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⇐ Access the online version here
<https://www.fsa.go.jp/en/newsletter/index.html>

“Management Mentor Meetup 2.0” held on November 28, 2019

The Financial Services Agency’s Regional Solutions Support Team joined with 25 financial institutions from three prefectures in the Tohoku region, five central government ministries/agencies, and private-sector companies to hold the “Management Mentor Meetup 2.0” on November 28, 2019. The Management Mentor Meetup is a networking event designed to match up small and medium-sized companies with specialists (“management mentors”) such as former officials from major companies primarily in the Tokyo metropolitan area to resolve issues.

Previous Management Mentor Meetup were only held in a direct face-to-face format, mostly with Shinkin Banks (credit associations) in the Kanto region, but “2.0” was appended to the name of this latest get-together with the introduction of online participation. The meeting was jointly organized and hosted by public-sector, private-sector, and financial institutions to resolve the issue of shortfalls in specialist human resources that surfaced during the dialogue held in the Tohoku region. Use of the Internet has made it possible to overcome the barriers of distance and promote the backflow of human resources from the Tokyo metropolitan area to more rural parts of the country.

Forty-three small and medium-sized companies (of which 20 participated online) and about 100 management mentors took part in the event at four venues in Tokyo (Shinkin Central Bank Kyobashi Annex), Morioka (Morioka Local Finance Office), Sendai (Tohoku Local Finance Bureau) and Fukushima (Fukushima Reconstruction Bureau). The opening ceremony was highlighted by speeches from guests of honor TANAKA Kazunori, Minister for Reconstruction, MIYASHITA Ichiro, State Minister of Cabinet Office, and ITO Tatsuya, Chairman of the House of Representatives’ Special Committee on Reconstruction after Great East Japan Earthquake, who then stayed on to observe the proceedings.

The Management Mentor Meetup offer a framework in which companies are able to hear multiple solutions to management issues from specialists on the same day and can select support personnel who will best prove advantageous for the companies. Thirty-six of the 43 companies participating (of which 15 were taking part in the event online) expressed their hopes for continued support, reaffirming the need for specialist personnel.

The issues confronting the participating small and medium-sized companies spanned a wide range, from the development of sales channels (including overseas expansion) to marketing and branding strategies as well as organizational structures (personnel education, organizational reform), and the event saw significant numbers of match-ups with management mentors having working-level experience on such issues. Representatives from financial institutions noted that they provided specific solutions that financial institutions find difficult to provide and there are growing needs for introductions to personnel having the required expertise.

With human resources becoming increasingly concentrated in the Tokyo metropolitan area, the Management Mentor Meetup 2.0 is an endeavor allowing management mentors to put to good use detailed knowledge derived from their work style and experience and those residing in the Tokyo metropolitan area to become involved with companies in outlying areas, and enabling local small and medium-sized companies to enjoy concrete management support from specialists in the Tokyo metropolitan area. Because the “2.0” event makes possible close consultations even at a distance via the Internet, there are companies looking to host such events in other regions as well. The Regional Solutions Support Team will continue its support for approaches that contribute to local economic ecosystems.



Top: Online interview

Bottom: Opening ceremony

From right to left:

MATSUMOTO Takayuki, Chief Sales Officer, NTT DoCoMo Corporate Sales and Marketing Division;

SHIBATA Hiroyuki, President, Shinkin Central Bank;

TANAKA Kazunori, Minister for Reconstruction;

MIYASHITA Ichiro, State Minister of Cabinet Office;

ENDO Toshihide, Commissioner, Financial Services Agency; and

TADA Kenichiro, Assistant Deputy Director-General for Regional Revitalization, Machi-Hito-Shigoto Creation Headquarters Secretariat

Commissioner Endo Takes the Stage to Discuss “The Financial Literacy Students Need Now”

“How old do you think Sazae-san’s father Namihei is? Believe it or not, he’s 54! Sazae-san and the other characters have seemingly never aged since the animation was first broadcast in 1969, when Namihei was said to have been approaching 55. This was generally regarded as the mandatory retirement age at the time, after which men could expect to enjoy a life of retirement for 14 years until 69, a man’s average lifespan back then.

The average male lifespan now is 81, and a general mandatory retirement age of 60 means that retirement now should last 21 years. The average lifespan is growing longer each year, so even extending the mandatory retirement age would make it a matter of course that retired men would live on for 20 years or more. Deposits bore an interest rate of about 6% when I was a university student, and you could increase your money just by putting it into savings. With the deposit interest rate nearly zero at the moment, wealth building, especially from a young age, has become all the more important.

University students have also been caught up in fraudulent investment solicitations and other trouble, so improving financial literacy to help them make correct decisions and take the right actions has indeed become an urgent issue from this perspective as well.

Given that, I have a favor to ask of all of you who ordinarily interact with university students. Please convey to the students the significance of financial literacy and wealth building. If requested, the Financial Services Agency will even send personnel to universities to give presentations on financial literacy and wealth building.”

(Excerpt from Commissioner Endo’s explanation during the panel discussion)

On December 6, 2019, the Japan Student Services Organization (JASSO) hosted a “Seminar on Pressing Issues for Student Life” at Nissho Hall in Toranomon. The afternoon session addressed the topic of “the financial literacy students need now”, and Commissioner Endo took part in the panel discussion. This was part of the push to “improve financial literacy” given as a priority measure in this fiscal year’s Financial Administration Guidelines, and many university officials have participated in this effort.

The panel discussion began with an explanation from Commissioner Endo, after which Professor MURAKAMI Keiko discussed the reactions of students who had attended a presentation on financial literacy and Mr. MORINAGA Kohei pointed out an uptrend in investment frauds particularly prevalent among university students where a “sure-fire” method for trading binary options is sold on USB thumb drives in a Ponzi-like scheme for about 600,000 yen. These matters were then taken up for discussion by the panel.

A common consensus was reached that university students must be taught to understand risk-return and be trained to see through frauds in order to put a halt to losses incurred from simply structured, highly speculative transactions and to the harm caused by the fraudulent information provided in connection with these schemes. The panel concluded that enhancing financial literacy would help prevent these problems, and would naturally result in greater adoption of long-term periodic and diversified investment through, for example, Tsumitate NISA-eligible low-risk, low-cost investment trusts.

Panel discussion participants

Moderator: UEMURA Kyoko, Professor, Faculty of Contemporary Human Life Science, Tokyo Kasei Gakuin University
Panelists: MURAKAMI Keiko, Professor, Faculty of Management and Information Systems, Prefectural University of Hiroshima
MORINAGA Kohei, CEO and Economic Analyst, Manene, Inc.
ENDO Toshihide, Commissioner, Financial Services Agency



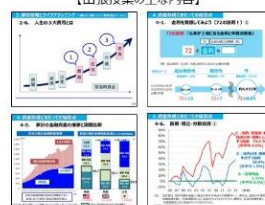
(Panel discussion)

4. 学校教育等における取組み

4-3. 出張授業の拡充

- ✓ 2017年度までの学校教育における金融庁としての取組みは、関係団体（日本銀行、業界団体）と取り組んできた金融リテラシーに係る「大学連携講座」における出張授業が中心。
（例年15大学ほどで、オムニバス形式の連携講座を実施。金融庁職員を約10コマに講師を派遣）
- ✓ 2018年度より、金融庁・財務局職員による出張授業を抜本的に拡充。学校等に出向いて授業を行うことを希望する金融庁職員を募集し、これらの職員を学校等に順次派遣中。
（2019年11月末の実績：96校、延べ136名派遣、講座受講者数 約1万5千名）
- ✓ こうした出張授業やアクティブラーニング等の観点を踏まえ、教材についても改善に取り組んでいるところ。

【出張授業の主な内容】



【出張授業の様子】



↑学習院大学 (2019.9.13)

(Presentation materials)

Anti-Money Laundering and combating the Financing of Terrorism at Financial Institutions

OZAKI Hiroshi, Director, AML/CFT Policy Office,
Strategy Development and Management Bureau

(*The opinions expressed in this piece are the personal views of the authors and do not necessarily reflect the views of the organizations with which they are affiliated.)

1. Background

Anti-money laundering and countering financing of terrorism (hereinafter, “AML/CFT”) have become issues of growing importance for Japan and the international community. The recommendations put forth by the Financial Action Task Force (FATF), an organization set up to facilitate international cooperation on AML/CFT, suggest that AML/CFT efforts be grounded in a risk-based approach in order to respond effectively to the increasingly complex and sophisticated methods employed in money laundering and terrorism financing (hereinafter, “ML/TF”). This piece discusses the measures required of financial institutions as well as efforts by the Financial Services Agency in accordance with a risk-based approach.

A risk-based approach generally aims to invest greater management resources in high-risk sectors to improve the efficiency and effectiveness of management. Accordingly, risk assessments are prerequisites for applying a risk-based approach. Japan’s Act on Prevention of Transfer of Criminal Proceeds, revised in October 2016, mandates that financial institutions and other specified companies carry out, document and utilize their own risk assessments in line with the criminal proceeds transfer risk assessment (hereinafter, “National Risk Assessment” or “NRA”) published each year by the National Public Safety Commission. Incidentally, the latest NRA has deemed non-face-to-face transactions, cash transactions, and transactions with other countries to be high-risk transactions.

The circumstances surrounding ML/TF continue to change in complex ways as economies and financial services become more global, information technology grows in sophistication, and digitalization makes greater headway. Funds transfer service providers, electronic money businesses and other firms have in recent years moved into the areas of foreign exchange and payment services previously provided primarily by banks and other depository financial institutions, resulting in a growing risk that these foreign exchange and payment services will be used for ML/TF if the funds transfer service providers and such do not have in place management systems on par with those of depository financial institutions.

Now that the revised Immigration Control Act has gone into effect (as of April 2019), we can expect to see companies accepting higher numbers of foreign personnel as well as more remittances by these foreign personnel, so due consideration must be given to enabling foreign personnel to open accounts and access other financial services that make up part of the basic infrastructure of daily life. AML/CFT will become all the more significant as the financial services provided by banks and other funds transfer service providers are increasingly used for making remittances.

2. Responses required of financial institutions, etc.

In light of these circumstances, the following constitute the principal issues facing financial institutions, etc.

◆ Risk assessments bearing in mind financial institutions’ own characteristics

In identifying and assessing the risks faced by financial institutions, etc., comprehensive and concrete risk assessments must be made not only of the risks noted in the NRA – the risks posed by Boryokudan (Organized crime groups), foreign criminal groups operating in Japan, and specialized fraud groups as well as those associated with ordinary deposit accounts, non-face-to-face transactions, cash transactions, and transactions with other countries – but also those arising from the goods and services being provided, relevant customer attributes, transaction types, and national/regional factors.

◆ Ongoing customer management based on customer risk assessments

Guidelines for Anti-Money Laundering and combating the Financing of Terrorism* (hereinafter, “the Guidelines”) define customer management as “a risk reduction measure comprising the set of actions taken to

銀行をご利用のお客さまへのお知らせ

日本および国際社会がともに取り組まなくてはならない課題として、マネー・ロンダリングおよびテロ資金供与対策の重要性が近年益々高まっております。銀行は、関係銀行と連携しながら、徹底化・高度化するマネー・ロンダリングおよびテロ資金供与のリスクに対応し、有効に防止することが出来るように対策を進めております。

こうした中、金融庁は、2018年2月に、金融機関等における実効的なマネー・ロンダリングおよびテロ資金供与対策の推進を目的とした「マネー・ロンダリング及びテロ資金供与対策に関するガイドライン」を策定、公開しました。

これに基づき、お客さまとの取引の目的、状況等に応じて、追加のご確認など、次のような対応をさせていただきます。ご理解、ご協力をお願いいたします。

お客さまへのお願い事項

- ✓ 追加のご確認をさせていただきますお取引や、確認方法、確認内容は銀行によって異なる場合があります。
- ✓ 追加のご確認等のため、通常よりお手続きのお時間をいただく場合があります。
- ✓ 特定の国に居住・滞在している方等との取引の目的等は、銀行の窓口や郵便等により再度ご確認させていただく場合があります。その際に、従来とは異なる資料のご提出や書類へのご署名をお願いする場合があります。
- ✓ お客さまとの取引の目的、状況等に応じて、追加のご確認をさせていただきます。お客さまの氏名・住所・生年月日や、お取引の目的等も、銀行の窓口や郵便等により再度ご確認させていただく場合があります。また、その際に、お客様のご住所やご職業等について、追加のご確認をさせていただきます。
- ✓ 各種取引のご依頼やご依頼した資料のご提出について、適切にご対応いただけない場合、やむを得ず業務の中断をお断りさせていただく場合があります。また、照会にお答えいただいているお客さまにおかれましては、やむを得ずお断りをお断りさせていただきます。
- ✓ 詳しいことは、お取引の窓口にお問い合わせください。また、本件に関し、お取引の窓口へのお問い合わせ後もお尋ねしたいことがありましたら、下記までお問い合わせください。

◆ 全国銀行協会相談室	電話番号：0570417109 または 03-6253-3772 受付日：月～金曜日（祝日および銀行休業日を除く） 受付時間：午前9時～午後5時
◆ 金融庁 金融サービス利用者と相談室	電話番号：0570416811 または 03-6251-6811 受付時間：平日午前10時～午後5時



一般社団法人
全国銀行協会



金融庁
Financial Services Agency

Joint “Notice to Bank Customers” from the
Japanese Bankers Association and the Financial
Services Agency

determine and alleviate risks with a particular focus on individual customers in which financial institutions identify and assess their own risks, examine information on individual customers as well as the details of transactions conducted by these customers, and cross-check their findings with those of their risk assessments” and regard customer management as a “core risk reduction measure.”

The Guidelines also require that financial institutions in their customer management make periodic status checks and review customer risk assessments as frequently as customer risk demands not only when taking on new customers but throughout the time they do business with these customers.

Ongoing risk-based customer management requires that risk assessments be made of all customers.

The Guidelines were therefore amended in April of 2019 to redefine customer management to include “carrying out risk assessments of all customers by generalizing the findings of their own ML/TF risk assessments of products/services, transaction types, countries/regions, customer attributes, etc., as well as risk assessments of each product/service being used and each customer category with shared customer attributes in order to determine the measures that should be taken to reduce risk in line with their risk assessments of customers”, and to make it clear that risk assessments are to be made of all customers by, for instance, carrying out risk assessments by customer category.

◆ Enhanced transaction monitoring

The Guidelines require that the numbers of incidents detected and the numbers of suspicious transactions reported by transaction characteristic (industry sector, locale, etc.), and identification criterion (scenario, threshold value, etc.) be analyzed, and that improvements be made to scenarios, threshold values and other identification criteria using information obtained through methods other than system detection, so one approach might be to analyze customer attributes and transaction patterns and then revise scenarios and threshold values so as to be able to detect unnatural transactions through the system.

Because relying on manpower-intensive approaches to verifying transactions detected on the system is inefficient, it is also important to analyze scenario detection (e.g., the actual number of suspicious transaction reports filed vis-à-vis the number of detected transactions) and revise scenarios and threshold values to reduce false positives.

3. FATF's Fourth Mutual Evaluation of Japan

FATF carried out onsite evaluations in Japan from October 28 to November 15, 2019.

Fundamental practices such as incorporating checks to be conducted when transactions are made into routine operations are essential for AML/CFT and, as noted above, financial institutions need to arrange comprehensive risk assessments and ongoing customer management. Discussions focusing on this point also took place during the onsite evaluations.

The FATF evaluation team will be pointing out problems based on its onsite evaluations and discussing these with the Financial Services Agency and other relevant ministries/agencies. A report on Japan’s mutual evaluation will be debated and adopted at the FATF Plenary in June 2020, and an evaluation report should be released this summer.

Robust public- and private-sector cooperation will also be pursued in addressing AML/CFT in light of the recent FATF evaluation.

Making joint use of systems to evaluate customer risk and undertake ongoing customer management could be considered in the interest of making the industry as a whole more sophisticated and efficient. The Japanese Bankers Association and others are currently examining the feasibility of joint system use and, because the government has included funding for a demonstration project on joint money laundering countermeasures into the supplementary budget, the Financial Services Agency, too, plans to help out in these efforts.

[To All Customers of Financial Institutions]

Your cooperation in providing the information needed to complete verification procedures either in person at a financial institution or by mail would be greatly appreciated!

If the proceeds of criminal activities are laundered through financial institutions, they can then be used to fund future criminal activities. Financial institutions have therefore instituted a variety of verification procedures to prevent this.

For example...

- When you are remitting money at a teller window, you may be asked to explain the purpose of the remittance and the source of the funds being remitted as well as to present documentation in support of those explanations.
- Your current address, occupation and other information – as well as business details and shareholder information for corporations – may also be re-verified by mail or some other method.

You may find your transactions restricted if you do not respond appropriately to these inquiries, so please discuss this matter thoroughly with your financial institution.

These steps are being taken to stop the flow of funds to criminal organizations in order to prevent crimes and enable everyone to enjoy safe and secure lives, so we ask your understanding and cooperation.

(Reference)

* ”Guidelines for Anti-Money Laundering and combating the Financing of Terrorism”, published on April 10, 2019

https://www.fsa.go.jp/common/law/amlcft/en_amlcft_guidelines.pdf

The Current Status and Challenges of Financial Sector Assistance for Myanmar

TEZUKA Yasuyuki, Deputy Director
KAWAHASHI Tenchi, Section Chief for International Cooperation
International Affairs Office, Planning and Management Division, Strategy Development and Management Bureau

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1. Myanmar

Myanmar has a population of about 51.41 million*¹ living in a territory covering 680,000km² located in a strategic position linking up China, India and ASEAN. Nearly 90% of the nation is Buddhist and, while Burmese make up a 70% majority of the population, 135 ethnic minorities also inhabit the country.

Having gained its independence from the UK in 1948, Myanmar was ruled for an extended period by a military regime following a military coup d'état in 1962, during which it was never able to achieve adequate economic development due to socialist policies imposed by the government and economic sanctions imposed by Western countries. Since political authority was transferred to a civilian government in 2011 and economic sanctions by the US and others were subsequently lifted, however, Myanmar has garnered attention from countries around the world, including Japan, for its potential as a market. Inward direct investment has risen and GDP has continued to grow at an annual rate of about 7%; nominal GDP in 2018 was estimated to be about \$71.4 billion, with per capita GDP reaching \$1,321. Particularly since the 2016 inauguration of the administration in which Aung San Suu Kyi serves as State Counsellor, the first civilian administration in a half-century, new laws governing investment and corporations have been passed and a number of other schemes implemented to promote further foreign investment. Domestic industry remains immature, though, and the country will need to foster its financial and capital markets to support economic development.

Below we introduce the assistance to which the Financial Services Agency has been dedicating particular effort in the securities and insurance sectors.

2. Assistance provided heretofore

(1) Securities sector

Since the transfer of power to a civilian administration, the Myanmar government has sought to set up a securities exchange, an area in which it lags behind other ASEAN countries, and it requested technical cooperation from Japan in establishing the necessary securities laws and ordinances. Assistance provided primarily by the Japanese Ministry of Finance's Policy Research Institute led to the passage of a securities exchange law in July 2013, in accordance with which the Securities Exchange Commission of Myanmar (SECM) and the Yangon Stock Exchange (YSX)*² were created in 2015. To assist in formulating and implementing the lower-tier laws and ordinances needed to govern day-to-day securities operations, the Financial Services Agency began in 2014 dispatching personnel to the Myanmar government to offer help in cooperation with the Daiwa Securities Group and the Japan Exchange Group (JPX). These efforts resulted in Myanmar's first listed company being established in March 2016, and the country now has a total of five listed companies.

To transition Myanmar's capital market from an incipient stage to a growth phase, the Financial Services Agency, the Daiwa Securities Group, and JPX in January 2018 formulated a capital market activation assistance plan for Myanmar known as "LIST" ("Listing + Investment Strategy and Timeline") to promote (1) efforts to increase listed companies, (2) efforts to expand the investor base, (3) systemic improvements and (4) human resources development,



Delivery of LIST to Deputy Planning and Finance Minister by Parliamentary Vice-Minister MURAI Hideki at Naypyidaw



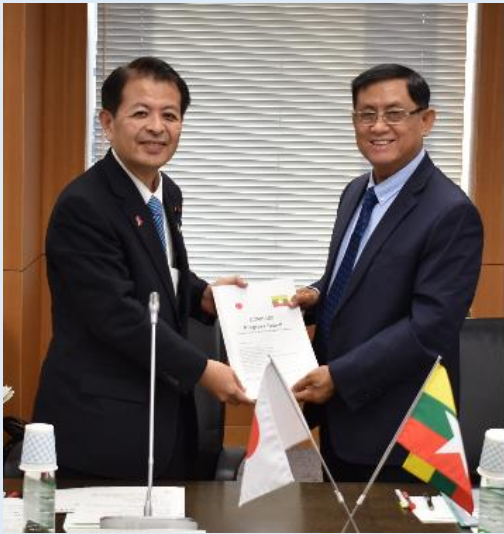
Yangon Stock Exchange

and this plan was delivered to Maung Maung Win, Myanmar's Deputy Minister of Planning and Finance and SECM Commissioner. Carefully tailored assistance has since been provided by creating the Special Task Force for Listing Promotion(STF), organizing the YSX Expo as a large-scale investor relations event and holding seminars in various cities, helping out in the formulation of various laws and regulations, and conducting short-term and long-term training. A "Roundtable Meeting" was also established locally in March 2019 to provide government authorities, securities companies, executives from listed companies and others with a venue for discussing measures to develop the capital market, and Myanmar authorities have now taken ownership of efforts to help foster the market, with Japanese participants taking a hands-on approach to assistance.

(2) Insurance sector

With Myanmar's insurance business having been nationalized in the 1960s, Myanmar's insurance market was long monopolized by a public insurance corporation, but the privatization and economic liberalization of recent years led to the approval of private-sector insurance companies in 2012, and in May 2015 business licenses were granted to three Japanese non-life insurance companies to operate within the Thilawa Special Economic Zone*3. As momentum builds for further liberalization of the insurance market, Japan's public and private sectors have teamed up to provide assistance to ensure sound development of the insurance market in Myanmar as the country continues to enjoy rapid economic growth.

More specifically, since August 2017 one official from the Financial Services Agency, and since August 2018 one non-life insurance expert and one life insurance actuary, have been dispatched as JICA experts to the Ministry of Planning and Finance to provide hands-on technical assistance. In June 2018, Japan formulated a public-private insurance sector assistance plan (COMPASS: Comprehensive Mapping of Proactive Assistance) focused on (1) ensuring the financial soundness of insurance companies, (2) developing suitable insurance products, (3) establishing necessary legislation, and (4) building up the sector's capacity, and delivered this plan to Myanmar authorities. More extensive assistance has been offered under COMPASS in, for instance, developing models for insurance regulatory accounting/solvency regulation, collecting data to verify automotive insurance premium rates, and developing life insurance products. In November 2019, a progress report on these COMPASS efforts was delivered by State Minister Miyashita to Maung Maung Win, Deputy Minister of Planning and Finance. Myanmar's insurance market was opened to foreign companies in that same month, and the entry of six Japanese companies*4 into the Myanmar insurance market via wholly-owned subsidiaries or joint venture companies was officially authorized (five other foreign insurance companies were granted access to the market at the same time).



Left: State Minister Miyashita delivering the COMPASS progress report to the Deputy Planning and Finance Minister
Top: JICA insurance experts with Ministry of Planning and Finance officials

3. Future prospects

The Myanmar government's priorities in the area of securities have been lifting the ban on foreigners engaging in listed securities trading, creating a modern securities tax system, and improving the appeal of the market. The prohibition on trading securities is likely to be lifted for resident foreigners in the near future as a first step, and a growing number of companies have begun preparations for listing. Although the insurance sector has been opened up to foreign companies, there is an urgent need to put in place systems that will enable the market to achieve full-scale growth, and the work of putting together the relevant provisions, including a new insurance business law, is entering the final stretch.

The FSA remains committed to continuing its close support into the future by steadily implementing LIST and COMPASS to help Myanmar's securities market and insurance sector develop soundly.

*1 2014 national census
*2 YSX investor composition: Myanmar Economic Bank: 51%, Daiwa Institute of Research: 30.25%, JPX: 18.75%
*3 A special economic zone situated on the outskirts of Yangon and constructed through private-public collaboration involving the Japanese and Myanmar governments (the Japanese government provided yen-denominated loans to improve electric power supply and other infrastructure)
*4 Wholly-owned subsidiary: Dai-ichi Life
Joint venture companies: Mitsui Sumitomo Insurance, Sompo Japan Nipponkoa Insurance, Tokio Marine & Nichido, Nippon Life Insurance, Taiyo Life Insurance

The Progress Made with a “Package of Measures” in Developing Sustainable Business Models for Regional Financial Institutions

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MIZUTANI Tomio, Deputy Director
KANAGASAKI Ikuhiro, Deputy Director
FUKUTOME Osamu, Deputy Director
Banking Business Division II, Supervision Bureau

(*The opinions expressed in this piece are the personal views of the authors and do not necessarily reflect the views of the organizations with which they are affiliated.)

The Financial Services Agency on August 28 of this year announced a “package of measures” for developing sustainable business models for regional financial institutions in “Financial Services for a New User-centered Age: Practice and Policies” (Fiscal Year 2019)” with the aim of creating an environment that would encourage regional financial institutions to consider business models suitably matched to their own business philosophies and designed to facilitate greater originality and ingenuity. The following article explains the progress made thus far in implementing this “package of measures” in the four months since it was announced.

1. Amending competition policy for regional banks

The Action Plan of the Growth Strategy (approved by the Cabinet on June 21, 2019) called for a special bill to be presented to the 2020 ordinary session of the Diet permitting a ten-year exemption from the Anti-Monopoly Act for the management integration of regional banks to allow management integration on an exceptional basis even if the banks involved account for a high market share, with the idea in mind of maintaining services in rural areas, depending on available management resources after integration.

A proposed exemption scheme for mergers in a special bill requiring applications from participating companies or authorizations from the competent ministers was presented at the 32nd Future Investment Conference (held on October 29), and steps will be taken in cooperation with relevant ministries/agencies to support passage of this exemption bill.

2. Easing restrictions on the operational scope of financial institutions, etc.

There are many financial institutions that continue to work to improve the productivity of local companies and revitalize local communities, and the “package of measures” offers three approaches to easing restrictions in support of these financial institutions’ voluntary efforts.

◆ Reviewing the operational scope of regional financial institutions

The Ordinance for Enforcement of the Banking Act and other rules were revised on October 15 to ease restrictions on voting rights (the “5% rule”) in order to facilitate community revitalization projects, business succession, and business rehabilitation.

On that same date, the guidelines for supervising local trading companies were amended to enable investments in local trading companies in excess of 5% and up to 100% by clarifying the points to bear in mind when screening financial institutions prior to licensing them as advanced banking service companies.

◆ Revising regulations on personnel rotation, etc.

Revisions were made on December 18 to delete provisions in the guidelines for supervision stipulating methods for preventing fraud – e.g., periodically reassigning personnel (personnel rotation) or implementing workplace disengagement programs based on quantitative criteria (a continuous disengagement of one week or more for a minimum of once per year) – so that financial institutions can more readily develop human resources and thereby provide good-quality services to customers by flexibly assigning personnel while seeking to reduce compliance risks.

◆ Revamping the double-gearing system

Even if a certain degree of soundness has been secured for the immediate future, financial institutions will need to improve their current financial condition through a certain level of investment from other financial institutions so that they can maintain soundness into the future and continue to provide communities with financial intermediary functions. Accordingly, draft revisions were announced on November 29 on revamping announcements, etc., so that certain investments that would contribute to the continued performance of local financial intermediary functions could be approved as exceptions to limits ordinarily placed on investments in other financial institutions (double gearing restrictions). Public comments will be accepted through January 6, 2020, and these revisions should be promulgated by March at the latest.

3. Guidelines on Management

Guarantees

Other pressing issues facing financial institutions include smooth business succession at small and medium-sized firms and micro businesses and sustained development of local economies via this, and the “package of measures” advocates utilizing and promoting the Guidelines on Management Guarantees.

Given the increasing urgency of ensuring seamless business succession, discussions were undertaken with relevant organizations and then special provisions to the Guidelines on Management Guarantees focusing on business succession were

formulated and announced on December 24 by the Study Group on the Guidelines on Management Guarantees (Secretariat: Japan Chamber of Commerce and Industry, Japanese Bankers Association) in order to clearly spell out how management guarantees would be handled during business succession to prevent them from hindering succession.

The Financial Services Agency on September 9 announced that the ratio of guarantees secured during business succession and the ratio of new financing independent of management guarantees would serve as key performance indicators (KPIs) for objectively assessing the status of financial intermediation. Publishing information on the circumstances at all banks from the second half of this fiscal year will help “visualize” the status of financial intermediation.

Competition Policy

➤ To maintain services of regional banks as local infrastructure and revitalize local economies and industries, **cooperating with relevant ministries for enacting an act on special measures** for regional banks' exemption from application of the Anti-Monopoly Act, based on the Japanese government's *Action Plan of the Growth Strategy*

Deregulation of banks' activities including their scope-of-business

- To encourage financial institutions to improve the productivity of local companies, **deregulating banks' scope-of-business, such as restrictions on investment ratio (“5% rule”) in relation to regional revitalization and smooth business succession of local companies**
- **Revising Supervisory Guidelines, with respect to job rotation within financial institutions**, which encourages banks' human resource development and high-quality customer-oriented services by flexibly allocating human resources while reducing compliance risk
- **Revising capital adequacy regulation on double gearing** (restriction on banks' investments in other banks), which exempts banks' investments contributing to the effective and ongoing financial intermediary function of regional banks

“Guidelines on Business Owners' Personal Guarantee”

- To promote smooth business succession, **developing additional special provisions of “Guidelines on Business Owners' Personal Guarantee” focusing on business owners' succession, and developing financial intermediation KPIs (“Ratio of guarantee demanded at the point of business succession”, “Ratio of loans independent of guarantee by business owners among new loans”)**

Incentivizing financial institutions

- **Considering in collaboration with stakeholders about the appropriate deposit insurance rates**, with a view of its function as incentivizing financial institutions to ensure their long-term soundness

Enhancing the Governance of Regional Financial Institutions

- **Developing “the Core Issues of the Management and Governance of Regional Financial Institutions,” so as to enhance in-depth and specific dialogue with banks' management and external directors**, as well as encourage discussion within financial institutions

Dialogue with financial institutions on sustainable business model

- **Engaging in in-depth dialogues** with each level of bank personnel and external directors, regarding implementation of business strategies and PDCA practices under a clear corporate vision, while **ensuring Psychological Safety**

4. Deposit insurance premium rates for disciplining and incentivizing financial institutions into the future

A uniform deposit insurance premium rate currently applies to the deposit insurance premiums to be paid each year by financial institutions to deposit insurance institutions to prepare against any potential bankruptcy, but the existing Deposit Insurance Act also permits differing deposit insurance rates (variable premium rates) to be applied in line with the soundness of individual financial institutions. Variable premium rates are being introduced in many other countries overseas as well.

The “package of measures,” although premised on the present system, also takes into account the functions that rates play in disciplining and incentivizing regional financial institutions to ensure their soundness into their future, and stipulates that the relevant parties are to examine the best approaches to deposit insurance premium rates, and this examination is ongoing.

5. Steps to improve the governance functions of financial institutions

For regional financial institutions to construct sustainable business models on the basis of corporate philosophies put forth by their own management teams, it is important that they exercise leadership in formulating and implementing business strategies/plans and that boards of directors and other forms of governance function effectively.

To that end, the “package of measures” calls on us to formulate “key discussion points (core issues) that help improve the management/governance of regional financial institutions” as a compilation of the issues thought most important for management teams, outside directors, etc., when examining their own management and governance, and we would like to exchange views with financial institutions before formulating and announcing these.

6. Pursuing exploratory dialogue on sustainable business models

At the end of the “package of measures,” approaches to dialogue between the FSA and regional financial institutions are discussed in the context of “pursuing exploratory dialogue.”

The Financial Services Agency will engage in ongoing dialogue with regional financial institutions' top management, executives, head office personnel, branch managers, sales personnel, outside directors and other employees to ensure that regional financial institutions develop sustainable business models by devising and applying business strategies that accord with their own corporate philosophies and implementing the PDCA cycle.

“Regional Revitalization Support Plan! Regional Finance Meeting Kasumigaseki Dialogue” to be Held

■ “Kasumigaseki Dialogue” to be held on Monday, January 27, 2020

On January 27, 2020, the Regional Finance Meeting and the Financial Services Agency’s Regional Solutions Support Team will be holding an event entitled “Regional Revitalization Support Plan! Regional Finance Meeting Kasumigaseki Dialogue” in cooperation with various ministries/agencies!

<What is the Kasumigaseki Dialogue?>

- ① Volunteers from regional financial institutions, local governments, and central ministries/agencies meet to enthusiastically discuss the use of measures and policies
- ② aimed at constructing an organic network through networking events
- ③ for the sake of regional revitalization.

The essential aim of this plan is to further advance regional revitalization through frank dialogue among volunteers interested in regional revitalization.

With multiple ministries/agencies being involved and with participants all being volunteers interested in regional revitalization, this effort enables more horizontal interaction that encourages the permeation/adoption of measures and policies.

One-on-one exchanges of views with working-level personnel from other ministries/agencies with whom one ordinarily does not have any chance to talk are in themselves valuable, but we would also appreciate recommendations on ways of improving these measures and policies. This plan is designed to facilitate honest two-way discussions, and we look forward to everyone interested taking part!

参加
無料

地方創生応援企画！ちいきん会 霞ヶ関ダイアログ

金融機関・自治体有志と各省庁有志による平日夜の熱い意見交換会！

2020

1.27

月

17:45受付開始
18:15～21:00

会場 ホテルニューオータニ ガーデンコート27階
(千代田区紀尾井町4-1 NN生命保険)

対象 金融機関職員（東京事務所長等）、自治体職員
で地方創生に関心のある有志

定員 **200**名（先着順）

申込締切：1月20日（月）※定員になり次第締切

参加申込はコチラのQRコードからお願いします→

ニューオータニガーデンコートの入口です

Inspection Manuals Repealed

— Consultation desk on loan loss provisioning set up —

■ Inspection manuals repealed; consultation desk on loan loss provisioning set up

The Financial Services Agency has repealed its inspection manuals effective December 18, 2019, and has published “Perspectives and Approaches on Inspection/Supervision of Loans after repeal of the Inspection Manuals”

It seems likely that financial institutions will face a variety of concerns and issues when considering methods of more accurately reflecting credit risk in their loan loss provisioning in light of their own loan policies and the actual circumstances of borrowers. The Financial Services Agency has therefore set up a consultation desk to allow financial institutions to discuss these concerns and issues with the relevant officials.

For further details, please see the following:

<https://www.fsa.go.jp/receipt/yuushidp/index.html> (Available in Japanese)

We intend to make public our discussions on these consultations with the Japan Institute of Certified Public Accountants and the Bank of Japan as well as the findings of our studies. We believe that access to a wide range of case studies will prove useful in considering how best to proceed in practical terms, so please take advantage of this consultation desk!

We are also uploading a video explanation of this notice to the Financial Services Agency’s YouTube channel, so please take a look.

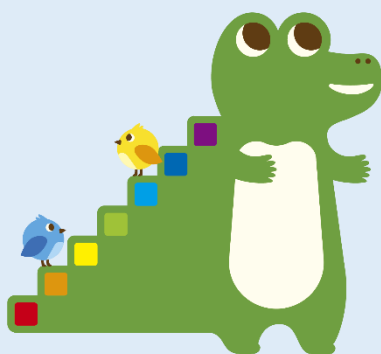


JFSA's Major Activities in December

(December 1 to December 31, 2019)



- [The Council of Experts on the Stewardship Code \(2019\):The Third Council \(December 4, 2019\)](#)
- [Overview of the Japanese regional banks' financial results for six months ended September 30, 2019 \(December 6, 2019\)](#)
- [Overview of major banks' financial results for the six months ended September 30, 2019 \(December 6, 2019\)](#)
- [The eighth meeting of the Payments Council on Financial Innovation \(December 16, 2019\)](#)
- [Overview of financial results of major insurance companies as of September 30, 2019 \(December 17, 2019\)](#)
- [Inspection Manuals were repealed \(December 18, 2019\)](#)
- [At the 35th Annual General Meeting of the International Bankers Association of Japan - Keynote Speech by Commissioner ENDO Toshihide \(December 19, 2019\)](#)
- [Publication of the draft of the "Principles for Responsible Institutional Investors" «Japan's Stewardship Code» - To promote sustainable growth of companies through investment and dialogue - \(Draft\) \(December 20, 2019\)](#)
- [Use of AI in examining annual reports: summary of the proof-of-concept test results \(December 23, 2019\)](#)
- [Blockchain Global Governance Conference \[BG2C\] \(December 24, 2019\)](#)
- [Publication of Final Report by the Expert Study Group on Capital Markets in Japan of the Financial System Council \(December 27, 2019\)](#)
- [Stewardship Code: 273 institutional investors have signed up to the Principles for Responsible Institutional Investors as of December 27, 2019 \(December 27, 2019\)](#)



Extensions of NISA schemes have been incorporated into the ruling parties' outline for comprehensive tax system reform.

The Tsumitate NISA program is to be extended for five years!!
If you start now, you will be able to invest for 20 years instead of just 19 under the previous structure.

The ordinary NISA program will also be reshaped from 2024 and extended by five years!

You can count on us to continue supporting your wealth building efforts.

Editorial Postscript

Thank you for reading the December issue of Access FSA. The financial inspection manual drawn up in 1999 was discontinued as of the 18th of this month. As explained in the Policy Commentary Corner, steady progress is being made in the package of measures designed to help regional financial institutions develop sustainable business models. We will continue bringing you timely information on policy issues next year, so please look forward to the next issue.