

Main Topics Presented by the Financial Services Agency (FSA) at a Dialogue with the Financial Sector Association (major banks, etc.)

November 12, 2024

1. Financial measures in response to the disaster, etc. caused by the heavy rains from November 8, 2024

- With regard to the disaster, etc. caused by the heavy rains from November 8, 2024, financial institutions in disaster-affected areas are requested to offer meticulous support to disaster victims.

2. Commencement of the Study Group toward the Utilization of Enterprise Value Charge, Japanese Bankers Association

- At present, led by the Project Team for the Promotion of Cash Flow-based Lending of the FSA, discussions are being held with related financial sector associations concerning lending cases where the enterprise value charge (EVC) is to be utilized and challenges in practical operations toward the enforcement of the relevant system in around the spring of 2026.
- The Japanese Bankers Association has held the Study Group toward the Utilization of the EVC. We expect active discussions among members from financial institutions.
- We hope that this system will encourage and back up financial institutions' cash flow-based lending.

3. Publication of the report of the Study Group on Deposit-Taking Institutions' Response to Post-Quantum Cryptography

- Public key cryptography can be compromised when cryptographically relevant quantum computer becomes available. To address this risk transitions to post-quantum cryptography (PQC) is drawing more attention in and outside Japan.
- In response, the FSA held meetings of the Study Group on Deposit-Taking Institutions' Response to Post-Quantum Cryptography to discuss issues and challenges on financial sector's migration to PQC.*

* The Study Group was joined by the representatives of Japan's three megabanks and the industry associations of deposit-taking institutions, and experts on cryptography as members, as well as the Financials ISAC Japan, the CRYPTREC Secretariat, the FISC, the Financial System and Bank Examination Department of the Bank of Japan, and the NISC as observers.

- As a transition to PQC requires a large amount of resources for a long term organization-wide efforts under the leadership of top management are necessary.
- Top management of financial institutions is encouraged to refer to the report of the Study Group (published in November 2024*) to recognize risks and take actions to mitigate those risks properly.

* (FSA's website) <https://www.fsa.go.jp/news/r6/singi/20241126.html> (Available in Japanese)

4. Implementation of follow-up for request statement concerning the strengthening of measures to prevent misuse of accounts

- In August 2024, the FSA issued a statement to request the strengthening of measures to prevent misuse of deposit and savings accounts, including corporate accounts.
- The FSA plans to send questionnaires concerning the status of responses made to the request to each financial institution in January 2025 onward.
- It is not necessarily required to complete all relevant measures at the time of this follow-up, but we will check individual financial institutions' efforts, including the status of specific deliberations and future plans.

5. NISA Promotion Strategy Council (2nd meeting)

- In response to the rapid stock market fluctuations in early August 2024, the second meeting of the NISA Promotion Strategy Council was held on Tuesday, October 29, 2024, in order to share information and exchange views on the following matters:
 - Results of the analysis of the trends of individual investors;
 - Examples of responses and challenges of individual industry segments (financial institutions) at the time of rapid stock market fluctuations;
 - Efforts for promoting financial and economic education.
- The FSA requested the following:
 - To develop a control environment for properly responding to customers;
 - To offer cooperation for ascertaining the situation upon rapid stock market fluctuations (status of transactions of financial instruments through NISA accounts, status of inquiries and complaints from customers, etc.);
 - To provide financial and economic education on a regular basis.

6. Outcome of the G20 and G7 Finance Ministers and Central Bank Governors Meetings in October

- The G20 Finance Ministers and Central Bank Governors Meeting was held in Washington, D.C. from October 23 to 24, 2024. Major outcomes related to the financial sector in the Communiqué published after the meeting are outlined below:
- First of all, members reaffirmed their commitment to address the timely implementation of international financial reforms. In particular, the agreement by the Group of Central Bank Governors and Heads of Supervision (GHOS) in May

2024 to implement all aspects of the Basel III framework in full, consistently, and as soon as possible was also reaffirmed by G20 members.

- On non-bank financial intermediation (NBFI), members expressed support for the work of the Financial Stability Board's (FSB's) and the Standard Setting Bodies (SSBs) to address vulnerabilities and enhance the resilience of NBFI. Members looked forward to the recommendations to address vulnerabilities from NBFI leverage and expressed support for the implementation of the FSB's revised policy recommendations to address vulnerabilities arising from liquidity mismatch in open-ended funds and the policy recommendations to enhance the resilience of money market funds.
- On cross-border payments, members reiterated their commitment to a timely and effective implementation of the Roadmap to achieve global targets.
- On crypto-assets, members welcomed the first status report on the G20 Crypto-Asset Policy Implementation Roadmap. Members also reaffirmed their support for the Financial Action Task Force's (FATF's) work to accelerate the global implementation of its Standards and to monitor the impacts on the financial integrity of emerging risks from DeFi arrangements, stablecoins, and peer-to-peer transactions.
- Lastly, on sustainable finance, building upon the G20 Sustainable Finance Roadmap, members endorsed the 2024 G20 Sustainable Finance Report. Members also welcomed the high-level principles on reliable, robust and just transition plans for financial institutions and other corporate firms, which are voluntary and non-binding.
- The G7 Finance Ministers and Central Bank Governors Meeting was held on October 25, 2024. In addition to the above, the Statement published after the meeting includes the following related to the financial sector:
- On cybersecurity, members welcomed the work of the G7 Cyber Expert Group (CEG) to strengthen response capability and prepare for the future. In this respect,

members recalled the successful completion of the cross-border coordination exercise conducted in April 2024.