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Meeting of Directors-General of Finance Bureaus

The Financial Services Agency held the current administrative year's first meeting* with Directors-General of Finance Bureaus on Wednesday, August 4, 2021, online due to the spread of COVID-19 infections. State Minister for Financial Services AKAZAWA Ryosei and Parliamentary Vice-Minister WADA Yoshiaki participated in the meeting from their offices and gave remarks at the beginning of the meeting.



Photo: State Minister AKAZAWA giving remarks at the meeting with Directors-General of Finance Bureaus.

<Remarks by State Minister AKAZAWA>

State Minister AKAZAWA made the following remarks on three issues: "disaster countermeasures," "thorough supports for businesses following the declaration of a state of emergency" and "vitalization of local economies and problem solving."

In response to natural disasters it is important to prompt financial institutions to provide refined supports that will enable victims to clear challenges for rebuilding livelihoods and resuming businesses as early as possible.

With regard to thorough supports for businesses following the declaration of a state of emergency, it is also vital to prompt financial institutions to provide renewed supports to businesses to have a series of FSA's requests to those institutions fully meet their purposes.

Lastly, a new age is coming which gives leading-edge to the local communities through such developments as growing needs for multi-hyphenate careers or side jobs given shrinking population causing labor shortages, drastic changes in national consciousness caused by the COVID-19 pandemic, and digitalization. In this age, it is important to promote efforts for vitalization of local economies and problem solving.

<Remarks by Parliamentary Vice-Minister WADA>

Parliamentary Vice-Minister WADA made the following remarks on two issues -- "anti-money laundering and counter terrorist financing, etc." and "laws to partially amend the Banking Act and other acts."

First, it is important to further reinforce measures to combat money laundering and terrorist financing, etc. against the backdrop of changes in the domestic and international situations, technological advances and so forth. From the viewpoint of economic security, furthermore, it is necessary to continue appropriate measures to ensure the effectiveness of the Foreign Exchange and Foreign Trade Act in such cases as a foreign company's investment in a local firm and so forth.

Second, a subsidy program, created to maintain financial functions to support the post-pandemic recovery and rehabilitation of local economies in areas such as those with a dwindling population, has been introduced in connection with laws to partially amend the Banking Act and other acts.



Photo: Parliamentary Vice-Minister WADA giving remarks at the meeting with Directors-General of Finance Bureaus.

Following the addresses by the state minister and the parliamentary vice-minister, the commissioner and other senior FSA officials gave accounts about challenges to financial sector policy for the present, the FSA's initiatives and so forth, shared their awareness of the challenges, etc. with local finance bureau chiefs, and confirmed that the FSA and local finance bureau chiefs will continue addressing them in unison.

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

Children's Visit to Kasumigaseki

The "Children's Visit to Kasumigaseki" was held on Tuesday, August 18, and Thursday, August 19, 2021. The event is aimed at deepening the contact between parents and children and letting children have a taste of society on a broad basis through experimental activities and better understand government policies. Government ministries and agencies including the Financial Services Agency participate in the event, led by the Ministry of Education, Culture, Sports, Science and Technology.

The FSA held a financial education seminar, "Let's become a money master,"* online for elementary school children to help them realize the role and importance of money in an easy-to-understand manner.

["What is money spent in day-to-day life?" held on Wednesday, August 18.]

Together with Taro made grown-up by a charmer, children learned about money needed for the payment of taxes, social insurance premiums and so forth. They also learned how to use money through cases they will likely encounter, such as what to do "when a friend of yours asks you to buy candy." Children were surprised to know that much of the money earned through work is spent to support living, leaving a very small amount of disposable income.

["Money learned from the hamburger" held on Thursday, August 19]

With the hamburger used as a familiar theme, children recognized Japan's engagement in trade with various other countries and learned about foreign exchanges. When a lecturer showed banknotes of Japan and other countries and explained their features and differences, children showed those at their homes through the screen as a sign of their active participation in the online seminar. Actively participating in the seminar involving game playing, children learned about foreign exchange rate fluctuation while having fun.

More than 40 pairs participated in this year's two-day event held online for the first time as an anti-coronavirus measure. Children actively participated in the seminar by showing their raised hands through the screen and writing comments. Many participants said that the event was "very enjoyable" or that they want to participate "in the coming year and beyond." Comments from participants will be made use of as valuable information for the event next year and thereafter.

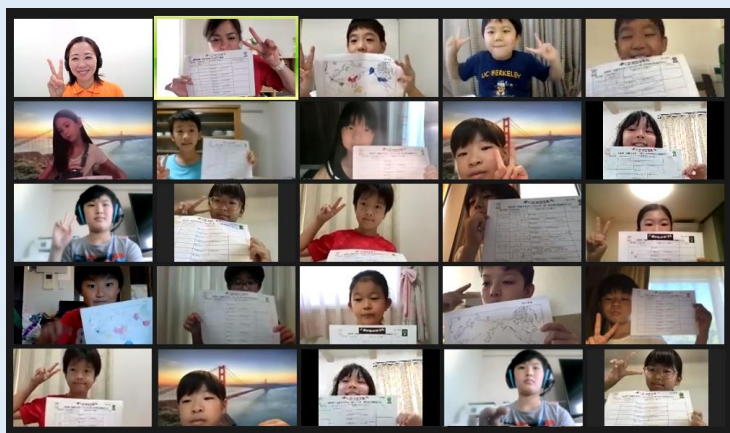


Photo: A seminar is underway.

The JFSA Strategic Priorities July 2021-June 2022

- Overcoming COVID-19 and Building the Financial System for Greater Vibrancy -

OZAKU Keisuke, Deputy Director, Strategy Development Division,
Strategy Development and Management Bureau

Upon the publication of the JFSA Priorities for July 2021-June 2022

On August 31, 2021, JFSA published the “The JFSA Strategic Priorities July 2021-June 2022 (Overcoming COVID-19 and Building the Financial System for Greater Vibrancy)”.*¹ This clarifies the goals of the financial administration and shows policies under which financial administration is carried out to achieve those goals. JFSA expects that this publication will further enhance transparency and contribute to achieving better financial administration by facilitating awareness sharing and constructive dialogues among JFSA, financial service users, financial institutions, and market players, etc.

Opinions and comments on JFSA Priorities are accepted any time. We will fully utilize them for future reference. To give an opinion, please visit our website.*²

This business year's JFSA Priorities was compiled based on broad opinions, including those from young JFSA officials and officials of Local Finance Bureaus nationwide, in addition to major administrative challenges ascertained in the last business year, through repeated discussions among executive officials and with the participation of many others. Through these activities, we will develop an organisational culture wherein all staff members voluntarily plan, formulate and implement policies, and will pursue further collaboration with Local Finance Bureaus.

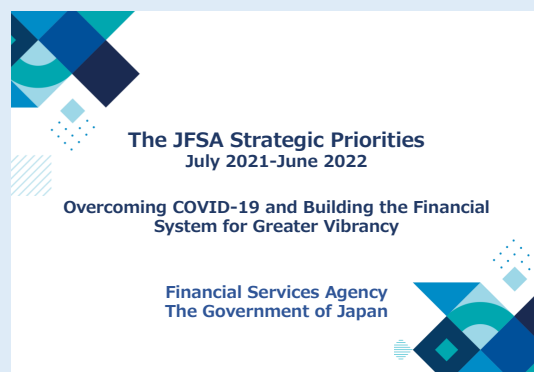
Priorities for this business year

“The JFSA Strategic Priorities July 2021-June 2022” focuses on the following three areas: I. Overcoming the challenges of the COVID-19 and bringing about a robust economic recovery; II. Development of the financial system that achieves a vibrant economy and society; and III. Further develop JFSA's financial policy.

First, JFSA continues to work on policy responses to COVID-19 related issues, which are the top priority. We will take all necessary actions to ensure that financial institutions continue to perform their financial intermediary function and firmly support the economy and society, which have been seriously affected by the COVID-19. In addition, we take measures so as to bring about a robust post-COVID economic recovery.

Second, viewing changes in economy, society, and industry in and outside Japan as opportunities for growth, JFSA will promote a shift to vibrant economic and social structures by achieving a smooth circulation of fund and developing a financial system that enables vigorous and creative financial services.

Third, in order to accurately address these challenges and make contribution to the economy and society in and outside Japan as the agency supporting financial services, JFSA will enhance its capability as a financial authority.



I. Overcoming the challenges of the COVID-19 and bringing about a robust economic recovery

First of all, as policy responses to the COVID-19, JFSA will continue to request that financial institutions make all possible efforts to provide cash flow support for business operators and monitor their responses. At the same time, with the aim of achieving a vibrant post-COVID economy, we will encourage initiatives by financial institutions to assist clients in business improvement, revitalisation, and transformation. Furthermore, towards revitalisation of regional economies, we will promote matching of corporate management personnel. Besides, we will also endeavor to accurately

*¹ See the following for the “Summary from “The JFSA Strategic Priorities July 2021-June 2022”:

<https://www.fsa.go.jp/en/news/2021/20211008/20211008.html>.

*² Opinions are received at the following: <https://www.fsa.go.jp/en/contact.html>.

grasp the present statuses of financial institutions and the financial system as a whole and continue dialogues to help financial institutions develop their sustainable business models so that they will make voluntary efforts to strengthen their management bases and surely contribute to a robust recovery and growth of the Japanese economy.

II. Development of the financial system that achieves a vibrant economy and society

As the second pillar, JFSA will promote a shift to vibrant economic and social structures by achieving a smooth circulation of funds and developing a financial system that enables vigorous and creative financial services. For example, we will promote digital innovation in the financial sector through consideration of policy frameworks which support the digitalisation of remittance transfers and securities products and through enhancing the advancement and efficiency of payment infrastructures, and will constantly improve our activities to expand Japan's role as an international financial center. Furthermore, in consideration of the moves toward decarbonization being accelerated globally, we will promote environmental improvement for facilitating sustainable finance so that capital for growth in and outside Japan is surely utilized for Japanese companies' initiatives. From the perspective of vitalizing the capital market and ensuring a smooth supply of capital for growth, initiatives for enhancing the function of the whole investment chain will also be prioritized, while paying attention to investor protection. We will also encourage citizens to stably build their assets by disseminating financial services based on users' viewpoints, and will endeavor to ensure responses friendly to all users and solve social problems. In the meantime, we will reinforce AML/CFT/CPF measures, ensure cybersecurity, and enhance the system risk management in order to build a resilient financial system amid rapidly progressing digitalisation and globalisation.

III. Further develop JFSA's financial policy

Thirdly, from the perspective of constantly evolving financial authority, JFSA will enhance sophistication of data analysis and improve the monitoring capability through reinforcing international networks. Additionally, we will endeavor to maximize the motivation and capacity of all staff members, thereby enhancing its capability as a financial authority. Specifically, we will foster professional human resources in each field of financial policy, further support staff members' initiatives, such as that of the Open Policy Lab, pursue further collaboration with Local Finance Bureaus, develop an environment where staff members can fully demonstrate their capabilities, and enhance organisational management.

The JFSA Strategic Priorities July 2021-June 2022

Overcoming COVID-19 and Building the Financial System for Greater Vibrancy

August 2021

I. Overcoming the challenges of the COVID-19 and bringing about a robust economic recovery

First, JFSA will take all necessary actions to ensure that financial institutions continue to perform their financial intermediary function and firmly support the economy and society, which have been seriously affected by the COVID-19. In addition, with the aim of achieving a vibrant post-COVID economy, JFSA will encourage businesses and individuals to support management improvement, revitalisation, and conversion of businesses. JFSA will:

- Request that financial institutions make all possible efforts to provide cash flow support for business operators and monitor their responses.
- Encourage financial institutions to provide fine-tuned support for victims of disaster and enhance support for individuals/sole proprietors to rebuild their lives and businesses, who face difficulty in repaying debt due to the effects of natural disasters, such as heavy rain and the COVID-19, through measures such as utilising the "Guidelines for Debt Consolidation after a Natural Disaster."
- Encourage initiatives by financial institutions to assist clients in business improvement, revitalisation, and transformation by promoting the "Project to Establish Support Systems for Businesses," which shares challenges and experiences in building countermeasures, and by developing new guidelines on private liquidation for business revitalisation giving proper consideration to realities of small and medium-size.
- Towards revitalisation of regional economies, promote matching of corporate management personnel and sharing of business-support know-how across regional/institutional boundaries.
- Assist initiatives to improve business management through dialogue with regional financial institutions, so that regional financial institutions will develop a sustainable business model fitting each region's situation.

II. Development of the financial system that achieves a vibrant economy and society

Second, viewing changes in economy, society, and industry in and outside Japan as opportunities for growth, JFSA will promote a shift to vibrant economic and social structures by achieving a smooth circulation of funds and developing a financial system that enables vigorous and creative financial services. JFSA will:

- Promote digital innovation in the financial sector through consideration of policy frameworks which support the digitalisation of remittance transfers and securities products and through enhancing the advancement and efficiency of payment infrastructures, while ensuring user protection.
- Expand Japan's role as an international financial center, further accelerate registration processes in English for foreign businesses and create a network for financial start-up support. Pursue efforts to widely inform these efforts.
- Promote sustainable finance and play a leading role in relevant international discussions. Enhance climate-related corporate disclosures and develop a "green international financial center" in Japan, by setting up a platform for practical information related to ESG bonds and a certification mechanism for the bonds.
- Enhance the function of the whole investment chain, check/review the policy measures and conventional, customary market practices for better market functioning, including smooth capital provision to growing businesses while ensuring investor protection. In addition, promote corporate governance reform and comprehensively consider issues involved in auditing.
- Promote dissemination of user-oriented financial services, enhance visualisation of progress in customer-oriented business conduct by each financial institution.
- Reinforce AML/CFT/CPF measures, ensure cybersecurity, and enhance the system risk management.

III. Further develop JFSA's financial policy

Third, JFSA will enhance its capability as a financial authority by (i) enhancing monitoring capability through sophisticated data analysis, and by (ii) fostering professional human resources to contribute to the economy and society in and outside Japan as the agency supporting financial services.

- Enhance sophistication of data analysis, including through combining firm-level financial data and data collected from financial institutions.
- (i) Foster professional human resources in each field of financial policy, (ii) further support staff members' initiatives, (iii) pursue further collaboration with local finance bureaus, (iv) develop an environment where staff members can fully demonstrate their capabilities, and (v) enhance organisational management.

Progress Report on the Efficiency of Financial Intermediation

HARADA Kenichiro, Deputy Director, Regional Financial Planning Office,

Banking Business Division II, Supervision Bureau

On July 8, 2021, the FSA published "Progress Report on the Efficiency of Financial Intermediation." An outline of the report follows.

Introduction

Since 2019, the FSA has compiled various initiatives taken by financial institutions, the FSA and Local Finance Bureaus during the latest one year into the "Progress Report on the Efficiency of Financial Intermediation" (hereinafter referred to as the "Report") every year to broadly disseminate the information and spark up discussions, with the aim of encouraging regional financial institutions to fulfil their financial intermediation functions.

The Report published on July 8, 2021, is the third one.

While the impact of the COVID-19 infection has been prolonged and regional financial institutions are required to offer diverse support for companies, not limited to conventional feasibility assessment and close-following support, the Report especially focuses on initiatives of relevant parties in this aspect.

COVID-19 infection-related measures

(1) Ascertaining regional financial institutions' systems for offering support for companies

Local Finance Bureaus conducted interviews, etc. to over 600 relevant parties nationwide for around four months after the declaration of a state of emergency issued in January 2021, and ascertained the current status of support for companies offered by regional financial institutions and the status of their collaboration with support organizations for the purpose of surely providing companies with support for management improvement, business reconstruction, business transformation, business succession, business reorganization, etc.

As a result, it was confirmed that regional financial institutions are ascertaining the needs of companies affected by the COVID-19 infection promptly and appropriately and are offering financial support for their business continuation, including the provision of effectively interest-free and unsecured loans.

Some cases of successful collaboration between regional financial institutions and support organizations were also confirmed, such as the establishment of consultation desks for companies in regional financial institutions' branches in cooperation with chambers of commerce and industry, etc. From the perspective of further promoting such collaboration, some Local Finance Bureaus have provided opportunities for opinion exchange to enable responsible personnel to get together and share support menus and know-how towards facilitating cooperative relationships between regional financial institutions and support organizations.

The FSA collected information on the business trends, etc. of local companies with the cooperation of think tanks affiliated with regional banks and ascertained the impact of the COVID-19 infection on local economies and companies.

(2) Endeavoring to facilitate sharing of know-how on support for companies

The FSA established a website for the sharing of know-how and knowledge concerning support for companies exclusively for use by employees of regional financial institutions, etc. within the Regional Revitalization College, with the cooperation of the Cabinet Secretariat's Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, so that working-level staff of regional financial institutions can mutually exchange and share practical know-how and knowledge beyond regions and organizations. Users can post specific support means and questions and doubts regarding day-to-day duties. Since the opening of the website in April this year, over 130 organizations and over 300 people have participated and made posts.

In addition, the FSA is positively supporting voluntary initiatives for sharing know-how and knowledge in various regions by dispatching its staff and disseminating those initiatives broadly.

Accumulation of information and knowledge

In the latest corporate survey, the sixth one since the 2015 business year, the FSA not only conducted evaluations of communications of regional financial institutions (main financing banks) as usual but also checked the impact of the spread of the COVID-19 infection on companies' funding and regional financial institutions' support therefor, as well as management improvement support services expected for financial institutions.

After the outbreak of the COVID-19 pandemic (from February 2020 to March 2021), a considerable number of companies answered that the funding has been unstable, but at the time of the latest survey (April 2021), the number of companies answering that the funding has been stable was found to be increasing. Nearly 70% of the respondents received support from financial institutions, of which almost all received cash flow support. It was confirmed that regional financial institutions have been steadily offering support, mainly cash flow support, to companies affected by the COVID-19 infection (see Figures 1 and 2).

Figure 1. Companies' funding statuses after the outbreak of the COVID-19 pandemic and at present

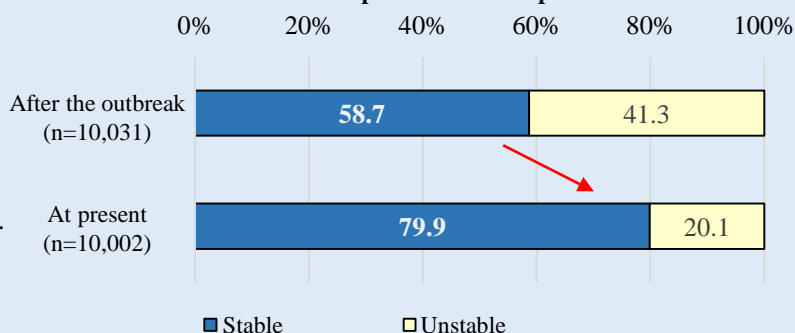
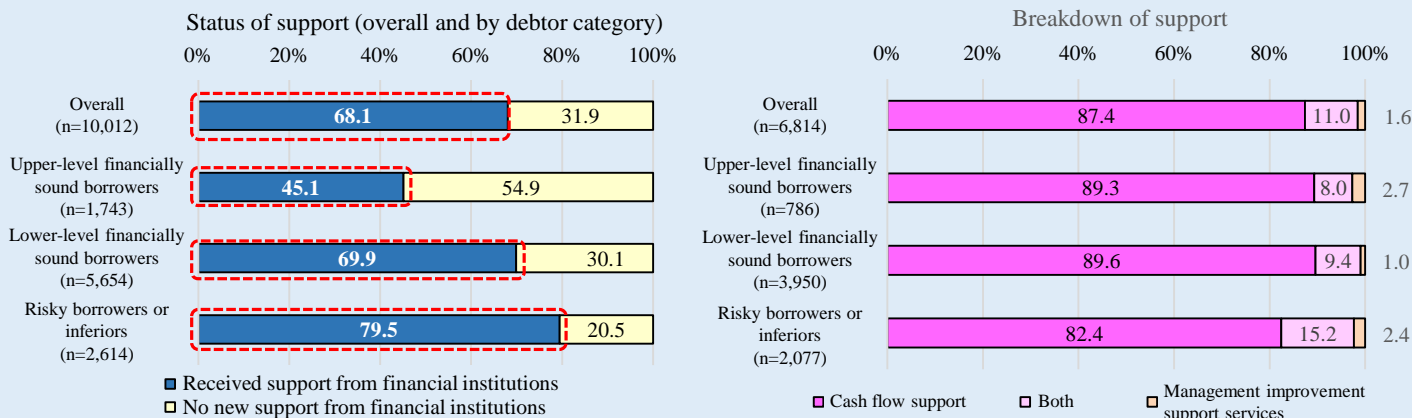


Figure 2. Support by financial institutions



The top five management improvement support services expected for financial institutions are [i] introduction of trade partners and buyers, [ii] introduction of various support systems and assistance with application procedures, [iii] advice and proposals on business succession, [iv] introduction of managerial talents, and [v] support for the improvement of financial conditions. In particular, for "introduction of managerial talents," nearly 50% answered that they would pay charges (see Figure 3).

It was found that regional financial institutions are expected to offer cash flow support continuously and offer other support promptly and positively for helping to find solutions to problems for business continuation toward the post-COVID era.

Furthermore, in response to companies' expectations for business reconstruction support by debt collection companies (servicers), the FSA conducted interviews with multiple servicers and presented the possibility of effectively utilizing servicers' support for business reconstruction.

Additionally, the Report also introduces new initiatives for regional financial institutions towards positive provision of support for companies under various impacts caused by the COVID-19 infection, such as reflecting business forecast and other factors in reserving funds as practices relating to reserves.

Toward regional revitalization and problem solving

Based on the "Comprehensive Economic Measures to Create a Future with Security and Growth" (approved by the Cabinet on December 5, 2019), the FSA held an event "Regional Banking Summit (Re:ing/SUM)," where related parties from various fields discuss the creation of sustainable business models for regional financial institutions, in Nagoya and Hiroshima, following the one in Tokyo.

Even amid the spread of the impact of the COVID-19 infection, experts with diverse backgrounds made proposals through panel discussions from the viewpoints of what we can do for local companies in addition to cash flow support currently being offered and how sustainable business models for regional financial institutions should be created while bringing about added value to local economies through support.

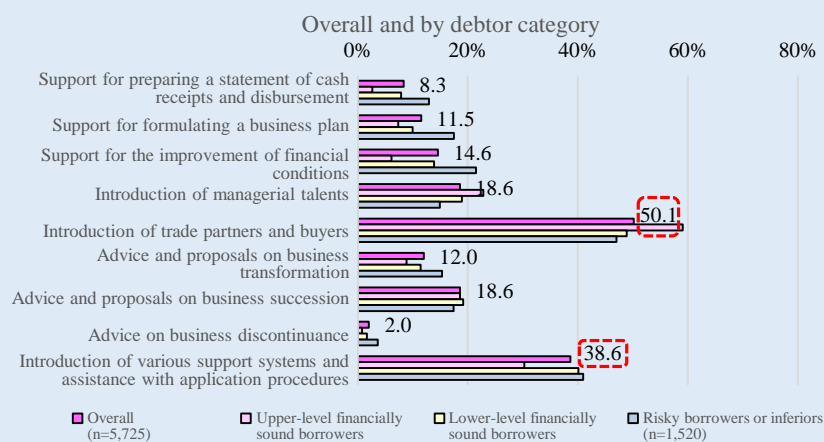
The events in Tokyo, Nagoya, and Hiroshima, which were delivered online and were viewed by as many as 18,900 people in total, produced a certain result, with many positive opinions posted.

On the other hand, the percentage of viewers other than those in the financial sector has remained low, which suggests the need for further improvements and devices. Accordingly, the FSA will discuss new concepts and better means to hold events, on the premise of delivering contents online, aiming to develop and expand new initiatives.

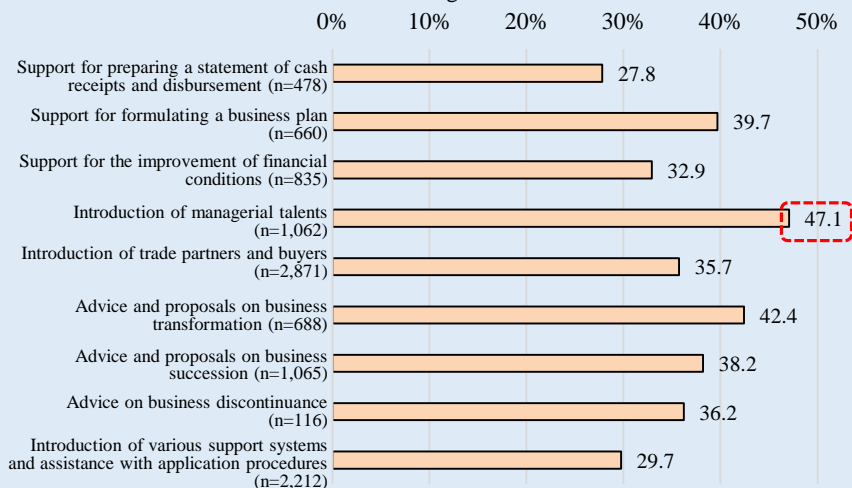
Conclusion

The FSA will continue these activities and disseminate them broadly and effectively, thereby supporting regional financial institutions' creation of sustainable business models.

Figure 3. Support by financial institutions (management improvement support services)



Overall: Percentage of companies answering that they would pay charges



Establishment of the Grant Scheme for Regional Banks

HASHIMOTO Hideo, Director for Banking Regulations Office, Policy and Markets Bureau

1. Introduction

The Act Partially Amending the Banking Act, etc. for Ensuring Reinforcement and Stability of Financial Functions in Response to Socioeconomic Changes due to the Impact of the COVID-19 Infection, which was enacted during the latest ordinary session of the Diet, was put into effect in part (related to the Act on Special Measures for Strengthening Financial Functions) on July 21, 2021, and the Grant Scheme for Regional Banks was established.

The scheme targets regional banks, etc. that conduct a merger or management integration, etc. for maintaining their financial functions to support the recovery and reconstruction of local economies in the post-COVID era in areas facing population declines, and enables them to receive grants from the Deposit Insurance Corporation of Japan by preparing a plan for implementing measures for reinforcing their business infrastructure (an "implementation plan") and obtaining approval from the national government.

2. Background leading to the establishment of the Grant Scheme

Regional banks, etc. play significant roles in vitalizing local companies and economies (Figure 1). They are expected to play the key roles in supporting recovery and reconstruction of local economies in the post-COVID era.

However, areas where those regional banks, etc. have business bases are facing population declines and also, due to prolonged low interest rates, the business environment for regional banks, etc. is becoming severer and there is a possibility that they may become unable to fulfill expected roles sufficiently, especially in areas where the population is decreasing.

Therefore, the Grant Scheme was established as a support measure for regional banks, etc. intending to fundamentally overhaul their businesses through a merger or management integration, etc. based on their individual business decisions so as to ensure their sustainable performance of roles.

3. Outline of the Grant Scheme

(Deadline for applications)

As the impact of the COVID-19 infection on the economy is hard to predict, the deadline for filing an application for the Grant Scheme is set at the end of March 2026.

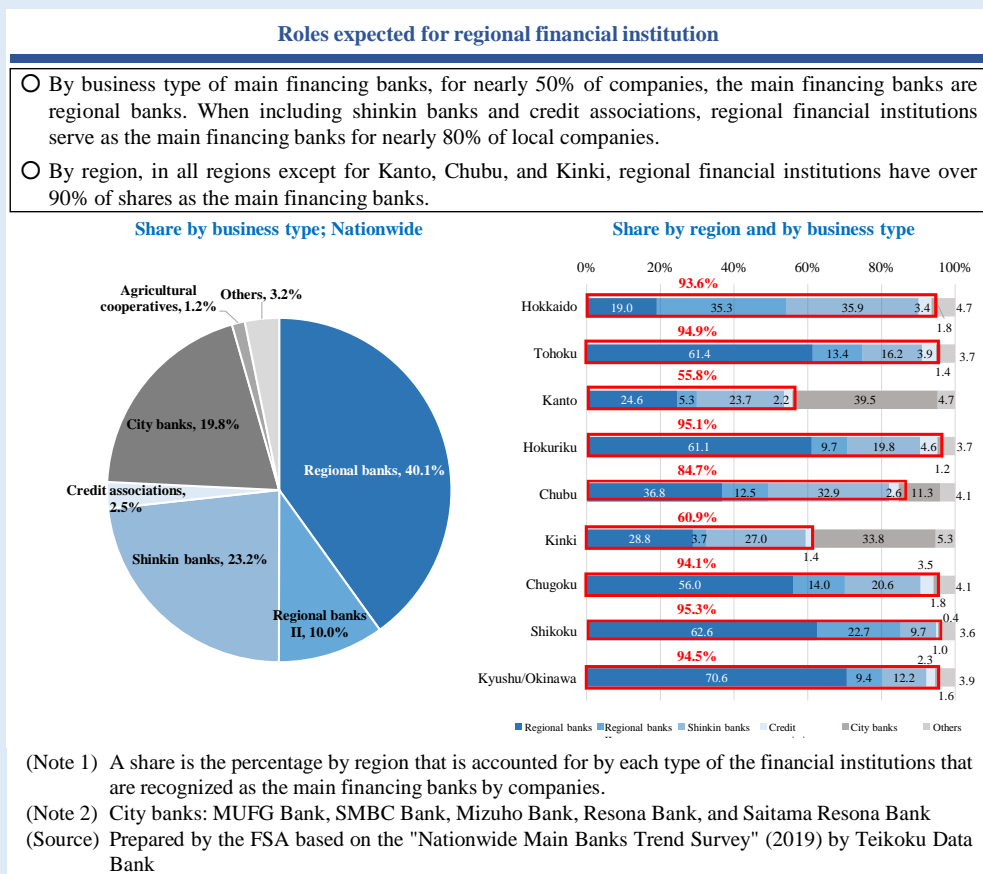
(Merger, management integration, etc.)

The scheme covers cases where regional banks, etc. intend to overhaul their businesses fundamentally through a merger, management integration, etc.

Specifically, the following cases of a merger or management integration are covered: [i] merger, [ii] company split to have all business succeeded to by another company (joint incorporation-type company split or joint absorption-type company split), [iii] company split to succeed to all business of another company (absorption-type company split), [iv] transfer or acquisition of all business, [v] share exchange, [vi] share transfer, and [vii] delivery or acquisition of shares. Additionally, as individual banks' fundamental overhauls of businesses, cases where [viii] partial business transfer, etc. is expected to improve their operational efficiency and bring about significant improvements in profitability are also covered. (Article 34-10, paragraph (1) of the Act)

With regard to [viii], covered cases are where, compared with the end of the business year immediately before the start of the period for the implementation plan, the overhead ratio after the improvement decreases 15% points or more and the expenses after the improvement decreases by 20% or more at the end of the period for the implementation plan. (Article 103 of the Cabinet Office Order)

(Figure 1) Roles expected for regional financial institutions



(Matters to be entered in an implementation plan)

In order to use the scheme, regional banks, etc. need to submit an implementation plan (for around five years) and obtain approval from the competent minister.

In an implementation plan, the following must be entered: [i] the details of the initiatives for reinforcing the business infrastructure, including the details of a merger or management integration, etc., [ii] matters relating to the maintenance of the provision of fundamental financial services, such as lending, etc. in the relevant region, [iii] measures to facilitate financing to small and medium-sized companies or otherwise contribute to the vitalization of the economy in the region where the regional bank, etc. is mainly conducting business, [iv] matters relating to the management system necessary for implementing the plan appropriately, and [v] the amount of money that the regional bank, etc. would like to receive under the scheme. (Article 34-10, paragraph (2) of the Act)

With regard to [iii], it is required to enter specifically policies for making contribution to the vitalization of the local economy, measures to develop a system for offering credit or other fundamental services to small and medium-sized companies, and measures to promote loans not excessively dependent on securities or guarantees, as well as measures to reinforce functions to offer support for business startups and the cultivation of new businesses, support for customer companies including business consultations, support for early business reconstruction, and support for business succession, etc. (Article 105 of the Cabinet Office Order)

(Approval of an implementation plan)

For approving an implementation plan, whether the following requirements are all satisfied is examined.

[i] The fundamental financial services offered by the relevant regional bank, etc. are found to be indispensable for the economy of the region where it is mainly conducting business. [ii] In the region where the regional bank, etc. is mainly conducting business, there is a risk that sustainable provision of fundamental services may become difficult due to population decline or other reasons. [iii] It is expected that the implementation of the plan will make it possible to maintain the provision of fundamental services. [iv] It is expected that the measures entered in the plan will facilitate financing to small and medium-sized companies, and those measures are found to be appropriate for vitalizing the local economy. [v] It is expected that the plan, including a merger or management integration, etc., will be smoothly and surely implemented. (Article 34-10, paragraph (3) of the Act)

(Expenses, etc. covered by the Grant Scheme)

The scheme covers part of the expenses required for carrying out measures for reinforcing the business infrastructure as fundamental overhauls of businesses.

The coverage is specifically prescribed in Article 107 of the Cabinet Office Order, but based on solicited public comments, the FSA published a notice titled "Basic Approach concerning Expenses Required for Measures that Financial Institutions, etc. Carry out for Reinforcing Their Business Infrastructure as Fundamental Overhauls of Businesses (Covered Expenses)" to show representative examples of covered expenses.

The Outline of the Grant Scheme, which was established by the Deposit Insurance Corporation of Japan, specifies the upper limit of the grant as one-third of the total expenses or 3 billion yen, whichever the lower. (Article 4, paragraph (2) of the Outline)

(Funds for the Grant Scheme)

For the Grant Scheme, approximately 3.5 billion yen, retained earnings in the Financial Functions Strengthening Account of the Deposit Insurance Corporation of Japan, is allocated. This is the Corporation's internal reserve, such as dividends paid by regional financial institutions in which the Corporation has taken stakes for the purpose of vitalizing local economies.

(Figure 2) Outline of the Grant Scheme for Regional Banks

(Monitoring of an implementation plan)

The FSA will continue monitoring the performance status of an implementation plan, and when finding it necessary in light of the performance status, the FSA may issue a supervisory order to the relevant regional bank, etc. to take necessary measures to ensure performance of the implementation plan. (Article 34-12 of the Act) When a plan ceases to satisfy the requirements for approval, the FSA may rescind the approval. (Article 34-13, paragraph (1) of the Act) If an approval of the implementation plan is rescinded, the relevant regional bank, etc. must return the money it received as a grant to the Deposit Insurance Corporation of Japan. (Article 6, item (xii) of the Outline)

Outline	
Coverage [Article 34-10, paragraph (1) of the Amended Act on Special Measures for Strengthening Financial Functions]	A regional bank, etc. that prepared a plan for implementing measures for reinforcing its business infrastructure, such as a merger or management integration, as a fundamental overhaul of business (an "implementation plan") and obtained approval from the national government
Matters to be entered in an implementation plan [Article 34-10, paragraph (2) of the Amended Act on Special Measures for Strengthening Financial Functions]	<ul style="list-style-type: none">Details and timing of reinforcing the business infrastructureMatters relating to the maintenance of the provision of fundamental financial servicesMeasures to contribute to the vitalization of the local economyManagement system necessary for implementing the plan appropriately etc.
Requirements for approval of an implementation plan [Article 34-10, paragraph (3) of the Amended Act on Special Measures for Strengthening Financial Functions]	<ul style="list-style-type: none">The financial services provided by the relevant regional bank, etc. are indispensable for the local economy.There is a risk that sustainable provision of financial services may become difficult due to population decline, etc.It is expected that the implementation of the plan will make it possible to maintain the provision of financial services. etc.
Amount to be granted	Part of the additional initial cost necessary for reinforcing the business infrastructure (investment in IT systems, etc.)
Funds [Article 43-2, etc. of the Amended Act on Special Measures for Strengthening Financial Functions]	Retained earnings in the Financial Functions Strengthening Account of the Deposit Insurance Corporation of Japan are utilized.
Supervision, etc. [Article 34-12 of the Amended Act on Special Measures for Strengthening Financial Functions]	<ul style="list-style-type: none">The performance status of the plan is monitored for five years, in principle.The FSA issues a supervisory order as necessary.In the case of a failure in a fundamental overhaul of business (regarding a merger or management integration, a failure thereof), return of the granted money is demanded.
Deadline for applications [Article 34-10, paragraph (1), etc. of the Amended Act on Special Measures for Strengthening Financial Functions]	End of March 2026 (secured approximately five years for filing an application)

4. Conclusion

The FSA expects that regional banks, etc. will endeavor to reinforce their business infrastructure through the use of this Grant Scheme and to positively contribute to the vitalization of local companies and economies.

Summary of results by Financial Action Task Force (FATF)'s (FATF) Mutual Evaluation Report of Japan

FUKUSHI Rie, AML/CFT Office, Strategy Development and Management Bureau,
Financial Services Agency

The Financial Action Task Force (FATF) released its 4th round Mutual Evaluation Report of Japan^{*1} (hereinafter referred to as the "report") on August 30, 2021. The digest points of the report are as below:

Mutual Evaluation of FATF

The FATF is a inter-governmental body to promote international cooperation related to money laundering, terrorist financing and proliferation financing (hereinafter referred to as "AML/CTF/CPF measures"). It works out and reviews international standards (FATF Recommendations) and carries out mutual evaluations of member countries and jurisdictions. At present, more than 200 countries and jurisdictions commit to implement AML/CTF/CPF measures in line with FATF Recommendations. A country will be listed as high-risk country when the results of its mutual evaluation doesn't satisfy certain criteria. High risk counties are then subjected to strict monitoring by foreign financial authorities and companies, which invite delay of payments for exports and imports, interruption of overall economic activities and other disadvantages.

Structure of the report and FATF's evaluation standards

In its 3rd round mutual evaluation of Japan, conducted in 2008, the FATF assessed Japan's Technical Compliance (TC) of FATF Recommendations: whether the necessary laws, regulations or other required measures are in force and effect. The 4th round evaluation also covers Immediate Outcome (IO) that is related to the enforcement and effectiveness of laws and regulations. The IO consists of 11 assessments, and the IO.3 requires the effectiveness of supervision of financial institutions' AML/CTF/CPF measures by the FSA and other authorities. The IO.4 assesses the effectiveness of AML/CTF/CPF measures taken by financial institutions. For each IO, recommended actions and a four-grade rating of are provided. Considering all of both IO and TC ratings, the comprehensive assessment of a country's AML/CTF/CPF measures is made.

Summary of results of 4th mutual evaluation of Japan

The results of the fourth round mutual evaluation of Japan are shown in the Table 1 as below. Japan's AML/CTF/CPF measures were assessed as more effective than before, because of actions taken after the previous mutual evaluation.

In order to further improve the effectiveness of Japan's AML/CTF/CPF measures, however, FATF recommended to set priorities and make efforts to promote the inspection and supervision of financial institutions, prevent the misuse of legal persons, etc., and investigate and prosecute money laundering and terrorist financing. Comprehensively, Japan is placed as an enhanced follow-up country, which is required to submit follow-up reports several times to the FATF in the next five years.

Results of 4th round Mutual Evaluation Report of Japan (Effectiveness evaluation results)

	Evaluation items	Evaluation
1	Risk, policy and co-ordination	S
2	International co-operation	S
3	Supervision	M
4	Preventive measures	M
5	Legal persons and arrangements	M
6	Financial intelligence	S

	Evaluation items	Evaluation
7	ML investigation & prosecution	M
8	Confiscation	M
9	TF investigation & prosecution	M
10	TF preventive measures & financial sanctions	M
11	PF financial sanctions	M

Note: The practicability of measures is assessed as H (high), S (substantial), M (moderate) or L (low) in the order of effectiveness.

*1: "MUTUAL EVALUATION REPORT OF JAPAN, is available at <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Japan-2021.pdf>.

Evaluation of effectiveness of AML/CTF/CPF measures by financial institutions and so forth (IO.4)

IO.4 assesses the effectiveness of AML/CTF/CPF measures taken by financial institutions as well as designated non-financial businesses and professionals (DNFBPs). Key findings of IO.4 by the assessment team are as follows:

- Some FIs have a reasonable understanding of their ML/TF risks, including bigger banks (such as global systemically important banks, which are identified as higher risk institutions) and some MVTs, but other FIs still have a limited understanding of their ML/TF risks.
- Although financial institutions well understand their obligations with regard to money laundering and other issues, they vary in fulfilling their obligations.
- Although a certain number of financial institutions are starting to take risk reduction measures based on their own assessment of risks or recognized risks, others have adopted standardized risk reduction measures.
- A relevant part of FIs still do not have a clear and uniform understanding of basic AML/CFT concepts, especially the obligations which have recently been introduced/modified, such as beneficial ownership (BO) identification/verification and the ongoing CDD.
- Virtual Currency Exchange Service Providers (VCEPs) have been under an obligation to register and have been appropriately regulated and supervised for AML/CFT purposes since 2017.
- Financial institutions and crypto assets exchanges in common report questionable transactions based on fundamental types of crime and reference cases of questionable transactions.
- Basic transaction monitoring systems are already in place to some extent within some FIs, while transaction screening systems are implemented by most FIs, both with limited effectiveness

Japan was assessed as third in the four-grade rating (moderate level) of IO.4 (all recommended actions of IO.4 are in the Table 2 as below).

(Table 2)

IO.4 Recommended Actions	
For financial institutions	
a)	Continue taking appropriate raising-awareness and training initiatives to promote a change in FIs' compliance culture based on ML/TF risks, support a better understanding of ML/TF risks and AML/CFT obligations, with the involvement of supervisory authorities.
b)	Require that all FIs develop adequate risk assessments, tailored to their own business, products, services and customers.
c)	Upgrade the 2018 JFSA AML/CFT Guidelines by integrating the standards set in the Benchmarks for the Three Mega Banks, on a proportionate basis. The need for an appropriate transaction monitoring system should be strengthened and links with an appropriate ongoing CDD clarified.
d)	Define prescriptive and appropriate timetables for all FIs to implement the new legislative / regulatory / supervisory obligations.
e)	Ensure that FIs improve their customers' information verification methods and fully implement ongoing CDD requirements, based on comprehensive and dynamic customers' risk profiles, which take into account transactions records.
f)	Ensure that FIs implement appropriate and comprehensive information systems- taking into account proportionality criteria regarding the complexity of FIs - that integrate CDD data and transaction monitoring, with transaction monitoring parameters attuned to FIs' business, to the identified risks and to customers' behaviour and risk profiles and based on appropriate detection scenarios.
For Virtual Asset Service Providers	
a)	Ensure the timely implementation of the newly adopted AML/CFT requirements to custodial wallet services.
b)	Ensure that VCEPs and custodial wallet service providers are subject to wire transfer obligations once the 'travel rule' solution has been developed.
c)	Continue improving VASPs' understanding of ML/TF risks, and ensure that allnew technological developments (such as new business models, proposed VC listings and other innovations associated to VC) are analysed taking into account ML/TF risks.
d)	Continue strengthening the culture of compliance of VASPs through provision of the necessary guidance and support for the understanding and implementation of AML/CFT requirements, with specific emphasis on their own risk assessment and the implementation of the full set of AML/CFT requirements on that basis.
e)	Refine and adjust the guidance provided for reporting suspicious transactions with a view to provide more elaborated scenarios tailored to the specificities of VASPs activities.

Effectiveness evaluation of supervision by authorities (IO.3)

IO.3 evaluates the effectiveness of supervision by authorities responsible for financial institutions and DNFBPs. Key findings of IO.3 by the assessment team are as follows:

- JFSA's AML/CFT supervision on a risk-basis still at an early stage but is gradually improving.
- The FSA is putting proactive means of supervision into effect by developing a related system and structure and adequately recognizing risks. But as the application of the means is limited to financial institutions having opportunities to hold direct dialogues with the FSA, there is much room for improving the effectiveness of its supervision in light of the slow response to changes at financial institutions in Japan.
- Supervisory authorities should review the use, effects and deterrence of various administrative penalties for the sake of adopting measures to promote financial institutions' compliance.
- The FSA promptly and properly adopts deterrent administrative penalties against crypto assets exchangers' money laundering and other problems and is expanding such action to other financial institutions on a risk basis.

Given the most significant weight and materiality of the Japanese banking sector and also the significant weight of the VC exchange service sector and the major supervisory role of the JFSA, Japan was assessed as third in the four-grade rating (moderate level) of IO.3 (all recommended actions of IO.4 are in the Table 3 as below).

(Table 3)

IO.3 Recommended Actions	
For financial institutions	
a)	Review the appropriate resources allocation to full time AML/CFT supervision and consider their enhancement to strengthen the supervision To review the assignment of staff specializing in AML/CTF-related supervision and examine the reinforcement of supervision.
b)	Require financial supervisors to enhance the supervision on a risk-basis, through the development/completion of adequate risk analysis for all supervised FIs.
c)	Conduct risk-based, TF-prevention outreach among FIs, modelled after that of PF TFS and drawing on the expertise of counterterrorism experts in NPA Security Bureau and JAFIC and require more joint supervisory inspections between JFSA and the MOF.
d)	Strengthen and expand AML/CFT dedicated supervisory activities, following a RBA, based on a combination of off-site reviews and onsite inspections, and extend and deepen the scope of assessment.
e)	Encourage better coordination between the JFSA and other financial supervisors, especially for the supervision of TFS which is the MOF's responsibility. Promote FIs' understanding of AML/CFT obligations and ML/TF risks by publishing supervisory guidance and good practices for the implementation of the JFSA Guidelines, with clear supervisory expectations on the preventive measures to be put in place by any FIs.
f)	Require clear and prescriptive deadlines for the whole financial sector to comply with the applicable AML/CFT framework and address the identified gaps, ensuring that higher risk FIs accelerate their compliance process.
g)	Review the appropriateness of the range of available sanctions, to ensure that the non-compliance with AML/CFT requirements is effectively and proportionately sanctioned and assure that sanctions are applied in practice.
h)	Enhance trainings on AML/CFT and associated ML/TF risks for all supervisors.
i)	Reinforce the coordination between national and local supervision, namely Local Finance Bureaus (LFBs).
For Virtual Asset Service Providers	
a)	Require the enhancement of existing ML/TF risk mapping tools of all registered VASPs leading to the risk classification of VASPs. This could include the types of virtual assets offered, the extent to which customers' virtual assets are held in hot wallets (online) as opposed to cold storage (offline) and whether the VASPs use analytical tools to track the flow of virtual assets.
b)	Design an AML/CFT supervisory program me on the basis of the VASPs' risk classification that involves proactive onsite inspections on a regular basis, the identification of the controls most exposed to risks and their regular review.
c)	Provide comprehensive, practical guidance for VASPs on ML/TF risks, the risk assessment process, AML/CFT requirements and supervisory expectations regarding their implementation.
d)	Ensure that resources allocated to VASP supervision remains adequate, in terms of number and expertise, and is strengthened in line with the growth of the market and the registration of new entities.

Coming approaches by government and FSA

The government of Japan declared the reinforcement of AML/CTF/CPF measures in “Basic Policies for Macroeconomic Management and Structural Reform of the Japanese Economy 2021” (hereinafter referred to as the "Basic Policies")^{*2} decided by the Cabinet June, 2021. At the same time with the release of the mutual evaluation report by the FATF, the government published the AML/CFT/CPF Action Plan over the next 3 years (hereinafter referred to as the “Action Plans”) that is the government to strengthen AML/CTF/CPF measures.

The FSA has made clear AML/CTF/CPF measures that financial institutions are required to implement in the JFSA’s AML/CFT guidelines by publishing the revised version of the Guideline and “Frequently Asked Questions about AML/CFT guideline(FAQ)”. Also, the FSA requests all financial institutions to build and maintain solid AML/CTF/CPF measure framework required in the guidelines by March 2024. As mentioned in the Basic Policies, the FSA will strengthen AML/CTF/CPF measures, by reinforcing the inspection and supervision system, and studying and achieving the practical use of a shared system, in cooperation with relevant government ministries, to follow up the FATF’s recommendations.

In order to take effective AML/CTF/CPF measures, it is necessary to get understanding and cooperation of AML/CTF/CPF measures from users of banks and other financial institutions. The FSA will further engage in public relations activities to get people’s understanding and support for AML/CTF/CPF policy, in cooperation with relevant government ministries and industry organizations.

(Table 4)
Excerpts AML/CFT/CPF Action Plan over the next 3 years (released on August 30, 2021)

2. Measures by financial institutions and crypto assets exchangers to combat money laundering, terrorist financing and proliferation financing and supervision of them			Corresponding recommendations by FATF (writer's note)
(1)	Strengthening supervision of AML/CFT/CPF measures.	To strengthen cooperation between supervisory authorities concerning to AML/CTF/CPF measures, develop a proper supervision system, reinforce risk-based inspection and supervision, etc.	IO3: ✓ Recommendations to financial institutions: a, b, c, d, e, i ✓ Recommendations to crypto assts exchangers: a, b, d
(2)	Improving understanding of risks by financial institutions, etc. and making financial institutions etc. assess their risks .	To improve understanding of risks by financial institution, etc. , have them properly assess their risks by making or revising guidelines for supervision related to AML/CTF/CPF, and have them thoroughly understand obligations related to AML/CTF/CPF.	IO3: ✓ Recommendations to financial institutions: c, e, h ✓ Recommendations to crypto assets exchangers: a, b, c IO4: ✓ Recommendations to financial institutions: a, b, c ✓ Recommendations to crypto assts exchangers: c, d, e
(3)	Completely executing of continuous customer due diligence (CDD) by financial institutions, etc.	To have financial institutions etc., reinforce their AML monitoring, and strengthen risk-based AML/CTF/CPF measures by setting a time line for financial institutions etc., to build their AML/CTF/CPF system.	IO3: ✓ Recommendations to financial institutions: f, g IO4: ✓ Recommendations to crypto assts exchangers: d, e, f
(4)	Having a shared AML/CTF/CPF system into practical use.	From the viewpoint of and reinforcement and standardization of CDD, to consider a shared screening and monitoring system for practical use, and promote people’s understanding of the AML/CTF/CPF policy by using the government public relation tools.	IO4: ✓ Recommendations to financial institutions: a, f

^{*2}: "To address the reinforcement of measures to combat money laundering, terrorist financing and proliferation financing, including strengthening the inspection and supervision of the financial industry and studying and achieving the practical use of a joint system." (Chapter 2-5 (10), page 29, in Cabinet Decision)

Publication of the Social Bond Guidelines (Draft)

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Financial Services Agency

The FSA created the Working Group on Social Bonds in March 2021 and compiled the Social Bond Guidelines (Draft) (hereinafter referred to as "Draft Guidelines") based on discussions at the group. This paper introduces the major contents of the Draft Guidelines. Based on public comments, the Draft Guidelines may be revised.

1. Background for Formulating Draft Guidelines

In September 2015, the 2030 Agenda for Sustainable Development was adopted at the United Nations Sustainable Development Summit, setting out the so-called Sustainable Development Goals (hereinafter referred to as "SDGs"). In December 2016, the Japanese government formulated the SDGs Implementation Guidelines that spelled out priorities in eight fields reclassified in the Japanese context. Specific measures are being carried out in accordance with the SDGs Action Plan.

Under such circumstances, the spread of COVID-19 infections since last year has posed threats to human lives, livelihood and dignity, leading to serious concern that efforts for achieving SDGs could be delayed. Social Bonds are designed to procure funds to be used only for funding Social Projects that would contribute to resolving social issues and bring about positive social benefits. It is believed that the promotion of Social Bonds would be useful for exploiting the bond market to promote initiatives to resolve social challenges and achieve SDGs.

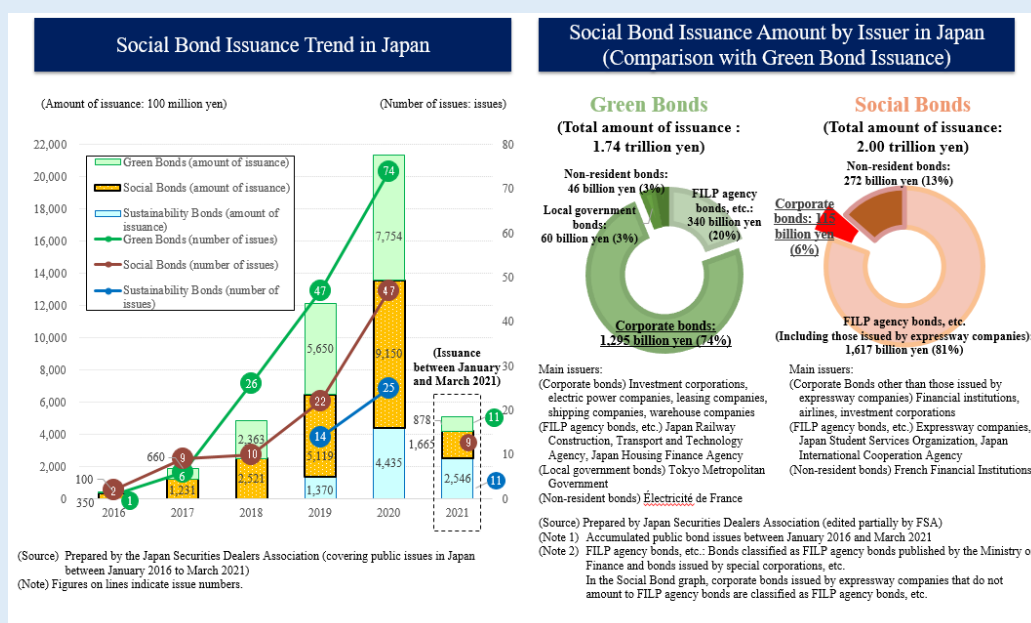
2. Social bond market status

Since the International Capital Market Association (ICMA) formulated the Social Bond Principles in 2017, Social Bond issuance has rapidly expanded, including COVID-19 bonds that were issued globally last year to procure funds for supporting COVID-19 countermeasures (Figure 1).

Social Bond issuance in Japan has also increased dramatically, concentrating in public sector issuance. Private sector issuance has just started.

Late last year, the business sector asked the Financial Services Agency to take leadership in formulating practical guidelines on Social Bonds as early as possible. Based on the request, the Social Bond Guidelines were drafted to provide specific responses and interpretations meeting Japan's conditions to secure the credibility of Social Bonds' social benefits, reduce Social Bond issuers' costs and clerical burdens and diffuse private companies' Social Bonds in Japan, in accordance with the ICMA Social Bond Principles.

(Figure 1) Social Bond Market Status



* For Publication of "the Social Bond Guidelines (Draft)" published on July 7 this year, see:

3. Expected Elements of Social Bonds and Examples of Possible Approaches

Chapter 3 of the Draft Guidelines, like the ICMA Social Bond Principles, defines "four core components" for alignment with the Social Bond Principles and "two key recommendations" as expectations for Social Bonds (Figure 2)

(Figure 2) Expected Elements of Social Bonds

Expected Elements of Social Bonds				
Four core components	1. Use of proceeds	2. Process for project evaluation and selection	3. Management of proceeds	4. Reporting
	<ul style="list-style-type: none">The proceeds of Social Bonds should be allocated only to Social Projects. <div>Examples of Social Projects and their target populations are given in annexes.</div>	<ul style="list-style-type: none">Social objectives of projects and a process for project evaluation and selection should be explained.	<ul style="list-style-type: none">Appropriate methods should be used for tracking and managing the proceeds from Social Bonds.	<ul style="list-style-type: none">An overview of a project subjected to funding, amount of fund allocated to the project, its social benefits, etc. should be disclosed.It is recommended that the social benefits are quantified where possible.
Two key recommendations	1. Social Bond frameworks A Social Bond framework should be prepared to explain the alignment of a Social Bond issue with the four core components above.			
	2. External reviews It is recommended that a Social Bond issuer appoints an external review provider to review the alignment of a Social Bond issue with the four core components above, etc.			

(Figure 3) Examples of "Categories" and "Target Populations" of Social Projects

The table below provides examples of Social Project categories," the details of Projects corresponding to each "category" (sub-categories), and "target populations." The examples consist of those listed in the ICMA Social Bond Principles, and those additionally listed in the Guidelines.(") It should be noted that the examples provided herein are by no means exhaustive, and thereby do not intend to limit or preclude other potential eligible project categories, project details and/or target populations.				
Examples of Social Project Categories in the ICMA Social Bond Principles	Examples of Categories' Details in the ICMA Social Bond Principles	Additional Examples of Categories' Details (Sub-categories) Listed in the Guidelines	Examples of Target Populations in the ICMA Social Bond Principles	Additional examples of target populations in the Guidelines
1. Affordable basic infrastructure	<ul style="list-style-type: none">• Clean drinking water• Sewers• Sanitation• Transport• Energy	<ul style="list-style-type: none">• Disaster prevention and mitigation• Measures against aging infrastructure• Disaster recovery• Information and communication technology infrastructure	<ol style="list-style-type: none">1. People living below the poverty line2. Excluded and/or marginalized population and/or communities3. People with disabilities4. Migrants and/or displaced persons5. People who are undereducated6. People who are underserved, owing to a lack of quality access to essential goods and services7. People who are unemployed8. Women and/or sexual and gender minorities9. Aging population and vulnerable youth10. Other vulnerable groups, including as a result of natural disasters	(*Examples of "10. Other vulnerable groups, including as a result of natural disasters" on the left) <ul style="list-style-type: none">• Companies and residents in geographically and socioeconomically disadvantaged areas• SMEs, etc. affected by the spread of infectious diseases• People who balance work and childrearing / long-term caregiving, etc.
2. Access to essential services	<ul style="list-style-type: none">• Health• Education and vocational training• Healthcare• Financing and financial services	<ul style="list-style-type: none">• Parenting support• Long-term care• Welfare for the aging population• Supporting access to essential services for aging populations• Information and communication technology		
3. Affordable housing	(No example)			
4. Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance	(No example)	<ul style="list-style-type: none">• Responses to socioeconomic crises due to the spread of infectious diseases• Regional revitalization		
5. Food security and sustainable food systems	<ul style="list-style-type: none">• Physical, social and economic access to safe, nutritious and sufficient food that meets dietary needs and requirements• Resilient agricultural practices• Reduction of food loss and waste• Improved productivity of small-scale producers	<ul style="list-style-type: none">• Improvement of food systems using advanced technology• Improvement of eating habits and management of pre-symptomatic diseases	(The definition of target population can vary depending on local contexts. In some cases, such target population(s) may also be served by addressing the general public.)	(The above are general examples of the target populations that are described under Appendix 2 "Examples of Social Projects (Use of Proceeds)")
6. Socioeconomic advancement and empowerment	<ul style="list-style-type: none">• Equitable access to and control over assets, services, resources and opportunities• Equitable participation and integration into the market and society, including reduction of income inequality	(*Below are further breakdowns of the detailed examples on the left) <ul style="list-style-type: none">• Promotion of diversity• Empowerment of women• Work-style reform• Promotion of barrier-free access and universal design• Preventive care		
* Additional examples are listed, taking into account social issues identified in Japan's "SDGs Action Plan," etc., as well as in consideration of actual cases of Social Bond issuance by domestic and overseas companies in the private sector, etc. Refer to Annex 2 for concrete examples on use of proceeds.				

A. Four core components

(1) Use of proceeds

The Draft Guidelines provide that the proceeds of Social Bonds should be allocated to Social Projects. Social Projects are defined as aiming to contribute to the solution of specific social issues and seeking to achieve positive social outcomes for target populations for the projects.

Examples of specific categories of Social Projects and their target populations are given in Annex 1 (Figure 3) and specific examples of the use of proceeds in Annex 2. They include not only examples given in the ICMA Social Bond Principles but also examples that take into account social issues identified in Japan and actual cases of Social Bond issuance by domestic and overseas private companies, etc.

(2) Process for project evaluation and selection

The Draft Guidelines provide that Social Bond issuers should provide investors in advance with information regarding the social objectives that the issuers intend to achieve through the Social Bonds, the process for determining how the Social Projects for which the proceeds are to be used meet the claimed social objectives. They provide as well that it is recommended that Social Bond issuers disclose to investors in advance the criteria for evaluating and selecting Social Projects. They also list specific examples of the social objectives, process and criteria.

(3) Management of proceeds

The Draft Guidelines provide that Social Bond issuers should track and manage the allocation of Social Bond proceeds with appropriate methods and explain the methods to investors. Examples of specific tracking and management methods are listed.

(4) Reporting

The Draft Guidelines provide that Social Bond issuers should disclose the use of proceeds and social benefits of Social Projects at least once a year and that it is recommended that quantitative measures are used to disclose social benefits where possible. Defining final social benefits (targets) of Social Projects as their impacts, the Draft Guidelines indicate an example method to use measures for describing the process from output and outcome to the impact.

B. Two key recommendations

(1) Social Bond frameworks

The Draft Guidelines provide that any Social Bond issuer should prepare a framework to explain to investors and disclose to the public the Social Bond's alignment with the four core components.

(2) External reviews

The Draft Guidelines provide that it is recommended that any Social Bond issuer appoint an external review provider to review the alignment of a Social Bond issue with the four core components, etc. They also define the criteria to be followed by external reviewers, the requirements of external review organizations, the information to be included in documents on review results, etc.

4. Revision of Guidelines, etc.

The Draft Guidelines are planned to be fixed based on public comments. The Guidelines are also scheduled to be revised in accordance with the maturity of the domestic Social Bond market, international discussions, and the revision of relevant documents, including the ICMA Social Bond Principles. In the future, relevant parties will proceed with discussions toward formulating a document providing example indicators of social benefits of Social Projects.

Many Japanese companies have given priority to resolving social issues, incorporating their social responsibilities into their business challenges and strategies. Such idea apparently meets the philosophy of Social Bonds. It is hoped that the Guidelines would be used to promote private companies' utilization of Social Bonds and contribute to the further promotion of social issues' resolutions.

To Bank Customers

- Request for the Prevention of COVID-19 Infection -

Dear valued customers

— COVID-19 safety precautions and considerations —

As a bank, we will work to provide essential banking to support our customers' everyday life and business through these challenging times.

As we rise to meet these challenges, the health and safety of our customers remain our top priority. With that in mind, we have implemented measures in order to avoid the "Three C's"; closed spaces, crowded places and close-contact settings.

We also would like to kindly ask our customers to consider the below actions in order to minimize the spread of the COVID-19.

01 When visiting a branch

Social Distancing



We are limiting the number of customers permitted in our branch at one time so you may experience longer than normal wait times.

Masks and temperature checks



Please consult your bank prior to your visit for any urgent services you may need to perform when feeling sick. And even fully vaccinated people should continue to wear mask and other infection prevention measures.

02 Other banking options

- Please refrain from visiting a branch on dates that are expected to be crowded.
- Please consider using other channels available to you, such as online & ATM services and call centers.

Expected crowded dates in Sept. 2021

■ the expected crowded dates.

SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Services available as usual

Deposits and withdrawals of ordinary account

Cancellation of time deposits, investment trust etc.

—Transfer funds
—Taxes and utility bill payments

Reporting of lost items

—Issuance of new passbook and card
—Magnetic malfunction of card

Help with borrowing loans

Services for you to kindly reconsider performing on crowded dates

Opening and closure of accounts

Depositing money into a time deposit account

Notice of amendment and bank statements

Request to withdraw certain coins and banknotes

Property accumulation products

Money exchange

■ Please ask the bank or check its website for the details of transaction handled.

■ Please consult the bank for your specific reasons of the needed transaction.

JFSA's Major Activities in August

(August 1 to August 31, 2021)



- [Stewardship Code : 316 institutional investors have signed up to the Principles for Responsible Institutional Investors as of July 31, 2021 \(August 31, 2021\)](#)
- [Updated statistics of money lending business \(August 31, 2021\)](#)
- ["Report by the Expert Panel on Sustainable Finance" Announced \(Updated\) \(August 31, 2021\)](#)
- [FSA updated Information on COVID-19 \(Novel Coronavirus\) \(August 30, 2021\)](#)
- [The first meeting of the Working Group on Corporate Disclosure of the Financial System Council \(August 27, 2021\)](#)
- [Updated list of issuers of gift certificates in repayment procedures based on the "Payment Services Act" \(August 18, 2021\)](#)
- [FSA and UK FCA exchanged letters on a cooperation framework in the area of credit rating agencies \(August 11, 2021\)](#)

- JFSA's official English Twitter account
https://twitter.com/JFSA_en



We are promoting
information
dissemination
using Twitter!

- Please send your opinions using the following email address to the Public Relations Office's personnel in charge of Access FSA.

E-mail : fsa_kouhou@fsa.go.jp

Editorial Postscript

The front cover of this "Access FSA" is a special version, using the design of "the JFSA Priorities for July 2021-June 2022" published recently.



"Discussing means to encourage people's asset building ..."

JFSA's mascot character, "Tsumitane Wanisa," is everywhere! It was introduced as a friend of KOH-chan (the National Personnel Authority's mascot character) on the website, as shown in the photo on the right.



"Secretly visited the minister's office."

SAITO Takafumi, Director,
Public Relations Office, FSA



"Together with
JFSA Commissioner Nakajima
and Mr. Yoshida, a freshman!"