

Main Topics Raised by the Financial Services Agency (FSA) at a Dialogue with the Financial Sector Association

Held on April 15, 2025 (with the Japan Securities Dealers Association
(JSDA))

1. Response to unauthorized accesses and transactions in Internet transactions

- At several securities companies, a third party who obtained a customer's login ID, password, etc. through some means in a securities account using the Internet conducted unauthorized transactions that the customer did not recognize.
- At present, unauthorized accesses and transactions have not been brought to an end, but rather the number of cases and the amount of transactions have increased rapidly.
- Although the true purpose of the unauthorized transactions is unknown, the purpose of unauthorized accesses to customer accounts was originally thought to be to steal money from customer accounts. However, this time, there were no cases of the unauthorized transactions leading to the withdrawal of money to a third party, and a new illegal method of purchasing domestic and foreign stocks, mainly low-grade stocks, has been confirmed.
- In addition, a large number of fake websites pretending to be the websites of financial institutions have recently been confirmed at securities companies. In particular, we have received reports from securities companies that the number of detected phishing websites pretending to be their own companies has increased drastically at the same time as the recent surge in unauthorized transactions.
- In response to these problems, the FSA issued a warning to users of securities companies on April 3, 2025. In order to protect customers' assets by urging them to be more careful, securities companies that have been found to be affected by unauthorized transactions are urged to disclose that they have been involved in unauthorized transactions.

(Reference) The FSA website "Important notice"

"Beware of fake websites (phishing websites) that pretend to be securities companies' websites!"

- Warning about the frequent theft of customer information through the fake websites of real

securities companies

- Dissemination of precautions to avoid becoming victims of phishing and malware

- We understand that each securities company provides various authentication enhancement functions to prevent customers from being victimized by unauthorized accesses and requests customers to strengthen security measures on an ongoing basis. However, in light of the growing sophistication of phishing techniques and unauthorized access methods with different purposes than in the past, we would like to ask securities companies to recognize that security measures are the responsibility of their management and make every effort to prevent the occurrence and spread of customer damage.
- In addition, we would like each securities company to sincerely respond to inquiries and consultations with customers who have been affected by unauthorized transactions that they do not know about owing to unauthorized accesses and to take sincere measures to resolve the damage.
- Furthermore, we understand that the Japan Securities Dealers Association (JSDA) established the Guideline for Preventing Unauthorized Accesses in Internet Transactions in 2021 and has been working to raise the level of security as the financial industry. However, in light of the rapid increase in unauthorized accesses caused by phishing and malware, the sophistication of methods of unauthorized transactions, and the rapid expansion of the customer segments that conduct transactions on the Internet, we would like to request the JSA to strengthen measures against unauthorized accesses, including reviewing the Guideline.

2. Request for customer support for stable asset building

- On April 8, 2025, the Cabinet established the Comprehensive Task Force on U.S. Tariff Measures to comprehensively address the latest U.S. tariff measures. Accordingly, the Financial Services Agency Comprehensive Task Force on U.S. Tariff Measures was established in the FSA on the same day, headed by the Commissioner. At this Headquarters Meeting, Minister of State for Financial Services Kato gave instructions on the following two points:
In cooperation with relevant ministries and agencies, etc., the FSA will

- Closely monitor trends in domestic and foreign economic and financial markets,

fully analyze the impact of U.S. tariff measures on Japan's financial and capital markets and financial system, and take appropriate measures; and

- Then, in particular, ascertain the status of business consultation from companies at private financial institutions and make every effort to provide necessary support, including financing.

- At the same time, in light of the statement by Minister of State for Financial Services Kato that financial institutions will be required to respond carefully to inquiries and consultations from individual investors, on April 11, the FSA, through industry associations, requested financial institutions to implement the following measures: (1) respond carefully to individual investors by providing information, taking a proactive approach, and developing a consultation system, and (2) understand the current status of transactions through NISA accounts.
- While financial institutions have been committed to customer-oriented business operations, we would like to ask each of them once again to ensure that front-line employees in sites are informed thoroughly of the situation so that customers can build stable assets.

3. Quarterly report on collection of fake advertisement information, etc.

- In response to the increase in the number of victims of investment fraud, as a response based on the Comprehensive Measures to Protect People from Frauds compiled by the government in June 2024, the FSA requested the financial trade associations and other organizations to collect information on, alert, and proactively delete fake advertisements spoofing these organizations, and to report the results to the FSA on a quarterly basis in September 2024.
- This request was initiated in October 2024, and when the first report on the results for the period from October to December 2024 was received at the end of January 2025, the total number of items of information collected was 773, including trade associations other than the JSDA. In addition, during the same period, 55 items of information regarding fake advertisements and other issues were received at the information reception desk set up on the FSA website in October 2024.
- Each association and securities company uses much of this information to provide information to social media operators, etc. We believe that this is the result of the

appropriate response to our requests.

- On the other hand, as mentioned in the “1. Response to unauthorized accesses and transactions in Internet transactions,” there have recently been a number of cases of theft of customer information by sending e-mails that lead customers to fake websites (phishing sites) pretending to be real securities companies. In such cases, we would like them to take proactive measures from the viewpoint of deterring financial crimes, as they have done so far.

(Reference) Joint meeting of member representatives on September 17, 2024; Information from the Supervisory Bureau

2. Comprehensive Measures to Protect People from Frauds

Since the second half of 2023, there has been a sharp increase in the number of fraud cases that lure victims with fake advertisements on social media that impersonate investors and celebrities. The fraud tricks victims into trusting them through social media communications and steals money. In response, in June this year, the government compiled the Comprehensive Measures to Protect People from Frauds.

As one of the measures of the Comprehensive Measures, it is required that trade associations, etc. promote appropriate measures against fake advertisements. Specifically, it is required that financial trade associations, including the JSDA, collect information on fake advertisements and alert their customers to such advertisements in a cross-sectional way and actively request the removal of fake advertisements when they discover such advertisements impersonating them.

To date, the FSA has been consulting with JSDA and other financial trade associations on the details of the Measures and has recently (as of September 13) issued a request to JSDA and association members to collect information on and alert their customers to fake advertisements impersonating them, to actively request the removal of such fake advertisements and to report the results to the FSA.

As the government is making concerted efforts to prevent the damage of investment fraud, we hope that JSDA and each organization will cooperate by responding in accordance with the request.

4. Arrangements of structured loans for regional banks

- Regional banks have increased structured loan assets, which are mainly JGB repackaged loans. We recognize that structured loans have the following issues:

- Risk management, including the assessment of fair value, is difficult;

- Market value information which can be obtained for bonds is not disclosed; and
 - They are disclosed as loans even though it differs from financial intermediation in nature.
- For this reason, the FSA has been raising the issue at the dialogue meetings with the Regional Banks Association of Japan and the Second Association of Regional Banks since 2024.
- Since securities companies are involved in structured loans as arrangers, the FSA is now monitoring the securities companies that handle a large number of structured loans, from the perspective of how they explain the risks of structured loans and whether they do not use disclosure as the basis for their proposals for structured loans. We urge each securities company to revisit its approach to structured loans in light of the above-mentioned issues.

5. Survey on NISA account usage

- On February 13, 2025, the FSA released a survey on NISA account usage (preliminary report at the end of December 2024). The number of NISA accounts was about 25.6 million and the total purchase price was about 52.7 trillion yen. The government's target is 34 million NISA accounts and 56 trillion yen in total purchases as of the end of 2027.
- * According to the JSDA, the aforementioned 52.7 trillion yen (the total amount purchased at all financial institutions as of the end of 2024) and the 3.8 trillion yen purchased at 10 securities companies in January and February 2025 add up to 56.5 trillion yen, achieving the government's target for NISA total purchases about three years ahead of schedule.
- In this way, NISA is becoming established as an important means of asset building for citizens. In the future, we will examine the extent to which NISA actually contributes to the stable asset building of citizens and the policy effects thereof, taking into account the opinions of experts, and will consider further improvements such as the improvement of convenience, if necessary.
- In addition, in order to promote customers' understanding of NISA's long-term, cumulative, and diversified investment methods, it will become increasingly important for financial institutions to have detailed communication with customers

during daily transactions and market fluctuations, as well as to establish customer contact points. Financial institutions are requested to keep these points in mind and continue to pay attention to the situation of their customers and make improvements as necessary.

6. J-FLEC and action policy for financial and economic education

- According to a survey conducted by the Organisation for Economic Co-operation and Development (OECD), Japanese financial literacy is only around the average among countries participating in the survey. Even within Japan, there are regional differences in financial knowledge and efforts to improve it.
- In order to improve financial literacy in all regions, it is necessary to build a public-private partnership system in each region with the cooperation of local governments and to build momentum for promoting financial and economic education. To this end, the FSA and the Local Finance Bureaus will conduct a nationwide tour to promote financial and economic education from the spring of 2025.
- The organization for the Japan Financial Literacy and Education Corporation (J-FLEC), which was established in April 2024, is making steady progress and plans to focus on public relations in fiscal 2025. J-FLEC also recognizes the urgent need to strengthen local activities.
- We hope that financial institutions will cooperate to further promote financial and economic education by further enhancing their activities related to financial and economic education, cooperating with the nationwide tour conducted by the FSA and Local Finance Bureaus, publicizing the activities of the J-FLEC to business partners, etc., and fostering J-FLEC certified advisors and other experts in financial and economic education.

7. Policies of Japan Weeks and Asset Management Forum

- Japan Weeks 2025 will be held in October 2025 as a series of finance-related events that will be held at the same time as an opportunity to effectively disseminate measures of Asset Management Nation and the attractiveness of the Japanese market to Japan and overseas, as well as to introduce valuable opinions and initiatives from financial institutions, investors, and others in Japan and overseas. The core week is

from October 20 to 24, 2025.

- During the same period, the annual meeting of the Asset Management Forum will be held as a forum for dialogue on promoting the shift from savings to investment among Japanese households and reform of the asset management business.
The themes of the subcommittee are (1) alternative investment, (2) enhancement of the value of Japanese companies and promotion of investment in Japan, including regional areas, (3) digital transformation of the asset management business, and (4) sustainable finance.

8. Subcommittee for the Promotion of a Leading Asset Management Center

- Under the Council for the Realization of New Capitalism, the Subcommittee for the Promotion of a Leading Asset Management Center, headed by Minister of State for Financial Services Kato, was established to evaluate the progress and effects of measures related to the Leading Asset Management Center from expert knowledge and to consider further measures. The first meeting was held on March 26, 2025.
- To realize Leading Asset Management Center, it is important to fine tune measures more and more and maintain and strengthen momentum in the public and private sectors.
- In preparation for Japan Weeks 2025 in October 2025, we plan to compile results, additional measures, and improvements and materialization of existing measures related to Leading Asset Management Center. We intend to deepen our consideration by listening to various opinions, including those of the financial industry.

9. Financial Policies Monitor

- The Financial Policies Monitor, which marks its 10 year anniversary in 2025, is a system in which frank opinions on financial administration from financial institutions and their employees are directly reported to outside experts, which are neutral third parties, and reflected in financial administration.
- We received 42 comments in 2024 (January to December) and published the FSA's response to the following comments:
 - Stricter regulation of insurance solicitors, and

- Establishment of business factoring regulatory act.
- The FSA will respond positively to the opinions received from the perspective of improving financial administration. We hope that financial institutions affiliated with the JSDA and their employees will be made aware of the Financial Administration Monitoring System and that they will provide honest opinions on the financial system and the FSA.

10. Response to U.S. tariff policy

- As financial and economic conditions are expected to remain highly uncertain in relation to the U.S. tariff measures, we would like financial institutions to take proactive measures and take all possible measures to manage risks, taking the following points into account..
 1. In the U.S, the correlation between bonds and stocks has become less effective due to the impaired functioning of the U.S Treasury market and concerns over fiscal expansion, and this situation may be prolonged. In Japan, swap spreads have widened sharply.
 2. A sharp fall in the prices of risk assets could create stress in the PE, PD and other illiquid markets.
 3. Stagnant capital markets could lead to drawdowns in commitment lines and increased lending.
 4. Unprecedented market reactions and risk transmission could occur.

11. Transition to post-quantum cryptography (PQC)

- While practical quantum computers are beneficial to society, there is a risk that a threat actor could exploit a quantum computer to break encryption used for Internet banking and other purposes, thereby compromising the confidentiality of information held by financial institutions such as customer information. Such risk could put information and assets of customers at risk, which in turn could undermine confidence in the financial system.

- Therefore, critical systems and services put at risk from the realization of quantum computers need to make a transition to those that implement post-quantum cryptography (PQC).
 - The transition to PQC will require a great deal of time, human resources, and investment from the preparatory stage, including collaboration with IT vendors. At present, the full-scale realization of quantum computers is expected to take place in 2035. However, the timing of the transition to PQC is limited because large-scale system upgrades take place not so often. Given the resources required for the transition to PQC, it is inappropriate to postpone preparation as a matter of not being urgent. It must be addressed promptly.
 - Specifically:
 - Financial institutions should promptly develop a roadmap in consultation with IT vendors for the entire process from consideration to completion of the transition to PQC. Currently, Financials ISAC Japan is studying a roadmap model. However, there is no time to wait for the model to be completed. It is necessary to immediately start whatever each financial institution can do.
 - In order to prioritize the transition to PQC, financial institutions should comprehensively ascertain their information assets, prepare a crypto inventory listing the cryptography used for each information asset, and begin to assess the risks (e.g. risks of encryption being broken by the realization of quantum computers, risks of a HNDL attack (see Note) even before the realization of quantum computers) and the importance and urgency of the transition to PQC.
- (Note) An attack in which a threat actor steals encrypted information today with the intention to decrypt it later when a practical quantum computer is available (so called HNDL attack: harvest-now, decrypt-later attack).
- In cooperation with the Financials ISAC Japan and industry associations, the FSA will promote and follow up on the progress of financial institutions and the financial industry as a whole toward the transition to PQC, including through inspections and monitoring.

(Reference) The FSA “Report of the Study Group on Deposit-Taking Institutions’ Response to Post-

Quantum Cryptography” (published in November 2024)

<https://www.fsa.go.jp/news/r6/singi/20241126.html>

12. Publication of documents on the approach and dialogue on validation of effectiveness of AML/CFT frameworks

- It is important for each financial institution to enhance the effectiveness of the basic AML/CFT framework developed by the end of March 2024. The Guideline for Anti-Money Laundering and Combating the Financing of Terrorism requires each financial institution to verify the effectiveness of its AML/CFT frameworks and to constantly review and improve them.
- In addition, in view of the upcoming fifth mutual evaluation by the Financial Action Task Force (FATF), it is important for financial institutions to be able to explain rationally and objectively the effectiveness of their AML/CFT measures.
- In order to promote the efforts of financial institutions, the FSA published in March 2025 a collection of approaches and examples that can be used as reference when conducting effectiveness validation.
- The FSA plans to hold dialogues with each financial institution regarding effectiveness validation, and the FSA’s viewpoints are also specified in the published documents. With reference to these documents, we expect financial institutions to proceed with effectiveness validation under the leadership of their management.

13. Revision of “reference cases on suspicious transactions”

- The “reference cases on suspicious transactions” formulated and published by the FSA provides examples of cases in which financial institutions, etc. should pay special attention to transactions that may be related to crimes, etc. in fulfilling their obligation to report suspicious transactions.
- This time, based on risk trends at financial institutions and recent trends in financial crime, the reference cases will be revised, mainly by adding specific viewpoints on non-face-to-face transactions. In conjunction with the revision of the reference cases, “entry requirements for reporting suspicious transactions” by the National Police Agency is also revised, and both documents are scheduled to be published in June or July 2025.

- With reference to the revised cases, we hope that each financial institution will steadily implement the reporting of suspicious transactions and, in light of the recent increase in the number of special fraud, etc., build a system that can detect suspicious transactions related to crimes, etc.

14. Publication of AI Discussion Paper

- On March 4, 2025, the FSA published the AI Discussion Paper to support businesses' efforts toward sound AI utilization and to organize issues for constructive dialogue. We would like to thank you again for your participation in the questionnaire that will be the basis of the Discussion Paper.
- While consideration of the use of generated AI is progressing in the financial sector, there are some concerns about using it owing to the risks and regulatory aspects. We hope that initiatives that lead to greater customer convenience and operational efficiency will advance, taking into account the risk of not taking on the challenge of being left behind by technological innovation and making it difficult to provide high-quality financial services in the medium to long term.
- The analysis in this Discussion Paper is at an early stage, and we believe that the issues presented may change significantly as technological innovation and the business environment change. Based on the perspectives presented in the AI Discussion Paper, the FSA intends to continue to strengthen dialogue with stakeholders and flexibly deepen consideration of specific measures.
- If you have any comments or suggestions on this Discussion Paper, please feel free to consult us.

(Reference) Publication of AI Discussion Paper

- Website: <https://www.fsa.go.jp/en/news/2025/20250304/aidp.html>
- Send comment to: Innovation Promotion Office, Risk Analysis Division, Strategy Development and Management Bureau, Financial Services Agency
- Email: ai.survey@fsa.go.jp

15. Report on Japan Fintech Week 2025

- The FSA held the Japan Fintech Week 2025 from March 3 to 7, 2025 as the core week to create business opportunities for the further development of fintech.

- More than 60 fintech-related events were held intensively in cooperation with local governments, industry associations, embassies, etc. Many people, including those from regions within Japan and overseas, participated in Japan Fintech Week, and multifaceted discussions were held and networks fostered.
- We understand that many people participated in FIN/SUM and many other events and supported us by giving speeches. We would like to thank you for your cooperation in making Japan Fintech Week, which was held for the second time, an enriching event.
- In 2026, Japan Fintech Week 2026 will be held from March 2 to March 6, as the core week.
- We hope that you will continue to cooperate with us so that Japan Fintech Week will be an event that expands business opportunities and helps solve issues for those involved.

16. Results of G20 Finance Ministers and Central Bank Governors Meeting in February

- The G20 Finance Ministers and Central Bank Governors Meeting was held in Cape Town, South Africa, from February 26 to 27, 2025. We would like to introduce the main content related to the financial sectors on the Chairperson's summary issued after the meeting.
 - First of all, the commitment to ensuring a stable financial system through the consistent, full, and timely implementation of agreed international reforms and standards, including Basel III, was mentioned. There was also discussion on the Financial Stability Board (FSB), in cooperation with Standard Setting Bodies (SSBs), conducting a comprehensive review of the monitoring of the implementation of financial regulatory reforms established over the past 15 years. Furthermore, it was mentioned that the finalization of the International Capital Standards (ICS) for the insurance sector would be an important milestone in the implementation of financial regulatory reforms.
 - With regard to nonbank financial intermediation (NBFI), it was planned to continue to improve its resilience, and the FSB's final recommendations to address the leverage risks of NBFI and a workplan to address the availability, use, and

quality of nonbank data are expected.

- The importance of the work of the FSB, the Bank for International Settlements (BIS), and SSBs on improving cross-border remittances and implementing the FSB's crypto asset recommendations was highlighted. They also supported the work of the Financial Action Task Force (FATF) to revise its standards for improving transparency in cross-border remittances and the implementation of the FATF standards for crypto assets.
- Finally, with regard to sustainable finance, it was hoped that each country would develop practical recommendations to enable them to address the coverage gap for natural disaster insurance.

○ The next G20 Finance Ministers and Central Bank Governors Meeting will be held in Washington, D.C., the U.S., in April 2025. We will continue to carefully ask relevant parties for feedback and suggestions and contribute to discussions on the international stage.

17. Financial measures in response to disaster, etc. caused by forest fire on March 23, 2025
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- We would like to express our heartfelt sympathy to all victims of the disaster, etc. caused by wildfires that broke out on March 23, 2025.
- Following the application of the Disaster Relief Act to Ehime Prefecture after the disaster caused by the fire, the Shikoku Local Finance Bureau issued a request for financial measures to related financial institutions and other organizations under joint signature with the Bank of Japan.
- We ask again for financial institutions doing business in the affected areas to take into consideration our requests and fully recognize the voices and needs of victims of the disaster for providing detailed support tailored from their viewpoint.

(End)