

Closing remarks

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It is such a pleasure to see so many participants attending today's conference. On behalf of the host, I would like to express my heartfelt gratitude to you all for taking the time out of your busy schedules and enthusiastically participating in the conference until the end.

I would also like to specially thank Japan Exchange Group and the Japan Securities Dealers Association, as well as Mr. Takafumi Sato, President of the Japan Exchange Regulation, and Mr. Ashley Alder, CEO of the Securities and Futures Commission of Hong Kong, who delivered the keynote speeches, and all the moderators and panelists, for their tremendous support in holding this conference.

1. Relationship between the conference agenda and the SESC

We selected the themes for all three sessions with a view to discussing with you the future roles and challenges of the SESC, in light of the extremely severe conditions surrounding Japan's capital market in recent years.

The first session was about the key to a shift from savings to asset formation. The moderator, Mr. Yoshino, spoke about the challenges and the future direction of Japan's securities market. We could strongly relate to the strong message he delivered based on his deep insights gained through watching the market over many years.

In the beginning, Mr. Yufu introduced to us the initiatives of the Financial Services Agency for achieving a shift from savings to asset formation. Then, Mr. Nojiri told us about development of an environment for promoting investment as well as response to the generation which will de-cumulate their invested assets. Mr. Takahashi talked about the GPIF's investment horizon being 100 years and its initiative for the ESG (environment, social and governance) Investment. Their messages made us recognize again that market participants are being required to

change according to their respective roles.

Then, Mr. Leder told us that even the U.S. market, which is deemed advanced, has various issues and people in the market boldly strive to address those issues. As the fellow Commissioner Ms. Indo said, we as the SESC once again realized the need to contribute to improving the self-discipline of market participants and to maintaining the soundness of the market through dialogue and publication of information.

The second session focused on corporate governance of globally active enterprises. As explained by the moderator, Mr. Tanaka, it is an urgent challenge for globally-active Japanese enterprises to further enhance their group governance, in order to recover investors' trust in them amid the recent accounting fraud by globally-active enterprises and challenges in governance of overseas subsidiaries.

Mr. Sugiyama shared with us the difficulty of managing the entire group and measures to improve communication between individuals, while Mr. Kamiya pointed out the challenges of group governance from an auditor's standpoint. Mr. Saito explained issues including the reason that Japanese enterprises need corporate governance by comparing Japanese and U.S. companies. Then, Mr. Olcott explained about the Japanese enterprises' characteristics and challenges compared with especially U.K. companies from a governance perspective, and Mr. Allen told us about the importance of governance from investors' point of view.

It is important from a governance perspective for globally-active Japanese enterprises to increase the efficiency of their entire groups and to further fulfill their accountability to investors. So we strongly recognized the need for the SESC to ensure effective disclosure inspections, and to conduct more in-depth market surveillance initiatives, by tracing down the corporate culture that serves as the root cause as well as by pointing out misconducts.

In the third session, the moderator, Mr. Iwashita, discussed a desirable form of market surveillance amid the progress of information technology.

Mr. Kaizuka talked about business blockchain technology, and Mr. Matsuzaki introduced the JPX-R's initiative regarding artificial intelligence, with an implication that it is the key for market surveillance to correctly understand the real picture of the market. Then, Mr. Mohanty shared with us the advanced initiatives conducted in Singapore, which were full of insights. It helped us think about possible measures that could be taken in Japan from the aspects of both the protection of users and the promotion of innovation.

Such IT development will lead to expansion of the data to be analyzed, which will

require a new market surveillance system. As Mr. Morita mentioned, it will be increasingly important to promote a RegTech ecosystem as an environment ensuring efficient and effective analysis through dialogue between the public and private sectors. In this regard, we strongly ask for your cooperation as market participants.

2. *Closing remarks*

I am extremely grateful to have received so many insights and encouragements from you in this milestone year of the 25th anniversary. At the same time, I felt the high expectations placed on the SESC and the weight of its responsibility. We must straighten ourselves to meet such expectations and perform the responsibility.

Through active dialogue with you and other market participants, we will continue to make contributions to achieving sustainable growth of the national economy. In addition, we intend to prevent and eliminate unfair market practices that could deter investment activity, by tracing down the root causes, and to improve our surveillance techniques as a surveillance expert.

However, development of Japan's capital market cannot be realized without the efforts and cooperation of market participants. Therefore, I sincerely ask for your continued support.

Lastly, I would like to conclude my speech by hoping that Japan's financial and capital markets will further achieve sound development through increased efforts of the SESC and all of you here today. Thank you very much for coming today.

(End)