

Summary of Monitoring Priorities for Securities Businesses (July 2025 - June 2026)



Background to monitoring priorities for securities businesses

1. Findings through the securities business monitoring over the past business year

- Type I FIBOs (Financial Instruments Business Operators): false notifications and misleading representations; inappropriate solicitations in light of customer attributes; deficiencies in trade management environment
- Investment management business operators: business operations that conflict with the basic terms and conditions of investment trust contracts
- Investment advisors: violation of duty of loyalty; false notifications and misleading representations; provision of special benefits
- Type II FIBOs: failure to satisfy statutory requirements pertaining to separate management of investments in funds, etc.
- QII business operators: violation of duty of loyalty
- Unregistered business operators: Type II financial instruments business and investment management business operations without registration

2. Environment surrounding FIBOs

Customer-oriented business conduct, cybersecurity risks, increase in the amount of damage from fraudulent investment solicitation, spread of new financial instruments, etc.

3. Changes to regulatory frameworks for FIBOs

(i) Measures for ensuring customer-oriented business conduct; (ii) Response to the progress in digitalization, etc.; (iii) Sophistication and diversification of asset management; (iv) Measures against investment scams and unregistered business operators, etc.



Industry-wide monitoring priorities

1. Development of internal control environments with a focus on appropriate investment solicitation based on the principle of suitability, and appropriate sales operations based on customer-oriented business conduct (sale of complex or high-risk products; solicitation of unreasonable short-term rollovers; sale and solicitation by bank-securities collaborative business; development of internal control environments to prevent misconduct)
2. Sufficiency of cybersecurity measures in light of the “Guidelines for Cybersecurity in the Financial Sector” and system risk management (including management of system development and operation and management of trustees) in response to progress in digitalization
3. Business model changes and the development of internal control environments in response to such changes
4. Firm establishment of internal control environments for AML/CFT (Anti-Money Laundering and Combating the Financing of Terrorism)
5. Implementation of measures to improve or prevent the recurrence of matters pointed out in internal audits or SROs (self-regulatory organizations) examinations

Monitoring priorities by FIBOs' size and business type

Type I FIBOs	Major securities business groups	<ul style="list-style-type: none"> Control environments for governance and risk management that support global business operations Efforts to build sustainable business models Internal control environments, including those for detecting and preventing market misconduct
	Foreign securities firms	<ul style="list-style-type: none"> Internal control environments in response to the overseas outsourcing of back-office operations and control environments for system risk management Control environments for managing sales of financial instruments to Japanese financial institutions and other investors
	Online securities firms	<ul style="list-style-type: none"> Control environments for system risk management, including cybersecurity measures, in response to increases in damage due to recent cases of unauthorized access and transactions in internet transactions (including OTC securities firms also offering internet transaction services) Control environments for managing outsourcees in response to the expansion of face-to-face sales utilizing financial instruments intermediary service providers; business operation environments in light of business model changes, such as provision of new products and services. Internal control environments, including effective transaction management that can deal with increases in newly opened accounts and transaction volume, associated with the new NISA (Nippon Individual Savings Account) program, etc.
	Semi-major/regional securities firms, etc.	<ul style="list-style-type: none"> Efforts to build sustainable business models Compliance with the principle of suitability
	Foreign exchange margin transactions business operators	<ul style="list-style-type: none"> Adequate internal control environments for relevant advertising and sales/solicitation regulations Settlement risk management, including the implementation of stress testing.
Investment management business operators		<ul style="list-style-type: none"> Actual investment practices (including observance of internal rules); control environments for managing investment (including those outsourced) and conflicts of interest (including whether there is a system in place under which the appropriateness of transactions can be examined ex-post facto), etc.
Investment advisors/agencies		<ul style="list-style-type: none"> Solicitation through false explanations; advertisement using social media Transactions taking advantage of information on customers' transactions
Type II FIBOs, QII business operators		<ul style="list-style-type: none"> Existence of funds claiming high returns and the substantiveness of investment projects
Registered financial institutions		<ul style="list-style-type: none"> Appropriateness of investment solicitation Internal control environments regarding the principle of suitability
Financial instruments intermediary service providers, etc.		<ul style="list-style-type: none"> Appropriateness of investment solicitation Sufficient management by their entrusting FIBOs
Unregistered business operators		<ul style="list-style-type: none"> Proactive exercise of investigative authority to file a petition with the court for a prohibition and stay order against illegal conduct Disclosure of the names of and illegal conduct by unregistered business operators and their representatives Stronger vigilance on advertisement through social media Further dissemination of information including alerts Focus on addressing cross-border cases in cooperation with foreign authorities Stronger collaboration with relevant JFSA (Financial Services Agency, Japan) divisions, LFBs (Local Finance Bureaus), investigative authorities, and the Consumer Affairs Agency.

Approach to the securities business monitoring

- The SESC (Securities and Exchange Surveillance Commission) will continue to identify and assess risks in collaboration with relevant JFSA divisions, select FIBOs for risk-based inspection, and proactively inspect them to ascertain their actual situations with a focus on the following cases. In doing so, the SESC will conduct inspections in a flexible manner, such as narrowing down verification items as necessary.
 - i. where there are specific legal violations or doubts about business operations, which necessitates prompt in-depth verification;
 - ii. where an FIBO's actual business operations cannot be fully comprehended through monitoring-based information analyses alone (including where an FIBO has never been inspected or has not been inspected for a long time, and an FIBO's business model or business operation environment has changed as a result of merger, etc.);
 - iii. where there is a need to ascertain the actual conditions regarding risks of financial instruments dealt in and the appropriateness of segregation of customer assets
- In its inspections, the SESC will seek to examine and point out problems in a practical and meaningful manner. Where necessary, the SESC will swiftly inspect sales offices to ascertain the actual sales practices there. Going further than just pointing out problems and recommending administrative disciplinary actions, the SESC will analyze the whole picture of the problems to identify their root causes, to help develop effective measures to prevent recurrence. In addition, when there is a need to improve business operations before any potential issues materialize, the SESC will share its awareness with the inspected FIBOs to encourage actions such as building effective internal control environments.

Cooperation with relevant organizations and dissemination of inspection results

- The SESC will work closely with LFBs from the planning stage of monitoring and inspection, and support them by exercising its coordination function, considering possible cases where FIBOs conduct substantial businesses at places different from their registered headquarters. As necessary, the SESC will conduct joint inspections with, and arrange inspection support between, LFBs, thereby making efforts to effectively utilize human resources and to share know-how.
- The SESC will seek to coordinate with the JFSA's inspection divisions and LFBs in its inspections of crypto-asset exchange service providers and financial service intermediaries.
- The SESC will continue close collaboration with SROs. The SESC and SROs will share findings and awareness identified in inspections and audits, as well as the status of the follow-up thereof, in a timely and interactive manner. The SESC will assist newly inaugurated SROs with their efforts to strengthen their self-regulatory functions.
- The SESC will strengthen collaboration with investigative authorities and the Consumer Affairs Agency through sharing information on unregistered business operators, exchanging personnel, and providing lectures.
- The SESC will share inspection results also with FIBOs' audit-related staff and outside directors, thereby encouraging those FIBOs to voluntarily improve practices.