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Interview with State Minister for Financial Services IBAYASHI Tatsunori



IBAYASHI Tatsunori

Birth date	July 18, 1976
Birthplace	Tokyo
Constituency	Shizuoka No. 2
Hobbies	Baseball and swimming

We interviewed Mr. IBAYASHI Tatsunori, who took office as State Minister for Financial Services on September 15, 2023, upon the second reshuffling of the second KISHIDA Cabinet.

— First, please tell us about your career and your resolutions.

I originally worked for the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), but I made up my mind to be a politician, and this year: my eleventh year as a Diet member, I was appointed as State Minister for Financial Services.

As a Diet member, I initially took charge of land and transport-related policies as I majored in environmental engineering at university and I was from the MLIT. However, I came to realize the need to study finance and economy in order to deliberate on policies for Japan as a whole, and I joined the Committee on Financial Affairs of the House of Representatives and the LDP's Treasury and Finance Division.

This time, I was appointed as State Minister for Financial Services. I would like to perform my duties by leveraging what I have learned so far so as to make Japan better amid moves aiming to achieve a leading asset management center and a shift of assets from savings to investment.

— Please tell us how you have engaged in financial administration, what you have recognized as problems in that process, and what you would like to tackle with.

The basic purpose of finance is to enrich people's lives.

Finance covers a broad range of fields, many of which are international and highly specialized.

Nevertheless, the very basic purpose of finance is to enrich people's lives, as shown in the ideas concerning a leading asset management center and the Doubling Asset-based Income Plan. Therefore, it does not suffice to enable only specific people, such as those engaging in finance, to gain profits. The most important is to improve the real economy and to let many people enjoy benefits therefrom.

As a problem, I have thoughts about failures of financial institutions' ATMs, for example. Soon after I assumed office as State Minister for Financial Services, there was an incident that money transfers via ATMs were suspended due to the system failure of the Zengin Net. From the perspective of profit structures of financial institutions, not only large banks but also agricultural cooperative banks and regional financial institutions are now integrating their branches and decreasing the number of ATMs. Now is said to be a cashless era, but the incident revealed the fact that suspension of ATM services exerts a significant impact in society, and made me reaffirm the importance of ATMs. However, the importance of securing ATMs has never been discussed in financial administration, or at least has never been picked up as an agenda in various councils and meetings. I would like to deal with this issue with a keen awareness.

— You mean that the viewpoint how finance affects society as a whole is further required in financial administration and financial discussions, instead of merely focusing on discussions among specialists. Is that correct?

The FSA's task is to consider what to do in order to enrich the Japanese society and economy and to design systems accordingly.

For example, let me cite crypto-assets and the Payment Services Act. There are technologies concerning crypto-assets and there are people doing business using them. The FSA has accepted those technologies as a legal system that users are protected thereunder. Why has the FSA accepted crypto-assets and been protecting users thereof? To consider how to enrich the Japanese society and economy with crypto-assets and to design relevant systems accordingly is what is expected of the FSA and financial administration, I think.

When any new technology emerges, such as crypto-assets, the FSA should design relevant systems and provide legal explanations while considering how to enrich Japan by using the new systems, instead of unilaterally imposing prohibition or just accepting and approving the existence of the relevant technology. Otherwise, it would be difficult to obtain the understanding of many people.

— You are in charge of many affairs as the top State Minister of the Cabinet Office, additionally as the State Minister for Financial Services. What are you particularly conscious of or what affairs need your special attention?

The FSA's mission will further change with the times.

Pondering the significance that the State Minister for Financial Services concurrently assumes other posts and compiles the entirety of the economic and fiscal policy, I am participating in discussions on economy as a whole. I think that the coverage of finance, or in particular, the fields that the FSA covers among the economic and fiscal policy is very large.

I am engaging in various affairs as State Minister of the Cabinet Office under Minister Suzuki and also under Minister Shindo. The Cabinet Office must always address challenges for the administration at the time, and I myself also consider my own destiny and am fulfilling assigned duties while separating them as duties for the FSA and duties for the Cabinet Office.

The fact that financial administration is included in the economic and fiscal policy, which I take charge of at the Cabinet Office, suggests that finance is at the center of social and economic activities. In the past, the FSA strictly regulated financial institutions, but the mission currently imposed on the FSA is to achieve a new form of capitalism, a leading asset management center, and a shift of assets from savings to investment as important challenges for the economy and society. We have to endeavor to fulfil such mission, but the FSA's mission will further change with the times. Nevertheless, I think that finance continues to occupy an important position in society and economy to a certain degree.



Photo: During the interview

— Please tell us about your role as a politician. What made you decide to leave the MLIT and become a politician?

Love for my hometown, Kawane, and the pure wish to create something big and valuable triggered me.

First of all, one of the reasons for entering the MLIT was my passion toward my hometown, Kawane (Kawanehoncho, Shizuoka Prefecture). I had a wish to return to Kawane in the future and I imagined my future life in a rural area even during my university days. I saw the Nagashima Dam, which was constructed in Kawane, and purely wished to create something remarkable myself, and I studied environmental engineering at the university and entered the MLIT.

Talking about what motivated me to leave the MLIT and become a politician, in those days, the MLIT was undergoing reform of its cost structure with reduced budgets under the catch phrase "From Concrete to People." I felt frustrated with my duties as a civil servant in contrast to my wish to create something big. At that time, I happened to know that the Liberal Democratic Party was publicly seeking candidates for the constituency for Kawane, to which I had wanted to return someday, and I decided to be a politician. Additionally, in those days, the MLIT faced public works bashing and I felt that my work was not accepted by the general public. Therefore, I saw it as a good opportunity and decided on a career change.

I do not take civil-service job negatively. I know that civil servants are engaging in various duties with their beliefs and missions, and staff members of the FSA are also aggressively fulfilling their duties to achieve the FSA's mission. In response, I think that politicians must advance discussions to support the intentions of those individual civil servants.

— What awareness have you had or what do you keep in mind as a politician?

I would like to create a society in which anyone can receive education as they desire and can live a life and get a job as they desire with their efforts.

To be honest, I feel that hilly and mountainous areas are left behind when we talk about the entirety of the economic and fiscal policy. I will keep this in mind while engaging in my duties in the financial sector.

Then, I have two things in mind as a politician. One is my grandmother who had lived in my hometown, a rural area, throughout her life. She had protected our extended family alone after my grandfather died. When I returned to my hometown in my high school days and was studying, she said to me in tears, "Please come back here someday, Tatsunori. I will hold on here until then." A generation that had worked hard in a rural area had to ask their grandchildren, in tears, to come back. I felt that such society is wrong. People have freedom to choose their jobs and their places to live, but I am aware of this as a fundamental problem of rural areas, not limited to hilly and mountainous areas.

Another is that we started to deliberate on the possibility to support people in poverty with pensions or other means amid talks on how to achieve a leading asset management center. To tell the truth, when I was a first-grader, my family was exempted from school lunch fees. I was raised in a poor family environment but could study at university thanks to my parents' hard work, and now I am working as a politician. A child from a family exempted from school lunch fees, like me, or any person in poverty can receive education as they desire and can live a life and get a job as they desire with their efforts. I would like to create such society, and I think that finance and economic and fiscal policy should exist for that purpose.

Finance serves as a social infrastructure and is the blood for economy.

In hilly and mountainous areas, financial institutions are withdrawing due to population declines and depopulation. People living in hilly and mountainous areas are burdened by various handicaps in just receiving loans, for example. Withdrawals of branches are in line with economic rationality, but we need to consider whether those decisions are actually right. Regarding means of transportation, there are cases where bus services have replaced abandoned unprofitable railway lines. It is the same with finance from the perspective of maintaining the provision of a social infrastructure. I think that some considerations should also be given to withdrawals of financial institutions.

It is said that finance serves as a social infrastructure and is the blood for economy. Therefore, now we should consider the issue of towns without financial institutions in financial administration. For that purpose, financial

institutions need to gain profits in the first place, or there is the need to develop a mechanism to compensate for the shortage in their profits. How to achieve this is a very important issue, I think.

(Interviewer: YANO Shohei, Director of the Public Relations Office)



Photo: During the interview

Interview with Parliamentary Vice-Minister for Financial Services KANDA Junichi



KANDA Junichi

Birth date September 27, 1970

Birthplace Aomori

Constituency Aomori No. 2

Hobbies Jogging

We interviewed Mr. KANDA Junichi, who took office as Parliamentary Vice-Minister for Financial Services on September 15, 2023, upon the second reshuffling of the second KISHIDA Cabinet.

— First, please tell us about your career.

After graduating university, I entered the Bank of Japan (BOJ), where I worked for about 20 years. At the BOJ, I had long engaged in inspections of major banks, large securities companies and foreign securities companies. In addition, at the Information System Services Department, I took charge of the planning of the Bank of Japan Financial Network System (BOJ-Net) and internal systems.

Partly due to such career, I was temporarily transferred to the FSA's Banking, Payment and Insurance Regulations Office as a Senior Coordinator in charge of payment enhancement and FinTech for two years from August 2015 to the end of June 2017. Around that time, payment methods and services in the financial sector were advancing rapidly thanks to new digital technologies and the internet, and the FSA was facing difficulties in balancing innovation and regulations as to how the financial administration should regulate the advancement or back up newly emerging businesses. It was a transitional time for the FSA as well, but was very interesting for me as I felt that this field would develop many possibilities of Japan's finance.

Then, at the end of August 2017, I resigned from the BOJ and moved to Money Forward, Inc., a

FinTech company, in September 2017. At Money Forward, I took charge of collaboration between financial institutions and FinTech companies and the field called Open API.

In the summer of 2021, Mr. OHSHIMA Tadanori, former Speaker of the House of Representatives, requested me to succeed to him as he would resign. Therefore, I ran for the House of Representatives.

— Please tell us about your resolve as Parliamentary Vice-Minister for Financial Services.

Finance exerts great power in making various achievements. I would like to enhance such potential of finance.

I have engaged in finance for a considerable period of time in my vocational career, and I was also temporarily transferred to a life insurance company once. I directly saw private financial institutions through inspections I conducted as a BOJ staff member, and I have experience of working for a life insurance company, and for the central bank, the FSA, and a private FinTech company. In that sense, I have seen finance from various standpoints, and through such experience, I came to understand that finance has a very strong power. For example, finance exerts great power in advancing the economy, enriching people's lives, or otherwise making various achievements, and serves as leverage in getting various things done, I think.

In particular, Japan is currently facing diverse challenges economically and financially, but finance may work in many scenes to deal with those challenges. I think it important to surely enhance the potential of finance. On the other hand, finance may cause serious turmoil in society in such form as a financial crisis, and it is fundamentally important to maintain credit as a basis therefor. The same applies to payment methods. They may cause serious social and economic turmoil but are fulfilling very important social and economic functions. It is required to balance a defensive stance based on the idea that finance constitutes the basis of society and an offensive stance based on the idea that finance has power to move society dramatically. I would like to consider how to balance those stances in each phase based on past experience gained through my diverse career.

— Do you feel that the FSA is properly responded to various opinions of businesses?

The FSA has successfully taken the initiative in altering Japan's finance.

I think an ideal form of administration or how the FSA should behave, in particular, changes with the times. Amid the financial crisis, the FSA was required to be conservative and strict and to have communications with private companies while maintaining a harsh attitude. However, when I was temporarily transferred to the FSA, financial institutions' risk management had been enhanced and new services were emerging with the advancement of digital technologies, and theoretical discussions alone had become no longer effective in understanding matters in new fields, in particular.

At that time, careful communications were required and the FSA was expected to catch up with the latest moves in the private sector and acquire new information through communications and to impose regulations as necessary based on flexible ideas.

I also endeavored to fulfill my duties by trial and error. From that time to the present, staff members of the FSA have successfully caught up with the latest moves through exchanges with people in the private sector, I think. Seeing such stance of the FSA, private financial institutions have voluntarily made efforts in the fields relating to digital technologies and the internet and have been positively incorporating new moves. In that sense, I highly evaluate the fact that the FSA has successfully taken the initiative in altering Japan's finance.



Photo: During the interview

— You are in charge of many affairs as the Parliamentary Vice-Minister of the Cabinet Office, additionally as the Parliamentary Vice-Minister for Financial Services. What are you particularly conscious of or what areas need your special attention?

I would like to have communications that are not in a silo approach.

I feel it very advantageous that I will engage in my duties as the Parliamentary Vice-Minister of the Cabinet Office both under Minister Suzuki and Minister Shindo. Finance, economy, taxation and financial policy are all closely related to each other, instead of being divided vertically, as I have learned through my career so far. I think that these should be dealt with integrally in consideration of mutual impacts among them.

In that sense, as I was appointed as Parliamentary Vice-Minister of the Cabinet Office and am allowed to consider finance, economy, taxation and financial policy comprehensively and integrally, not separately, I feel it easier for me to fulfil my duties. Further, I think that matters relating to the digital field should also be included in our deliberations. I would like to incorporate those points as well and make collaboration with related parties in fulfilling my duties.

I handle a wide range of matters and I have my office both in the FSA and the Cabinet Office, but I would like to have communications broadly with staff members of both of them with an awareness of the importance to ensure that they work with mutual understanding of individuals' duties.

— What made you decide to be a politician after your career mainly in the financial sector?

Japan's vitality will deteriorate unless we resolve current problems in the Japanese economy and society as a whole. Those problems must be resolved with politics.

I did not always have the intention to be a politician. I studied economics at the university and

entered the BOJ with the wish to financially contribute to the Japanese economy as a whole. I was assigned with various tasks worth doing. At the time of the Lehman Shock in particular, I continued monitoring cash flows of foreign financial institutions in crisis and provided special loans of 2 trillion yen from the BOJ every day for around half a year, filled with a sense of tension, fearing a possible world depression that might be caused by a shortage of funds of any major financial institution. I felt that I was making certain contributions to the Japanese economy.

However, as I experienced the Great East Japan Earthquake, the Abenomics and large-scale monetary easing measures, and the deflation era, and saw efforts made by individual financial institutions and companies in respective areas, I came to often feel that significant problems of the Japanese economy and Japanese society as a whole would not be resolved without drastic alterations of the entirety of economic trends and policies. While I engaged in making policies at the FSA, created new services at a private company or had various other experiences, such feeling became stronger and stronger. Individual matters would be improved gradually, but the vitality of the Japanese economy and society would surely deteriorate unless measures were taken to resolve significant problems covering the entirety of the Japanese economy and society. I felt irritated and felt that it might be the time to resolve those problems with politics. Just then, Mr. Ohshima, who was also a senior student during my high school days, requested me to be his successor, and I decided to be a politician.

I would like to be one of the politicians who will change the national politics.

I said that politics alter various systems and social mechanisms, but I think politics themselves need to change for that purpose. If conventional decision-making process is still employed and hinders new big decisions from being made, this suggests the reality that requires changes in politics themselves.

However, I feel that it is also a transitional time for politics and buds of change are appearing in politics. I feel a powerful momentum for changing politics when I talk with my seniors and colleagues. I would like to be one of the politicians who will change the national politics.

— **What are you particularly conscious of or what do you keep in mind as a politician?**

The Japanese economy can further grow if the potential of local areas is enhanced.

There are roughly two things. First, I am from Aomori prefecture. I was brought up in Aomori and I came to Tokyo at the age of 18. I think that local areas in Japan have great potential but have yet to demonstrate such potential. The Japanese economy can further grow if the potential of local areas is enhanced. For enhancing the potential of local areas, efforts by regional financial institutions, major local companies, relevant local governments and local agencies will be very important. To enhance the vitality of local areas, or to open up the potential of local areas is my basic stance when considering policies.

Our generation should make the utmost efforts and hand over our sash to the next generation.

Second, I have two children, one is a university student and the other a high school student. I hope that my children's generation can enjoy richer and more fulfilling lives than our generation. As I did marathon relay races, I like the expression "hand over one's sash to the next runner." I think that our generation should make the utmost efforts and hand over our sash to the next generation, thereby achieving a situation in 20 or 30 years where the next generation can take on challenges in a better society and better world than now.



Photo: During the interview

— **You do exercise early in the morning. How do you raise your physical strength?**

I did track and field until I graduated from university and had continued morning practice all the time. Even after I became a member of society, I have continued jogging or doing other exercise in the morning several times a week. I feel better when I habitually jog and I sometimes come up with various ideas while jogging. I sometimes find a breakthrough in an outstanding issue, or think of getting contact with someone after a long absence. Jogging relaxes me and is a precious time for me.

(Interviewer: YANO Shohei, Director of the Public Relations Office)

Meeting of Directors-General of Local Finance Bureaus

- Speeches by State Minister Ibayashi and Parliamentary Vice-Minister Kanda -

On October 26, 2023, the FSA held the current business year's second meeting with Directors-General of Local Finance Bureaus. State Minister Ibayashi and Parliamentary Vice-Minister Kanda delivered speeches at the meeting room where the Directors-General of Local Finance Bureaus and senior FSA officials gathered.

Outline of the speech by State Minister Ibayashi

Financial institutions need to utilize various support tools to offer business improvement support and business revitalization support without delay in accordance with the circumstances of individual companies, not limited to cash flow support. We appreciate the fact that Local Finance Bureaus have checked the status of concrete efforts for business support through intensive hearing with financial institutions.



Photo: State Minister Ibayashi delivering a speech

The Kishida administration promotes a “new form of capitalism” that transforms social challenges into engines of growth through public-private collaboration. One of the major policy challenges is a shift from savings to investment, and it is important to realize a “virtuous cycle of growth and distribution” in which Japan's household savings flow more into productive investment, and the benefits of increased corporate value are returned to households. Regarding measures for promoting Japan as a leading Asset Management Center, the sectional committee, which was established under the Council of New Form of Capitalism Realization, will discuss and formulate a policy plan within this year. We request Local Finance Bureaus to share with the FSA any helpful opinions from financial institutions.

Outline of the speech by Parliamentary Vice-Minister Kanda

In order to ensure customer-oriented business conduct, it is important for financial institutions to develop a sound corporate culture prioritizing customers and to disseminate and radicate their top management's ideas for seeking the best interest of customers among front-line staff personnel. It is also important for top management to consider customer-oriented retail business from a medium- to long-term perspective and build a sustainable business model. The FSA will have dialogues with and conduct monitoring of financial institutions in collaboration with Local Finance Bureaus this program year as well. We appreciate your cooperation.

* The FSA delegates part of its authority over the inspection and supervision of regional private financial institutions, etc. to the 11 Local Finance Bureaus (including the Okinawa General Bureau of the Cabinet Office) based on laws and regulations. In order to ensure sufficient cooperation between the FSA and the Local Finance Bureaus, Directors-General of Local Finance Bureaus and FSA officials meet once every three months to discuss a variety of issues.

The FSA has requested financial institutions to complete the development of their AML/CFT/CPF framework by the end of next March. The FSA will conduct intensive monitoring financial institutions that are lagging of the development of AML/CFT/CPF framework and encourage them to make steady efforts toward completion with the deadline. We ask for continued cooperation of Local Finance Bureaus.

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At the Meeting of Directors-General of Local Finance Bureaus, in addition to speeches by the State Minister and the Parliamentary Vice-Minister, Directors-General of Local Finance Bureaus and senior FSA officials exchanged opinions on current challenges in financial administration and efforts being made by the FSA. Both parties shared the awareness concerning those challenges and confirmed that the FSA and Local Finance Bureaus will continue joint efforts for addressing them.

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(Photo: Parliamentary Vice-Minister Kanda delivering a speech)



(Photo: Meeting of Directors-General of Local Finance Bureaus)

Bilateral Meeting between Commissioner Kurita and Chairman Kim, the Financial Services Commission of the Republic of Korea

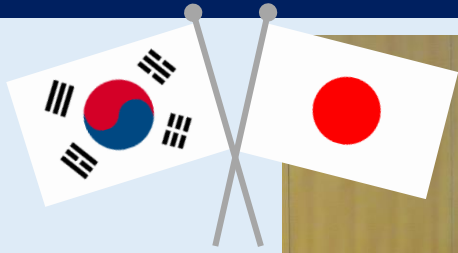


Photo: Chairman Kim (left) and Commissioner Kurita (right)

On October 3, Commissioner Kurita held an in-person bilateral meeting with Mr. Kim Joo-hyun, Chairman of the Financial Services Commission (FSC) of the Republic of Korea.

At the meeting, they agreed to resume the Shuttle Meeting after seven years since 2016, and to meet regularly between financial authorities of Japan and Korea. The next Shuttle Meeting is scheduled to be held on December 19 and 20, in Seoul, Korea.

They also agreed on the usefulness of sharing

expertise on their common issues in the field of finance, and discussed a wide range of issues in which both countries could possibly deepen their further cooperation.

The FSA and the FSC published a joint press release on the meeting. Please refer to the FSA's website for details.

<https://www.fsa.go.jp/en/news/2023/20231003/20231003.html>



Photo: Bilateral meeting

Outline of the "Monitoring Report on Regional Banks' Securities Investment"

NAKAJIMA Kenzo, Deputy Director

Large Banks Monitoring Office, Risk Analysis Division, Strategy Development and Management Bureau

1. Introduction

In September 2023, the FSA compiled and published the results of its intensive monitoring targeting regional banks that take large risks in securities investment as the "Monitoring Report on Regional Banks' Securities Investment" (the "Report").

The purpose of the publication and major focal points in monitoring are outlined below.

2. Purpose of publishing the Report

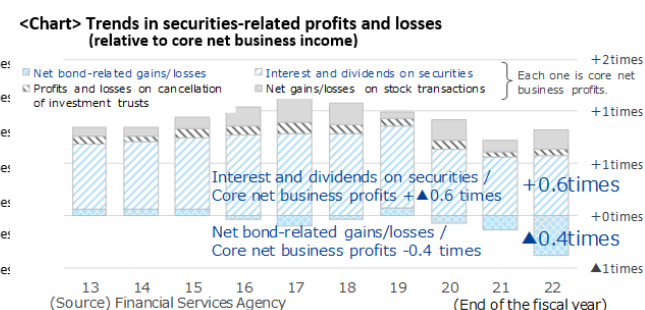
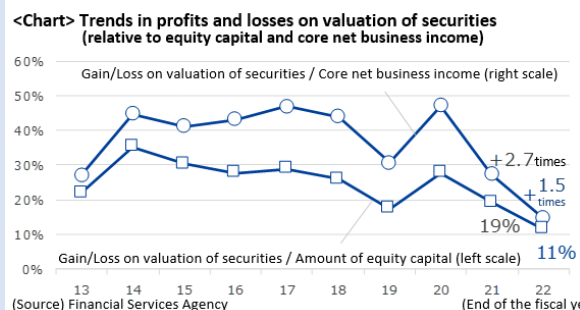
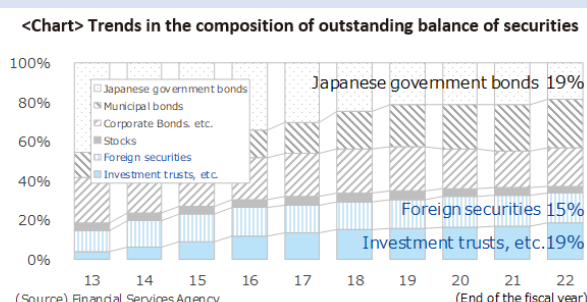
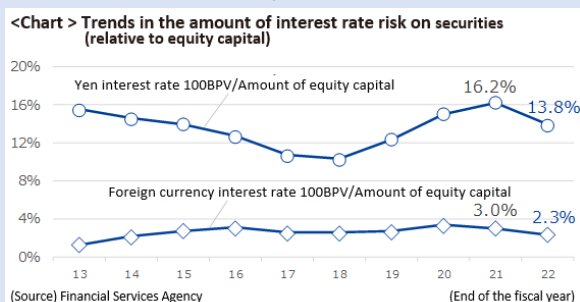
From the perspective of maintaining the stability of Japan's financial system as a whole, the monitoring department of the FSA's Strategy Development and Management Bureau has conducted monitoring, in collaboration with the FSA's Supervision Bureau and Local Finance Bureaus, for two years from the latter half of 2021, targeting around 20 regional banks that take large risks in securities management.

During this period of time, while major foreign central banks, including those in the United States

and Europe, have been shifting from their ultra-easy monetary policies and have been raising interests rapidly, profits from appreciation of securities for regional banks as a whole have decreased and losses from selling bonds have increased.

The FSA conducted this monitoring amid such significant changes in the market environment, and key issues and major cases ascertained therethrough are considered to be helpful in risk management also for financial institutions other than those targeted in the monitoring (mainly regional banks that take large risks in securities investment). Accordingly, the FSA has released the results of the monitoring.*

The FSA has presented points to note for market risk management through the publication of the "[Supervisory Approaches for the Stability of the Financial System \(Basic Principles on Policies for Ensuring Soundness\)](#)" (Available in Japanese) and "[Interim Monitoring Report on Regional Banks' Securities Investment](#)" (Available in Japanese). The Report was published as an extension of such initiative.



* In the "[JESA's supervisory approaches: Replacing checklists with engagement](#)" (Available in Japanese), its aims are explained as follows: "to supplement the ideas and principles with the publication of categorized case examples and thereby enhance the transparency" and "when conducting intensive monitoring on specific issues, etc., to publish the results thereof, future challenges, and points to note, as necessary, at the stage when the monitoring outcomes are compiled to some extent."

When conducting monitoring, staff members of the FSA and Local Finance Bureaus need to have the perspective of considering whether individual financial institutions' risk governance and risk management system as a whole are functioning effectively, in light of their business environments, sizes and characteristics. They should not impose uniform measures on all financial institutions. In particular, it is often the case that regional banks face various problems but have only limited organizational resources. Therefore, staff members of the FSA and Local Finance Bureaus should not use points cited in the Report merely formally as a checklist and should not point out deficiencies in individual financial institutions' systems only based on revealed concrete risks.

3. Key issues in monitoring

The latest intensive monitoring focused on the following key issues, while giving due consideration to individual regional banks' business environments, sizes and characteristics.

Key Issue 1 : Banks should take risks that align with their financial strength and risk control capabilities

In order to maintain soundness and fulfil financial intermediary functions into the future, regional banks should clarify the positioning of securities investment in their business strategies in light of their own management philosophy under the leadership of top management, and take risks within the range tolerable with their financial strength and risk control capabilities.

Here, emphasis is placed on the FSA's message that when regional banks take risks in securities investment, those risks should not exceed the range that the banks can handle with their financial strength and risk control capabilities.

Key Issue 2 : Banks should establish an effective risk management system in line with their risk-taking activities

Practical points to note are compiled from the perspective of who should do what in order to achieve the situation mentioned in Key Issue 1.

First of all, top management should take the initiative in (1) clarify risk-taking policy ((i) consideration of desirable portfolios and (ii)

development of a structure commensurate with risks that the bank takes).

Top management and second line of defense (risk management department) need to (2) clarify risk tolerance ((i) allocation and management of risk capital and (ii) setting and management of loss limits, etc.).

First line of defense (market department) and second line of defense to (3) manage investment trusts, etc. ((i) management of risks contained in the assets under management and (ii) management of risks contained in asset management companies).

Second line of defense are expected to play the central role in promoting (4) the utilization of stress tests ((i) market/integration stress test and (ii) foreign currency liquidity stress test) in accordance with the size and characteristics of the bank.

Top management and first line of defense need to (5) make responses to environmental changes ((i) preparation for risks of capital reduction and (ii) preparation for risks of periodic profit or loss reduction).

Key Issue 3 : Banks should effect risk governance.

In order to have Key Issue 1 and Key Issue 2 function properly, organizational control led by top management, that is, substantial involvement of top management supervising the organization as a whole and looking ahead to the future is required.

Here, emphasis is placed on the FSA's message that it is important that top management takes the initiative in implementing risk governance.

< Key issues in monitoring >

1. Banks should take risks that align with their financial strength and risk control capabilities

When engaging in securities investments, the risks undertaken should not exceed what can be managed with their current financial strength and risk control capabilities.

(need to secure financial strength and risk control capabilities in accordance with the positioning of securities investment in business strategies.)

Management-led control

2. Banks should establish an effective risk management system in line with their risk-taking activities

(1) Clarification of Risk-Taking Policy

To define areas and policies for risk-taking based on the bank's strategic positioning and the balance between its financial strength and risk control capabilities

(2) Clarification of Risk Tolerance

To specify the maximum risk and loss levels they can tolerate based on their financial strength(capital and profit) and develop systems to manage risks within those limits

(3) Management of Investment Trusts, etc.

To analyze and manage the risks and returns conditions inherent in the assets under management and the management company at the same level as possible when directly held

(4) Utilization of Stress Tests

To assess the potential impact on future management capabilities (capital and profits) by utilizing scenario-based stress tests that reflect management's risk perception and risk-taking policies

(5) Response to Environmental Changes

To develop action plans to address market fluctuations, conduct simulations for anticipated future profit and loss variations, and effectively manage associated risks

Decisions made by the organization as a whole

Verification with an eye on one's future

Substantial involvement of management

3. Banks should effect risk governance.

*financial strength refers to the quantitative aspect such as capital and profits. Risk control ability refers to the qualitative aspect such as the quality of the investment and risk management systems.

4. Cases ascertained through monitoring

As a result of monitoring on key issues listed in 3. above, it is found that monitored regional banks have been taking reasonable measures generally.

On the other hand, from the perspective of ensuring soundness sustainably and the perspective of enhancing risk management, there were cases of concern where medium to long-term policies on securities investment are unclear, where efforts for securing and fostering personnel also in consideration of the succession of skills are insufficient for second line in particular, or where in-depth discussions for setting and managing loss limits, etc. are insufficient.

In addition to these cases of concern, the Report also cites helpful cases by categorizing them by focal point.

Financial institutions are expected to refer to the Report and make efforts for strengthening their operation system and risk management system and exerting their originality and ingenuity and improving sophistication in order to implement risk governance, based on their own business environments, sizes and characteristics.

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Whole text of the Report, in addition to its key points and outline, are available on the FSA's website.
<https://www.fsa.go.jp/news/r5/ginkou/20230908-02/20230908-02.html> (Available in Japanese)

<Major cases ascertained through monitoring >

Cases of concern	Reference cases
<ul style="list-style-type: none"> ● The medium to long-term strategies for securities investment remain ambiguous. ● Particularly within the second line, efforts to secure and develop talent, with a view towards skill succession, are inadequate. 	<ul style="list-style-type: none"> ● Clearly positioning securities investment as a critical business activities and enhancing both the investment and risk management framework in line with risk-taking.
<ul style="list-style-type: none"> ● In-depth discussion concerning the establishment and management of loss limits is insufficient. 	<ul style="list-style-type: none"> ● The loss limits and other parameters are established based on a certain periodic profit.
<ul style="list-style-type: none"> ● Management level for investment trusts, etc. <ul style="list-style-type: none"> • Investments continue in small amount based on similar strategies and methods without adequate risk analysis and target selection. • Performance evaluations and factor analyses are insufficient. 	<ul style="list-style-type: none"> ● Management level of investment trusts, etc. <ul style="list-style-type: none"> • Sensibility and periodic profit or loss per risk factor are reported to senior management.
<ul style="list-style-type: none"> ● Comprehensive risk control, considering both capital and periodic profit or loss, has to be implemented. 	<ul style="list-style-type: none"> ● Utilization of stress tests, considering cross-organizational scenarios that include management perspectives. ● Various response strategies have been formulated in anticipation of capital loss risk.

Etc.

*The 2nd line is the risk management department (middle office).

Holding of the Japan Weeks



1. Outline of the Japan Weeks

The government of Japan is committed to promoting its initiatives for realizing an international financial center and also its initiatives for promoting Japan as a leading asset management center. As part thereof, the government held the Japan Weeks from September 25 to October 6, 2023.

During the weeks, various events were held by intensively inviting foreign investors and asset management companies. In those events, government officials explained Japan's initiatives for achieving a leading asset management center and opinions were broadly collected regarding challenges in asset management sector in Japan and expectations for the government of Japan.

Specifically, Prime Minister Kishida explained Japan's new initiatives for achieving a leading asset management center, such as the promotion of the diversification of investment opportunities and the formulation of the Asset Owner Principles. Foreign investors highly evaluated the series of these events as a good opportunity to understand the attractiveness of Japanese markets and the Japanese government's policies, or stated that they would like to positively consider investments in Japan.

Regarding challenges in asset management sector in Japan and expectations for the government, we could receive precious opinions, such as pointing out the need to enhance financial and economic education, and to improve investment management capabilities and governance and strengthen structures of the asset management business.

We consider that the Japan Weeks served as significant opportunities for us to communicate the attractiveness of Japanese markets and the Japanese government's policies and to collect various opinions. While referring to those opinions collected during the Japan Weeks, the Sectional Committee on Leading Asset Management Center, which was established under the Council of New Form of Capitalism Realization on October 4, will proceed with deliberations to develop a policy plan within this year. The government will thus promote its initiatives for achieving a leading asset management center and an international financial center.

Dedicated website for the Japan Weeks
https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks/index_en.html

2. Individual events

Here, some events participated in by Prime Minister Kishida and other government officials are introduced.

Website of the Prime Minister's Office of Japan

<https://japan.kantei.go.jp/>

FSA's website

https://www.fsa.go.jp/common/conference/danwa/index_kouen.html (Available in Japanese)

September 25: National Securities Conference



Photo: Prime Minister Kishida delivering a speech

Source: Website of the Prime Minister's Office of Japan

Reference: [Speech by Prime Minister Kishida](#) (Available in Japanese; Website of the Prime Minister's Office of Japan); [Speech by State Minister Ibayashi](#) (Available in Japanese; FSA's Website)

October 2: The NIKKEI sustainable forum



Photo: Prime Minister Kishida delivering opening remarks

Source: Website of the Prime Minister's Office of Japan

Reference: [Speech by Prime Minister Kishida](#) (Website of the Prime Minister's Office of Japan)

October 3-5: PRI in Person (annual conference of the PRI Association)



Photo: Prime Minister Kishida delivering a speech

Source: Website of the Prime Minister's Office of Japan

Reference: [Speech by Prime Minister Kishida](#) (Website of the Prime Minister's Office of Japan)

October 3: "Financial Nippon" Top Symposium

Reference: [Speech by Minister of State for Financial Services Suzuki](#) (Available in Japanese; FSA's Website)

October 4: Financial Reform Forum

Reference: [Speech by Parliamentary Vice-Minister Kanda](#) (Available in Japanese; FSA's Website)

October 4: October 4 Securities Investment Day Talk Event



Prime Minister
Mr. KISHIDA Fumio



Minister of State for Financial Services
Mr. SUZUKI Shunichi

Photos: Video messages by Prime Minister Kishida and Finance Minister Suzuki

Source: Website of the Japan Securities Dealers Association

Reference: [Video messages by Prime Minister Kishida, and Finance Minister Suzuki and more](#) (Available in Japanese; Website of the Japan Securities Dealers Association: <https://www.jsda.or.jp/start/pr/2023toushimessage/>)

October 6: Global Investor Roundtable



Photo: Commemorative photo

Reference: [Speech by Prime Minister Kishida](#)
(Website of the Prime Minister's Office of Japan)



Photo: Finance Minister Suzuki delivering a speech



Photo: Prime Minister Kishida delivering closing remarks

Publication of Videos of Demonstration Classes for Financial and Economic Education

The importance of young people's financial literacy is increasing as the age of adulthood was lowered. The contents of financial and economic education were expanded for high-school home economics under the revised Course of Study, but teachers are worrying about how to teach newly introduced contents.

The FSA's Financial and Economic Education Team conducted classes targeting students of the Kanagawa Prefectural Sagamiara Secondary School, and videos of the classes are made available on the FSA's website*1 and the FSA's official YouTube channel.

金融経済教育に関するデモ授業

2022年4月からの改定指導要領により、18歳から、クレジットカードの作成などが金融に関する様々な契約を自ら行えるようになり、金融経済教育の重要性はますます高まっています。また、2022年4月からの高校学習指導要領改訂では、金融経済教育の内容が拡充されました。

本動画では、新学習指導要領に対応した授業を行うための準備教材を公開しておりますが、実際の授業の録画を知りたいのご意見を多数頂戴しております。この際、本校の職員が実際に授業に行っている様子を撮影した動画を公開いたします。

先ず方の授業のご参考等に、ぜひご活用ください。

撮影協力：鎌倉川崎立相模原中等教育学校様

※動画で活用している資料については[こちら](#)をご覧ください。資料管理、ライブプラン、資料形成、備忘に関するシミュレーターは[こちら](#)をご覧ください。

ダイジェスト版

金融経済教育に関する授業のダイジェスト版を公開しております。授業の録画を知りたいのご意見を多数頂戴しております。この際、本校の職員が実際に授業に行っている様子を撮影した動画を公開いたします。

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ダイジェスト版 (男性講師)
(4分35秒)

ダイジェスト版 (女性講師)
(4分32秒)

フル版

金融経済教育に関する授業のフル版を公開しております。授業の録画を知りたいのご意見を多数頂戴しております。この際、本校の職員が実際に授業に行っている様子を撮影した動画を公開いたします。

先ず方の授業のご参考等に、ぜひご活用ください。

撮影協力：鎌倉川崎立相模原中等教育学校様

※動画で活用している資料については[こちら](#)をご覧ください。資料管理、ライブプラン、資料形成、備忘に関するシミュレーターは[こちら](#)をご覧ください。

フル版 (男性講師)
(99分38秒)

フル版 (女性講師)
(76分31秒)

再生リスト

金融経済教育に関する授業の再生リストを公開しております。授業の録画を知りたいのご意見を多数頂戴しております。この際、本校の職員が実際に授業に行っている様子を撮影した動画を公開いたします。

先ず方の授業のご参考等に、ぜひご活用ください。

撮影協力：鎌倉川崎立相模原中等教育学校様

※動画で活用している資料については[こちら](#)をご覧ください。資料管理、ライブプラン、資料形成、備忘に関するシミュレーターは[こちら](#)をご覧ください。

再生リスト (男性講師)

再生リスト (女性講師)

The classes lasting around 100 minutes start with a question, "Do you like money?" and consist of seven chapters, namely (i) Introduction, (ii) Family budget management, (iii) Use, (iv) Prepare for a rainy day, (v) Save and increase, (vi) Borrow, and (vii) Financial troubles and conclusion.

Some contents regarding asset management may be a little bit difficult for high school students, but matters concerning money that are familiar to young people are incorporated and the classes are designed to be interactive with occasional quizzes and simulations concerning money.

The term "financial and economic education" may give an impression that its major purpose is to teach how to make investments or build assets, but the basic objectives are life planning and family budget management. Hearing the phrase 'financial and economic education', some teachers may take it too seriously, but they are expected to frankly teach how to use money based on their own experience and provide children with opportunities to think by themselves. We believe that such education will lead to ensure children's independent and rich lives in the future.

Digest versions and full versions of the classes are made available on the FSA's website and the FSA's official YouTube channel. Additionally, playlists have also been created.

The materials used in the videos*2 and the simulators concerning family budget management, life plans, asset formation, and borrowing*3 are also made available.

We hope that the videos are fully used by many teachers in making preparations for their financial and economic education classes.

*1 "Demonstration Classes for Financial and Economic Education" (published on October 27, 2023) <https://www.fsa.go.jp/teach/kyouiku/demonstration.html> (Available in Japanese)

*2 "Publication of Teaching Materials for Financial and Economic Education for High Schools" (Updated on August 4, 2023) <https://www.fsa.go.jp/news/r3/sonota/20220317/20220317.html> (Available in Japanese)

*3 Website for supplementary materials for financial and economic education for high schools <https://www.fsa.go.jp/teach/simulation/> (Available in Japanese)

JFSA's Major Activities in October (October 1 to October 31, 2023)



- [Updated : Japan Corporate Governance Forum \(October 30, 2023\)](#)
- [The fourth Meeting of the EU-Japan Joint Financial Regulatory Forum \(October 25, 2023\)](#)
- [The fifth meeting of the Working Group on Tender Offer Rule and Large Shareholding Reporting Rule of the Financial System Council \(October 25, 2023\)](#)
- [Selection of New Executive Committee Chair of the International Association of Insurance Supervisors \(IAIS\) \(October 20, 2023\)](#)
- [Report of FSA's Joint Research on Analyzing Decentralized Financial System using On-Chain and Off-Chain Data \(October 20, 2023\)](#)
- [Results of the Cybersecurity Self-Assessment for Regional Financial Institutions \(FY2022\) \(October 19, 2023\)](#)
- [Nineteenth Meeting of the "Council for Cooperation on Financial Stability" \(October 16, 2023\)](#)
- [Bilateral meeting between Commissioner Kurita and Mr. Kim, Financial Services Commission of the Republic of Korea \(October 3, 2023\)](#)

JFSA's official English X(formerly Twitter) account
https://twitter.com/JFSA_en



**We are promoting
information dissemination
using X(formerly Twitter) !**

Editorial Postscript

Morning air is becoming cooler. As I had difficulties in finding gluten-free bread, I started to bake rice powder bread using a bread machine this summer. However, I repeatedly failed to have dough rise sufficiently. I read through the instructions carefully and found that controlling water temperature is important when room temperature is high. However, recently, as temperature has become lower, I happened to look at the machine that was running and finally found the dough rising! I was released from worries over choosing bread, but when I come across a bakery, I enjoy the smell of bread and, at the same time, I cannot help but also feel a respect for the baker's efforts for controlling quality throughout the year.

This month's issue introduces the videos of the demonstration classes on financial and economic education that the FSA published recently. At first, I thought that they may be too long, but I lost track of time watching them as they were very interesting. I hope that those videos will provoke interest of as many people as possible and contribute to promoting financial and economic education.

YANO Shohei, Director,
Public Relations Office, FSA