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Inaugural Interview with Parliamentary Vice-Minister of Cabinet Office Kaneko



KANEKO Yozo

Date of birth	February 1, 1983
Birthplace	Nagasaki Prefecture
Electoral district	3rd district, Nagasaki Prefecture
Personal interests	Pickleball

* For a detailed resume, refer to [the website of the Prime Minister's Office](#).

(Available in Japanese)



Following the inauguration of the Takaichi Cabinet, we interviewed Parliamentary Vice-Minister of Cabinet Office Kaneko Yozo, 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 Parliamentary Vice-Minister of Cabinet Office for Financial Services?

Before becoming a Diet member, I worked for a securities company for 18 years. Therefore, I strongly also want to concern myself in financial administration as a Diet member. Finance plays the most important role for the future growth of Japan. I would like to work hard to contribute to a further growth of the Japanese economy at a time when financial functions are becoming increasingly sophisticated. Recently, the world is shifting to one with interest rates, which many of the Japanese people have not experienced. It is therefore necessary to strengthen risk management and investor protection. Not only institutional investors but also ordinary individuals may consider building assets while incorporating long-term bonds in their

portfolios. I would like to ensure the connection between finance and growth of corporations and asset building of individuals at such turning point.

Interviewer: What prompted you to become a Diet member?

As I grew up in an environment where my grandfather and my father served as Diet members, I long had an intention to become a Diet member. However, it is corporate employees that actually run the Japanese economy. Therefore, I thought that I would need to gain hands-on experience in society first before becoming a Diet member. I thought that economy and finance constitute the very core of national policy, and therefore, found a job in a securities company, where I would be able to interact with dynamic markets, and kept working there for 18 years.

I had been very conscious about Japan's delay in innovation, not only in the financial sector. In other countries, particularly in the United States, companies that have created innovation are ranked high in terms of market capitalization values. In comparison, corporate ranking has not changed very much in Japan for a long time, which suggests that Japan lacks the foundation to foster new businesses. In the last three years during my service at the securities company, I set up a department in charge of creating financial innovation. I got involved in the establishment and operation of this new department with a keen sense of crisis that we may become unable to continue business as a securities company unless we create new financial services and explore new ways to support companies' growth, instead of continuously adopting a traditional revenue model that is subject to fluctuations due to market movements. While facing a challenge in new businesses, that is, monetization, I came to recognize that a practice to tolerate trial and error has not taken root among Japanese large companies or in Japan as a whole. I felt a strong sense of crisis that Japan's innovation might be left far behind by other countries unless we drastically change our laws and regulations and social practices. That sense of crisis prompted me to become a Diet member.

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

Immediately before being appointed as Parliamentary Vice-Minister for Financial Services, I served as Parliamentary Vice-Minister for Defense. Long before I became a Diet member, the relocation of the US Navy ammunition depot in Sasebo, my home town, and the return of the site had been an issue left unaddressed. As Parliamentary Vice-Minister for Defense, I strongly wanted to make progress on this issue and had talks and made adjustments with people in charge for one year, and as a result, with cooperation from related parties, an agreement was reached on the draft layout

concerning the site for relocation at the Japan-US Joint Committee meeting. What local residents had long wished was finally achieved and I could see their smiles and feel their delight, which I felt was the best part of being a politician.



(Photo: Parliamentary Vice-Minister Kaneko being interviewed)

Interviewer: What policies would you like to work on positively from now as Parliamentary Vice-Minister for Financial Services?

In the last several years, corporate governance reform has progressed considerably. In particular, the Kishida administration and the subsequent administrations have prioritized initiatives for promoting Japan as a leading asset management center, and as a result, companies have been changing their conventional business styles to place importance on profitability and capital efficiency, and such efforts have come to be highly evaluated by investors (even prior to the current temporary share price increases). In order for companies to be highly evaluated by investors, they need to show the model for their future growth and make an investment to achieve it, and not only make returns to shareholders. In order to facilitate such investment in growth, I would like to further promote corporate governance reform.

In addition, I would like to positively pursue policies for startups. When I engaged in IPO at the securities company, listing was mostly on a small scale. Companies are generally in need of support prior to listing so that they can maintain growth, and I also think that increases of M&As among unlisted companies and M&As of startups by large companies will contribute to the growth of startups. I would like to promote support in this respect from an institutional aspect (deregulation or other support measures).

Interviewer: How do you spend your time off?

I rarely take time off, but recently, I get hooked on pickleball (a sport to bandy a perforated plastic ball with a racket called a paddle)! This is a sport like combining tennis and table tennis and can be played by men and women of all ages. All my family members enjoy it. I often participate in events held in my hometown even on holidays, and have difficulty in securing time to spend with my family. Recently, enjoying pickleball together with my family is the most relaxing time for me.

Interviewer: I heard about pickleball for the first time. Are you doing anything for your good health in your busy schedule?

It is said that one out of four people has played pickleball in the United States. So, it will become popular also in Japan some day in the future.

My work often provides opportunities to dine with people, but I try to have healthy food, such as brown rice porridge and miso soup, after I dined with people continuously. I also try to spare time for jogging or doing other exercise to maintain my figure and good health.

Interviewer: Lastly, could you tell how you see the culture and the image of the FSA after assuming office as Parliamentary Vice-Minister?

Before assuming office, I had a slightly scary impression regarding the FSA, to be honest, but I came to know that was an incorrect impression. The FSA itself may have changed along with the changes in its expected roles. The FSA now plays positive roles for further developing finance, in addition to supervising and managing financial institutions, and has become an organ familiar to financial institutions, I think. I hope that staff members of the FSA will surely conduct supervision strictly, but at the same time, try to build an open relationship with front-line employees of financial institutions through positive communication. Then, the FSA will be a further better organ, I believe.

End

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



Photo: Parliamentary Vice-Minister Kaneko and Wanisa

Serial Feature: FSA Staff Members Frankly Talked about Financial Administration!

— Supervision and Monitoring Organizations Series 2 —

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. Following the December issues, the organizations responsible for supervision and monitoring regarding the soundness and stability of financial institutions and the financial system are introduced in detail.

* 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>

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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

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Basel Regulation and the FSA

Hattori: Next, let me ask you about the Basel Regulation. You explained about the capital adequacy requirements in Series 1. The capital adequacy requirements are referred to as Pillar 1 in the Basel Regulation. I understand that the Basel Regulation has been discussed globally and the FSA is in charge of the implementation of the discussion results domestically. Students who study financial regulation at university first learn about the Basel Regulation.

How is the Basel Regulation positioned in the entirety of the financial regulation in Japan and in the FSA?

Kusumoto: I will explain the whole picture of the financial regulation first. There are Acts, such as the Banking Act, and as norms, Cabinet Orders, Cabinet Office Orders, and Public Notices are established based on those Acts. Supervisory Guidelines play a significant role, although they are

not laws or regulations, and additionally, reports and guidelines published under specific themes are also referred to in various ways in practice.

Specific details of the Basel Regulation are prescribed not by the Banking Act itself but by Public Notices based on the Banking Act. The capital adequacy ratio under the Basel Regulation and its breakdowns are included in the information that banks are required to disclose or to report to the FSA, but their calculations and accuracy are checked by banks themselves or by auditors corporations.

Before joining the FSA, I myself thought that the Basel Regulation is the most important element of financial regulation and financial administration. However, in my daily duties at the FSA, I am more aware of other elements. Nevertheless, it is true that the Basel Regulation constitutes one of the most fundamental elements in financial regulation.

Yanase: I personally think that the Basel Regulation is a kind of a backstop, or rather, prudential regulations themselves serve as a backstop in the first place. The Basel Regulation prescribes the lowest standard that should not be exceeded and encourages all financial institutions to operate their business with a certain buffer above that standard. The FSA can give guidance to financial institutions whose business operations have fallen below the standard and can provide a framework to measure the relevant figures.

On the other hand, that lowest standard is seldom exceeded in reality. Financial institutions are generally operating with a certain buffer, and therefore, it is useless to make too much effort in checking their achievement of the standard. Rather, the viewpoint of what to regulate by the Basel Accords is more important in discussions on prudential regulations.

As one of the examples of recent discussions on prudential regulations, I will cite the case in the United States. In recent years, more and more companies in the United States have come to borrow money not from banks but from investment funds that do not have a license for the banking business. This form of investment and lending is called private credit.

In the past, it was difficult to lend money without a balance sheet based on deposits, but there is a large amount of capital in excess globally at present and ordinary investment funds can collect a lot of money easily. Originally, it was often the case that capital of investment funds was collected and invested in equities, as in the case of private equity companies, but in recent years, private credit cases where investment funds themselves provide loans are increasing in foreign countries.

In the United States, the authority's regulatory powers over investment funds engaging in the private credit business are not very strong, unlike those over banks. Accordingly, information on the private credit business has not been accumulated and its actual conditions may not have been grasped sufficiently, which is considered problematic at present. Private credit cases have yet to prevail in Japan, but some financial institutions may be investing in or providing capital to such investment funds.

The problem with this is how financial institutions consider credit risks inherent to these forms of investment and lending. Financial institutions are operating with a buffer so as to satisfy the capital adequacy requirements under the Basel Regulation, but the FSA asks them how they calculate credit risks regarding private credit deals, even if they do not conflict with the Basel Accords. When calculating credit risks, they must be setting various preconditions, but we would like to grasp risks from the perspective of what they would do when those preconditions are not right and whether they have discussed such possibility squarely in their own risk management.

As the very premise of these discussions, they may be aware of the importance of how to interpret these problems under the Basel Accords, but it is rather late to take measures after any problem actually occurs, and they need to discuss while thinking two steps or three steps ahead. There may be a case where risk of private credit deals is higher than a bank has considered and its sudden materialization causes larger damage than anticipated. Therefore, we need to ask and check whether individual banks are sufficiently prepared, at this point in time.

Hattori: So, the FSA needs to assess risks when banks commence any new businesses and to incorporate them into the regulatory framework, if necessary.

Yanase: That's right. When talking about the specifics, supervisory methods differ in Japan and in other countries. Pillar 2 of the Basel Regulation is generally used in other countries.

The Basel Regulation consists of Pillar 1, Pillar 2, and Pillar 3.

Figure 1 Three Pillars of the Capital Adequacy Requirements

Three Pillars of the Capital Adequacy Requirements	
<p>Pillar 1 (Minimum capital adequacy requirement)</p>	<ul style="list-style-type: none"> The supervisory authority sets the minimum capital adequacy ratio and requires financial institutions to secure equity capital in accordance with risks that each of them faces in order to secure the soundness of their business. When a bank fails to satisfy the minimum capital adequacy requirement, the supervisory authority issues an order for corrective measures to encourage the bank to early rectify its business operations.
<p>Pillar 2 (Banks' self-management and supervisory verification)</p>	<ul style="list-style-type: none"> Financial institutions are obligated to assess major risks, including those not covered by Pillar 1, and consider the internal capital adequacy required for their business operations. The supervisory authority evaluates whether financial institutions' efforts are sufficient through the framework of the early warning system, etc. and takes appropriate supervisory measures as necessary.
<p>Pillar 3 (Market discipline)</p>	<ul style="list-style-type: none"> Pillar 3 aims to enhance the soundness of financial institutions' business through improving their information disclosure, thereby enabling market players to evaluate the levels of risk management of banks and ensuring market discipline based on such external evaluations.

Pillar 1 corresponds to the capital adequacy requirements, as Project Associate Professor Hattori mentioned earlier. Pillar 2 “obliges financial institutions to assess major risks, including those not covered by Pillar 1, and to consider the sufficiency of their internal capital adequacy,” and “has the supervisory authority check and verify the appropriateness of those processes and results and take supervisory measures as necessary.” It should

be understood that Pillar 2 aims to also include risks that cannot be quantified by a uniform method under Pillar 1 or risks that differ depending on banks' business characteristics in the framework of regulations and supervision, thereby encouraging banks' autonomous responses. Typical risks not covered by Pillar 2 include the interest rate risk in the banking book (IRRBB).

Figure 2 Interest Rate Risk in the Banking Book

Interest Rate Risk in the Banking Book (IRRBB)

- Risks of loss caused by changes in the economic value of banks' assets and liabilities or banks' earnings due to changes in interest rates are not subject to capital requirements (Pillar 1), but are addressed under the framework based on supervision by the authority (Pillar 2) and information disclosure (Pillar 3).
 - * The above regard transactions categorized in the banking book (transactions centered on lending, depositing, and investment of securities). The interest rate risk regarding transactions categorized in the trading book (transactions for short-term purchase and sale) is subject to capital requirements.
- In Japan, this was introduced to uniform international standard banks in 2018, and to domestic standard banks in 2019. The authority conducts additional analysis for banks found inappropriate in a materiality test under the early warning system, and has in-depth talks or issues an order to collect reports as needed.

(Materiality test)

Whether the maximum value of ΔEVE (decrease in the economic value of equity due to an interest rate shock) that is calculated based on the interest rate shock scenarios set by the authority* does not exceed 15% of the Tier 1 capital (for uniform international standard banks) or 20% of the equity capital (for domestic standard banks)

* Set six interest rate shock scenarios by currency ([i] an upward parallel shift, [ii] a downward parallel shift, [iii] a steepening shift, [iv] a flattening shift, [v] a short-term interest rate increase, and [vi] a short-term interest rate decrease) (for domestic standard banks, only [i], [ii], [iii])

(Additional analysis)

Basically, from the viewpoint of the relation between the “interest rate risk in the entirety of the position held by a bank in its banking book” and the “margin in equity capital,” balance in the profitability, risk taking, and equity capital, as well as substantial impacts that an interest rate shock may exert on equity capital are analyzed.

* When measuring risks, it is necessary to appropriately take into consideration the behavioral optionality (accumulation of liquid deposits, early withdrawals of fixed deposits, etc.) depending on the significance by using an internal model or reflecting conservative preconditions.

Under Pillar 2, financial institutions are required to correctly measure the required level of their equity capital and fill in the gaps. In Japan, we do not use the framework of capital requirements under Pillar 2, but adopt a method to discuss problems in interviews with financial institutions during supervision or inspection and encourage them to make improvements as necessary.

There are not many countries where the authorities are granted wide-ranging powers as prescribed in Article 26 of the Banking Act, as I told you in Series 1¹ (when a bank is not conducting business in an appropriate manner, the authority may issue an order to the bank to demand that it ensure appropriate business operation). In many countries, the authority actually conducts monitoring and supervision as the application of the capital adequacy requirements under the Basel Regulation.

Hattori: Do you mean that the FSA has stronger powers than equivalent organs in other countries?

Yanase: As shown in Figure 2 in Series 1, powers granted to the FSA are wide-ranging. Even in European countries, it seems that the authorities are not granted powers to that degree. In developing countries, that tendency is stronger.

Reality of supervision and inspection

Hattori: We have talked about regulations on banks so far, but I would like to talk more specifically. Could you explain how you are performing your daily duties?

Kusumoto: Recently, I was compiling various materials on a certain case, ranging from the bank's framework for managing departments to concrete individual examples. More specifically, I prepared a written request for the submission of additional materials, while checking diverse existing information, including the bank's internal rules and materials for past meetings, and while considering points to confirm in interviews and other procedures. We reviewed those materials as a team and confirmed that we would be able to start supervision and inspection. Last week as well, I did similar work for another theme. Unlike in the past, we obtain all materials electronically.

Based on materials thus obtained, we conduct verification through interviews and detailed examination of materials. Themes are diverse, and we sometimes check loans one by one in detail as Inspector Kurosaki did in the TV drama "Hanzawa Naoki." However, in many cases, we take a step back, and monitor banks from such perspective as whether the bank properly identifies and assesses internal risks, or whether a framework for controlling risks is put in place and is functioning effectively, to detect problems or room for improvement.

Yanase: For example, if we pick up the case concerning Iseshima Hotel in the drama "Hanzawa Naoki," how shall we handle it?

Kusumoto: One option is to check whether the bank has made credit decisions appropriately on a timely basis based on the information obtained by the department responsible for lending, whether internal rules and systems for that purpose existed, which department is to fulfill supervision and check functions from the perspectives of credit examination and credit risk management, and whether the system has been developed to ensure that sufficient information is gathered at that department and the department properly fulfills check functions.

Additionally, other important viewpoints include whether the management has allocated resources and offered support sufficiently to the department responsible for risk control, not only focusing on promoting sales, and whether checking by internal audit department has functioned properly.

There is a backstop mechanism like the Basel Regulation as I mentioned earlier, but all the aspects of credit risk are not necessarily captured by the Basel Regulation, and it is important for banks to autonomously assess and control risks. Accordingly, whether individual banks have developed and are operating their own mechanisms in an appropriate manner will be one of our basic viewpoints.

¹ https://www.fsa.go.jp/access/r7/268/268_02.pdf (Available in Japanese)

Hattori: We have a vague image that the FSA inspects banks strictly. How about that?

Kusumoto: The term “strict” has various meanings, but it is always true that analysis and verification need to be conducted at a high level from an objective viewpoint. As have been mentioned, the FSA is conducting inspection and monitoring based on strong powers granted under laws and regulations, but on the other hand, it is also very important for us to collect and analyze information with voluntary cooperation of banks, inspection and monitoring targets, and to have discussions with them. Naturally, specific methods vary case by case.

Banking Business Division I and Risk Analysis Division

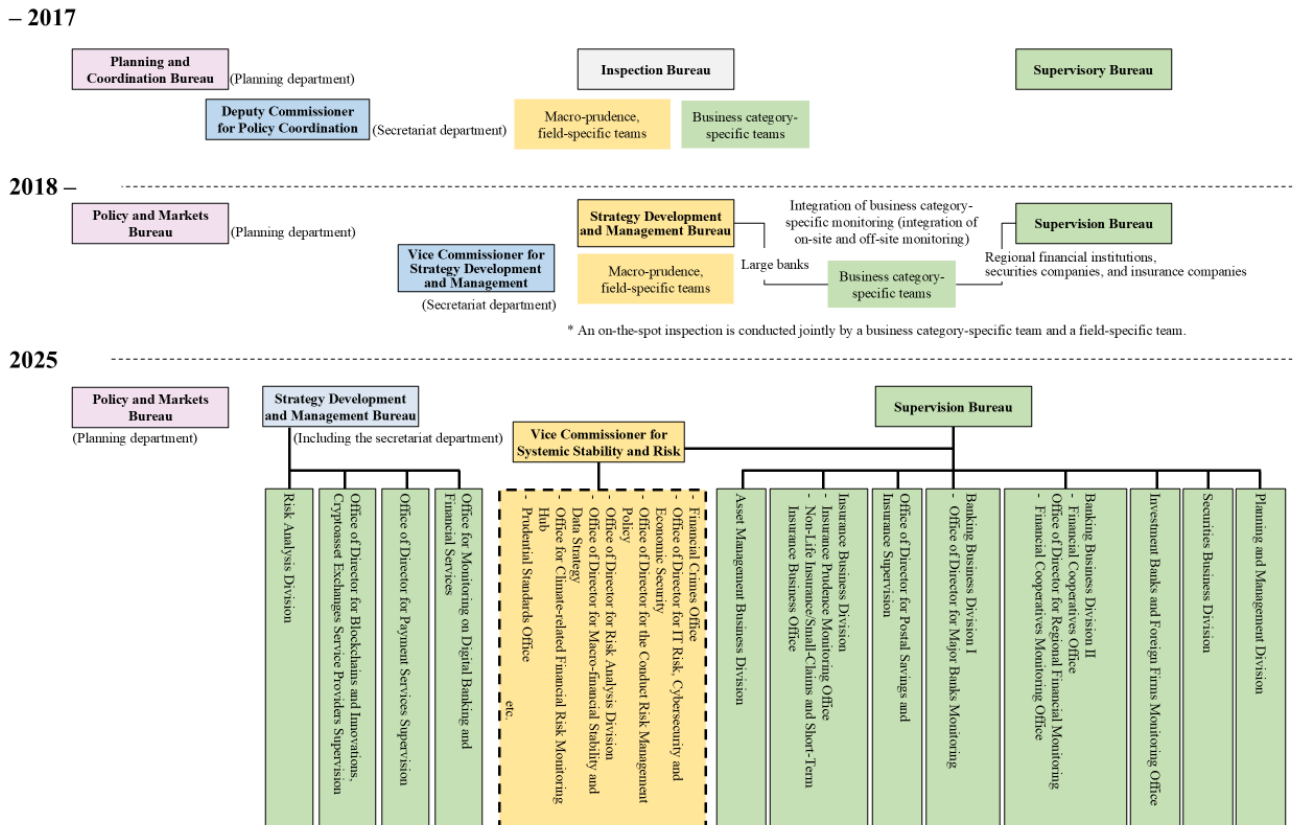
Hattori: Mr. Kusumoto belongs to the Office of Director for Major Banks Monitoring of the Banking Business Division I. The Banking Business Division I supervises large banks, such as megabanks, and the Banking Business Division II supervises regional banks, etc. Ms. Ikeda belongs to the Risk Analysis Division of the Strategy Development and Management Bureau, in addition to the Banking

Business Division I. I have an impression that the Risk Analysis Division of the Strategy Development and Management Bureau has many staff members and is hard to understand for people outside of the FSA.

Yanase: This point is somewhat complicated. From this program year, or from July 2025, the system relating to supervision was changed. See Figure 3. It shows that I, the Vice Commissioner, belong to the Supervision Bureau in a position to organize cross-sectional affairs, and the Office of Director for Major Banks Monitoring to which Mr. Kusumoto belongs is a department that supervises individual banks (the longitudinal axis) and is integrated with the Banking Business Division I more completely within the Supervision Bureau. The Risk Analysis Division to which Ms. Ikeda and Mr. Kamiya belong plays a role to consider specific themes from an industry-wide viewpoint (the horizontal axis). The division belongs to the Strategy Development and Management Bureau in a strict sense, but final reports must be made to the Director-General of the Supervision Bureau.

Figure 3 FSA’s Structural Reorganization

FSA’s Structural Reorganization



Kusumoto: The main body of the Banking Business Division I of the Supervision Bureau grants licenses and authorization to individual large banks. The department to which I belong collaborates with the main body of the Banking Business Division I from a viewpoint focusing on individual banks, and the Risk Analysis Division of the Strategy Development and Management Bureau is in charge of inspection and monitoring from an industry-wide viewpoint.

Yanase: Talking about impressions, the supervision in a narrow sense, as I explained in Series 1, is substantially conducted through collaboration between the department to which Mr. Kusumoto belongs and a cross-sectional department, while looking at the supervision in a broad sense, which does not overlap with the supervision in a narrow sense, policy parts and parts related to licensing and authorization mainly fall within the responsibility of the Banking Business Division I. The Risk Analysis Division is now under the Strategy Development and Management Bureau (of which, those colored in yellow are required to make final reports to the Director-General of the Supervision Bureau from July 2025), but was originally a department corresponding to the former Inspection Bureau, as shown at the top of Figure 3.

Hattori: Is there any reason why the Risk Analysis Division is not included in the Supervision Bureau?

Yanase: To tell the truth, the Office of Director for Major Banks Monitoring to which Mr. Kusumoto belongs was included in the Risk Analysis Division until last summer, but it was considered inappropriate that an inspection unit and a supervision unit for individual banks are separate. Accordingly, it was decided to closely integrate departments that conduct supervision from a longitudinal perspective (those colored in green). On the other hand, it was decided that other cross-sectional units (those colored in yellow), which do not need to be integrated so closely, were to be placed under my command for ensuring the consistency with the overall policy, with the Director-General of the Supervision Bureau being positioned above me. Roughly speaking, the Risk Analysis Division is half (the offices colored in yellow) integrated into the Supervision Bureau in substance.

Ikeda: Under the current Cabinet Order for Organization of the Financial Services Agency (put into effect on July 1, 2025),² the Risk Analysis

Division is responsible for: [i] overseeing examinations and analyses on the situations and trends of risks in the financial system as a whole and risks common to multiple financial institutions, as well as conducting comprehensive and highly specialized examinations, analyses, and inspections, and [ii] supervising business operators such as cryptoasset exchange service providers and funds transfer service providers. Those described in [i] are to be conducted by the cross-sectional monitoring departments that conduct monitoring by specialized fields, while those described in [ii] are to be conducted by the business category-specific monitoring departments that conduct supervision and inspections of financial institutions in business categories other than those currently under jurisdiction of the Supervision Bureau (banks, securities companies, insurance companies, etc.). Due to the advancement of new technologies, the number of new types of financial institutions and service providers is increasing and the jurisdiction of the department handling [ii] is expanding. The half of the Risk Analysis Division integrated into the Supervision Bureau in substance from this program year, as explained earlier, corresponds to [i].

From Program Year 2026, it is scheduled to further promote the integration of the Supervision Bureau and the Risk Analysis Division.³ More specifically, both [i] and [ii] will be officially included in the jurisdiction of the Supervision Bureau and two Supervision Bureaus will be newly established for each business category. The FSA is thus endeavoring to make its supervision and monitoring system more appropriate in accordance with changes in the environment surrounding financial institutions and financial administration.



Photo: Deputy Director Ikeda

² [Cabinet Order for Organization of the Financial Services Agency](#) (Available in Japanese)

³ https://www.fsa.go.jp/access/r7/269/269_04.pdf (Available in Japanese)

Hattori: I understand that Mr. Kusumoto’s team supervises individual banks and each staff member serves as an inspector of XX bank or the like. Is it correct that Ms. Ikeda’s team conducts monitoring under specific themes from a cross-sectional viewpoint?

Ikeda: Yes, exactly. At the Office of Inspection on Risk Management, for which I now concurrently serve, experts specialized in market risk,⁴ credit risk,⁵ internal audits, or other themes gather and conduct monitoring from a cross-industry viewpoint. In the same manner as other departments, we formulate a monitoring plan at the beginning of each program year (around July to August), identifying the themes on which we will place particular emphasis. For example, regarding credit risk, possible themes include how recent tariff policies in various countries are affecting financial conditions of banks’ borrowers, or – building on our earlier discussion of investment funds – whether banks have been strengthening connection with investment funds through investment and lending. Regarding market risk, a possible theme would be whether banks properly manage interest rate risk at the time when the monetary policy is entering a turning point. In this way, we pick up timely topics common to multiple financial institutions, both domestically and internationally, and conduct interviews and analyses. This approach of reviewing multiple financial institutions in a cross-sectional manner is also called “horizontal review”.

Hattori: I have an image that the Bank of Japan’s Financial System Report conducts such type of analyses.

Ikeda: Yes. The FSA, from the standpoint of the supervisory authority, also determine monitoring themes by overviewing the financial system and the specific sector such as banking sector, with a focus on identifying where potential risks may exist.

Since the team is working from a cross-industry viewpoint, its monitoring covers not only major banks but also regional financial institutions. However, in most cases, we first analyze the risk profiles and then narrow down target financial institutions – for example, deciding to examine interest rate risk in more detail for a bank that holds securities at a high rate. We thus try to conduct risk-

based monitoring efficiently with limited resources.

Hattori: As a result, selected cases are handed over to staff members in charge of individual banks. Is that right?

Ikeda: That is right. For example, when a specific bank is selected as a monitoring target for a specific theme, we conduct an examination and analysis in cooperation with the team in charge of that bank. In some cases, we visit the bank to conduct interviews; in others, we may request the submission of materials or conduct questionnaire surveys.

Hattori: On a day-to-day basis, how do you typically establish a cooperative framework with the teams in charge of individual banks?

Ikeda: Firstly, at the beginning of the program year or when a new issue arises or comes during the year, we discuss a monitoring plan. From the perspective of the teams responsible for individual banks, considerations such as the overall monitoring priorities for the bank are taken into account, while from the perspective of the cross-industry team, we bring in views on prioritization relative to other banks and specialized expertise related to the specific theme. Based on these perspectives, we jointly determine the concrete themes, monitoring methods, and allocation of resources. Subsequently, when conducting an interview with a bank, basically both teams participate. In addition, both teams hold meetings periodically to share information and exchange views. It is important that relevant departments within the FSA closely cooperate with each other to avoid imposing excessive burdens on financial institutions—for example, by preventing multiple departments from asking the same questions.

Hattori: Talking about monitoring, in the book authored by Mr. Endo, a former FSA Commissioner,⁶ monitoring is explained simply as “on-site monitoring = Inspection Bureau” and “off-site monitoring = Supervision Bureau.” I have an impression that on-site monitoring refers to an on-the-spot inspection that the FSA conducts by actually visiting a bank, while there is also off-site monitoring to conduct checking from diverse viewpoints and conduct supervision other than inspections.

⁴ Market risk refers to risk that financial institutions may incur loss due to fluctuations, etc. of market value of financial assets (interest rates, exchange bills, shares, etc.) they hold.

⁵ Credit risk refers to risk that financial institutions may incur loss due to deterioration of financial conditions of their investment or lending destinations.

⁶ See p.121 of “Chiginkaikakushi - Kaiten doa de mita kin’yu jiyuka, kin’yucho, soshite shorai (History of regional banks’ reform - Financial deregulation, the Financial Services Agency, and the future seen from a revolving door),” authored by ENDO Toshihide, KUSAKA Tomoharu, and TAMAKI Atsushi (2023), Nikkei Shimbun Publications

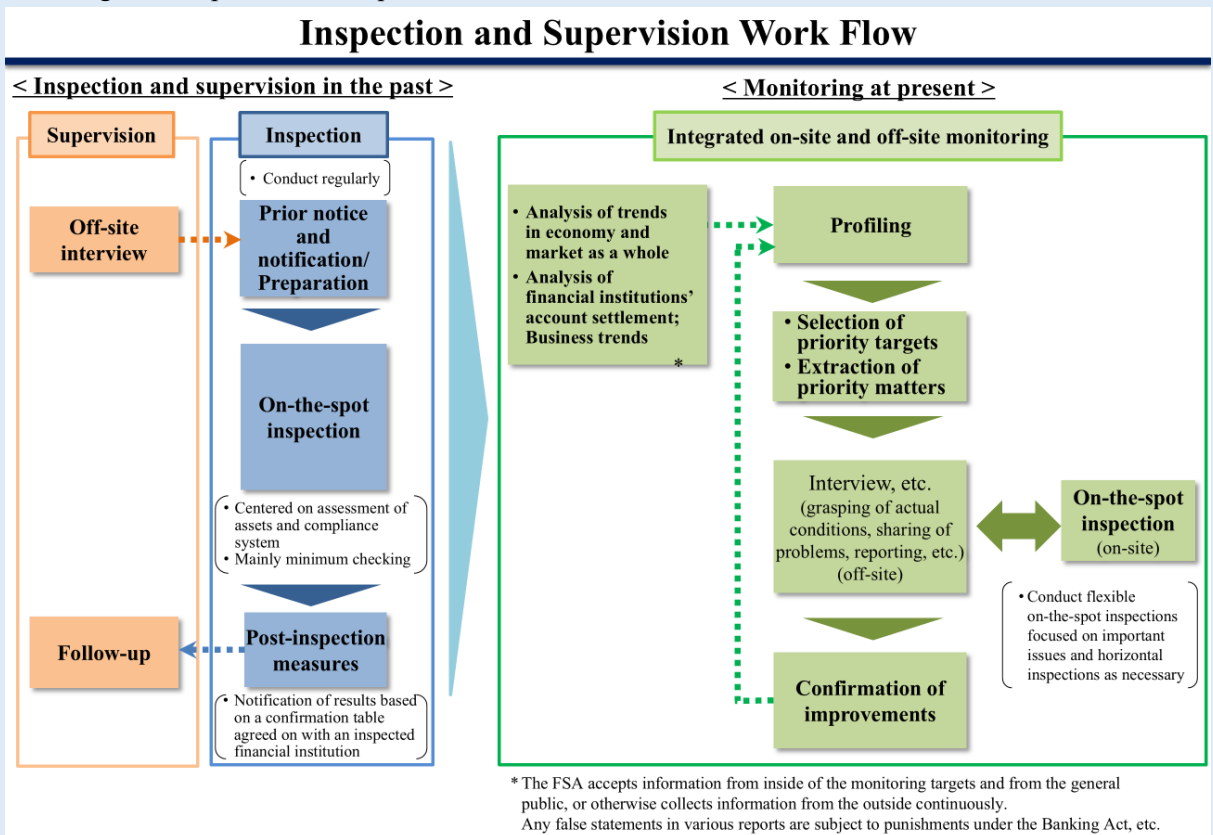
Ikeda: It is difficult to give a precise definition as the term “monitoring” is not defined under laws or regulations, but when making a decision on an administrative measure, for example, that under Article 26 of the Banking Act (suspension of business, etc.) as discussed earlier, I understand “monitoring” to encompass the entire process of fact-finding, information gathering / analysis, and interviews that are necessary for making such decisions. Depending on factors such as the specific circumstances of each bank, the effectiveness of different monitoring approaches, the level of burden on both the authority and the bank, and the urgency of the issues involved, we select appropriate monitoring methods, including document analysis, interviews, questionnaires, and on-site inspections.

The concept and practice of “monitoring” have also evolved over time. When the Inspection Bureau and the Supervision Bureau were separated from each other, division of roles was relatively clear, as you noted, with “on-site monitoring = Inspection Bureau” and “off-site monitoring = Supervision Bureau.” Under that framework, the Inspection Bureau conducted on-site inspections by visiting a bank regularly for a certain period of time, while the Supervision Bureau conducted off-site monitoring, including follow-ups of the results of those inspections. Such monitoring process is employed even at present, but as the non-performing loan problems after the collapse of the bubble economy

has largely been resolved and Japan has come to face social challenges such as a declining and aging population, the FSA’s focuses shifted from merely ensuring minimum compliance standards to encouraging ingenuity and value creation, and from looking only at past financial performance to assessing the soundness of banks’ future business models. As a result, as illustrated in the right side of Figure 4, the FSA’s approach transitioned to an integrated “on-site/off-site” monitoring, under which selecting appropriate monitoring methods on each occasion continuously and intensively. In particular, for major banks, which have management issues that need to be addressed in a medium-to long-term due to scale and diversity of their business, relevant departments work together to conduct continuous monitoring of banks’ priority issues.

In addition, technological and societal changes have continued to progress, including advances in digitalization and the establishment of remote meetings following the COVID-19 pandemic. Under such circumstances, irrespective of the definitional distinction between “on-site” and “off-site” in terms of the physical location of interviews, it is becoming increasingly important for us to select appropriate monitoring method, including on-site inspections, depending on the purpose of the monitoring and the importance of issues, in other words, to clarify our awareness of issues and priorities as the supervisory authority.

Figure 4 Inspection and Supervision Work Flow



Hattori: The Bank of Japan also conducts monitoring of financial institutions. From the viewpoint of financial institutions, they receive monitoring by both the BOJ and the FSA. Financial institutions that have a checking account at the BOJ receive the BOJ's monitoring based on an agreement. In the case of the BOJ, the term "on-site examination" is used for monitoring that corresponds to the FSA's on-site inspection. What characteristics does the FSA's monitoring have compared with the BOJ's on-site examinations?

Yanase: The BOJ's on-site examination seems to be conducted by a large number of staff members, but intensively on each case as a one-shot examination. On the contrary, the FSA's monitoring is conducted continuously on an ongoing basis. Therefore, a simple comparison may be difficult.

Ikeda: I myself was previously seconded to the BOJ's on-site examination department and off-site monitoring department. In the case of the BOJ's on-site examination, even for major banks, a single typically conducts examinations of multiple banks over the course of a year—for example, examining Bank A from month X to month Y, and then moving on to Bank B thereafter. By contrast, at the FSA, following the evolution I mentioned earlier, a comprehensive officer or team is assigned to each individual major bank, and that team monitors the bank on a continuous basis throughout the year. As Mr. Yanase pointed out, there is a somewhat different approach.

However, compared with ten years ago, when I was seconded to the BOJ, my impression is that collaboration between the BOJ and the FSA has progressed significantly. Efforts are being made to enhance the quality of monitoring while reducing the burden on financial institutions—for example, by standardizing the data requested from banks and by conducting interviews and surveys.

Relation between the FSA and financial institutions

Student: You talked about the implementation earlier. When performing various duties relating to regulation, supervision, and inspection against private banks, I think that their cooperation is definitely required. Why is it possible for you to obtain cooperation from private banks in such a manner as to have them observe regulations or submit materials to enable you to check their compliance with regulations?

Yanase: Ms. Kamiya, what do you think regarding the relation between the FSA and financial institutions in the world of money laundering, for example? In the last two years, we have endeavored to build a cooperative relation with private banks with regard to financial crime, I think.

Kamiya: Truly, we have made a considerable effort for combating money laundering and other financial crime in these years. Several years ago, not a few financial institutions did not put in place sufficient measures against financial crime. In order to raise the level of their countermeasures, the FSA presented requirements to be at the minimum satisfied by financial institutions as matters for developing their basic business structures and asked them to implement them by setting a deadline. The FSA has conducted outreach activities targeting diverse layers, including the management, responsible officers, and responsible staff members, to have them deepen understanding of the necessity and importance of countermeasures against financial crime. I think we now share views with financial institutions to a considerable degree and have built a relationship wherein we can learn about the latest trends on the front line from financial institutions.

Ikeda: I believe that it is also extremely important that the FSA's regulation and supervision not be perceived as a unilateral imposition that simply places burdens on financial institutions, but rather as a win-win relationship. In other words, it is important for financial institutions to feel that, by virtue of the FSA's presence, an environment is created that supports financial system stability and Japan's international standing, thereby enabling their own business activities to proceed smoothly. Put differently, fostering a sense of understanding and acceptance as to why financial institutions are subject to regulation and supervision, and why they are required to submit information and materials, is a critical element of effective financial administration.

More than 20 years have passed since its establishment, the FSA is endeavoring to change itself from what was once disparagingly referred to during the era of non-performing loan resolution as a "Financial Punishment Agency" into a "Financial Development Agency." The FSA has come to have more opportunities to consider, jointly with financial institutions, what roles financial institutions can play for the development of companies and the broader economy, rather than merely pointing out something bad or ordering financial institutions to strengthen their risk management.

In some respects, I feel that supervisory and monitoring work resembles the work of consulting firms. For example, we receive not only an inquiry whether engaging in this service is permissible under laws and regulations, but also a consultation or a request to seek advice for solving a certain problem from the FSA, which has seen many examples of other domestic and foreign banks, or to seek the FSA's initiative in vitalizing the industry as what can be done by a single bank is limited. In that context, when the FSA uses the authority it holds to communicate what it considers necessary and thereby helps to move the industry as a whole forward, or when it takes a leading role as the public-private "All Japan" representative in international negotiations, this may also encourage financial institutions to feel, "If the FSA is making efforts on our behalf, we are willing to cooperate." This also resonates with what Ms. Kamiya's discussion on anti-money laundering. While maintaining an appropriate level of tension between the authority and the regulated industry, I personally believe it is important to foster close communication between the FSA and financial—both at the organizational level and among individual personnel—and to build a shared sense of understanding and commitment around common objectives such as the stability and development of Japan's financial system.

Yanase: Today in particular, as many students of the Faculty of Economics participate, I will make an explanation from a sort of game-theory perspective. The financial business is highly interdependent. A run on the bank is an example to prove that. As you said earlier, financial institutions, especially deposit-taking institutions, are operating business with a significant business vulnerability that may be caused by maturity transformation, etc. Not only that, they basically do similar business and have mutual connection through the Zengin System or the like. Furthermore, there are not a few cases where multiple financial institutions provide loans to the same entity. In this way, they engage in a highly interdependent business.

On the premise of the existence of such financial institutions, in order to avoid the fallacy of composition in a certain situation, it may be very convenient if there is a third party that has certain coercive force and knowledge on the industry but does not operate business by itself.

If it is understood that the FSA's actions as a whole work to maintain order, financial institutions will voluntarily respond to the FSA's actions. It is not that they automatically follow the FSA because there is law. The FSA has been working from the perspective of what we all can do to make the financial business, which is extremely unstable and vulnerable, more sustainable and useful in the end, and such efforts are highly evaluated. That is to say, not merely because it is prescribed in law, but because financial institutions have come to place trust in what the FSA is doing, while evaluating it, in its totality, reasonable or not bad for financial institutions, they listen to what the FSA tells them. As an administrative organ, we also need to have the perspective of how to deepen discussions on various issues from the viewpoint of the society as a whole or the viewpoint of the people and how to discuss those points with the management of financial institutions. Based on the whole picture thus grasped, we should talk about individual cases of supervision and inspection.

(To be continued.)

Closing Ceremony for 2025 and Opening Ceremony for 2026 of the Japan Exchange Group

On December 30, 2025, Prime Minister Takaichi attended the Japan Exchange Group Ceremony on the Last Trading Day of 2025 held at the Tokyo Stock Exchange.

On January 5, 2026, the Minister of State for Financial Services, Ms. Katayama, and the State Minister of the Cabinet Office, Mr. Iwata, attended the Japan Exchange Group Ceremony on the First

Trading Day of 2026 held at the Tokyo Stock Exchange.

At the ceremonies, Prime Minister Takaichi and Finance Minister Katayama gave addresses with expectations for the market in the new year, rang the bell, and prayed for the further prosperity of the market together with those in attendance.



Photo: Prime Minister Takaichi giving the address at the Closing Ceremony
(Source) The website of the Prime Minister's Office of Japan

Photo: Prime Minister Takaichi ringing the bell at the Closing Ceremony
(Source) The website of the Prime Minister's Office of Japan



Photo: Minister Katayama (left) and State Minister Iwata (center) attending the Opening Ceremony

Photo: Minister Katayama ringing the bell at the Opening Ceremony

Outline of the Organizational Expansion and Reorganization of the FSA

KATO Takashi, Deputy Director
 KIRIYAMA Yuki, Section Chief
 IRIE Yuto, Staff member

Resources and Management Division, Strategy Development and Management Bureau

Reorganization of the FSA

The FSA is facing new challenges regarding financial supervision, such as the initiatives for promoting Japan as a leading asset management center, responses against misconduct and fraudulent acts by some financial institutions, and transformation to financial services using generative AI and other new digital technologies.

In order to deal with these challenges, the FSA decided to reorganize its structure this summer with the aim of developing an environment to enable staff members to conduct effective and efficient supervisory activities in a more meticulous manner, while properly reviewing the coverage of the Supervision Bureau to prevent it from becoming too extended.

The key points of the scheduled reorganization are explained below.

1. Aim to promote business development and innovation in individual sectors and further enhance supervision and monitoring of each department

The current Strategy Development and Management Bureau will be reorganized into the Asset Management and Insurance Supervision Bureau in order to strengthen collaboration between supervision of the asset management companies, whose weight is increasing recently, and supervision of insurance companies, which are also asset owners.

Then, the current Supervision Bureau will be reorganized into the Banking and Securities Supervision Bureau in order to enhance group-based supervision based on the current situation of the banking business and securities business.

In addition, regarding the Vice Commissioner for Policy Coordination, who is in charge of professional and cross-sectional themes, such as countermeasures against money laundering and cyberattacks against financial institutions, and performs duties in collaboration with the aforementioned two Supervision Bureaus, their title will be changed to

Vice Commissioner for Supervisory Policy Coordination and their roles will be clarified.

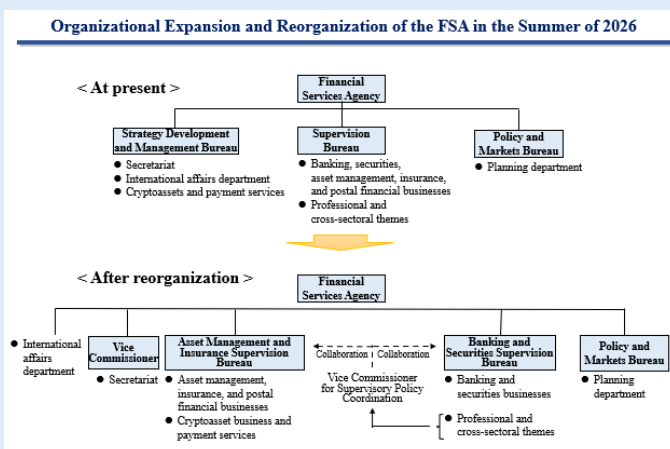
Furthermore, for measures responding to the advancement of digital technologies in the financial sector, one Deputy Director-General (Division Director-level) and one Office Director will be newly appointed.

2. Aim to strengthen the FSA's system for its constant evolution

Accompanying the establishment of the Asset Management and Insurance Supervision Bureau and the Banking and Securities Supervision Bureau, the functions of planning and making comprehensive adjustments for the overall financial administration, which have been fulfilled by the Strategy Development and Management Bureau, will be fulfilled by the Secretariat Department, for which the Vice Commissioner (Director-General of a Bureau-level) will be newly appointed.

The title of the existing Deputy Director-General (Division Director-level) will be changed to the Division Director, and the International Affairs Division, Credit Business Division, Postal Financial Business Division, Payment Services Division, and Cryptoasset and Stablecoin Business Division will be newly established.

Names of these Bureaus and Divisions will be finally determined through the scheduled amendments of the relevant Cabinet Orders.



Outline of the Regional Financial Power Enhancement Plan

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Strategy Development Division, Strategy Development and Management Bureau

On December 19, 2025, the FSA compiled and published the Regional Financial Power Enhancement Plan.¹ The background and major points of the Plan are explained below.

1. Background

For the sustainable development of local areas amid an aging and declining population, there is a strong expectation that regional finance will contribute to regional economies by exercising a broad range of financial intermediary functions, going beyond merely providing funds to promising projects, a role referred to as “regional financial power.” For this purpose, it is also necessary to develop an environment that enables regional financial institutions and other stakeholders to fully perform their expected roles, while ensuring their sustainability. Against this background, in June 2025, the Working Group on Regional Financial Power Enhancement was established under the Financial System Council, and deliberations on measures required to strengthen regional financial power were conducted through December 2025.

Based on the deliberations at the Financial System Council, the Regional Financial Power Enhancement Plan (hereinafter referred to as the “Plan”) compiles measures aimed at [i] contributing to the enhancement of regional companies’ corporate value and solving regional issues, and [ii] developing a favorable environment for the exercise of regional financial power, so that regional financial institutions and other diverse stakeholders can cooperatively exercise their regional financial power.

2. Contributing to the enhancement of regional companies’ corporate value and solving regional issues

For sustainable growth of regional economies, regional financial institutions are expected not only to assist regional companies through financing support but to play a broader role. Specifically, it is

important for them to support SMEs in developing business strategies and securing financing in close collaboration with various stakeholders. They are also expected to contribute to solving regional issues by supporting regional companies in areas such as M&A, business succession, and business reconstruction; assisting them in securing managerial personnel and responding to digital transformation; and participating in public-private community development projects. Accordingly, the Plan sets out a wide range of measures that take into account the diverse situations and business challenges faced by companies. Given that regional financial institutions differ significantly in terms of their sizes, business models, and situations of their locations, it is important for them to select the most effective means of support individually. The following section outlines some of the measures included in the Plan.

Some SMEs in regional areas have substantial sales and the potential to expand their business nationwide or to overseas. Supporting innovative R&D, capital investment, and strategic business acquisitions of such companies is important to enable them to achieve high growth. In order to assist regional financial institutions in supporting the growth of regional companies, the FSA will promote collaboration between regional financial institutions and diverse stakeholders with expertise in domestic and international market development and business expansion, by creating concrete case studies of regional initiatives and facilitating knowledge sharing through demonstration experiments.

¹ <https://www.fsa.go.jp/news/r7/20251219/20251219.html> (Available in Japanese)

As part of efforts to promote regional revitalization, the FSA has so far eased regulations to enable regional financial institutions, acting through specialized investment companies, to make equity investments in venture businesses, business restructuring companies, and business succession companies. Going forward, the FSA will further relax regulations on specialized investment companies, including the expansion of their scope of permitted activities to cover M&A intermediary services and the allowance of additional crossover investment even after portfolio venture businesses become listed.

Furthermore, regional financial institutions in individual regions have accumulated various experience in implementing initiatives to create value of regional companies and revitalizing regional economies. In light of the circumstances of each region, the FSA will encourage the sharing of such experience, thereby facilitating the effective exercise of regional financial power, while evaluating these initiatives to further promote initiatives. More specifically, the FSA will take a leading role and compile reference cases of initiatives for creating regional companies' value and revitalizing regional economies by around the summer of 2026 and encourage regional financial institutions to learn from initiatives in other regions to apply and implement them in practice. Additionally, the FSA will promote those initiatives by creating opportunities for regional financial institutions and diverse stakeholders to cooperate and share ideas on creating value of regional companies and revitalizing regional economies in their respective regions.

3. Developing an environment that enables regional financial power

As mentioned above, regional financial institutions are required to exercise regional financial power as the key players in each region, but they face various challenges in fulfilling their roles over the long term. For example, they need to respond to increasingly sophisticated cyberattacks and money laundering, in addition to fluctuations in the economy and markets. The costs of maintaining stable financial services are rising, and the need to secure advanced systems and skilled professionals is also increasing, regardless of their size. Furthermore, amid declines in deposits due to a declining and aging population, regional financial institutions may face fewer business options in the medium to long term. If a large-scale natural disaster occurs or a new infectious disease emerges, their business bases may be significantly damaged.

In light of these challenges, the FSA considered it necessary to develop an environment where regional

financial institutions can sufficiently secure their financial capacity and revenue bases into the future, in order for them to continue responding to expectations from local communities. From this perspective, the FSA compiled concrete measures. This section explains the extension and expansion of the capital participation system and the fund-grant system under the Act on Special Measures for Strengthening Financial Functions, among the various measures incorporated in the Plan.

To realize these policy objectives, the FSA intends to amend the Act on Special measures for Strengthening Financial Functions. This Act provides for the capital participation system and the fund-grant system as frameworks for strengthening financial functions of regional financial institutions and revitalizing regional economies. As part of these measures, the FSA aims to submit draft amendments to this Act and other relevant laws to the Diet to extend and expand these systems as early as possible.

Regarding the capital participation system, the FSA is considering:

- (1) establishing the system until otherwise provided for by law;
- (2) Making permanent the special measures for capital participation to prepare for large-scale natural disasters; and
- (3) developing provisions to secure appropriate business management and operation of institutions receiving capital participation.

Regarding the fund-grant system, the measures include:

- (1) extending the application period by five years to the end of March 2031;
- (2) raising the upper limit for financing in the event of a merger or management integration from the current 3 billion yen to 5 billion yen, in light of past performance; and
- (3) establishing a new framework for financing up to 1.5 billion yen for small and medium-sized regional financial institutions that newly join a communal accounting system, in order to further promote improvements in operational efficiency.

4. Conclusion

In addition to the initiatives described above, the Plan includes a range of measures that will contribute to revitalizing regional economies. The FSA will proactively implement relevant policy measures based on the Plan.

地域金融力強化プランについて（背景・考え方）

2025年12月公表

- 地域において**人口減少・少子高齢化**が進行し、**地域企業の人手・後継者不足**も深刻化。こうした課題に対応しつつ、地域経済が発展していくため、**地域金融には**、地域企業を資金繰り支援等で下支えすることにとどまらず、
 - ✓ 内外のプレイヤーと連携しつつ、**中堅・中小企業による研究開発や設備投資、事業買収などを、戦略面・ファイナンス面で後押しし**、成長につなげること、
 - ✓ 企業の**M&A・事業承継や事業再生、経営人材確保、DXを支援**すること、
 - ✓ 官民連携の**まちづくりへの参画**などを通じ、地域課題の解決に資すること、
 等を通じて**地域経済に貢献する力**（＝「**地域金融力**」）を発揮していくことが強く期待されている。
- ⇒ **地域金融機関をはじめとする様々なプレイヤーが連携して地域金融力を発揮していくための政策を総動員する。**
- **地域金融機関は、十分な経営体力・収益基盤を確保し**、地域の「要」として上記の**地域金融力を発揮**していくことが求められるが、その役割を将来にわたって果たしていく上での**課題に直面**。
 - ✓ 経済・市場の変動への対応に加え、高度化する**サイバー攻撃やマネロンへの対応**等が求められ、金融サービスを安定的に提供するための**コストは増大**し、規模の大小に関わりなく**高度なシステムや専門人材確保の必要性**も高まっている。
 - ✓ **預金減少に直面する地域金融機関**では、中長期的に**経営の選択肢が狭まる可能性**がある。
 - ✓ さらに、**大規模な自然災害や新たな感染症のまん延**等が生じれば経営基盤が大きく損なわれる。
- ⇒ このような課題を踏まえつつ、**地域金融機関が地域社会からの期待に応え続けていくための環境整備にも取り組む**。
（その一環として、金融機能強化法等の改正法案の次期通常国会への提出を目指す）

Outline of the Regional Financial Power Enhancement Plan (Available in Japanese)

地域金融力強化プランの概要

2025年12月公表

- 人口減少・少子高齢化その他の環境変化に直面する**地域が持続的に発展**を目指す中で、**地域金融の地域経済に貢献する力**（＝「**地域金融力**」）への期待は極めて強い。
- **地域金融機関をはじめとする様々なプレイヤー**が連携して地域金融力を発揮していくため、**①地域企業の価値向上への貢献・地域課題の解決、②地域金融力発揮のための環境整備**からなる**地域金融力強化プラン**を強力に推進する。

① 地域企業の価値向上への貢献・地域課題の解決

1. **内外のプレイヤーとの連携を通じた中堅企業等への成長支援**
 - ✓ 地域における成長意欲の高い中堅・中小企業を支援するため、国内外の市場開拓や事業の発展に知見を有するプレイヤーとの連携を促進するとともに、地域金融機関への知見提供等を行う
2. **M & A・事業承継や経営者等の人材確保の支援**
 - ✓ 監督指針の改正等を通じ、地域金融機関によるM&A・事業承継や人材確保の支援機能の強化を後押し
3. **早期の経営改善や円滑な事業再生等に向けた支援の促進**
 - ✓ 中小企業の事業再生等に関するガイドラインの改正の検討や、REVICの体制整備等により、事業者への円滑な事業再生支援を図る
 - ✓ 地域におけるメインバンクの状況に関するデータを踏まえ、メインバンク機能の強化に向けた方策を検討
4. **企業価値担保権も活用した事業性融資の推進**
 - ✓ 2026年5月導入の企業価値担保権活用に向けた環境整備を進める
5. **スタートアップ企業等の成長企業の資金調達支援**
 - ✓ ベンチャーデット等に関する金融検査・監督の具体的な考え方を示す
6. **経営者保証に依存しない融資の促進**
 - ✓ 監督指針を改正し、金融機関や事業者の行動変容を一層拡大
7. **地域企業へのDX支援の推進**
 - ✓ 地域企業のデジタル化とデータ活用的高度化を一層支援できるよう監督指針の改正等を実施
8. **地域課題の解決**
 - ✓ 地域金融機関による地域課題の解決に資する以下の取組を推進
 - (1) ローカル・ゼブラ企業等へのインパクト投資の推進
 - (2) 地域金融機関の官民連携のまちづくりへの参画
 - (3) 農林水産分野における課題解決に向けた関係省庁との連携の推進
 - (4) 過疎地における顧客サービス維持に向けた取組の推進
 - (5) 地域における資産形成や金融経済教育における貢献
 - (6) 金融・資産運用特区の取組の推進
9. **地域金融機関による地域活性化の取組の促進**
 - ✓ 地域活性化の取組に関する事例集を取りまとめるとともに、関係者が連携して知恵を出し合う場を創り、こうした取組を促進する
 - ✓ 各地域の状況を踏まえながら地域金融力の発揮を促すとともに、その取組を評価し、更なる取組につなげていく
10. **投資専門会社を通じた資本性資金の供給の促進**
 - ✓ 投資専門会社の出資に関する要件について、更なる緩和・明確化を検討

② 地域金融力発揮のための環境整備

1. **地域金融機関の業務効率化・負担軽減に向けた取組**
 - ✓ 複数の金融機関による、内部監査の共同化のための方策の検討や、システムの合理化・持続化等のための共同利用の推進
2. **金融機能強化法の資本参加制度・資金交付制度の期限延長・拡充等**（改正法案の次期通常国会への提出を目指す）
 - (1) **資本参加制度の期限延長・拡充**
 - ✓ 資本参加制度を「自分の間」の措置とする
 - ✓ 大規模な自然災害等に備え、資本参加の特例を予め整備
 - ✓ 資本参加先の適切な経営管理と業務運営の確保のための規定を整備
 - (2) **資金交付制度の期限延長・拡充**
 - ✓ 申請期限を2031年3月末までの5年間延長
 - ✓ 交付上限額・補助率を引き上げる（例：上限額30億円→50億円等）とともに、交付対象行為・経費を拡充
- (3) **優先出資の消却方法の弾力化**
 - ✓ 協同組織金融機関に対する優先出資を行いやすくするため、債権者保護手続の整備とあわせて優先出資の消却方法を弾力化
3. **その他の環境整備**
 - (1) 早期警戒制度の見直し
 - (2) モニタリングの強化等
 - ✓ 財務局を含めたモニタリング体制を本格的に強化
 - ✓ 金融仲介機能の発揮についてモニタリングを実施
 - (3) 地域金融機関における業務改善の取組（生成AI導入、兼業・副業）
 - (4) 同一グループ内の兄弟銀行間等における大口信用供与規制の特例承認の見直し

Outline of the Report of the Financial System Council's Working Group on Crypto-asset Systems

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The Working Group on Crypto-asset Systems of the Financial System Council (chaired by Prof. MORISHITA Tetsuo, Faculty of Law, Sophia University) compiled a report in December 2025.¹ The background and major points are introduced below.

1. Developments

Crypto-assets are currently regulated under the Payment Services Act (hereinafter, the "PSA") from their aspect as payment instruments, but they are now increasingly being recognized as investment targets. In light of such circumstances, the FSA examined the overall systems concerning crypto-assets and published the results as a discussion paper in April 2025.² The discussion paper points out the necessity for further environmental improvements to protect users of crypto-assets in consideration of the current circumstances where crypto-assets are recognized as investment targets by both domestic and foreign users and fraudulent investment solicitations, etc. exist. Against such background, the working group held deliberations concerning on crypto-asset-related systems on six occasions from July 2025.

2. Pressing Challenges related to crypto-assets

As crypto-assets have come to be recognized as investment targets, the report points out the following as pressing challenges related to crypto-assets.

Pressing challenges pointed out are [i] the need to enhance information provision, [ii] the need to ensure appropriate transactions and address unregistered operators, [iii] the need to address inappropriate conduct in investment advice, [iv] the need to secure fairness in price formation and trading, and [v] the need to strengthen cyber security.

Thus, further measures are required from the perspective of user protection and development of the transaction environment.

3. Overview of the recommended regulatory revision

(1) Purpose of the regulatory revision

The current review of the regulations aims to enhance user protection through developing the regulations for crypto-assets as financial instruments, tailored to their characteristics. It is clearly stated in the report that this should not be interpreted as an endorsement of crypto-assets.

(2) Review of the legal basis

The issues listed in 2. above are considered to be compatible with issues the Financial Instruments and Exchange Act (hereinafter, the "FIEA") has traditionally addressed. Therefore, the working group suggests it to be appropriate to change the governing law for crypto-assets from the PSA to the FIEA and to classify crypto-assets as financial instruments distinct from securities under the FIEA.

¹ Publication of the Report by the Working Group on Crypto-asset Systems of the Financial System Council https://www.fsa.go.jp/en/refer/councils/singie_kinyu/20260216.html

² Publication of Discussion Paper: "Examination of the Regulatory Systems Related to Cryptoassets" https://www.fsa.go.jp/en/news/2025/20250410_2/crypto_dp.html

With regard to the scope of crypto-assets subject to the regulations under the FIEA, the working group concludes that it should be limited to the crypto-assets currently regulated under the PSA. Accordingly, Non-Fungible Tokens (NFTs) and Stablecoins that are not currently classified as crypto-assets under the PSA will remain outside of the definition of crypto-assets under the amended FIEA.

(3) Information Provision Regulations

It is important to ensure that users of crypto-assets are properly provided with information necessary for making transaction decisions. Accordingly, it is suggested that, regarding crypto-assets with an identifiable issuer, the issuer should provide information to users when raising funds through the offering of crypto-assets. On the other hand, crypto-asset exchange service providers (hereinafter, "CASPs") should provide information to users when they handle crypto-assets without fundraising by the issuer and when they handle crypto-assets other than those with an identifiable issuer.

Information provided includes the characteristics and functionality of the crypto-assets, total number of the crypto-assets, underlying technology, rights and obligations attached to the crypto-assets, and associated risks. Regarding crypto-assets with an identifiable issuer, information provided includes information about the issuer, planned use of the offering proceeds, and the crypto-asset project.

In addition, as part of their post-listing information provision, it is suggested that issuers or CASPs should ensure the timely provision of information if an event occurs that may significantly affect trading judgment.

It is suggested that, from the perspective of ensuring the accuracy of information and protecting users, provisions for criminal penalty, civil liability, and administrative monetary penalty for material misstatements and non-provision of information should be provided. Moreover, it is also suggested that the gatekeeping function of CASPs and a self-regulatory organization (SRO) should be enhanced.

Furthermore, the report states that it is appropriate to set an investment cap on retail investors if the issuer is not subject to an audit.

(4) Regulations on the industry

It is suggested that when conducting purchase and sale, etc. of crypto-assets in the course of trade, operators should be subject to regulations

comparable to those for Type I Financial Instruments, as safeguarding regulations under the PSA (e.g., cold wallet storage for users' crypto-assets in principle) should be incorporated into the FIEA.

In order to deter illegal solicitations by unregistered service providers, the regulatory framework should be strengthened, including increasing penalties for unregistered business, making such activities subject to emergency court injunctions, and empowering the SESC to petition for such injunctions.

Furthermore, investment management activities and investment advisory activities for crypto-assets should also be placed under regulations.

As measures to prevent crypto-assets from being used as means of payment for fraudulent investment solicitations, CASPs should establish a deliberation period in which users are prohibited from transferring their crypto-assets to unhosted wallets (accounts not managed by registered CASPs) after opening a new account.

As individual regulations, CASPs should enhance the framework for examining crypto-assets handled, ensuring client suitability, and monitoring trading activity.

Regarding safeguarding of users' crypto-assets, CASPs should advance holistic cybersecurity management, including the supply chain in order to respond to the increasing sophistication of tactics for illegal siphoning in recent years. In addition, it is suggested that new regulations, such as advance notification and system security measures (obligations to file advance notifications and to secure safety of the system, etc.) , should be introduced for vendors of critical systems for crypto-assets.

Further, liability reserves should be accumulated as funds for paying compensation to clients in the event of illegal siphoning.

Regarding so-called decentralized exchanges (DEXs), the working group considers it appropriate to examine balanced regulatory approaches, tailored to the technical characteristics of DEXs and related services, should continue, while regulatory developments in other jurisdictions are closely monitored.

(5) Market Abuse Regulations

The current FIEA does not directly regulate insider trading practices involving crypto-assets, while with regard to unfair trading practices involving crypto-assets, the FIEA provides other rules similar to those for listed securities, including a general regulation prohibiting wrongful acts and a regulation prohibiting the use of fraudulent means and market manipulation. In the review of the regulations, the working group suggests that, considering international trends, insider trading regulations involving crypto-assets should be established to ensure fairness in transactions.

Furthermore, the report states that criminal investigative authority and an administrative

monetary penalty framework should be established under the SESC to address market abuse, including insider trading, involving crypto-assets.

Moreover, to ensure effective enforcement of market abuse regulations, it is suggested that trade monitoring by CASPs and market surveillance framework by SROs and the SESC should be strengthened.

4. Conclusion

The report will be reported at the general meeting of the Financial System Council and the meeting of the Sectional Committee on Financial System. The FSA will develop systems based on the recommendations in the report.

Report of the Financial System Council's Working Group on Crypto-asset Systems

1. Summary

❑ Crypto-assets are increasingly being recognized as investment targets.

- According to a domestic survey, the ratio of crypto-asset holders among those with investment experience surpasses that of FX traders or corporate bond holders.
- The predominant motivation of crypto-asset holders (87%) is price appreciation in the long term.

❑ Accordingly, **user protection should be improved** by developing regulations for crypto-assets as financial instruments, tailored to their characteristics to address the following issues.

❑ **This should not be interpreted as an endorsement** of crypto-assets investments.

Pressing Challenges related to Crypto-assets

• **Enhancement of Information Provision**

- ✓ Concerns over **unclear descriptions in white papers** (explanatory materials) and discrepancies between the described codes and the actual codes

• **Ensuring Appropriate Transaction / Addressing Unregistered Operators**

- ✓ **Numerous inquiries** received by the FSA **regarding fraudulent solicitations**

• **Addressing Inappropriate Conduct in Investment Advice**

- ✓ Cases of suspected engagement in **fraudulent activities through investment seminars and online communities**

• **Securing Fairness in Price Formation and Trading**

- ✓ **Recommendations by IOSCO** on insider trading regulations and **legislation in Europe and other regions**

• **Strengthening Cyber Security**

- ✓ Recurring incidents of **crypto-asset outflows caused by cyberattacks**

Overview of the recommended regulatory revision

1. **Change of Legal Basis**

❑ The governing law for crypto-assets should be changed **from the Payment Services Act (PSA) to the Financial Instruments and Exchange Act (FIEA)**.

- *Non-Fungible Tokens (NFTs) and stablecoins that are not classified as crypto-assets under the current PSA will remain outside of the definition of crypto-assets under the amended FIEA.*

❑ **Crypto-assets should be classified under the FIEA as financial instruments distinct from securities.**

2. **Information Provision Regulations**

❑ **Crypto-asset issuers and crypto-asset exchange service providers (CASPs) should provide information to users.**

3. **Regulations on Crypto-Related Business**

❑ **CASPs should be subject to regulations comparable to those for Type I Financial Instruments Business.**

❑ Safeguards for users' crypto-assets should be enhanced through the strengthening of cyber security management, including the supply chain.

❑ **Penalties for unregistered business activities should be increased, and investment management and advisory services related to crypto-assets should fall under the regulatory framework.**

4. **Market Abuse Regulations**

❑ **Insider trading regulations involving crypto-assets should be established.**

❑ **Criminal investigative authority and an administrative monetary penalty system** under the Securities and Exchange Surveillance Commission (SESC) should be established.

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. 9 —

Event in Saitama on December 20, 2025



The FSA Commissioner also joined us. 🐸



Event in Takamatsu on February 28, 2026

■ **Date and time:** 10:00 a.m. to 4:30 p.m. on Saturday, February 28, 2026 (tentative)

■ **Venue:** AEON MALL Takamatsu (1-1 Kouzaihonmachi, Takamatsu-shi, Kagawa)
1F Sea COURT

■ **Performers:** Galittochu, Member, Aoki Maccho (Kakeochi), CRAZY COCO, Kaji Tsuyoshi, Asagoe Goe (The Plan 9; master of ceremonies)

■ 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

- * *Unko* Money Drill: Economy Edition (targets: fourth to sixth graders)

「ワニーサとなかまたちも来るよ!」



うんこ先生

うんこ学園の校長先生。子どもたちに知識の卵を分けてあげてくれる。

ワニーサ

金融庁からやってきた金融経済教育推進担当の事務官。資産形成を応援する制度、NISAの広報担当もしているよ!

とうしくん

ほのほのとしたお兄さんながら、熱い心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/takamatsu/>

An interview by TSE Manebu!



Last December, I was interviewed by TSE Manebu! (TSE's website for improving financial literacy). My activities as Deputy Director-General were highly evaluated. 🐉
I talked about financial and economic education. Please read them! (two articles)



Access the articles here! (Available in Japanese)

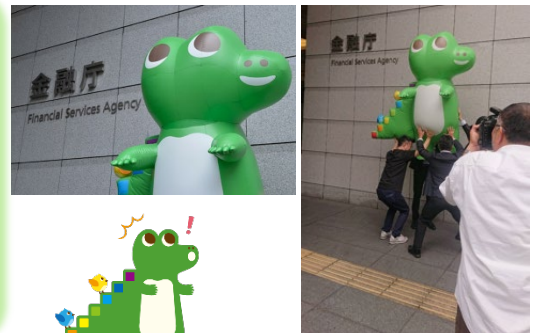
- [Directly interviewed WANISA, who was appointed as Deputy Director-General for the FSA! He gave us a clue how to disseminate financial and economic education in Japan.](#)

- [The importance of education on money that is increasing in the digital age – Events being held by Deputy Director-General, WANISA, all over Japan](#)



(Source: TSE Manebu!)

Inside story about WANISA 🐉
A reporter took my photo. I look great as you see! My subordinates supported my body for the photo. They always support me with my daily work, but they supported me physically in a true sense. 🐉



ワニーサが行く 日本全国ごあいさつの旅

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 Saitama Governor Ono (delivered on December 15)



▶ Courtesy visit to President Fukuoka of the Saitama Resona Bank (delivered on December 16)



▶ Courtesy visit to Shizuoka Governor Suzuki (delivered on December 17)



▶ Courtesy visit to Nara Governor Yamashita (delivered on December 23)



▶ Courtesy visit to President Nagahori of the Musashino Bank (delivered on January 5)

[FSA WANISA’s Financial and Economic Education 2025](#)

Please also visit the Website!

(Available in Japanese)



* 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 December (December 1 to December 31, 2025)

- [The FSA publishes the status of loans held by all banks as of the end of March 2025, based on the Financial Reconstruction Act \(December 26, 2025\)](#)
- [The Dialogue between the Financial Services Agency \(FSA\) and the Center for Financial Industry Information Systems \(FISC\) \(December 26, 2025\)](#)
- [Publication of "FSA Strategic Priorities: July 2025 - June 2026" \(December 25, 2025\)](#)
- [Updated Japan Fintech Week 2026 official website \(December 25, 2025\)](#)
- [Japan Weeks 2026 \(December 23, 2025\)](#)
- [Hosting Overseas Regulatory Officials at the Global Financial Partnership Center \(27th Program: 11 Securities Regulatory Authorities\) \(December 19, 2025\)](#)
- [Conclusion of a Basic Agreement between FSA and Hitotsubashi University on Research Collaboration \(December 19, 2025\)](#)
- [The sixth Meeting of the Japan-EU Joint Financial Regulatory Forum \(December 17, 2025\)](#)
- [Overview of the Japanese regional banks' financial results for six months ended September 30, 2025 \(December 16, 2025\)](#)
- [Overview of major banks' financial results as of September 30, 2025 \(December 16, 2025\)](#)
- [The eleventh meeting of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\) \(December 15, 2025\)](#)
- [Overview of financial results of major insurance companies as of September 30, 2025 \(December 15, 2025\)](#)
- [Updated Japan Fintech Week 2026 official website \(December 12, 2025\)](#)
- [The fourth meeting of the Working Group on Corporate Disclosure of the Financial System Council \(December 11, 2025\)](#)
- [The Ninth Japan-Korea Financial Shuttle Meeting \(December 8, 2025\)](#)
- [Updated : Special Zones for Financial and Asset Management Businesses \(December 3, 2025\)](#)

Introduction of Discussion Papers in Financial Research Center

The Financial Research Center of the Financial Services Agency publishes discussion papers summarizing research results by the Center's research fellows. This article presents some of these writings.

— Selected Discussion Papers recently published —

- ◆ [How digital financial assets are treated under private law](#) (provisional English title)
[available only in Japanese]

KATO Takahito, Associate Research Fellow, Financial Research Center, FSA
(Professor, Graduate Schools for Law and Politics, The University of Tokyo)

KAMO Akira, Associate Research Fellow, Financial Research Center, FSA
(Professor, Graduate Schools for Law and Politics, The University of Tokyo)

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

Contributions by the Financial Services Agency Employees

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.

— Recently published contributions —

- ◆ [Essence of the Amendments of the Supervisory Guidelines in Consideration of Cases of Unauthorized Access to Brokerage Accounts](#) (provisional English title) [available only in Japanese]
MASAGO Rumi, Deputy Director, Securities Business Division, Supervision Bureau
(Published in the January 6 issue of the Kinzai Weekly Financial Affairs)
- ◆ [Current Situation and Challenges Regarding Domestic LBO Loans](#) (provisional English title) [available only in Japanese]
OGASAWARA Norito, Director, Office of Inspection on Risk Management,
NAKAYAMA Tatsuo, Credit Risk Management Team Head,
OZAWA Manabu, Deputy Director,
Risk Analysis Division, Strategy Development and Management Bureau
(Published in the January 5 issue (No. 191) of the Turnaround & Credit Management)
- ◆ [Toward Sophistication of Financial Institutions' Systems for Managing Predictive Information, such as Signs of Window Dressing](#) (provisional English title) [available only in Japanese]
OGASAWARA Norito, Director, Office of Inspection on Risk Management,
NAKAYAMA Tatsuo, Credit Risk Management Team Head,
OZAWA Manabu, Deputy Director,
Risk Analysis Division, Strategy Development and Management Bureau
(Published in the December 25 issue of the Financial Law Journal)
- ◆ [CARBON JUNCTION vol.15 "Point where I and the Carbon Market Cross Each Other"](#) (provisional English title) [available only in Japanese]
YANO Tomofumi, General Policy Coordinator, Sustainable Finance Promotion Office,
Strategy Development Division, Strategy Development and Management Bureau
(Published in the December 15 issue of the CARBON JUNCTION)
- ◆ [Grasping of Debtors' Actual Situations Expected for Regional Banks that Are Increasing Cross-Border Lending](#) (provisional English title) [available only in Japanese]
MATSUI Shota, Principal Deputy Director, Office of Director for Regional Finance Monitoring,
Banking Business Division II, Supervision Bureau;
NAKAYAMA Tatsuo, Credit Risk Management Team Head,
SEKIGUCHI Yuto, Section Chief, Macro Data Analysis Supervisor's Office,
Risk Analysis Division, Strategy Development and Management Bureau
(Published in the December 9 issue of the Kinzai Weekly Financial Affairs)
- ◆ [Key Points and Future Challenges of the "FSA Strategic Priorities July 2025 - June 2026" \[1\] Key Points](#) (provisional English title) [available only in Japanese]
NORIMATSU Yoshiyuki, Deputy Director, Strategy Development Division,
Strategy Development and Management Bureau
(Published in the December issue of Banking Law Journal 21)
- ◆ [Explanations of the Amendments, etc. of the Financial Instruments and Exchange Act and Relevant Cabinet Orders, etc. Accompanying the Review of the TOB System and the Large Shareholding Reporting System](#) (provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
KANEKO Satoshi, Deputy Director,
KAMIKUBO Tomohiro, former Officer,
FUKUDA Akito, Officer,
Corporate Accounting and Disclosure Division, Policy and Markets Bureau
(Published in the November 25 issue of the Financial Law Journal)
- ◆ [Explanations of the Amendments, etc. of Cabinet Orders and Cabinet Office Orders Accompanying the Review of the Large Shareholding Reporting System](#) (provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
KANEKO Satoshi, Deputy Director,
KAMIKUBO Tomohiro, former Officer,
FUKUDA Akito, Officer,
Corporate Accounting and Disclosure Division, Policy and Markets Bureau
(Published in the October 5 issue (No. 2403) of the Commercial Law Review)
- ◆ [Explanations of the Amendments, etc. of Cabinet Orders and Cabinet Office Orders Accompanying the Review of the TOB System](#) (provisional English title) [available only in Japanese]
SHINTANI Akiko, Deputy Director,
KANEKO Satoshi, Deputy Director,
KAMIKUBO Tomohiro, former Officer,
FUKUDA Akito, Officer,
Corporate Accounting and Disclosure Division, Policy and Markets Bureau
(Published in the September 25 issue (No. 2402) of the Commercial Law Review)
- ◆ [FSA's Recent Initiatives for Corporate Governance Reform \[2\]](#) (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 15 issue (No. 2401) of the Commercial Law Review)

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



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

Editorial Postscript

Thank you for reading Access FSA. This month's issue contains the inaugural interview with Parliamentary Vice-Minister of Cabinet Office Kaneko. He talked about himself broadly, including his experience as a Diet member, his passion towards finance that he has had since his young days working for a securities company up until now, and even his hobby, pickleball. This month's issue also contains articles explaining important policy measures, such as the outline of the organizational expansion and reorganization of the FSA scheduled to be implemented this summer and the outline of the Regional Financial Power Enhancement Plan and the report of the Working Group on the Crypto-asset Systems of the Financial System Council, both of which were published at the end of 2025. Please read them as well.

By the way, at the FSA, we basically work in a program-year cycle starting from the regular personnel reshuffle in July and ending at the end of June next year. Accordingly, for us, January is not a start of a new year but is a start of the latter half of a program year. 2026 is a year of Hinoeuma (Fire Horse) of the sexagenary cycle, which has long been said to be a high-energy year suited to take on a new challenge. I would like to continue efforts for positive PR activities also in the latter half of the program year to support initiatives of the FSA in tackling on various issues.

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.)



