin of the University of Tokyo.

<Participants>

| | |
|-------------------|---|
| HATTORI Takahiro: | Project Associate Professor, Graduate School of Public Policy, the University of Tokyo |
| YANASE Mamoru: | Vice Commissioner, Systemic Stability and Risk, FSA |
| KUSUMOTO Jun: | Special Inspector, Major Banks Monitoring Office, Banking Business Division I, Supervision Bureau, FSA |
| IKEDA Yuri: | Deputy Director, Major Banks Monitoring Office, Banking Business Division I, Supervision Bureau/ Office of Inspection on Risk Management, Risk Analysis Division, Strategy Development and Management Bureau, FSA |
| KAMIYA Makiko: | Deputy Director, Financial Crimes Office, Risk Analysis Division, Strategy Development and Management Bureau, FSA |

Hattori: Today, I would like to interview four FSA officials, including Mr. Yanase, the Vice Commissioner, Systemic Stability and Risk, mainly with regard to the supervision and inspection of banks. First, please introduce yourselves.

Yanase: I joined the Ministry of Finance in 1992 and have engaged in financial administration for about two-thirds of my 33-year career. I stayed abroad for around seven years, including as a student and as an employee at the International Monetary Fund (IMF). In the past eight years or so, I have been affiliated with the FSA, where I have been mainly in charge of the supervision of banks. In the past three years or so, I have been responsible mainly for affairs related to fintech and also for matters related to cryptoassets and generative AI. Apart from those responsibilities, I have also long been involved in so-called secretariat jobs, such as personnel management and handling of Diet affairs.

Kusumoto: I joined the FSA in 2011, and I have been engaging mainly in international negotiations related to and planning of banking and insurance regulations.

While banking and insurance regulations are wide-ranging, the matter in which I was most involved is the capital adequacy regulation. The objective of the regulation is to have banks and insurance companies maintain robust financial foundations in preparation for risks, such as loans becoming unrecovable and unexpected payments of insurance benefits being made. Particularly in the banking sector, the development and enforcement of international rules (so-called Basel regulation) have progressed.

At present, at the Major Banks Monitoring Office, I am engaging in the job of conducting day-to-day oversight of risks faced by major banks and whether governance is appropriately functioning and examining whether there are issues or points for improvement.

Figure 1 Outline of the Capital Adequacy Ratio Regulation Concerning Banks

Basic concept of the capital adequacy ratio regulation

- Ensuring the soundness of financial institutions by requiring them to hold a sufficient amount of capital to cover risks (losses that may be incurred with a certain level of probability).
 - Internationally active banks are required to maintain a capital adequacy ratio of **8%** or higher.
 - Domestically-focused banks are required to maintain a capital adequacy ratio of **4%** or higher.

$$\text{Capital adequacy ratio} = \frac{\text{Capital amount}}{\text{Risk assets}} \geq 8\% \text{ or } 4\%$$



- The risk of borrowers (e.g., companies and individuals) going bankrupt (credit risk)
Example: Regarding loans, the risk asset amount is calculated by multiplying the loan amount by a risk weight* of between 20% and 150% in accordance with the ratings assigned to the borrowers.
- The risk of prices of securities held fluctuating due to market movements (market risk)
- The risk of losses arising due to administrative accidents or misconduct (operational risk)

* Applying a risk weight of 100% means that if an internationally active bank has provided 100 million yen in loans, it is required to hold 8 million yen in capital in order to meet the 8% minimum threshold for the capital adequacy ratio (if the weight applied is 200%, the required capital amount is double that amount, 16 million yen).

Ikeda: I joined the FSA in 2013 and have worked in the areas related to the banking, securities, and insurance sectors. I was seconded to the Bank of Japan (BOJ), where I was responsible for the on-site examination and off-site monitoring of large financial institutions. After returning to the FSA, I worked on international negotiations and domestic policy making related to sustainable finance.

Over the past two years, I worked in the Macro-financial Stability and Data Strategy Office, which is responsible for market analysis. I analyzed market developments during events such as the sharp decline in Japanese stock prices in 2024 and the significant volatility triggered by the U.S. tariff policy. In July 2025, I joined the Major Banks Monitoring Office, where I work alongside Mr. Kusumoto and have been engaged in overall coordination work across the Office. In addition, I concurrently serve in the Office of Inspection on Risk Management. While the Major Banks Monitoring Office conducts institution-specific monitoring, the Office of Inspection on Risk Management oversees both major banks and regional banks across risk categories, such as market risk and credit risk.

Kamiya: I joined the FSA in 2014 and have gained a wide range of experience. For example, I was involved in amending the Financial Instruments and Exchange Act and in supervising major banks and internet banks. When Japan served as the chair of an international conference body, I experienced the job of managing it. In addition, I also engaged in secretariat jobs, such as coordinating the FSA's contribution to the government-wide growth strategy and planning training programs for FSA employees. I also spent two years on secondment to the Development Bank of Japan (DBJ), where I gained precious experience with loans and investment practices through the operation of regional revitalization funds.

At present, I have been engaged in so-called cross-sectoral areas, such as measures against money laundering and financial crimes. As these issues have recently attracted considerable public attention, Financial Crimes Office conducts monitoring and information gathering on AML/CFT and financial crime-related measures not only for banks but also for all types of financial institutions supervised by the FSA.

Banking business models and the need for regulation

Hattori: Today, we would like to mainly discuss banks. As students are participating in the discussion, I would like you to explain what kind of businesses banks engage in and why regulation is necessary.

Kusumoto: Banks raise funds from households and corporations in the form of deposits. Their business model is to earn profits by using the funds thus raised to provide loans, with interest, to companies, or by investing in bonds and other securities.

Borrowers of funds, such as private companies, tend to face fund shortages. That is because they might have to make procurements and payments before sales, or want to make capital investment without funds on hand. Unless such fund shortages in the business sector and surplus funds held by the household sector can be successfully matched, the efficiency of economic activity in society deteriorates considerably.

Therefore, banks take in funds in the form of deposits and provide the funds in the form of loans to those who have financial needs, and as a result, economic activity keeps going smoothly. That is banks' social function and is also a benefit from the viewpoints of households as depositors and business operators as fund users.



[Photo: Special Inspector Kusumoto]

So, why is it necessary to regulate banks? When a person has placed a deposit at a bank, a problem will occur if the funds cannot be returned at some point in the future. For example, a person might be reluctant to place a deposit of 10 million yen if there is the risk of the bank failing. On the other hand, it is difficult for users to identify a struggling bank from publicly disclosed information alone.

Therefore, it is necessary to implement regulation so that the soundness of bank management can be ensured (from depositors' viewpoint, so that deposits placed can be returned). The capital adequacy ratio regulation (which was mentioned earlier), which is an important element of the regulation, has set a rule requiring banks to hold appropriate financial capacity in accordance with the types of assets that they hold and the sorts of risks that they have taken.

Hattori: In an academic course on finance, at the beginning, we explain the "maturity transformation function" as another important function possessed by banks. This concerns an argument that a maturity gap arises as a result of banks raising funds in the short term and providing loans in the long term. What are your thoughts on the maturity transformation function?

Yanase: Indeed, what you said is correct. From the standpoint of someone involved in practical affairs, although the maturity transformation function itself is a very significant inherent risk for banks, I feel that the viewpoint of how to make up for information asymmetry for depositors is more important in the actual process of monitoring. Regarding practical affairs, I have the habit of considering this matter more from the viewpoint of governance, that is, the viewpoint of the principal-agent theory. After all, individual depositors are unable to conduct sufficient monitoring regarding the financial soundness of banks. In that situation, the question of who conducts monitoring and ensures a certain level of safety on behalf of depositors is very important. That is our thought.

However, the premise is that banks are very unstable entities. As Professor Hattori mentioned earlier, the maturities of liabilities and the maturities of assets are quite different because of maturity transformation, so when banks are struck by some emergency or other, a problem immediately emerges. To be sure, the deposit insurance system,¹ for example, functions as a cushion to soften the shock. This is a system that guarantees reimbursement of deposits through Deposit Insurance Corporation of Japan (DICJ), at least for up to a certain amount, even if a bank has failed. When something has actually happened, DICJ will make payments in the form of deposit insurance benefits. That is like DICJ having a kind of commitment line for banks that is automatically put to use the moment an emergency has occurred. That is because DICJ is ready to provide loans to banks.

On the other hand, DICJ must exercise governance over banks. After all, DICJ operates based on government funds, which are assets of the public and therefore must not be used unwisely. As a result, it is necessary for the FSA to exercise governance over banks. Moreover, our regulation and supervision come into play from the viewpoint of how to exercise governance in matters such as the context of information asymmetry and the principal-agent theory. That is my idea of the actual state of affairs.

Hattori: When looking at the FSA's operations and organization, we often come across terms such as supervision and inspection. You mentioned the need for the *regulation* of banks, so please specifically explain the FSA's regulation.

Yanase: When a supervisory government agency, for example, has enacted laws, that does not mean that everyone automatically complies with the regulation if nothing more is done. In fact, the term "regulation" as used in economics encompasses regulatory implementation and regulatory enforcement.

Generally speaking, attention focuses on *implementation*, while there is little awareness of *enforcement*. The reason is that in not a few cases, enforcement is left to the judiciary. For example, let us consider the case of "rent control" as mentioned in microeconomics. The question of what effects regulating housing rents are generated from the perspective of economics is often taken up in microeconomics, as you know. If the regulation is determined through an ordinance, and if the ordinance is violated, ultimately, the case should be resolved in the judiciary. Therefore, in my opinion, a common pattern is that the implementation of regulation is, in a sense, left to the existing judicial system.

Financial regulation is different from many sorts of economic regulation, such as fairness of trading, prohibition of monopoly, and protection of consumers. One reason behind that is that the sorts of regulation that we exercise are intended ultimately to protect the balance sheets of banks. In principle, those sorts of economic regulation restrict *activities*. Our sorts of regulation are designed to maintain the soundness of financial institutions.

Of course, some sorts of regulation are targeted at activities themselves, but there are others—like the capital adequacy ratio regulation—that are, to some degree, exercised through rules, such as the requirement that a certain amount of capital should be set aside when a certain level of risk has been taken. Furthermore, there are sorts of regulations that empower us to order a halt when a financial institution has engaged in some misconduct or other. Article 26 of the Banking Act merely stipulates the principle that when a bank is not conducting business in an appropriate manner, an order may be issued for the bank to conduct business in an appropriate manner, and we have the power to issue an order.

As to what situations are inappropriate, subordinate laws and regulations do not prescribe any specifics. The reason is that it is impossible to create fully comprehensive rules in order to preserve the soundness of banks' balance sheets or to protect their sound operations. Therefore, we have very broad discretion as to what demands to make of banks. Also, regarding banks that have violated an applicable regulation, we have a fairly broad discretion in deciding what corrective actions the banks should take and what administrative actions should be taken against them.

¹ <https://www.fsa.go.jp/policy/payoff/> (Available in Japanese)

For example, if someone at a financial institution has used, without authorization, customer funds to provide a loan, the FSA may take administrative action. If an incident like that happens, the expectations of depositors, who do not want funds that they have deposited to be used for inappropriate ends, will be betrayed, as I mentioned earlier. Of course, the activity may amount to a breach of trust or embezzlement under the Penal Code, but merely waiting for intervention by the police would be inappropriate. Moreover, all that the police would do is arrest the individual who violated law, and they are not responsible for putting the financial institution affected back on the right track. Therefore, in principle, we should, in the first place, conduct supervision in such a way that financial institutions do not face such a situation.



Photo: Vice Commissioner for Strategy
Development and Management Yanase

Hattori: I understand that you are referring to a situation in which a financial institution is required to develop and submit an improvement plan. That may be the impression that many people have about what the FSA does, after having watched “Hanzawa Naoki” (a popular TV drama about a banker’s struggles to correct wrongdoings at a major bank).

Yanase: Regardless of whether or not our approach is similar to the one described in Hanzawa Naoki, as a matter of fact, that impression is not wrong. For example, there may be cases in which clearly inappropriate loans are provided, just as in the case of the financial institution that I mentioned earlier. However, in the field of regulation, when it comes to the question of whether it is possible to lay down clear rules as to the distinction between appropriate and inappropriate loans, the answer is that it is rather difficult to do so. Even though there may be expectations about a vague impression of an appropriate way of providing loans, all we can do is to use very general expressions to prescribe an overall framework. In other words, all that can be expressed as rules are phrases such as “loans should be provided in an appropriate manner,” “when providing loans, it is necessary to appropriately check the creditworthiness of the borrower,” and “the amount of reserves commensurate with the risks associated with the borrower should be set aside.”

Matters like that are mentioned in our supervisory guidelines. It is necessary to ensure that financial institutions behave in accordance with the guidelines. We believe that is what the entire public and the entire economy expect. What is described in Hanzawa Naoki is an exaggerated world, but it is necessary to check, from time to time, whether banks are really behaving in accordance with those expectations.

Differences between supervision and inspection

Hattori: How should supervision and inspection be distinguished?

Yanase: Inspection and supervision are distinguished under law. Article 25 of the Banking Act stipulates that FSA personnel can enter business offices of banks and require the submission of documents. That is inspection. Under law, inspection is considered to be included in supervision as a supervisory measure.

(Reference) Laws related to inspection and supervision

○ Act for Establishment of the Financial Services Agency

Chapter II Establishment and Duties, and Affairs under the Jurisdiction of the FSA

(Affairs under Jurisdiction)

Article 4 In order to perform the duties prescribed in Paragraph 1 of the previous Article, the FSA has jurisdiction over the following affairs:

(1) and (2) (Omitted)

(3) Affairs related to the inspection of the following persons and other matters of supervision.

(Hereinafter omitted)

○ Banking Act

Chapter IV Supervision

(On-Site Inspections)

Article 25 (1) If the Prime Minister finds it to be necessary for ensuring the sound and appropriate management of a bank's services, the Prime Minister may have relevant officials enter the business office or other facilities of a bank (including a bank agent that has the bank as its principal bank), have those officials ask questions about the status of its business or property, and have them inspect its books, documents, and any other articles.

Hattori: Our impression of actions by Inspector Kurosaki, a character in Hanzawa Naoki, corresponds exactly to inspection, doesn't it?

Yanase: That is correct. His position is an inspector. Inspectors have the authority to issue requirements for financial institutions under inspection. At the FSA, only inspectors have the authority to perform that duty. For example, as I have not been appointed as an inspector, I cannot directly express requirements.

Hattori: Inspection is easy to understand, but supervision by the FSA is a concept that is difficult to imagine. As for my impression of supervision, first and foremost, the FSA has the authority to grant permission for businesses conducted by banks.

Yanase: From a global perspective, the functions that the FSA exercises with respect to banks can be broadly divided into four categories.

The first category is the permission and authorization function. This corresponds to permission for businesses, which Professor Hattori mentioned earlier. When starting banking business, it is necessary, in the first place, to obtain a license. The act of granting a license corresponds to the permission and authorization function. Abroad, usually, organizations or divisions other than supervisory authorities are responsible for this function. The reason is that in other countries, this function is the prerogative of lawyers. In many cases, divisions responsible for this function have names including such terms as "licensing" and "authorization."

The second category is "supervision as narrowly defined." That is the prerogative of what is known in Japan as organizations with integrated responsibilities for supervision and inspection. In other countries, professionals such as certified public accountants are responsible for this function in many cases. That is because those professionals routinely keep watch as to whether the soundness of financial institutions is appropriately preserved. Usually, the starting point is governance. The first step is, for example, to examine whether the board of directors holds appropriate discussions and whether the board of directors appropriately recognizes risks. The next step is control. Supervisory officers look at whether the framework of control is robust, specifically, whether the three-line defense, composed of the first line, operation execution, the second line, risk management, and the third line, internal audit, is appropriately functioning.

If outsiders are to examine those points, it is possible to conduct checks by requiring the submission of a report from an internal audit division. Regarding credit risk as well, a report may be obtained from a credit risk division. The report would contain information such as the default probability regarding borrowers who have been assessed as excellent debtors, the amount of losses initially estimated, the amount of losses actually incurred, and how much the actual losses deviated from the estimate. If the actual losses have deviated from the estimate, officers suggest the need to make an improvement. In other countries, this process is called supervision.

However, if officers merely obtain reports from banks under supervision, there is the risk of failing to see through their potential lies. As part of supervision, there is a process known as “onsite inspection.” That is the third category of function, which is known as “inspection authority.” Officers actually visit business offices of financial institutions and require the presentation of internal documents that are usually not submitted to them. Or, from time to time, officers check whether reports routinely submitted are accurate by holding interviews with various employees with whom they usually do not talk. Because officers actually enter (*tachiiru* in Japanese) business offices for the inspection (*kensa* in Japanese) purpose, this process is known in Japan as *tachiiri kensa*.

The fourth category of function is the exercise of administrative authority. In other countries, central government organizations that do not belong to regulatory authorities, such as a finance ministry, are responsible for promoting financial functions on a nationwide basis. In other words, that is a role related to how the financial sector should be developed as a government-wide policy. In many countries, that role belongs to a central government organization, rather than being left to a central bank or regulatory or supervisory authority.

However, in Japan, debate triggered by a corruption scandal at the Ministry of Finance led to more than establishing the Financial Supervisory Agency under

a reorganized Ministry of Finance and eventually resulted in the establishment of the Financial Services Agency, which is responsible for exercising all authorities regarding policies related to the financial sector that the Ministry of Finance formerly possessed as a central government organization. As a result, the three functions—administrative authority, permission and authorization authority, and supervisory authority, which I mentioned earlier—have been combined under the Financial Services Agency as a regulatory authority body.

For example, in the area of anti-financial crime, for which Kamiya is responsible, when it comes to how to globally work together to address financial crime (e.g., fraud), there are arguments over the question of to what extent foreign supervisory authorities are involved in this area because that is outside the scope of supervision as narrowly defined.

Also, there are similar arguments over the revitalization of regional finance. In many countries, relevant authority is possessed not by so-called supervisory authorities, such as central banks, the OCC (Office of the Comptroller of the Currency) of the United States, or the PRA (Prudential Regulation Authority) of the United Kingdom, but by organizations equivalent to the Ministry of Finance of Japan, such as the U.S. Department of the Treasury and the HM Treasury of the United Kingdom.

Figure 2 Outlines of supervisory systems in major countries

| Supervisory systems in major countries | | | | |
|--|--|---|---|---|
| | U.S. | EU | U.K. | Japan |
| Planning | U.S. Department of the Treasury (UST) | European Commission (EC) | HM Treasury (HMT) | |
| Supervision of banks | Office of the Comptroller of the Currency (OCC) Federal Reserve Board (FRB) Federal Deposit Insurance Corporation (FDIC) National Credit Union Administration (NCUA) State banking supervisory authorities | European Central Bank (ECB) European Banking Authority (EBA) | Prudence Prudential Regulation Authority (PRA) | Conduct Financial Conduct Authority (FCA) |
| Supervision of securities companies | U.S. Securities and Exchange Commission (SEC) | European Securities and Markets Authority (ESMA) | | Financial Services Agency  Securities and Exchange Surveillance Commission |
| Supervision of insurance companies | State insurance supervisory authorities | European Insurance and Occupational Pensions Authority (EIOPA) | | |

Hattori: That is very complicated.

Kusumoto: When holding discussions with foreign authorities, this difference is a complicating factor. Unless particularly necessary, rather than distinguishing between inspection and supervision (as narrowly defined), we often discuss the two collectively under the single category of “supervision” in many cases.

Yanase: The FSA’s organization responsible for supervision is called the Supervision Bureau in English.

Kusumoto: The FSA’s organization that was responsible for inspection until a few years ago was called the Inspection Bureau in English.

Yanase: Arguing over this classification is a sort of “Galapagos thinking” (focusing exclusively on affairs in Japan with no regard for trends outside the country) and makes things complicated. Originally, inspection and supervision emerged as two distinct concepts after the corruption scandal at the Ministry of Finance.

Hattori: Am I correct in understanding that the fourth category of function, such as exercising administrative authority and promoting financial functions, is included in supervision in Japan?

Yanase: In Japan, the Supervision Bureau is responsible for that function, so I have the sense that that is part of supervision.

The history of the FSA

Hattori: Previously, when we interviewed Mr. Shibata, Deputy Director-General of the Policy and Markets Bureau, he told us that originally, when the FSA started operating, its area of responsibility was inspection, rather than supervision.² However, while the non-performing loan problem moved toward resolution around the mid-2000s, market-related problems occurred. And at the same time as enhancing the market, the FSA gradually lost its nature as an agency responsible for inspection and strengthened its role in supporting banks’ businesses, according to his accounts. What are your thoughts on the historical background of the FSA?

Yanase: In fact, I am about the only person at the FSA who worked at the Ministry of Finance’s banking bureau before the non-performing loan problem emerged. Originally, the Ministry of

Finance’s banking bureau, including the inspection division under it, possessed the whole set of the functions that I mentioned earlier. The FSA was created in an environment all of the policies related to the financial sector were dedicated to the disposal of non-performing loans. However, as to the question of whether the original administrative oversight of banks was specialized in inspection and supervision, that is not particularly true.

During the global shift from the fixed exchange rate system to the floating exchange rate system, all countries started to promote financial liberalization around the 1970s and gradually relaxed regulations on interest rates and other items. Therefore, in the 1970s through the second half of the 1980s, how to promote interest rate liberalization and financial liberalization was the global theme of financial policy and administrative oversight of the financial sector. For the Ministry of Finance’s banking bureau as well, that was the main theme around that time. Even so, while promoting financial liberalization and interest rate liberalization, Japan failed to successfully maintain the supervision as narrowly defined, which I mentioned earlier, which corresponds to the concept of supervision that prevails in other countries, and presumably, that is why the economic bubble was created. In short, historically, as the regulation was extremely tight in the first place, the function of supervision was weak.

Hattori: I understand that this was an industry bound tightly to a degree now unimaginable.

Yanase: That is exactly true. That was an era when deposit interest rates and loan interest rates were fixed, so margins were automatically determined.

Hattori: Afterwards, as liberalization proceeded, the FSA was created. Is that correct?

Yanase: That is correct. Following liberalization, everyone plunged into the business of providing loans backed by real estate amid the bubble, and the bubble burst. Later, when it came to the question of how to clean up the mess, the conclusion arrived at was that something must be done about supervision. Politically, the view prevailed that the matter could not be left to the Ministry of Finance, so the FSA was created as a spinoff from the ministry. Therefore, we had the sense that we should focus mainly on inspection, which is the most forceful element of supervision.

² Please access the ULR below. (Available in Japanese)

https://www.mof.go.jp/public_relations/finance/202507/202507g.pdf

However, the spotlight was on that point because Japan was in the process of disposal of non-performing loans, and from a longer-term perspective, someone should have raised the question of what the financial sector should be like. In Japan, that role was included among the responsibilities assigned to the FSA when the jurisdiction over fiscal affairs and the financial sector was divided, so the FSA's role in that respect grew when the disposal of non-performing loans and the financial crisis ran their course, according to my understanding.

Student: Am I correct in understanding that compared with when the FSA was established, the importance and weight of inspection for the FSA have continued to decline?

Yanase: While that is true in some aspects, my perception is that other matters, such as the initiative to promote Japan as a leading asset management center, are increasing in the FSA's policy area, rather than the importance of inspection having declined. Since the disposal of non-performing loans ran its course and the crisis period came to an end, what society seeks from the financial sector has been changing, and the FSA has been changing accordingly. One difficult question is what we should do in inspection. For example, at the FSA, there are arguments over whether we should use inspection or other means in order to follow the principle of preventing reckless loans from being provided, even when there is demand from society.

(To be continued.)

Holding of a Meeting for Exchange of Opinions on Promotion of Support for Business Operators and Facilitation of Finance

On November 27, 2025, the FSA held a meeting for exchange of opinions on promotion of support for business operators and facilitation of finance, attended by government officials, including Minister of State for Financial Services Katayama, State Minister of Cabinet Office Iwata, and Parliamentary Vice-Minister of Cabinet Office Kaneko, and representatives of financial organizations.*

At the meeting, Minister of State for Financial Services Katayama requested financial organizations to make every effort to provide financing support to business operators toward the end of the year and fiscal year, when demand for working capital will increase, and to provide support beyond financing meticulously in accordance with individual business operators' situations, under the current circumstances where there are many business operators that are still in a difficult situation due to rising prices, labor shortages, and the impact of the U.S. tariff measures, although socioeconomic activities have been normalizing after the COVID-19 pandemic.



Photo: State Minister of Cabinet Office Iwata, speaking at the meeting



Photo: Parliamentary Vice-Minister of Cabinet Office Kaneko, speaking at the meeting



Photo: Minister of State for Financial Services Katayama, speaking at the meeting

In addition, in light of the government's decision made on November 21, 2025, on Comprehensive Economic Measures to Build a "Strong Japanese Economy" and scheduled formulation of the Regional Financing Capacity Enhancement Plan within 2025 with the aim of implementing various measures to support business operators, the FSA issued a written request dated November 27, 2025, to financial organizations, etc. and also published the request in order to broadly disseminate its content.

[Financial institutions and related organizations participating in the meeting for exchange of opinions]

- Japanese Bankers Association
- Regional Banks Association of Japan
- The Second Association of Regional Banks
- The National Association of Shinkin Banks
- Shinkumi Banks Association of Japan
- Trust Companies Association of Japan
- National Association of Labour Banks
- The Norinchukin Bank
- Japan Finance Corporation
- Okinawa Development Finance Corporation
- Shoko Chukin Bank
- Development Bank of Japan
- Japan Federation of Credit Guarantee Corporations
- Japan Housing Finance Agency

* Promotion of Providing Support for Business Operators and Facilitation of Financing for Corporate Borrowers (published on November 27, 2025) (Available in Japanese) <https://www.fsa.go.jp/news/r7/ginkou/20251127-2.html>

Visit by People from ESCP, a French Business School

On November 20, 2025, people from ESCP Business School* in France came to the FSA for training. Chief Deputy Director SOMEKAWA Takashi and Deputy Director JINGU Taisuke of the Financial Markets Division, Policy and Markets Bureau, first delivered lectures on the regulatory framework for private equity funds in Japan and the FSA's roles in the creation and growth of startups. After the lectures, there was a lively exchange of questions and answers between the lecturers and trainees.

The FSA will actively promote PR activities globally through these initiatives.



Various questions were raised on support measures for startups in Japan!



Photo: Group photo

* ESCP (<https://escp.eu/paris>)

ESCP, established in Paris in 1819, is known as the world's oldest business school. It now has campuses in six major European cities, namely, Paris, London, Berlin, Madrid, Turin, and Warsaw.

Conclusion of a Basic Agreement between FSA and Hitotsubashi University on Research Collaboration

On November 27, 2025, the Financial Services Agency (FSA) and Hitotsubashi University entered into a basic agreement on research cooperation and collaboration, commemorating the 150th anniversary of the foundation of Hitotsubashi University and the 25th anniversary of the FSA's establishment. Through this partnership, the FSA and Hitotsubashi University aim for better policy making, pursue academic development of finance and economics through global-standard research activities, and strive to contribute to the future design of the financial system.



Photo: President Nakano of Hitotsubashi University (right) and FSA Commissioner Ito (left) after signing the agreement

The items of cooperation and collaboration under the Agreement are as follows:

- (1) Promotion of research projects on finance and economics, including data analysis;
- (2) Promotion of new projects on research and education through collaboration between industry, government, and academia;
- (3) Personnel development and personnel exchange activities; and
- (4) Dissemination of information and knowledge about finance.

As finance is becoming more and more diverse and complicated, collaboration is becoming increasingly important for both academia and financial authorities. At the signing ceremony, in consideration of recent increases in data-based empirical studies built on theoretical hypotheses,

particularly to deal with practical problems, President Nakano of Hitotsubashi University said, "It is definitely necessary to understand various systems and their historical developments from a global perspective, and the collaboration with an administrative organ will enable us to conduct studies at a level competitive with the world's leading universities." In response, FSA Commissioner Ito said, "By launching even better research projects with researchers, we aim to achieve high-quality research and studies that will form a theoretical basis for financial administration, and to have outcomes of such research and studies shared with and benefited by the front lines of financial administration."

Looking back on history, President Nakano also mentioned the deep ties between the university and the FSA. Our relationship can date back to the time when the university was called the *Shōhō Kōshūjo* (Commercial Law Institute) and the FSA the *Kaikeikan* (Accounting Officer). FSA Commissioner Ito said, "We hope this agreement will newly create opportunities for dialogues between the FSA and Hitotsubashi University and lead to the further development of the financial industry in 25 years and 150 years."



Photo: Press conference after signing the Basic Agreement, held at the FSA's press conference room

The FSA will continue promoting collaboration and cooperation with academia through its Financial Research Center, thereby ensuring the stability and dynamism of the financial system in the future, and also contributing to the sound and smooth development of economic activities and people's living.

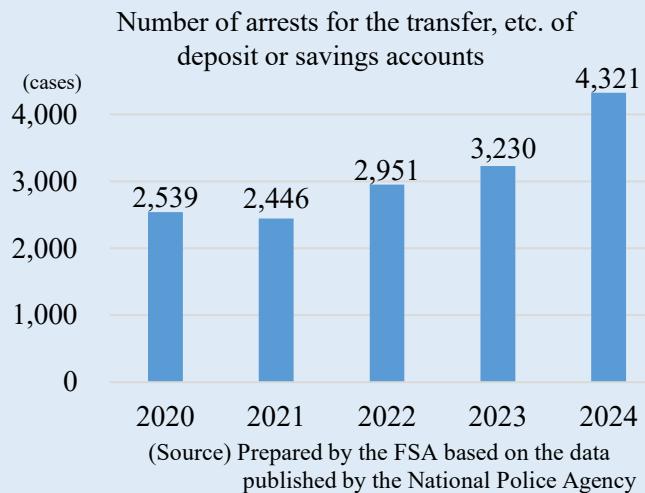
Public-Private and Cross-Sectoral PR Activities for Preventing Illegal Account Sales



The total amount of damage caused by online and telephone fraud, investment fraud and romance fraud via SNS hit a record high in 2024. In 2025 as well, damage is still increasing and the situation remains serious. Deposit or savings accounts illegally sold, transferred, or lent are often used as destinations for remittances of proceeds from such fraud cases.

In order to prevent such illegal use of accounts, banks, credit unions, credit cooperatives, and labor banks, the FSA and the National Police Agency jointly created public-private and cross-sectoral PR contents to disseminate the fact that the sale, etc. of accounts constitutes a breach of law, broadly among people.

If you sell or otherwise transfer your deposit or savings account carelessly, this may exert a serious impact on your future life, such as becoming unable to open new accounts. Be sure not to get involved in such acts.



The video can be viewed here. (Available in Japanese)
<https://www.fsa.go.jp/news/r7/ginkou/20251128/20251128.html>



Photo: From left, Vice Commissioner for Strategy Development and Management Yanase of the FSA, Planning Committee Chairman Ueno of the Japanese Bankers Association, and Criminal Affairs Bureau Chief Shigematsu of the National Police Agency, introducing the release of the PR video



Photo: Ms. Katayama, Minister of State for Financial Services, introducing this topic at the press conference after the Cabinet meeting

A Nationwide Campaign, Financial and Economic Education Caravan

— “Learn with Wanisa: Money Class for the Future,”
Deputy Director-General, WANISA, Busy Making Courtesy Visits! vol.8 —

Event in Nagoya on November 22, 2025



Event in Kumamoto on January 24, 2026

- Date and time: 10:00 a.m. to 4:30 p.m. on Saturday, January 24, 2026 (tentative)
- Venue: AEON MALL Kumamoto (2232 Nagaike, Uejima, Kashima-machi, Kamimashiki-gun, Kumamoto)
1F Event Square
- Performers: Member, Yumecchi (Sanji no Hiroin), Kanade (Sanji no Hiroin), Hyokkorihan, Yasui Masaji, Gion (master of ceremonies)

＼ワニーサとなかまたちも来るよ！／

■ Major content

➤ Stage Show

- * “Attack by Warusa!? Guide the World to Peace with Correct Knowledge on Money!?”
- * Learn about money! Happy Family with All Members Together
- * *Unko* Money Drill: Life Edition (targets: first to third graders)

➤ Mini lecture programs

- * Learn using Minecraft – Quest of Finance – Knowledge on Money, the Valiant’s Weapon
[Provided by the SMBC Group]
* NOT OFFICIAL MINECRAFT PRODUCT. NOT APPROVED BY OR ASSOCIATED WITH MOJANG
- * *Unko* Money Drill: Economy Edition (targets: fourth to sixth graders)



うんこ先生

うんこ学園の校長先生。
子どもたちに問題の解き方を
分かちやしてくれる。



ワニーサ

金融庁からやってきた金融経済
教育推進会議の会員。
児童生徒を応援するキャラクター。



とうしきん

ほのほのとした外見ながら、物
強掛けで今後大きく成長する期
待大！

At the venue, various exhibition booths on money-related themes will be established by cooperating companies and associations.

* For details, please access the official website below. (Available in Japanese) *

<https://wanisa-caravan.fsa.go.jp/event/kumamoto/>

～Please also keep an eye out for the following events in the days ahead!～



Deputy Director-General, WANISA, visits prefectural governors and people in the finance sector to ask for cooperation in further enhancing financial and economic education.

Videos of Wanisa's courtesy visits are posted on the official X account (@Wa_nisa_FSA)!



► Courtesy visit to Ibaraki Governor Oigawa ([delivered on November 20](#))



► Courtesy visit to President Suzuki of the Aichi Bank ([delivered on November 21](#))



► Courtesy visit to President Yasui of the Bank of Kyoto ([delivered on November 25](#))



► Courtesy visit to Aichi Governor Omura ([delivered on November 20](#))



► Courtesy visit to President Fujiwara of the Bank of Nagoya ([delivered on November 21](#))



► Courtesy visit to Managing Director Kominato of the NISHI-NIPPON CITY BANK ([delivered on November 26](#))

* Appointment of “Deputy Director-General, WANISA”

<https://www.fsa.go.jp/en/newsletter/accessfsa2025/258.pdf> (Access FSA No. 258)

(Note) Deputy Director-General, WANISA, is not an official position but a fictional role as part of the mascot character's setting



JFSA's Major Activities in November (November 1 to November 30, 2025)

- [The updated statistics of money lending business \(November 28, 2025\)](#)
- [The tenth meeting of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\) \(November 21, 2025\)](#)
- [Hosting Overseas Regulatory Officials at the Global Financial Partnership Center \(26th Program: 11 Insurance Supervisory Officials\) \(November 20, 2025\)](#)
- [FSA Vice Minister selected as Chair of the International Association of Insurance Supervisors \(IAIS\) Executive Committee \(November 13, 2025\)](#)
- [Japan Fintech Week 2026 and Newsletter \(November 13, 2025\)](#)
- [Publication of Interim Report of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\) and Roadmap for sustainability disclosures and assurance in Japan. \(November 6, 2025\)](#)

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



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



Employees of the Financial Services Agency have been contributing writings about the status of the Agency's activities, including the introduction and explanation of its measures, to various publications. Such writings are published on the website of the Financial Research Center. This article covers some of these writings.

— Introduction of recently published contributions —

- ◆ [Expectation for Enterprise Value Mortgage Lien that Will Trigger the Development of Cash Flow-Based Lending](#)
(provisional English title) [available only in Japanese]
YANASE Mamoru, Vice Commissioner for Strategy Development and Management
MIZUTANI Tomio, Director of the Cash Flow-Based Lending Promotion Office, Supervision Bureau
(Published in the November 11 issue of the Kinzai Weekly Financial Affairs)
- ◆ [Explanations of the Amendments, etc. of Cabinet Orders and Cabinet Office Orders Accompanying the Review of the TOB System and the Large Shareholding Reporting System \(Vol.2\)](#)
(provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
KANEKO Satoshi, Deputy Director, Corporate Accounting and Disclosure Division, Policy and Markets Bureau
KAMIKUBO Tomohiro, former Officer, Corporate Accounting and Disclosure Division
FUKUDA Akito, Officer, Corporate Accounting and Disclosure Division
(Published in the October 27 issue of the Weekly Report on Financial Accounting)
- ◆ [Explanations of the Amendments, etc. of Cabinet Orders and Cabinet Office Orders Accompanying the Review of the TOB System and the Large Shareholding Reporting System \(Vol.1\)](#)
(provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
KANEKO Satoshi, Deputy Director, Corporate Accounting and Disclosure Division, Policy and Markets Bureau
KAMIKUBO Tomohiro, former Officer, Corporate Accounting and Disclosure Division
FUKUDA Akito, Officer, Corporate Accounting and Disclosure Division
(Published in the October 20 issue of the Weekly Report on Financial Accounting)
- ◆ [Report on the Results of the Dialogues on the Development of Sound Corporate Culture and Internal Control Environment for Conduct Risk Management](#)
(provisional English title) [available only in Japanese]
TAKASHIMA Sayaka, Director of the Conduct Planning Office
MIYASHITA Fumiaki, Deputy Director, Risk Analysis Division, Strategy Development and Management Bureau
(Published in the October issue of the Journal of the Institute of Internal Auditors-Japan)
- ◆ [FSA's Recent Initiatives for Corporate Governance Reform \[1\]](#)
(provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
HIROSHIMA Naoki, Deputy Director, Corporate Accounting and Disclosure Division, Policy and Markets Bureau
(Published in the September 5 issue (No. 2400) of the Commercial Law Review)
- ◆ [Explanations of the Amendments of Cabinet Office Orders in Relation to Financial Instruments Business, etc.](#)
(provisional English title) [available only in Japanese]
FUKUOKA Taiga, Deputy Director, Financial Markets Division, Policy and Markets Bureau
OZAKI Yuji, Section Chief, Planning and Management Division, Strategy Development and Management Bureau
SUZUKI Ayaka, Section Chief, Financial Markets Division, Policy and Markets Bureau
(Published in the September 5 issue (No. 2400) of the Commercial Law Review)

👉 For other contributions, please visit the website of the [Financial Research Center](#). (Available in Japanese)

Editorial Postscript

Thank you for reading Access FSA. This month's issue contains an inaugural interview with State Minister of Cabinet Office Iwata. He talked about himself broadly, including his experience while serving as a Diet member as well as the fact that he is conscientious about his health, in an easy-to-understand manner.

The Serial Feature "FSA Staff Members Frankly Talked about Financial Administration!" covers the organizations responsible for supervision and monitoring from this month's issue. Vice Commissioner for Strategy Development and Management Yanase and staff members of relevant divisions and offices talked about historical developments and international comparisons concerning supervision and inspections. As 25 years have passed since the establishment of the FSA, the priorities of its administration have also changed in accordance with the trends of the times. The content will make you feel such changes. Please enjoy it.

In December, we often look back on the past year. The kanji of the year, which is announced by the Japan Kanji Aptitude Testing Foundation every year, was 熊 (bear) for 2025. The kanji of the year has been announced annually since 1995, and the most frequently selected kanji has been 金 (money, gold) (for 2000, 2012, 2016, 2021, and 2024). 金 has been selected based on its association with money and gold (such as gold medals for the Olympic years), but it is a familiar kanji in our everyday lives. Next year as well, I will continue efforts to let you feel like the 金融庁 (the FSA) is even closer to you through the issuance of Access FSA. Thank you very much for your support throughout this year.

KUME Hitoshi, 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.)



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