Summary of Monitoring Priorities for Securities Businesses (July 2026 - June 2027)

Industry-wide monitoring priorities

1. Business operations conducted with due regard for the best interests of customers, and the status of appropriate investment solicitation based on the suitability principle
2. Status of system risk management measures
3. Firm establishment of internal control environments for AML/CFT (Anti-Money Laundering/Countering the Financing of Terrorism)
4. Status of implementation of measures to ensure the effectiveness of internal control frameworks

Monitoring priorities by FIBOs' size and business type

Type I FIBOs	Major securities business groups	• Control environments for governance and risk management that support global business operations • Internal control frameworks for trade surveillance, the management of corporate information, and underwriting review
Type I FIBOs	Foreign securities firms	• 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
Type I FIBOs	Online securities firms	• Control frameworks for cybersecurity measures, customer due diligence at the time of transactions, and trade monitoring • 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
Type I FIBOs	Semi-major/ regional securities firms, etc.	• Efforts to build sustainable business models • Development of internal control frameworks in response to changes in business operations, appropriate screening and subsequent monitoring for the introduction of new products, and compliance with the suitability principle
Type I FIBOs	Foreign exchange margin transactions business operators	• Adequate internal control environments for relevant advertising and sales/solicitation regulations • Settlement risk management, including the implementation of stress testing

Investment management business operators	• Whether any breaches of fiduciary duty have occurred and whether conflicts of interest are being managed appropriately • Actual investment practices and the status of investment management frameworks
Investment advisors/agencies	• Solicitation through false or misleading explanations, and advertising using false or misleading methods • Transactions that take advantage of information on transactions conducted by customers receiving advice, and other breaches of fiduciary duty
Type II FIBOs, QII business operators	• Existence of funds claiming high returns and the substantiveness of investment projects
Registered financial institutions	• Appropriateness of investment solicitation • Internal control environments regarding the principle of suitability
Financial instruments intermediary service providers, etc.	• Appropriateness of investment solicitation • Sufficient management by their entrusting FIBOs
Unregistered business operators	• Proactive exercise of investigative authority to file a petition with the court for a prohibition and stay order against illegal conduct, and disclosure of the names of and illegal conduct by unregistered business operators and their representatives • Stronger vigilance on advertisement through social media, and 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, RFBs (Regional 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 concerns about business operations that require prompt and in-depth verification (cases in which unregistered operators may be directly or indirectly involved in such operations, etc.);
  - ii. where an FIBO's actual business operations cannot be fully comprehended through monitoring-based information analyses alone (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. When any problem is found, the SESC will ascertain the whole picture of the case through in-depth discussions, searching for root causes. Furthermore, rather than merely taking such actions as making a recommendation for administrative disciplinary actions, the SESC will encourage such actions as building effective internal control environments to prevent the occurrence and recurrence of violations. 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 RFBs from the planning stage of inspections 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, RFBs, thereby making efforts to effectively utilize human resources and to share know-how.
- In response to changes in the market environment and revisions to regulatory frameworks, the SESC will address cases involving new types of business, including those associated with the development of digital technologies and the expansion of new financial products, in collaboration with relevant JFSA divisions and other relevant organizations, as necessary.
- 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 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.