

Summary Points from Monitoring Priorities for Securities Businesses

(July 2017-June 2018)

Principle approach

- Decide which securities businesses to be subject to on-site monitoring based on risks identified through off-site monitoring
- Analyze the whole picture of the problems and identify their root causes to prevent recurrence
- Encourage securities businesses to improve a situation if they have potential issues which may not necessarily have become materialized problems

Last business year

- Risk assessment of the following:
 - ✓ firms' business models
 - ✓ the effectiveness of governance
 - ✓ the appropriateness of risk management
- Effective screening to identify high-risk securities businesses based on the analysis of risks of products and tips provided by outside sources

Current business year

- Utilize accumulated knowledge from last business year's activities
- Focus more on changes of the regulated firms' business models
- Conduct on-site monitoring in cases where any of the following situations are identified:
 - Violations of laws or internal control deficiencies that need immediate attention
 - Solicitation for financial instruments with unclear risk profile
 - Possible serious problems concerning protection of investors (e.g., segregated management of customer assets is not ensured)