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

Held on April 14, 2026 (with the Japan Securities Dealers Association (JSDA))

1. Publication of the AI Discussion Paper (Version 1.1)

○ On March 3, 2026, the FSA published the AI Discussion Paper (Version 1.1). This document is an updated version of the Version 1.0 published in March 2025, incorporating discussions from the AI Public-Private Forum held from June to December 2025.

○ Version 1.1, drawing on insights shared at the AI Public-Private Forum, includes the following additions:

- With a focus on the use of AI in customer-facing services, it presents examples of initiatives aimed at mitigating risks across four phases: (i) design and prior verification, (ii) appropriate explanations and cautions, (iii) verification and monitoring, and (iv) governance.
- It also notes that financial institutions are gradually moving into a phase of implementing concrete initiatives to improve operational efficiency and create new business opportunities through the use of AI, and that top management is expected to take the lead in steadily improving business processes.

The paper is intended to serve as a reference when promoting the use of AI going forward.

○ Looking ahead, financial institutions are expected to further advance efforts to enhance their business models through the use of AI—namely, AI transformation. In doing so, if there are any concerns regarding risk management, laws and regulations, or related matters, financial institutions are encouraged to consult with the FSA without hesitation.

2. Publication of the results of the Financial Literacy Survey

○ The Japan Financial Literacy and Education Corporation (J-FLEC) published the results of its 2025 Financial Literacy Survey on March 27, 2026.

- The proportion of respondents who perceived that they had received financial and economic education increased to 8.7% from 7.1% in the previous survey in 2022.

- While the overall percentage of correct answers declined, the percentage of correct answers among those who reported having received financial and economic education increased compared with the previous survey.

- In order to achieve the government's goal of raising the proportion of people who perceive that they have received financial and economic education to 20% by the end of FY2028, further promotion of financial and economic education, including initiatives by financial institutions, is essential. Continued cooperation is therefore requested.

3. Measures toward stable asset building

- Amid heightened uncertainty in the Middle East, volatility in financial markets has increased.

- In order for individual investors, who are clients of financial institutions, to fully understand the importance of long-term, accumulative, and diversified investment, and to engage in asset building with confidence even during periods of significant market fluctuations, financial institutions are requested to provide information in a timely, clear, and proactive manner, including information necessary for making investment decisions, so as to alleviate clients' concerns.

  Financial institutions are also requested to respond courteously and appropriately to customer inquiries.

4. Publication of examples of the utilization of J-FLEC instructors by financial institutions

- In March 2026, J-FLEC published a collection of case studies on the utilization of J-FLEC instructors by financial institutions.

5. International Horticultural Expo 2027, Yokohama, Japan

- In March 2027, Yokohama Green Expo (official name: International Horticultural Expo 2027, Yokohama, Japan) will be held. This will be the first Expo to be held in the Tokyo metropolitan area (Tokyo and the neighboring three prefectures), and it will showcase to the world the appeal of flowers, greenery, food and agriculture, as well as Japanese technologies, such as those related to decarbonization, that contribute to addressing global environmental challenges.

○ The Yokohama Green Expo is being organized based on successive Cabinet decisions and Cabinet understandings. The government has submitted an application for recognition to the Bureau International des Expositions (BIE), obtained such recognition, and is currently proceeding with preparations in collaboration with the Association for the 2027 International Horticultural Exposition.

○ The Association has requested the FSA to cooperate in supporting the hosting of the Yokohama Green Expo. The FSA subsequently notified the JSDA on January 23, 2026. The JSDA is requested to inform its member financial institutions of this cooperation.

6. Response to unauthorized access and transactions in Internet transactions

○ On April 8,2026, the FSA announced on its website the status of incidents of unauthorized access to securities accounts and unauthorized trading as of the end of March 2026. As the incidents continue to occur, we request that securities companies continue to maintain a sense of urgency and alert investors and strengthen securities measures.

○ The implementation of mandatory phishing-resistant multi-factor authentication is requested by the end of June 2026. In the meantime, securities companies are requested to proceed in a planned manner to avoid confusion by informing customers of the implementation timeline and calling attention to encourage customers to enable it as early as possible.

○ In addition, where alternative means of multi-factor authentication are provided for unavoidable reasons on the part of customers, security companies are requested to minimize the risk of unauthorized transactions to the greatest extent possible by strengthening detection functions and implementing additional authentication layers.

○ We would like to ask each securities company to continue to recognize that the management has the responsibility for security measures and to make every possible effort to prevent the spread and recurrence of damage for customers.

7. Response to insider trading by a former director of a securities company

- It is deeply regrettable that a former director of a securities company has been indicted by the Tokyo District Public Prosecutors Office on charges of insider trading.

- As market intermediaries responsible for ensuring the fairness and transparency of markets, securities companies are required to maintain more robust legal compliance frameworks and internal control systems than other participants in financial and capital markets. Their officers and employees are also expected to conduct their duties with a high level of awareness of legal compliance, professional ethics, and self-discipline.

- In light of the recent occurrence of various legal violations and scandals, including this case, securities companies are requested, under the leadership of their management, to review their corporate information management systems, trading management systems and internal control frameworks for the prevention of insider trading. They are also requested to make ongoing efforts to foster a corporate culture that does not tolerate legal violations and to further enhance the ethical awareness of their officers and employees.

8. Fraudulent accounting case of alt Inc.

- In response to the accounting irregularities at alt Inc., the JSDA issued the "Guidelines for Underwriting Examination Based on Cases of Accounting Fraud at the Time of Initial Listing" on March 18, 2026.

- In order to respond to the increasing complexity and sophistication of fraudulent methods, securities companies conducting underwriting examinations are expected, based on the Guidelines, to ensure the effectiveness of underwriting examinations that appropriately address fraud risks, which they are responsible for managing as gatekeepers, while cooperating with relevant parties. At the same time, it is necessary to ensure that excessive burdens or undue influence are not imposed on companies preparing for listing that have not shown signs of irregularities.

- Securities companies are requested to conduct listing examinations thoroughly in accordance with self-regulatory rules and new Guidelines, in order to foster an IPO market in which investors can invest with confidence.

9. Request related to the Financial Action Task Force (FATF) statement dated February 13, 2026

○ At the FATF Plenary Meeting held from February 11 to 13, 2026, a statement on jurisdictions with significant strategic deficiencies in anti-money laundering and counter-terrorist financing measures was adopted.

○ The statement identifies Democratic People's Republic of Korea (DPRK) and Iran as jurisdictions subject to countermeasures, and Myanmar as a jurisdiction subject to enhanced due diligence measures proportionate to the risks arising from Myanmar. With regard to Iran, the following countermeasures have been added from this time:

- Refusing the establishment of subsidiaries or branches or representative offices of financial institutions and virtual asset service providers from Iran;
- Prohibiting financial institutions and virtual asset service providers from establishing branches or representative offices in Iran;
- On a risk basis, limiting business relationships or financial transactions, including virtual asset transactions, with Iran or persons in Iran; and
- Prohibiting financial institutions and virtual asset service providers from establishing new correspondent relationships and requiring them to undertake a risk-based review of existing correspondent relationships with financial institutions and virtual asset service providers in Iran.

○ In response, on April 13, 2026, the FSA and other relevant ministries and agencies issued the letter of request (“Appropriate Implementation of the Act on Prevention of Transfer of Criminal Proceeds Based on the FATF Statement Dated February 13, 2026”) to the relevant financial institutions and associations.

○ The letter of request calls for thorough implementation of the obligation, such as to confirm transactions and to report suspicious transactions, based on the Act on Prevention of Transfer of Criminal Proceeds. The FSA strongly requests that all affiliated financial institutions be fully informed of this obligation.

10. Toward the enforcement of the Act on the Promotion of Cash Flow-Based Lending (Enterprise Value Charge)

○ On May 25, 2026, the Act on the Promotion of Cash Flow-Based Lending will come into effect, and the Enterprise Value Charge (EVC) is introduced.

○ The EVC is a new type of security interest (collateral system) designed to facilitate the procurement of funds necessary for a company's business activities and to support the continuation and growth of those activities.

○ An EVC may be created not only in connection with business loans but also in relation to corporate bonds. In principal, the Secured Bonds Trust Act applies to secured bonds. However, when an EVC is created in relation to bonds, certain provisions of the Secured Bonds Trust Act are deemed to be replaced by special provisions in order to ensure functional equivalence with business loans and to enhance the usability of the system.

○ As the EVC is an entirely new legal framework, there remain areas that may require further clarification in practice. If you have any questions or concerns regarding the use of the EVC, including its application to bonds, please feel free to consult with the FSA.

11. Recent trends in measures against money laundering and financial crimes

○ With regard to measures against money laundering and other financial crimes, there are many issues that require attention, including revisions of laws, regulations, and guidelines.

<Update on the case studies on effectiveness validation>

○ In March 2025, the FSA published its views on effectiveness validation, an initiative through which financial institutions seek to maintain and enhance their frameworks in response to evolving money laundering and other financing risks, together with a collection of case studies illustrating financial institutions' efforts in this regard.

○ Approximately one year has passed since its publication. In order to further promote financial institutions' efforts toward effectiveness validation, the case studies were updated in March 2026 to incorporate those of depository institutions, crypto-asset exchange service providers, fund transfer service providers, and other entities identified through supervisory monitoring conducted to date.

○ Financial institutions are requested to continue engaging in effectiveness validation, with reference to the updated case studies.

<Amendments to the Enforcement Regulation of the Act on Prevention of Transfer of Criminal Proceeds (review of measures for face-to-face identity verification)>

○ On March 6, 2026, the Enforcement Regulation of the Act on Prevention of Transfer of Criminal Proceeds was amended. Under the amendment, the current face-to-face identity verification method, whereby customers present a photo identification document in person, will be limited to identification documents equipped with an IC chip, and the reading of information stored on the IC chip will be made mandatory. In principle, other methods of identity verification will be abolished.

○ As with the revision to the non-face-to-face identity verification method in June 2025, this amendment will come into effect on April 1, 2027. Financial institutions are therefore requested to steadily proceed with the necessary system implementation and other related measures.

<Revision of the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and publication of the related FAQ>

○ With regard to measures against money laundering and terrorist financing, financial institutions had completed the measures required under the Guidelines for AML/CFT by the end of March 2024, thereby establishing a basic framework for managing money laundering and other risks.

○ The Guidelines for AML/CFT and the related FAQs were revised and published in March 2026 to reflect changes in the environment surrounding financial institutions, including the strengthening of measures to prevent the unauthorized use of deposit and savings accounts and the methodology for the FATF's fifth round of mutual evaluations.

○ Financial institutions are requested to continue their efforts to maintain and enhance their frameworks, taking into account the revised Guidelines for AML/CFT and the related FAQs.

12. Sales of private asset funds

○ Private asset funds have traditionally been utilized primarily by institutional investors. In recent years, however, mid-sized and internet-based securities firms, as well as regional banks, have begun offering such products. In addition, products that can be purchased in relatively small amounts have become available, thereby expanding investment opportunities for individual investors, particularly high-net-worth individuals.

- These products differ from traditional assets in terms of liquidity, disclosure of information, and the transparency and frequency of valuation. Moreover, depending on the type of private assets involved, it may be extremely difficult for customers to fully understand the underlying investment assets.

- Accordingly, when proposing and selling such products, it is important not only to comply with the principle of suitability, but also to ensure that customers can tolerate liquidity risk and the risk of loss of principal, to provide optimal portfolio proposals that take into account customers' overall asset holdings, and to offer clear and easy-to-understand explanations so that customers can adequately understand the nature and risks of the products.

- In this regard, it is common for financial institutions, as the criteria for initiating solicitation, to set the minimum level of customers' financial assets and upper limits on the proportion of such products—including illiquid and high-risk products—within their overall portfolios.

- Private asset funds are considered to play an important role in supplying growth capital to startups and to serve as one of the options for constructing optimal investment portfolios for investors. In order to foster the sound development of the market, sales firms are expected to make appropriate proposals and conduct appropriate sales activities for suitable customer segments.

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