

**The main issues raised by the FSA at opinion exchange meetings with
trade associations
[held on September 20, 2022, with the Japan Securities Dealers
Association]**

1. Financial measures in response to the disaster, etc. caused by Typhoon No. 14 in 2022

- We express our condolences and sympathies to victims of the disaster, etc. caused by Typhoon No. 14 in 2022.
- The Disaster Relief Act is applied to a total of nine prefectures, namely, Yamaguchi Prefecture, Kochi Prefecture and all areas of Kyushu region (Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima Prefectures) in relation to the disaster, etc. caused by Typhoon No. 14, and the Local Finance Bureaus issued notices requesting financial measures to relevant financial institutions, etc. on September 20.
- Securities companies in the areas covered by the notices and in other areas affected by the typhoon are requested to ascertain disaster victims' opinions and needs and offer support meticulously from their standpoints based on the issued requests.

2. The JFSA Strategic Priorities July 2022 - June 2023 (summary and sustainable finance)

- On August 31, 2022, we published the "JFSA Strategic Priorities July 2022 - June 2023." This report, which is published at the beginning of every business year, clarifies our annual policy direction.
- In the same manner as before, we would like to hold a diverse dialogue based on this report. If you need explanations or want to have discussions on any theme picked up therein, please make a request.
- The "JFSA Priorities July 2022-June 2023" consists of the following three major pillars:

- firstly, with future prospects remaining uncertain due to the COVID-19 pandemic and the Russian invasion of Ukraine, to encourage financial institutions to support their clients' business and enhance their capabilities therefor, to develop an environment such as the institutionalization of security interests over all assets, to disseminate customer-oriented financial services, and to strengthen financial institutions' business bases;
 - secondly, in addition to improve the financial system in order to facilitate firms to address social issues, such as climate change, digital society realization, and support for start-ups, and lead the economy to growth, to deliberate and implement measures to achieve a virtuous circle in which the fruit of economic growth will be widely shared with individuals by promoting a shift of individuals' financial assets "from savings to investment" toward the formulation of the " Doubling Asset-Based Income Plan " at the end of 2022; and
 - thirdly, to improve the competence of JFSA staff members and strengthen policy communications both domestically and internationally.
- Out of the content of the "JFSA Priorities July 2022-June 2023," the following three points are selected:
- Firstly, for the purpose of promoting cooperation between financial institutions and companies to achieve the goal of carbon neutrality in 2050, the FSA will establish a new panel to discuss how to activate dialogues between the two groups so as to make contribution to the formulation and steady implementation of a transition plan.
 - Secondly, to invite diverse investors to make impact investment and also encourage companies to make efforts for improving their sustainability, the FSA established a new panel by further developing a study group on impact investment, which it had cohosted since 2020, and will promote discussions on how to materialize a practical measurement method for the impact of investment.
 - Lastly, it is important for asset owners to enhance their asset management and increase knowledge on how to consider ESG elements in their own investment policies for the purpose of ensuring both the growth of investment destinations and

sustainable increase of their assets under management. Accordingly, the FSA will in the first place ascertain possible challenges that asset owners may face in making ESG investments, in collaboration with the related parties.

- Securities companies are playing significant roles in the demonstration of market functions through the underwriting and sale of ESG funds and sustainable finance-related securities. Please continue providing us with your opinions concerning specific issues that you have noticed through your initiatives at expert panels or on other opportunities.

3. The JFSA Strategic Priorities July 2022 - June 2023 (cross-sectoral monitoring policies)

- The JFSA Strategic Priorities July 2022 - June 2023 contain cross-sectoral monitoring policies (such as for credit, market, liquidity risk management; customer-oriented business conduct; AML/CTF/CPF measures; cybersecurity measures; system risk management, etc.) as well as monitoring policies by business sector. Please take a look at it.
- The FSA intends to conduct monitoring for each item in depth through data analysis and dialogues with financial institutions. We will endeavor to ensure efficient operation. We appreciate your cooperation.

4. The JFSA Strategic Priorities July 2022 - June 2023 (monitoring policies regarding securities companies)

- Monitoring policies regarding securities companies mainly contain the following:
 - to have conversations with securities companies to encourage them to deepen their customer-oriented business conduct initiatives and continue efforts for grasping customers' true needs under their management teams' strong leadership;
 - to monitor whether securities companies have created an effective compliance

program and internal control program, including environment establishment for detecting and preventing unfair transactions;

- with regard to major securities companies that operate globally, to hold conversations on overseas business strategies and monitor their effective governance and risk management environment that are supposed to meet their business strategies such as, whether they are ready to secure smooth communications among stakeholders, including those at overseas offices, and can make agile responses upon the occurrence of any risk event; and
 - with regard to securities companies that conduct online trading, to monitor whether they can sufficiently respond to system risk challenges commensurate with their respective business sizes.
- Including these points, the FSA continues monitoring through in-depth dialogues while sufficiently considering characteristics and specific challenges of individual companies.

5. Commencement of direct registration of individuals with REVICareer

- On August 26, 2022, REVICareer, a human resources platform, started to accept applications for registration from individuals of large companies.
- The FSA had asked for cooperation of personnel affairs departments of large companies in diverse business fields, not limited to the financial industry, with regard to human resources registration with REVICareer. However, some large companies pointed out the problem that under the existing system to file an application via a personnel affairs department, employees who would like to become registered might feel reluctant to file an application. Therefore, the system was renovated to enable direct registration by individual employees.
- Even companies in which a personnel affairs department files applications and manages registerers can utilize REVICareer's framework for direct registrations by individuals, thereby easing their burden for registration and management. If you have any questions, feel free to make inquiries with the FSA.

6. Handling of carbon credit trading, etc. by financial institutions

- As people around the world are becoming more and more interested in countermeasures against climate change, carbon credit trading, centered on voluntary carbon credit trading led by the private sector, is being activated internationally. For example, the volume of issued carbon credits increased globally by around ten times in the last ten years.
- In Japan as well, the Tokyo Stock Exchange is going to conduct a demonstration project regarding a carbon credit market as entrusted by the Ministry of Economy, Trade and Industry. In the demonstration project, trading of two types of carbon credits is demonstrated. With regard to one of them, the "J-Credit Scheme," registration of participants and briefing sessions were already started and preparations are being made for the commencement of the trading scheduled on September 22.
- When financial institutions intend to deal with carbon credits, they need to make arrangements regarding whether the relevant carbon credits fall under the "equivalents (to the carbon dioxide equivalent quotas)" in relation to the regulations on their business scopes. It is considered that J-Credits Scheme, JCM-Credits Scheme, and credits based on laws and regulations (including foreign laws and regulations and US state laws and regulations) all fall under the "equivalents (to the carbon dioxide equivalent quotas)."
- With regard to other carbon credits, including voluntary ones, the FSA will develop an environment to enable individual financial institutions to properly determine whether the relevant carbon credits fall under the "equivalents (to the carbon dioxide equivalent quotas)," thereby making positive contribution to the achievement of carbon neutrality.

7. FSA's electronic application and notification system

- At present, the old electronic application and notification system, which has been in

operation since 2014, and the new electronic application and notification system, which started operation in June 2021, are both in operation. However, the old system is scheduled to stop accepting applications and notifications on October 14, 2022.

- Securities companies are increasingly adopting online procedures for registration of sales representatives of registered financial institutions and submission of reports on the status of their business or property. The old system will stop accepting applications and notifications, but please continue active utilization of the new system.

8. Publication of the List of Financial Services Providers relating to customer-oriented business conduct

- The updated List of Financial Services Providers that adopted the "Principles for Customer-Oriented Business Conduct" (the "Principles") was published on the FSA's website on September 9, 2022.
- From the perspective of creating a mechanism whereby financial services providers making better efforts are selected by customers, this list compiles and publishes reports of financial services providers that adopted the Principles, formulated their policies clarifying the correspondence between their initiatives and the Principles, and disclosed the status of their efforts based thereon.
- However, when checking financial services providers' reports and disclosed details, it was found that there were cases such as "where a financial services provider fails to sufficiently describe its policies and the status of its efforts based thereon" and only cites wordings of the Principles as a formality, or "where a financial services provider has not reviewed its policies based on the status of its efforts." These cases suggest that the significance of customer-oriented business conduct and the aim of making initiatives therefor visible have yet to be fully understood.
- The following can be expected if financial services providers endeavor to visualize their initiatives for customer-oriented business conduct:
 - They can differentiate their own initiatives from those of others or otherwise raise

publicity to attract customers and other diverse stakeholders.

- Top management can verify sales staff's attitudes toward customers.
- The relevant efforts are an opportunity for sales staff to look back on their business practices.

Accordingly, individual financial services providers should understand the aim well and make steady efforts with sufficient involvement of top management.

9. PR activities in relation to anti-money laundering measures

- In order to ensure financial institutions' ongoing customer due diligence, general users' understanding and cooperation are indispensable. Therefore, the FSA has been actively providing information through preparing leaflets under joint names with industry associations, broadcasting commercials on the radio or distributing other governmental official bulletins, and posting online advertisements.
- The posting of an online advertisement in March 2022 proved the effects, such as an increase in access to the FSA's website. Therefore, another online advertisement is being posted from September 15. Please check it.

10. FY2023 tax reform requests

- For FY2023 tax reform, the FSA made requests regarding the "Doubling Asset-Based Income Plan," including fundamental expansion of the NISA program, environmental development concerning cross-border transactions, insurance, and crypto-assets.
- With regard to fundamental expansion of the NISA program, the FSA requested the following from the perspective of making the program simple, easy-to-understand, and convenient for the general public:
 - Perpetuation of the NISA program;
 - Elimination of time limits on tax exemption;

- Expansion of annual investment limits and tax exemption limits;
 - Introduction of a growth investment quota (tentative name) that takes over ordinary NISA functions while being based on the *Tsumitate* NISA; and
 - Opening of *Tsumitate* NISA accounts to minors.
- Additionally, the FSA requested the following:
 - Integration of financial income tax;
 - Perpetuation of tax exemption regarding bond repurchase agreements with foreign funds; and
 - Elimination of a special corporation tax on or extension of a tax moratorium for provisions for corporate pension.
 - While serious discussions are going to be held toward the year end, we would like to receive your continued cooperation.

11. IOSCO's World Investor Week (WIW)

- The IOSCO has held the World Investor Week (WIW) every year since 2017 for the purpose of promoting investor education and investor protection. Together with the Japan Securities Dealers Association and the Japan Exchange Group, we have held events or otherwise offered cooperation.
- Japan's WIW for 2022 is scheduled to be held from October 3 to October 9. We heard that you will carry out PR activities targeting young people and retail investors and will deliver videos on your website. We appreciate your positive participation and cooperation so far and ask for your continued cooperation for this year's WIW.