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Interview with State Minister AKAZAWA Ryosei (Financial Services)



AKAZAWA Ryosei

State Minister of Cabinet Office (Financial Services)

Born in December 1960

After being elected for the first time in 2005, appointed as Parliamentary Vice-Minister of Land, Infrastructure, Transport and Tourism in December 2012, and as State Minister of Cabinet Office in September 2014

The Public Relations Office of the FSA interviewed Mr. AKAZAWA Ryosei, State Minister of Cabinet Office (Financial Services), who took office on September 18 with the inauguration of the SUGA Yoshihide's Cabinet, about his enthusiasm and his thoughts on financial administration.

Outline of the interview

- ◆ Want to change the world by showing my own personality
- ◆ Continue working on disaster prevention and regional revitalization as my lifework
- ◆ Want to change Japanese people's sense of values to considering diversity to be a virtue and putting a high value on enjoyment

--- Please tell us your enthusiasm as State Minister (Finance Services).

I was appointed as State Minister for the third time after an absence of five years. I have been acquainted with the staff of the FSA, and I would like to show my own personality and perform my duties in response to people's expectations. I would like to work hard for the sake of the people, as the Prime Minister says. Differing from my previous tenure, the top priority in financial administration at present is a significant task to have financial institutions overcome the challenge of the pandemic and fulfil their intermediary functions amid the COVID-19 crisis toward a post-COVID-19 society. This is also the top priority of the Suga Cabinet. I am committed to fulfilling this task.

Five years ago, when I also served as State Minister, the FSA was endeavoring to shift from an agency issuing administrative dispositions to an agency fostering finance and was facilitating active utilization of the Guidelines on Personal Guarantee of Directors. Furthermore, the Inspection Manuals, which had a symbolic meaning, were finally abolished in December 2019. The FSA has been making efforts to make itself more flexible regarding financial services users and financial institutions, and I would like to further accelerate this shift.

The part of such efforts being made by the FSA that I most highly evaluate is the holding of the *Chii-kin*

Meeting (Local Finance Meeting)* with participants from the FSA and private companies: not only those from regional financial institutions, while ensuring "psychological safety." This shows the intention of the FSA to perform a function as an agency fostering finance in a form other than its explicit efforts. If a poll is conducted, the FSA will be highly evaluated among government ministries and agencies. Based on the idea as I mentioned so far, I have a strong will to change the world in a sector where I can exert my personality.

--- The next question is what policy you especially focus on in the financial administration area.

I would like to focus on countermeasures against COVID-19. What I think is very significant is the fact that the government created the system of effectively interest-free and unsecured loans and financial institutions have been cooperatively making efforts. The Japan Finance Corporation has been providing loans under the system, but the key is that the system also involves private financial institutions. Nevertheless, loans are loans and borrowers must make repayments. If the COVID-19 pandemic is prolonged for another one to two years, some older business owners may consider giving up their business due to their age.

I want financial institutions to have become stronger at

* A place for motivated government staff and employees of financial institutions to get together to have constructive discussions without worries, free from job titles; The secretariat of the *Chii-kin* Meeting (Local Finance Meeting) consists of volunteers from the FSA, Regional Solutions Support Team, and other ministries and agencies, and the *Yon-nana* Meeting, as well as volunteers from financial institutions.

that point in time, because the excellent human resources in local areas are in financial institutions. If financial institutions have developed sufficient capacity to fulfil their consultative functions to provide advice and offer support to local business owners for improvement, turnaround, or businesses succession, including support for business abolition, their contribution will be significant in carrying out an exit strategy of the economic packages being implemented to counter COVID-19 infection such as the system of effectively interest-free and unsecured loans.

I hope that financial institutions in respective regions will be able to support local companies by developing an ability to successfully assist a large number of local companies considered in danger of bankruptcy with their efforts for turnaround. Both under the Act for Establishment of the Financial Services Agency and the Banking Act, financial institutions' consulting services are considered to be minor. The Banking Act defines banking as a business to lend funds and earn profit margins, and consulting services to help local companies are only prescribed in the Comprehensive Guidelines for Supervision (not in Acts, Cabinet Orders or Cabinet Office Orders). What about stipulating consultative functions as part of the FSA's mission or positioning consulting services targeting local companies clearly as part of banks' duties? In preparation for the time when we seek an exit for the economic packages to counter COVID-19 infection: including the system of effectively interest-free and unsecured loans, I wonder if it is possible at present to make legal adjustments, such as the amendment of the Banking Act, or otherwise develop an environment to enable financial institutions to sufficiently perform consulting services when the need arises.

--- At present, we are in the COVID-19 crisis. I think that experience that you, State Minister AKAZAWA, have accumulated in the process of working on disaster prevention and regional revitalization as your lifework will be very helpful in the current situation. What do you prioritize in particular from the perspective of disaster prevention from the standpoint of crisis response?

I decided to work on disaster prevention to save people's lives as my lifework through the following experience. In 1985, the year following my joining the Ministry of Transport (currently, the Ministry of Land, Infrastructure, Transport, and Tourism), there was an accident where a Japan Airlines jumbo jet crashed onto Mt. Osutaka. It was my second year as an official of the ministry and I was working at the Japan Civil Aviation Bureau. There was a phone call in the evening, reporting that a jumbo jet with over 500 passengers and crew members just disappeared off the radar. I was right there in the office. I sometimes flash back to that moment even now. I remember I felt something like a river of ice flowing through my veins. In 1995, ten years later, the Great Hanshin-Awaji Earthquake occurred, and in 2005, another ten years later, I was elected as a lawmaker for the first time. I have thus experienced serious incidents at intervals of ten years in my life. I really hate it when

people die. I would like to do whatever I can do in advance to prevent people from dying, and do my best in taking response measures amid a disaster and also in reconstruction and recovery work after a disaster.



(Photo: Interview with State Minister)

I am considering establishing the Ministry of Disaster Prevention to take prior measures and am also considering facilitating R&D activities on disaster prevention technologies and selling such technologies to foreign countries to increase the national treasury. I am also thinking of ensuring thorough preparedness, including a digitalized means for disaster prevention. Five years ago, based on my recommendation, it became possible to electronically superimpose various maps, and the Shared Information Platform for Disaster Management (SIP4D) system (a system to collect, integrate and provide various disaster-related information on a digital map) was created. I now recommend that AI be added to this system.

Also in my constituency, there was the Western Tottori Earthquake in 2000 and the Central Tottori Earthquake in 2016, and I went to the victimized areas as a member of the House of Representatives, heard the needs of the residents, and made prompt responses to help reconstruction and recovery of local communities.

I also prioritize regional revitalization. I believe that if regional revitalization can be achieved in Tottori prefecture, an area that is economically weak and has the smallest population in Japan, it must be possible anywhere across the country. I am not only talking about Tottori prefecture from an egoistic point of view, but instead have a strong belief that regional revitalization must first be achieved in Tottori to successfully achieve regional revitalization nationwide.

--- What made you become a lawmaker?

First, I think that there has been a continuity from my experience as a government official.

I was brought up based on my father's life philosophy that if you do something beneficial to others, you will be fairly compensated therefor. In short, I want to see people's smiling faces. Additionally, I did not think that the highly competitive working environment of a profit-making enterprise would suit me. Therefore, I chose to be

a government official. In that sense, for me, a government official and a lawmaker are in line with each other in that both aim to please the people. This is one reason.

The Ministry of Land, Infrastructure, Transport and Tourism plays a significant role in protecting people from disasters. In Japan, most disasters are floods, including those in urban areas. Another reason must be my experience in working for the Ministry of Land, Infrastructure, Transport and Tourism, which has the River Bureau and which plays the most significant role in disaster prevention. However, of course, there are also other types of disasters such as damage to agriculture.

If I became a lawmaker, I thought I would be able to have discussions with the Self Defense Forces and the police regarding work to prevent disasters and protect people's lives, bodies, and property, and would also be able to establish the Ministry of Disaster Prevention in the future. Accordingly, I wished to be a lawmaker. When I was working as a government official, I was very proud that unlike workers in the private sector, government officials can establish laws or decide national budgets. However, it is Diet members that constitute a legislative body. Government officials can create and submit bills but whether or not to approve them as laws is determined by the legislative body. Therefore, after serving as a government official, I finally reached a position to truly establish laws and decide budgets and have become able to take actions to change the world more easily.



(Photo: Interview with State Minister)

--- What do you aim to achieve as a lawmaker?

In a word, to change the world, for better, of course.

At present, we are at a very important stage. I was strongly impressed with a book written by Mr. SAKAIYA Taichi titled "*Sando-me-no Nihon* (Japan for the Third Time)." The book points out that Japan has concentrated everything in Tokyo as a national policy for 150 years since the beginning of the Meiji era. In order to protect the country's independence, the then government encouraged new industries and promoted national prosperity and defense, and after the defeat in World War II, the then government solely pursued standardized mass production to reconstruct the country and seek wealth. In that process, concentration of population and industry in the Tokyo

Metropolitan area was facilitated, in pursuit of efficiency, uniformity, cleanliness and safety.

However, that national policy has become obsolete in 150 years, and it is required at present to rectify excess concentration in Tokyo.

What should be done right now? I would like to change Japanese people's sense of values to considering diversity to be a virtue and putting a high value on enjoyment, which are really necessary at present. For that purpose, I would like to change the mechanisms of the country, decentralize power and develop a domestic demand-led economy.

I would also like to actually establish the Ministry of Disaster Prevention and raise minimum wages in a planned manner to enrich people's lives. I will promote thorough vocational training and IT investment, improve fairness in transactions thus raising minimum wages accordingly, enhance productivity to achieve a growth of GDP, and make benefits enjoyed broadly by respective regions. In this manner, we can achieve diversity in society and enjoyable life in Japan, I think.

--- How do you spend your days off?

Talking, eating and drinking with the people of my constituency are most enjoyable and serve as a source of energy for me, but it is not possible due to COVID-19 right now. While a declaration of a state of emergency was issued, I had no choice but to stay in Tokyo.

So, my way of spending spare time changed a little. I originally liked reading stories and I enjoyed books, comics such as *Kimetsu-no-Yaiba* (Demon Slayer) and *One Piece*, movies, and TV dramas. I bought and read through all issues of *Kimetsu-no-Yaiba*. Financial administration from now requires a breathing maneuver "Full Concentration" or "Breath of *Chii-kin* ; Form 1." (accompanied by general laughter)

--- What is your motto?

I would venture to say, "to remain master of one's four virtues" by Nietzsche. This means to be true to yourself and your friends, to have courage against an enemy, to have sympathy for a loser, and to always maintain good manners in any case. I think it is very important.

To be true to yourself has a deep meaning. If you do something against your intention, you will surely regret it. If you act against your will and policy but merely based on self-interest or calculation, such as considering that something would be more profitable or advantageous for promotion, you will end up suffering from a gap between your own ideals or belief and the reality. To always maintain good manners is rather difficult. You must not express your peevishness or take out your frustrations on others, and must not be rude to others of course. It is difficult. I always keep trying! (laughter)

(Interviewer: SAKAI Yoshitaka, Director, Public Relations Office)

Business Accounting Council's General Meeting and 7th Corporate Accounting Committee Meeting

On November 6, the Business Accounting Council's General Meeting and the 7th Corporate Accounting Committee Meeting were held and discussions were conducted concerning the revision of the Audit Standards and recent major trends concerning accounting audits and accounting standards.

◆ Revision of the Audit Standards, etc.

At the meeting, members approved the revision of the Audit Standards to strengthen the risk-based approach and clarify auditors' procedures with regard to "other information," other than financial statements, included in annual securities reports, etc.

As non-financial information has come to be disclosed in more and more detail, it was decided that an auditor is to read through other

information and consider whether there is any material inconsistency between other information and the financial statements or the knowledge obtained through the audit. Furthermore, an auditor is required to newly set a section on other information in an auditor's report and provide information concerning the existence or non-existence of material misstatements and the details of material misstatements if any.

With regard to the risk-based approach, it was decided to strengthen risk assessment and responses to assessed risks in consideration of the fact that accounting estimates are becoming more and more complicated.

At the general meeting, Chairman Hatta of the Audit Standard Committee explained the developments of the deliberations at the Committee. Then, the Business Accounting Council compiled a written opinion of its general meeting concerning the revision of the Audit Standards, etc. and Council Chairman Tokuga personally delivered it to State Minister Akazawa.

Members also discussed Japan's responses to the review of international standard on quality control and decided to continue deliberations on quality control concerning audits at the Audit Standard Committee.

◆ Recent trends concerning accounting audits and accounting standards

Members discussed the following:

- Status of voluntary application of the IFRS in Japan where the application percentage exceeds 40% in terms of aggregate market value of all listed companies;
- Status of development of Japanese accounting standards, such as the revenue recognition standard and the market value calculation standard;
- International transmission of opinions regarding the IFRS, including amortization of goodwill and primary financial statements;
- Fostering of global accounting personnel, etc.



〔 Photo: Chairman Tokuga (right) personally delivering the written opinion to State Minister Akazawa (left) 〕

* For details, see the FSA's website.

Business Accounting Council's General Meeting and 7th Corporate Accounting Committee Meeting:

https://www.fsa.go.jp/singi/singi_kigyuu/top_gijiroku.html#soukai

Attendance of State Minister Akazawa in the "Good Job Fair 2020"

Participated in by 250 Shinkin Banks Nationwide

■ Speech by State Minister Akazawa at the Good Job Fair 2020

Due to the spread of COVID-19 infection, many events in the Shinkin bank industry have also been postponed or cancelled, but the Good Job Fair 2020 was held in a form responding to the "With Corona Era" and State Minister Akazawa delivered a speech at its opening ceremony.

As before, sales booths and PR booths of business partners of Shinkin banks nationwide were established in the venue and an online shopping site was opened for those business partners with the aim of broadly introducing local specialties. Additionally, an online platform was prepared to enable business partners to have negotiations with buyers in the Tokyo metropolitan area. The Fair was thus held in a manner integrating activities in the real world and on the website.



Photo: State Minister Akazawa delivering a speech at the opening ceremony

■ Time to show the real value of the network of Shinkin banks

In his speech, State Minister Akazawa introduced some examples where the Good Job Network* of Shinkin banks successfully led to resolution of problems among business partners and encouraged the participants to make further efforts, stating that it is difficult for people to get together and people have fewer chances to cultivate new market channels and directly have business talks, but that it is the very time to show the real value of the network of Shinkin banks.

Lastly, he expressed his expectation that the network of Shinkin banks will continue serving as a local platform to create innovation and will contribute to the development of local companies and the revitalization of local communities.



Photo: Opening of a barrel of Japanese sake that was produced in Fukushima using rice from all 47 prefectures for the purpose of assisting the recovery of the region from the Great East Japan Earthquake

After the opening ceremony, State Minister Akazawa observed an online business meeting and the shopping site's booth, etc., and actively exchanged opinions with the responsible personnel.

*"Good Job Network"

Through the Good Job Network participated in by 158 Shinkin banks (as of November 27, 2020), Shinkin banks cooperatively offer support for matching and business operations in general across regions via the website regularly, not only during the period of the Good Job Fair.

Kasumigaseki Dialogue Held Online

– Introduction of Measures by Ministries and Agencies and Characteristic Initiatives by Financial Institutions –

On November 11 and 18, 2020, the Regional Solutions Support Team^{*1} held Kasumigaseki Dialogue^{*2} online. Applications were filed from all over the country, and a total of approximately 230 people from financial institutions and local governments participated in the Dialogue during these two days. State Minister Akazawa also attended the Dialogue on November 11 and sent encouragement to participants in Kasumigaseki and other regions.

On November 11, as a new approach based on the opinions of participants of the preceding Dialogue, financial institutions commended by the Minister of State for Regional Revitalization introduced their characteristic initiatives (4 cases) contributing to regional revitalization rewarded as a result of the FY2019 Monitoring Survey on Initiatives for Regional Revitalization.

Some participants commented that the introduced cases were also helpful for them. On November 18, participating ministries and agencies introduced their measures that had proved effective amid the COVID-19 crisis, and the information was accepted by participants as being timely. Some showed their intention to immediately utilize those measures at their branches for offering support to companies. Additionally, there was also an opinion that through the participation in Kasumigaseki Dialogue, participants renewed their awareness and came to think there must be additional things that they can do. Their further efforts in respective regions can be expected.

The Regional Solutions Support Team will continuously support the dissemination of measures and the development of best practices by connecting Kasumigaseki and local communities and creating connections among local communities via volunteers' networks.



Photo: Kasumigaseki Dialogue being delivered online

● November 11 (Financial institutions' characteristic initiatives contributing to regional revitalization)

Tottori Bank × Sea Seven Hayabusa	Public-private partnership community complex, "Hayabusa Lab."
YM Career (Yamaguchi Financial Group)	Support for securing diverse human resources based on feasibility assessment
Yamagata University × Shonai Bank × Yonezawa Shinkin Bank	Industry-academia-finance collaboration platform
Chugoku Bank × Leave a Nest	Regional ecosystem for business start-ups

● November 18 (Measures taken by ministries and agencies)

Organization for Small & Medium Enterprises and Regional Innovation, JAPAN	Project to support the introduction of IT and digitalization
Ministry of Agriculture, Forestry and Fisheries	Support for sales promotion for agricultural, forestry and fisheries products affected by the COVID-19 crisis
Secretariat for the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, Cabinet Secretariat	Hometown tax donation system for companies
Japan Finance Corporation / Shoko Chukin Bank	Utilization of subordinated loan capital
Ministry of Economy, Trade and Industry	Utilization of gBizID

^{*1} Regional Solutions Support Team: One of the teams that carry out activities as the FSA's Policy Open Lab; The team serves as the contact point between the central and local governments and between the public and private sectors with regard to regional problems consulted on by respective communities, prepares a place for a dialogue among related parties and offers support for the deliberation and implementation of plans and schemes for solving problems.

^{*2} Kasumigaseki Dialogue: A place jointly created by the Regional Solutions Support Team and volunteers from ministries and agencies wherein workers of financial institutions and local governments, etc. deepen understanding of measures taken by respective ministries and agencies through dialogue with responsible personnel; The first Dialogue was held in January 2020 and the latest Dialogue in November was the third one.

Promoting the Use of English and Establishing a Single Point of Contact for Foreign Asset Management Firms

SUZUKI Hirotsugu, Director,
Asset Management Business Office, Securities Business Division, Supervision Bureau

The FSA and Local Finance Bureaus published a notice titled "Promoting the Use of English and Establishing a Single Point of Contact for Foreign Asset Management Firms" on Friday, November 6. The background and the outline are introduced here.

1. Introduction

Strengthening Japan's functions as a global financial center is urgently required in order to enhance the resilience of global financial markets against disaster risks, etc. through creating jobs and industries in Japan and improving Japan's economic power, and by dispersing possible risk by geographical diversification of the financial industry, while promoting diversification of fund procurement, sophistication of asset investment, and advancement of financial innovation.

The entry of foreign asset management firms into Japanese markets is important for that purpose. Thus, the FSA and Local Finance Bureaus (LFBs) will establish the "Financial Market Entry Office" to handle pre-application consultation, registration, and supervision for newly entering foreign asset management firms as a single point of contact with all the communications available in English. To achieve that, the FSA will amend relevant regulations to accept documents in English, and the FSA and LFBs, which are in charge of the registration-related affairs, will develop the related systems and improve their capacities.

These measures are a part of initiatives (in relation to, for example, taxation, human capital, business environment, and administrative services in English) to improve the attractiveness of Japan's financial and capital market and to further accelerate the development of a better environment for accepting foreign financial business operators and professionals to Japan. The FSA and LFBs will continuously pursue the initiatives in this area together with relevant ministries and agencies, aiming to strengthen Japan's functions as a global financial center.

Promotion of Use of English & Establishment of Single Point of Contact

Nov. 6, 2020

- ✓ Start preliminary consultation in English
- ✓ Proposal of amendment to relevant regulations

Jan. 2021
(plan)

- ✓ Establishment of Financial Market Entry Office
- ✓ Amended regulations to be in effect
- ✓ Start receiving applications in English for registration
- ✓ Initiation of supervision and inspection in English

2. Outline

1. Establishment of the Financial Market Entry Office

The "Financial Market Entry Office" ("Office") will be established in January 2021 by incorporating staff from relevant sections within the FSA and LFBs. The Office will become a single point of contact for newly entering foreign asset management firms in a seamless manner for pre-application consultation, registration, and supervision. The communications will be available online in such forms as video conferences without meeting in-person. The Office is expected to accelerate the registration process for newly entering foreign asset management firms by helping them overcome language barriers. At the same time, LFBs that are in charge of the registration process will improve their capacities to review registration applications.

Currently, the "Financial Market Entry Consultation Desk" ("Desk")^{*1} serves as a contact point for any inquiry on procedures under financial laws in connection with the establishment of a business base in Japan by all types of foreign financial business operators. While the application documents for registration in English under the new regime will be acceptable on and after the effective date of the amended regulations, pre-application consultation is available in English at the Desk from November 6 onward.

The Office, upon its establishment, will inherit all the functions of the Desk, including details of the pre-application consultation before the effective date. For details on the registration process for any financial instruments business including investment management business, please refer to the "Guidebook for Registration of Investment Management Business and Other Financial Instruments Business."^{*2}

^{*1} "Financial Market Entry Consultation Desk":
<https://www.fsa.go.jp/policy/marketentry/index.html>

^{*2} "Guidebook for Registration of Investment Management Business and Other Financial Instruments Businesses":
<https://www.fsa.go.jp/policy/marketentry/guidebook.html>

2. Amendment to Relevant Regulations to Accept Documents in English

The FSA published a draft Cabinet Office Order for Partially Amending the Cabinet Office Order on Financial Instruments Business, etc. and associated new regulatory notices (collectively, "proposed amendment") with the aim of allowing foreign asset management firms and other eligible financial business operators to complete the registration process in English for designated types of business. It will also allow them to prepare documents in English which are required to be submitted to the FSA in the course of the business after the registration under the Financial Instruments and Exchange Act ("FIEA").^{*3} The following are the key points.

Please note that there may be changes in the following content, which is based on the proposed amendment, by the time of the enforcement scheduled in January 2021. See the FSA's website for the details of the proposed amendment.

(1) Who is eligible for application in English?

Persons/entities who fall into either of the following eligibility categories will become able to submit application documents for registration and other documents in English:

- (i) where the person/entity who is authorized to conduct asset management business or investment advisory business in a foreign jurisdiction or a relevant company of such an entity is applying for the registration;
- (ii) where a person who has worked in the above entity as a senior officer or employee is applying for the registration (i.e. where he/she is named as a senior officer or an important employee in the application documents).

(2) What types of business can be applied for?

Application in English is possible for the registration for the following types of business under the FIEA:

- (i) Investment Management Business (Article 28(4) of FIEA);
- (ii) Investment Advisory and Agency Business (Article 28(3) of FIEA);
- (iii) Type-II Financial Instruments Business relevant to asset management business in either of the following cases:
 - (a) where selling a beneficial certificate of an investment trust or a fund established by itself (Article 28(2)(i) of FIEA);
 - (b) where conducting a so-called Deemed Type-II Financial Instruments Business operated by Asset Management Company of an Investment Corporation or an operator of Investment Management Business for Qualified Investors (Article 196(2) of the Act on Investment Trusts and Investment Corporations and Article 29-5(2) of FIEA).

(3) What types of documents can be submitted in English?

A list of the documents which can be prepared in English^{*4} can be found on the FSA's website. All documents required to be submitted to the FSA based on the regulations concerning the investment management business under FIEA may be prepared in English.

(4) Supervision and inspection in English

The FSA (including Securities and Exchange Surveillance Commission) will promote the use of English in its supervision and inspection with regard to newly registered foreign asset management firms under the new regime. Starting from January 2021, in addition to the documents in the aforementioned list, communications concerning the supervision and inspection will also become available in English. In preparation for a possible increase in the number of registered foreign firms, the FSA will increase the capacities of supervision and inspection accordingly.

Japan's Financial Market Entry Office



^{*3} Publication of the "Cabinet Office Order Partially Amending the Cabinet Office Order on Financial Instruments Business, etc. (Draft)"; published on November 6, 2020:

<https://www.fsa.go.jp/news/r2/shouken/20201106/20201106.html>

^{*4} A list of documents that may be submitted in English by foreign asset management firms newly entering Japanese markets: <https://www.fsa.go.jp/news/r2/shouken/20201106-2/01.pdf>

Publication of the Special Provisions for the Application of the Guidelines for Debt Consolidation after a Natural Disaster to the COVID-19 Infection

On October 30, 2020, the Study Group on the Guidelines for Debt Consolidation after a Natural Disaster, for which the Managing Organization for the Guidelines for Debt Consolidation for Victims of the Great East Japan Earthquake and Other Natural Disasters serves as the secretariat, compiled and published the "Special Provisions in the Case of Applying the Guidelines for Debt Consolidation for Victims of Natural Disasters to the COVID-19 Infection" ("Special Provisions").

1. Outline of the Special Provisions

The Special Provisions are voluntary rules in the private sector established by the Japanese Bankers Association, etc. with the aim of applying the Guidelines for Debt Consolidation for Victims of Natural Disasters(*) to individuals and sole proprietors who have come to satisfy requirements for legal liquidation due to the impact of the COVID-19 pandemic and providing support for their reconstruction of life and business. The Special Provisions started to be applied on December 1, 2020.

- (*) Guidelines for Debt Consolidation for Victims of Natural Disasters: Voluntary rules in the private sector established by the Japanese Bankers Association, etc., which cover individual victims of natural disasters nationwide to whom the Disaster Relief Act is applied and which enable such disaster victims who have become unable to pay back home loans or other existing debts to become reduced or exempt from those debts instead of following legal insolvency proceedings

2. Key points of the Special Provisions

- Through the introduction of a support scheme similar to the special clauses on home loans under the Civil Rehabilitation Act,(*) debtors can reconstruct their lives and businesses without selling their residences.

(*) Support scheme under the special clauses on home loans: A scheme that enables home-loan debtors to continue repayments as before or rescheduled repayments and consolidate debts other than home loans, while keeping their residences

- In addition to seizure-prohibited property, such as the Special Cash Payment, debtors are allowed to save part of their property instead of allocating all property for paying back loans.
- Unlike bankruptcy proceedings, etc., the fact of debt consolidation is not registered as personal credit information and does not exert any influence on new borrowings in the future.
- With national subsidies, debtors can receive support for procedures by lawyers or other registered support specialists free of charge.

- For details of the Special Provisions, see the website of the Managing Organization for the Guidelines for Debt Consolidation for Victims of the Great East Japan Earthquake and Other Natural Disasters
<http://www.dgl.or.jp/covid19/> (Japanese version only)

新型コロナウイルス感染症の影響で、住宅ローンなどの返済にお困りではありませんか？

新型コロナウイルス感染症の影響を受け、自己破産などの法的整理の要件に該当することとなった個人・個人事業主の債務整理を行い、自助努力による生活や事業の再建を支援するため「自然災害による被災者の債務整理に関するガイドライン」の特例ができました。

この特例では、住宅ローンに加え、カードローン等の他の債務を抱える個人・個人事業主について、住宅を手放さずとも、住宅ローン以外の債務の免除・減額を申し出ることができます（一定の要件を満たす必要があります）。

例えば、次のような個人・個人事業主の方がご利用いただけます。

- 新型コロナウイルス感染症の影響で、失業や収入の減少により、ローンが返済できない、返済より負債が多く、将来の収入の見通しが立たず返済できない、
- 住宅ローンに加え、新型コロナウイルス感染症の影響で、カードローン等の他のローンの負担が大きくなり返済できない、
- 事業を再開して再スタートしたいと考えているが、債務を返済できない、

- 手続支援を無料で**
弁護士等の「登録支援専門家」による手続支援を無料で受けられます。
※本人の収入、返済状況、負債状況、債務整理の意向、債務整理の目的等に基づき、登録支援専門家に依頼する必要があります。
- 財産の一部を手元に残せる**
具体的には、債務者の生活状況などの個別事情により異なります。
- 個人信用情報として登録されない**
債務整理したことは、個人信用情報として登録されないため、新たな借入れに影響が及ぼしません。

新型コロナウイルス感染症拡大防止のため、まずはお電話でローン借入先の金融機関等にお問い合わせください。

詳しくは裏面をご覧ください。なお、金融機関では、返済条件等の条件変更の相談も受け付けています。



適用要件

- 新型コロナウイルス感染症以外の理由により返済困難となった方は、本特例を利用することはできません。
- 本特例における対象債務は、以下のとおりです。
 - 2020年2月1日以前に発起した住宅ローン
 - 2020年2月2日以後、本特例制定日（2020年10月30日）までに新型コロナウイルス感染症の影響による収入や売上等の減少に対応することを主な目的として以下の条件等を受けたことと起因する債務
 - ① 政府系金融機関の新型コロナウイルス感染症特別貸付
 - ② 民間金融機関における実質無利子・無担保融資
- 債務の免除等は、一定の要件（債務者の財産やコロナ影響前後の収入状況、信用、債務総額、返済計画、利率といった支払条件、家計の状況等を総合的に考慮して判断）を満たすことやローンの借入先の同意が必要となります。また、最悪最悪の場合の特例適用特例を利用することが必要となります。
- ★特例適用特例の利用を食む手続の流れは下の図をご参照ください。



Financial Industry-wide Cybersecurity Exercise (Delta Wall V)

The FSA conducted the fifth exercise, Financial Industry-wide Cybersecurity Exercise (Delta Wall V), from October 14 to October 21, 2020.

1. Situation surrounding cybersecurity in the financial industry

Fraudulent payments have occurred at multiple banks connecting cashless payment services provided by funds transfer service providers. Additionally, there have been cyberattacks taking advantage of the COVID-19 pandemic and targeting teleworking environments.

As the threat of these cyberattacks might pose significant risks undermining the financial stability, it is crucial to improve incident response capability in the financial industry.

2. Overview of previous exercises

Delta Wall were annually conducted since 2016. Participants were as follows :

- Delta Wall I in 2016, about 900 individuals at 77 financial institutions (hereinafter FIs)
- Delta Wall II in 2017, about 1,400 individuals at 101 FIs
- Delta Wall III in 2018, about 1,400 individuals at 105 FIs
- Delta Wall IV in 2019, about 2,000 individuals at 121 FIs

Many of the participating FIs have reviewed or plan to review their existing rules, and have strengthened or plan to strengthen information sharing procedures internally and externally. Delta Wall has thus encouraged FIs to improve their incident response capability.

3. Outline of the Delta Wall V

Approximately 110 FIs participated in the Delta Wall V in 2020. The exercise aims to improve incident response capability in the financial industry by assessing the effectiveness of communication with internal and external stakeholders, including customers, upon cyber incident, since the significance of such communication was more pronounced in the recent cyber heists. Regional Finance Bureaus, which are responsible for supervising regional FIs, also participated in the exercise and responded to reports from FIs.

Based on the lessons of the last exercise, the exercise for FIs in banking sector focused on the escalation process and the top management's decision making through internal discussions, in order to improve incident response capability.

Participating FIs in banking sector discussed company-wide decisions, not limited to the IT department.

Furthermore, FIs participated under their actual teleworking environments to improve their response capabilities under such circumstances.

For banking sector, the exercises was conducted by a blind method (not disclosing the exercise scenario) in order to improve incident response capability. We designed a scenario, using risk assessments and inputs from the latest cyberattacks, like malware infection, and leakage of customer information and assets.

4. Assessment and feedback of the results of the exercise

The exercise emphasized on assessing the participants' actions and decision making during the exercise, recommending concrete improvement measures and sharing best practices after the exercise.

The lessons-learned are fed back individually to participating financial institutions and are also shared with the entire industry, thereby aiming to improve incident response capability in the financial industry.



〔 Photo: During the exercise 〕

Publication of the Results of the Survey on Introduction of the Guardianship Support Deposit/Trust Systems

On October 23, 2020, the FSA compiled and published the results of the Survey on the Introduction of the Guardianship Support Deposit/Trust Systems.

1. Developments

From the perspective of preventing illegal use of adult wards' property by their guardians, through discussions among the Supreme Court and the Japanese Bankers Association, etc., the Guardianship Support Trust System (hereinafter referred to as the "Support Trust System") was established and the operation was commenced mainly by major trust banks in 2012.

However, the following problems were pointed out: locations of trust bank branches are limited and people will hesitate to start transactions with an unfamiliar financial institution (not one in the neighborhood). Accordingly, the Master Plan for Promoting the Use of the Adult Guardianship System (Cabinet decision in March 2017)*¹ states that deliberations should be conducted for promoting the consideration of a system to manage and invest deposits together with or in lieu of the Guardianship Support Trust System.

In response, the Study Group on Deposit Management in Adult Guardianship*² conducted deliberations, and compiled a model scheme in March 2018, and the Guardianship Support Deposit System (hereinafter referred to as the "Support Deposit System"): which can also be introduced by financial institutions other than trust banks, was commenced. Furthermore, the Master Plan for Promoting the Use of the Adult Guardianship System (in May 2019) and the Framework for Promoting Dementia Care*³ (in June 2019) set: as a KPI, that the percentage of the balance of personal deposits at financial institutions that have introduced the Support Deposit or Trust System against the total balance of personal deposits at all depository financial institutions be 50% as of the end of FY2021.

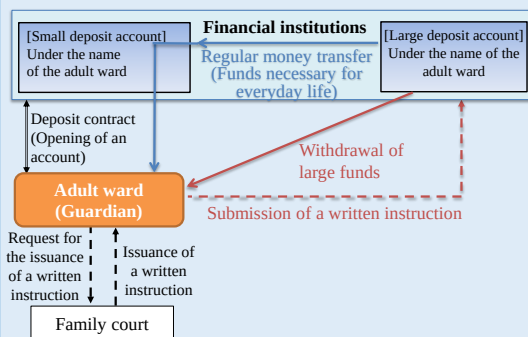
2. Survey on the status of introduction

The FSA conducted a survey targeting all depository financial institutions,*⁴ with regard to the status of the introduction of the Support Deposit and Trust Systems as of the end of March 2020. As a result, it was found that approximately 56% of the targeted financial institutions had introduced the Support Deposit or Trust System, showing an increase of approximately 12% from the end of December 2016, and had thus achieved the KPI (50%). Financial institutions which responded that they have no plans for introduction accounted for approximately 28%, down from approximately 45% as of the end of December 2016. In this manner, moves toward introducing the Support Deposit and Trust Systems are observed overall.

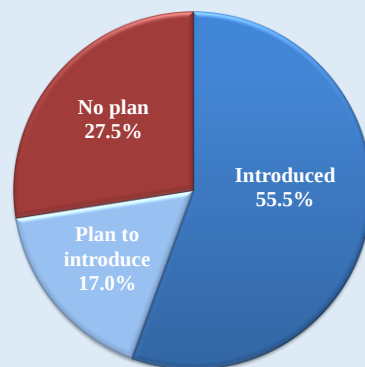
In order to make the Adult Guardianship System safer and more dependable for users, the FSA will continuously encourage financial institutions to introduce the Support Deposit and Trust Systems in cooperation with relevant ministries and agencies.

Guardianship Support Deposit System

- ◆ Adult wards' money is managed in large deposit accounts and small deposit accounts.
- ◆ Funds used for everyday life are transferred from large deposit accounts to small deposit accounts.
- ◆ A written instruction issued by a family court is required for the following transactions.
 - Upon concluding a support deposit contract (when opening an account)
 - Upon setting the amount of regular money transfer
 - Upon making a withdrawal from a large deposit account, etc.



Status of the Introduction of the Support Deposit/Trust Systems (end of March 2020)



*Percentage based on the balance of personal deposits

*¹ Status of Implementation of the Master Plan for Promoting the Use of the Adult Guardianship System and Related Measures (website of the Ministry of Health, Labour and Welfare)
https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000202622_00017.html

*² The Ministry of Justice serves as the secretariat, and the FSA and other relevant ministries and agencies: as well as the Japanese Bankers Association and other finance-related bodies, participate in the Study Group.

*³ Framework for Promoting Dementia Care (website of the Ministry of Health, Labour and Welfare)
https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000076236_00002.html

*⁴ 114 banks; 255 Shinkin banks; 102 credit cooperatives; 13 labor banks; 738 agriculture or fisheries cooperatives, etc. Total: 1,222 financial institutions (excluding internet banks and other financial institutions where cash transactions are not conducted over the counter, and credit cooperatives for specific businesses or occupations)

Message to the Market (November 24, 2020)

The Securities and Exchange Surveillance Commission ("SESC") posts explanations on recommendations it has given on its website as an article titled "Message to the Market."

The "Message to the Market" posted on November 24, 2020, is summarized below.

* The whole Japanese text is available on the SESC website:

<https://www.fsa.go.jp/sesc/message/20201124-1.htm>



Recommendation for administrative monetary penalty payment order for false statements in annual securities report, etc. by ISHIGAKI FOODS CO., LTD.

The SESC inspected the suspected violation of the disclosure statements under the Financial Instruments and Exchange Act by Ishigaki Foods Co. Ltd. ("Ishigaki Foods"), and found the fact of legal violation as follows. Accordingly, the SESC recommended the Prime Minister and the Commissioner of the FSA to impose an administrative monetary penalty payment order on October 20, 2020.*

[Fact of legal violation]

A consolidated subsidiary of Ishigaki Foods ("Company A") performed inappropriate accounting processing such as failing to recognize expenses for an appropriate period (front-loaded recording and deferred recording of purchase money and deferred recording of sales promotion expenses), and as a result, Ishigaki Foods prepared consolidated financial statements recording overstating operating profits and submitted disclosure documents containing "false statements concerning important matters" to the Director-General of the Kanto Local Finance Bureau. The relevant disclosure documents are as follows.

- Quarterly securities report for the third quarter ending in December 2017 (submitted on February 14, 2018)
- Annual securities report for the term ending in March 2018 (submitted on June 28, 2018)

[Causes and backgrounds leading to inappropriate accounting]

Due to the pressure to increase profits exerted by Ishigaki Foods, Company A seems to have performed accounting inappropriately in an attempt to disguise profits.

Company A's system to check accounting processing was inadequate and Company A could not properly check and detect such inappropriate accounting by itself. Additionally, Ishigaki Foods had not ascertained the status of its subsidiaries' business activities and accounting, and had not conducted management or provide guidance sufficiently and appropriately. As a result, Ishigaki Foods also failed to check the inappropriate accounting by Company A.

The SESC will continuously take strict actions against violations of disclosure regulations, such as false statements in disclosure documents, etc., as seen in this case.

* "Recommendation for administrative monetary penalty payment order against ISHIGAKI FOODS CO., LTD. for making false statements in its disclosure documents."; published on October 20, 2020:

https://www.fsa.go.jp/sesc/news/c_2020/2020/20201020-2.html

JFSA's Major Activities in November

(November 1 to November 30, 2020)



- [Comment letter on the IFRS Foundation Consultation Paper on Sustainability Reporting \(November 30, 2020\)](#)
- [Updated statistics of money lending business \(November 27, 2020\)](#)
- [Participation in the International Platform on Sustainable Finance \(November 24, 2020\)](#)
- [Joint EU-Japan financial regulatory forum \(November 24, 2020\)](#)
- [G20: Efforts on Governance Issues in Decentralized Financial Systems "BGIN" - new global network \(November 11, 2020\)](#)
- [Preparation for permanent cessation of LIBOR \(November 10, 2020\)](#)
- [The main issues raised by the FSA at opinion exchange meetings with trade associations \(November 6, 2020\)](#)
- [Promoting the Use of English and Establishing a Single Point of Contact for Foreign Asset Management Firms \(November 6, 2020\)](#)
- [Public Consultation on Cabinet Office Order to Partially Amend Cabinet Office Order on Financial Instruments Business, etc., the Ordinance to Partially Amend the Ordinance on Financial Services Providers' Deposit for Operation, etc. \(November 6, 2020\)](#)
- [Stewardship Code : 288 institutional investors have signed up to the Principles for Responsible Institutional Investors as of September 30, 2020 \(November 2, 2020\)](#)

- FSA Weekly Review
<https://www.fsa.go.jp/en/newsletter/index.html>
- JFSA's official English Twitter account
https://twitter.com/JFSA_en



**We are promoting
information
dissemination using
Twitter!**

Editorial Postscript

This November issue featured an interview with State Minister Akazawa, who attended various events including the Business Accounting Council's General Meeting, Good Job Fair 2020, and Kasumigaseki Dialogue. The summary of the interview shows his true character and passion. This was a memorable work for me, as a person who once served as Secretary to Mr. Akazawa.

This issue also takes up a broad range of topics, such as the initiative to create an international financial city, countermeasures against COVID-19 infection, cybersecurity, and responses to the aging of society.

It is cold and you may be busy toward the end of the year, but I hope that you will continue taking thorough measures to prevent COVID-19 infection and will pick up and read this issue in your spare time.

SAKAI Yoshitaka, Director, Public Relations Office, FSA