

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

Held on July 25, 2025 (dialogue meeting with major banks, etc.)

1. Review of supervisory and inspection systems for financial institutions

- In July 2025, the FSA will review and further integrate its supervisory and inspection systems for financial institutions. The outline of the review is shared below.
- First of all, monitoring of specialized cross-cutting themes, which was handled by the Strategy Development and Management Bureau until Program Year 2024, will be directed by the Vice Commissioner, Systemic Stability and Risk under the Director-General of the Supervision Bureau, thereby creating a structure that enables the previous supervisory divisions and monitoring bureaus to operate more integrally and effectively.
- Also, the FSA changed the system to carry out the supervision of financial groups operating in multiple business categories from a broad perspective by assigning the supervision of major banks and securities companies to the same deputy director general and deepening cooperation among relevant departments, such as the Banking Business Division I and the Securities Business Division.

2. Financial measures in response to disasters caused by the earthquake in the sea near the Tokara Islands

- With regard to disasters caused by the earthquake in the sea near the Tokara Islands, the FSA ask again for financial institutions doing business in the affected areas to fully recognize the voices and needs of victims of the disaster for providing detailed support tailored from their viewpoint.

3. Progress of the Management Guarantee Reform Program

- At the end of June 2025, the FSA announced the progress of the Management Guarantee Reform Program for the full year of fiscal 2024. Appropriate measures based on the supervisory guidelines are generally accepted.
- The FSA will continue to examine the degree of penetration and effects of the

initiatives outlined in the Program. The FSA request that financial institutions continue these initiatives and take steady steps to establish lending practices that do not rely on management guarantees.

4. Publication of *Progress Report 2025 for Advancing Asset Management Services*

- The FSA conducted cross-sectoral monitoring of various financial institutions providing asset management services and published the results of the monitoring in *Progress Report 2025 for Advancing Asset Management Services* on June 27, 2025.
- The report covers the status and challenges of services provided by financial institutions for defined contribution pensions (company-type DC / iDeCo) and defined-benefit corporate pensions (DB).
- In order to enhance the sophistication of their asset management services, the FSA request financial institutions to conduct in-depth analysis and observation with reference to this report, and consider making improvements as necessary.

5. Publication of *Monitoring of Foreign Bank Branches and Foreign Securities Companies*

- On June 30, 2025, the FSA published *Monitoring of Foreign Bank Branches and Foreign Securities Companies*.
- As the business of foreign bank branches and foreign securities companies is becoming more active, the FSA has endeavored to deepen its understanding of the business models of each of their bases in Japan and to confirm whether governance, legal compliance, and risk management systems are developed and operated in line with the business models, with a view to supporting their appropriate and sound business development.
- This report summarizes information obtained through monitoring in recent years, including analysis of various figures.

6. Results of local government questionnaire survey on facilitation of provision of financial services to foreign nationals utilizing Startup Visa

- In February 2023, the FSA requested the provision of financial services to foreign

nationals with Startup Visas, and in order to follow up on the effectiveness of the request, the FSA conducted a questionnaire survey of local governments utilizing Startup Visas.

- According to the questionnaire, there were some cases in which the smooth opening of accounts was hindered by the fact that the contact person of financial institutions did not know the request or the content of Q&A regarding the validity period of certification documents.
- If a foreign national with a Startup Visa requests to open an account before six months after entering Japan, the FSA ask again of financial institutions that the foreign national be provided with an account equivalent to that of a resident after checking the certification documents, and that the site staff be informed of the request.

7. Publications from the Monitoring Department

- From June to July 2025, the Monitoring Department published the following reports:
 - *The Second Scenario Analysis on Climate-Related Risks (Banking Sector);*
 - *Practices and Issues on Climate-related Risk Management ~ Building on "Supervisory Guidance on Climate-related Risk Management and Client Engagement" ~;*
 - *FSA Analytical Notes: FSA Data Analysis Case Studies;*
 - *Analytical Report on IT Resilience in the Financial Sector;*
 - *Measures and Challenges on AML/CFT and Financial Crime Prevention (June 2025);*
 - *Results of Monitoring of Customer-Oriented Business Conduct by Companies Selling and Structuring Risk-Involving Financial Instruments; and*
 - *Report on Results of Dialogue on Fostering a Sound Corporate Culture and Conduct Risk Management System.*

(1) The Second Scenario Analysis on Climate-Related Risks (Banking Sector)

- The FSA and the Bank of Japan, in collaboration with three major banks, conducted the second scenario analysis on climate-related risks, summarized and published major findings, and issues and challenges.

(2) Practices and Issues on Climate-related Risk Management ~ Building on "Supervisory Guidance on Climate-related Risk Management and Client Engagement" ~

- The FSA held dialogues with financial institutions regarding their efforts to manage climate-related risks and to assist clients in mitigating climate-related risks, and published "Practices and Issues on Climate-related Risk Management", which illustrates practices and issues of financial institutions addressing climate-related risks.

(3) FSA Analytical Notes: FSA Data Analysis Case Studies

- On June 25 and July 4, 2025, the FSA published "The FSA Analytical Notes". The report includes "Attempt to identify early warning signals on credit risks using regional banks' loan data and macroeconomic indicators" and "A Quantitative and Textual Analysis of Climate-Related Risks in the Banking Sector".

(4) Analytical Report on IT Resilience in the Financial Sector

- On June 30, 2025, the FSA published the *Analytical Report on IT Resilience in the Financial Sector*. Against the backdrop of heightened geopolitical and cyber risks in recent years, the financial industry is required to further strengthen its resilience. In response, the FSA has reformulated the *Analytical Report on System Failures at Financial Institutions*, which was published until 2024, to include the perspectives of cybersecurity, cloud computing, and operational resilience.
- Executive leadership across financial institutions should regard IT and cyber risks as top priorities. Drawing on insights from this report and relevant case studies, they are urged to continuously reassess and enhance their governance structures, operational frameworks, investment approaches, and human capital development.
- To enhance IT resilience in the financial sector, the FSA will reinforce public support

measures—including inspections, monitoring, and information sharing—while encouraging institution-led efforts by the financial institutions and mutual cooperation across the industry.

(5) Measures and Challenges on AML/CFT and Financial Crime Prevention (June 2025)

- On June 27, 2025, the FSA published *Measures and Challenges on AML/CFT and Financial Crime Prevention (June 2025)*.
- With regard to AML/CFT measures, it is important to shift the focus to enhancing the established basic framework effectiveness verification, with an eye to the Financial Action Task Force (FATF) fifth mutual evaluation.
- With regard to financial crime measures, it is important to steadily promote the measures listed in the *Comprehensive Measures to Protect People from Frauds 2.0 (April 2025)*.
- The FSA would like to ask each financial institution to make efforts to enhance its own AML/CFT measures and anti-financial crime measures by referring to this report.

(6) Results of Monitoring of Customer-Oriented Business Conduct by Companies Selling and Structuring Risk-Involving Financial Instruments

- In Program Year 2024, in addition to following up on issues regarding foreign currency denominated lump-sum payment insurance and structured deposits that were filed in Program Year 2023, the FSA monitored the product governance and sales and management systems of sales companies, etc. for a wide range of financial instruments such as foreign stocks, fund wraps, structured bonds, foreign currency bonds, and investment trusts.
- The results of this monitoring were published as *Results of Monitoring of Customer-Oriented Business Conduct by Companies Selling and Structuring Risk-Involving Financial Instruments (July 1, 2025)*.
- Based on the results of dialogue with sales companies, etc. and qualitative and quantitative questionnaire surveys, this report summarizes the issues and innovations identified in sales companies, etc. with regard to their sales and management systems

for financial instruments, as well as the basic concept and important elements of the PDCA cycle for building a system for conducting customer-oriented sales of financial instruments.

- The FSA requests that management exercise leadership in ensuring customer-oriented business Conduct by referring to the results of this monitoring, etc.

(7) Report on Results of Dialogue on Fostering a Sound Corporate Culture and Conduct Risk Management System

- Examples of initiatives obtained through dialogues with major financial institutions were published in the *Report on Results of Dialogue on Fostering a Sound Corporate Culture and Conduct Risk Management System* (June 25, 2025).
- This report summarizes the basic concepts and examples for considering and implementing processes to reform corporate culture or manage conduct risks.
- The FSA would like management to reaffirm that it is necessary to encourage officers and employees to have a sense of standards in order to prevent the occurrence of scandals, and to use this report as a reference to exercise leadership to foster a sound corporate culture and properly manage conduct risks.

8. Strengthening measures against unauthorized access to customer accounts.

- Unauthorized access incidents involving securities accounts have the potential to undermine trust not only in the securities industry but in the financial sector as a whole. It is therefore imperative to urgently implement measures such as strengthening login authentication, enhancing countermeasures against website and email spoofing, improving the detection of suspicious transactions, setting transaction limits, promoting information sharing among financial institutions regarding attack methods and countermeasures, and reinforcing customer awareness initiatives.
- In light of this situation, the FSA, in cooperation with the National Police Agency, has decided to issue a written request containing the above content. The FSA will also monitor efforts to strengthen measures against unauthorized access.

9. Amendments to the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (review of measures for non-face-to-face identity verification)

- In light of the fact that fictitious deposit and savings accounts in other people's names are being used for frauds, the *Comprehensive Measures to Protect People from Frauds 2.0* (April 22, 2025) and the *Priority Plans for the Advancement of a Digital Society* (June 13, 2025) state a policy to unify, in principle, non-face-to-face identity verification methods with JPKI using My Number Card.
- Taking this into account, on June 24, 2025, the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was amended, and among non-face-to-face identity verification methods, it was decided to eliminate methods that pose a high risk of impersonation through falsifying identity verification documents. In addition, the National Police Agency is considering making it obligatory to read the information on the IC chip of My Number Card and other documents for face-to-face identity verification methods.
- This method is extremely effective as a countermeasure against the opening and unauthorized use of accounts with falsified identification cards. The FSA requests that each financial institution take action as soon as possible before the effective date (April 1, 2027).

10. Matching management personnel, etc. to medium-sized enterprises and SMEs

- Regarding REVICareer, a human resources platform that matches human resources from large companies as management personnel for regional medium-size enterprises and SMEs, the FSA will continue to work smoothly with the Ministry of Economy, Trade and Industry to promote the system, as the shortage of management personnel for medium-size enterprises and SMEs is a serious issue. Since REVICareer is not limited to the transfer of employment, but also includes additional jobs, side jobs, and secondments, the FSA ask financial institutions once again to cooperate with the personnel registration.

11. Report on the FSA AI Public-Private Forum

- On June 18, 2025, the first meeting of the FSA AI Public-Private Forum was held, inviting a variety of stakeholders, including financial institutions, AI model developers, and IT vendors, to share examples on AI initiatives and explore practical

issues.

- The FSA hopes that they will continue to participate actively in the forum. The FSA would also like to hear their opinions on the issues presented by the secretariat and how to proceed with the forum in the future.

12. Cabinet decision on Large-Boned Policies, Implementation Plan for a New Form of Capitalism, Local Revitalization 2.0 Basic Concept, etc.

- On June 13, 2025, the Cabinet decided on the *Basic Policy on Economic and Fiscal Management and Reform 2025*, the *2025 Grand Design and Action Plan for a New Form of Capitalism*, and the *Local Revitalization 2.0 Basic Concept*, among others.
- As for the FSA, the following measures are included:
 - Promoting initiatives aimed at realizing an asset management nation, such as further consideration of enhancing the NISA system, enhancing financial and economic education, corporate governance reform, and advancing the asset management industry;
 - Activating the distribution of unlisted stocks to support startups and supporting the formation of impact investment markets; and
 - Formulating and promoting the Regional Financial Strengthening Plan to encourage regional financial institutions to exercise their financial intermediary functions beyond lending, and to strengthen the management foundations of regional financial institutions.
- The Regional Financial Strengthening Plan is scheduled to be formulated within 2025. The Plan consists of the following two pillars:
 - (1) Measures to support various efforts by regional financial institutions toward local revitalization; and
 - (2) Strengthening the management foundations of regional financial institutions that play a key role in local revitalization.
- The FSA would like to hear from relevant parties a wide range of opinions and requests regarding the burden of policies, regulations, and supervisory monitoring in

promoting local revitalization.

- Since all measures included in the Government Policies are important, the FSA will focus its efforts on contributing to sustainable economic growth through finance.

13. Initiatives for sustainable finance

- The Impact Consortium, in which a wide range of stakeholders from the public and private sectors participate, has set up four subcommittees by theme and has been discussing them since the summer of 2024 in order to build momentum and expand the scope of impact investment.
- In June 2025, the subcommittees compiled the results of their discussions on (1) the development of data and indicators that can be used for impact investment, (2) impact investment methods for listed companies, (3) the significance of impact investment in local communities and specific examples, and (4) the promotion of collaboration between impact startups and local governments.
- In addition, with a view to enhancing the transparency and soundness of carbon credit transactions and promoting investor protection, the FSA has held the Study Group on the Financial Infrastructure for Carbon Credit Transactions since June 2024 to discuss initial issues at the dawn of the market.
- In June 2025, the Study Group compiled and published a report on issues deemed important for improving the transparency and soundness of carbon credit transactions. The FSA hope that this report will be utilized to further deepen the efforts of each financial institution.

14. Publication of revised FATF Recommendation 16 (cross-border payments)

- The Financial Action Task Force (FATF) published the revised Recommendation 16 on transparency of cross-border payments on June 18, 2025.
- The revision of the Recommendation is intended to ensure anti-money laundering measures and other measures necessary from the viewpoint of enhancing the payment transparency.
- Because of the many technical and complex requirements involved in the revision, it is assumed that a wide range of stakeholders would be affected in the

implementation. For this reason, the FATF plans to develop a practical guidance that explains the FATF's perspective in more details and to continue dialogue with private stakeholders for the smooth implementation.

15. G20 Finance Ministers and Central Bank Governors Meeting in July 2025

- The G20 Finance Ministers and Central Bank Governors Meeting was held in Durban, South Africa, from July 17 to 18, 2025.
- The next G20 Finance Ministers and Central Bank Governors Meeting is scheduled to be held in Washington, D.C. in October 2025. The FSA will continue to communicate with financial institutions and contribute to global discussions.

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