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Joint Session of the 47th General Meeting of Financial System Council and the 35th Meeting of Sectional Committee on Financial System

On September 13, 2021 (Monday), the Joint session of the 47th general meeting of the Financial System Council and the 35th meeting of the Sectional Committee on Financial System was held. At the joint session, State Minister AKAZAWA Ryosei consulted with the council on a new matter after making a speech. Also, "developments and challenges related to digital and decentralized finance" and "developments related to accounting audits" was reported.



Photo: State Minister AKAZAWA reading out the consultation document

○Study on payment systems

[Consultative remarks]

In light of international expectations concerning measures against money laundering and terrorist financing and the progress of digitalization, a study should be conducted regarding stable and efficient payment systems.

In order to conduct a specific study on the matter on which State Minister AKAZAWA consulted the Financial System Council, it was decided at the joint session to establish a working group under the council.

This working group will conduct a wide-ranging study on payment systems. State Minister AKAZAWA consulted with the council on this matter following the Financial Action Task Force's publication of the Fourth Round Mutual Evaluation Report of Japan (August

2021).^{*1} Since the publication of the report, the government has worked out a plan for putting into practical use of a joint system for trade screening and monitoring from the viewpoint of strengthening and maintaining the quality of verification at the time of transaction and customer due diligence. Going forward, the working group will hold discussions on institutional measures to be taken in order to put the joint system into practical use. The working group will work out its opinions on this and other matters by the end of this year.

○Report^{*2}

● Developments and challenges related to digital and decentralized finance

It was reported that against the backdrop of the progress in the digitalization of the entire social economy, whereby the digitalization of finance was accelerated with the leverage of blockchain technology, the "Study Group on Digital and Decentralized Finance" intended to seek optimal ways for financial institutions to adapt to the shift toward the digitization of remittance means, securities products, and others from the perspective of promoting innovation in the private sector and ensuring appropriate user protection for financial services.

● Developments related to accounting audits

In line with changes in the economic and social situations, the environment surrounding audits conducted by audit firms has changed, as indicated by increased social expectations toward the audit quality and the broadening of the role of certified public accountants, and the diversification of accountants' working style. It was reported that in light of those changes, Under this situation, the Advisory Council on the Systems of Accounting and Auditing will be held in order to conduct a comprehensive study on various challenges related to audits.

The FSA will proceed with the abovementioned activities in order to develop a financial system that realizes a vigorous society and economy in light of the discussions at the Financial System Council.

^{*1} FATF is a conference body established in order to promote international cooperation over countermeasures against money laundering, terrorist financing, and proliferation financing. Regarding FATF's activities and the results of the evaluation of Japan, see "Summary of results by Financial Action Task Force(FATF)'s (FATF)Mutual Evaluation Report of Japan" in the September issue of ACCESS FSA at: <https://www.fsa.go.jp/en/newsletter/accessfsa2021/217.pdf>.

^{*2} Regarding the reports regarding financial administration policy, see "The JFSA Strategic Priorities July 2021-June 2022 – Overcoming COVID-19 and Building the Financial System for Greater Vibrancy –" in the September issue of ACCESS FSA at <https://www.fsa.go.jp/en/newsletter/accessfsa2021/217.pdf>.

Digitalization of Administrative Procedures Related to the FSA

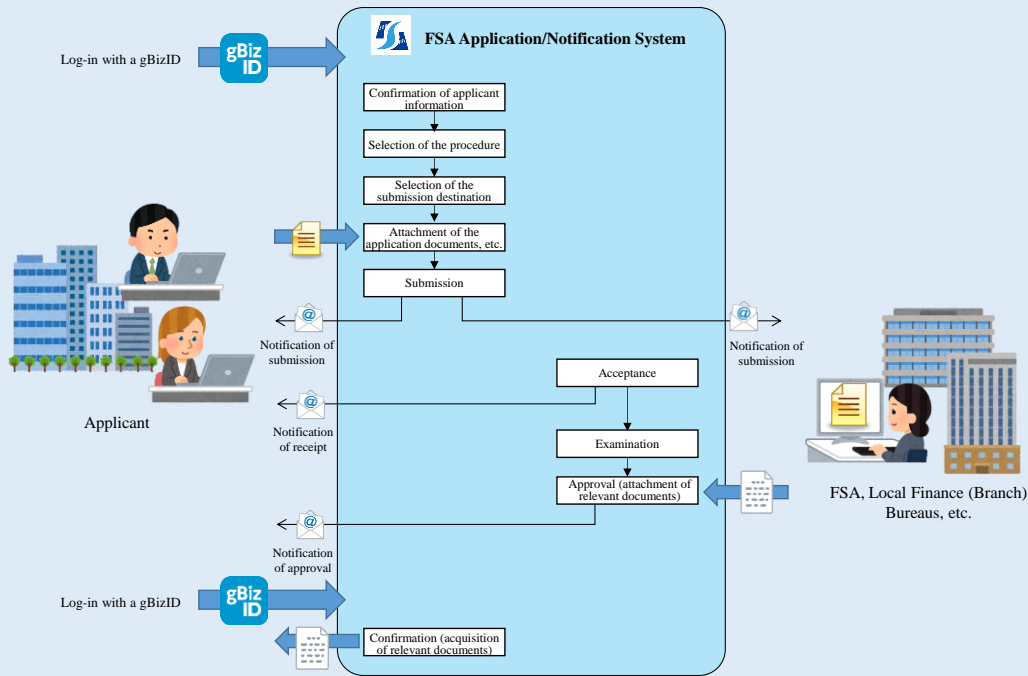
MANBA Daisuke, Director, Information Technology Office, Resources Management Division,
Strategy Development and Management Bureau
NISHIMOTO Yoshihisa, deputy director
HATANO Ryosuke, Senior Technical Assistance Officer

<Background to the development of a new system>

- The government is shifting administrative procedures to the online format in order to prevent the expansion of COVID-19 and promote operational efficiency improvement.
- To promote its own digitalization, following the completion of the development of the FSA Electronic Application and Notification System (new system) at the end of March 2021, the FSA started operating the new system at the end of June this year based on the "JFSA priorities for July 2020-June 2021."^(Note)
(Note) "With respect to applications from and filing by financial institutions and other organizations, we will enable all procedures to be completed online based on considering appropriate online procedures. We will update the system and coordinate institutional matters in FY2020 and commence full online operations by the end of FY2021."
- The new system enables almost all, around 4,000, of the FSA's application and notification procedures to be completed online, excluding the very limited number of procedures that are not suited to be completed online. Described below is an overview of the new system.

<Overview of the new system>

- One important point regarding the new system is that all administrative procedures can be completed through online exchanges between users and the FSA.
The use of the new system enables the online completion of procedures, such as checking the contents of applications and notifications submitted, and making corrections and submitting additional reference materials.
In addition, in order to respond to financial globalization, the new system has a user interface adapted to the English language.



- First, the gBizID system, which is provided by the Digital Agency as an ID infrastructure for various administrative services, has been adopted as a log-in ID. The gBizID system allows companies to assign log-in IDs to individual employees.
(Example of administrative services that can be used through the gBizID system)
 - Electronic application for the social insurance procedure
 - A business succession subsidy, etc.

○ Another important point is that this is a system with high user convenience. To ensure ease of use for all users, this has been developed as a simple online system based on the following basic operations: "confirmation of applicant information," "selection of the procedure," "selection of the submission destination," and "attachment of application/notification documents, etc."

• Confirmation of applicant information:

The applicant's attribute information registered with the gBizID system is displayed first. If any correction is necessary, corrected information can be entered on the spot (the attribute information registered with the gBizID system remains unchanged).

• Selection of the procedure:

It is possible to narrow down selection options by applicable law/regulation or any keyword.

• Selection of the submission destination:

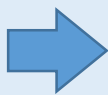
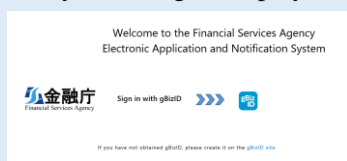
It is possible to narrow down selection options by department or division or any keyword.

• Attachment of application/notification documents, etc.:

Multiple files in such formats as Word, Excel and PDF can be simultaneously attached, with the attachment of up to a total of 300MBs of files allowed per application/notification.

○ Moreover, various application/notification forms can be downloaded from the FSA's website for use by applicants. With the start of the new system's operation, the variation of application/notification forms that can be downloaded from the FSA's website has been expanded significantly.

(i) The new system's log-in display



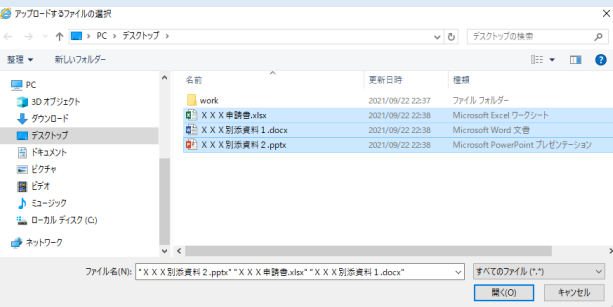
(ii) Input display for application/notification

(iii) Displays for selection of the procedure and selection of the submission destination

【Display for selection of the procedure】

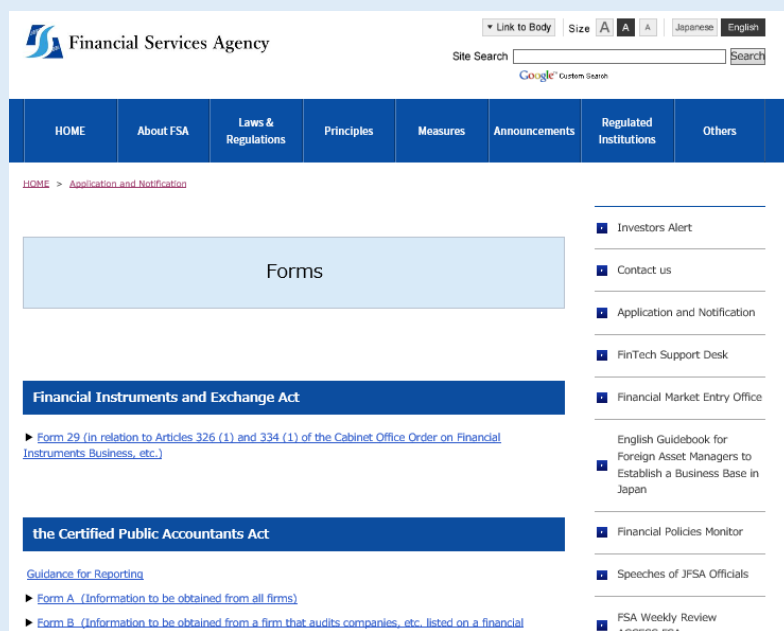
【Display for selection of the submission destination】

- (iv) Display for attachment of application/ notification documents, etc.
- (v) The section of the FSA's website through which various application/notification forms can be downloaded



(vi) URL for "Forms"

- All available information on the new system can be viewed at this URL.
 - Access the information when using the new system.
- (A list of procedures, application/notification forms, URL for the system, guidance for use, FAQ, etc.)
- <https://www.fsa.go.jp/common/shinsei/online.html>



<Future system development, etc.>

- Regarding the new system, the FSA plans to continue additional development work after starting its operation in June this year. At present, the new system's functions are being expanded in order to enable electronic payment of fees to the FSA that have until now been paid through revenue stamps or other means. The FSA is making arrangements with relevant ministries and agencies so that the additional functions can start operating in the second half of FY2022.
- The FSA plans to promote its own digitalization by continuing efforts to improve the convenience and efficiency of the FSA's operations and procedures. Through these efforts, the FSA intends to further support digitalization in the private sector, including at financial institutions.
- This section explained the overview of the FSA Electronic Application and Notification System that started operating at the end of June this year. We would like business operators to use the system and to feel free to inquire with the FSA if they have any inconvenience or questions.

<A story of unknown hardships behind the system development>

It was around the early spring of 2020, when the first declaration of a state of emergency was issued, that we were given the mission of developing a system enabling the online completion of around 4,000 procedures under the FSA's jurisdiction by the end of March 2021. From then onward, we went through a busy period of dedicating ourselves whole-heartedly to such work as studying the specifications of the system in earnest, preparing for procurement and coordinating with relevant departments and divisions.

The development of the system was expected not to start until the end of the summer at the earliest. Therefore, we adopted a method of fast development using existing components and applied a prototyping development technique at the same time in order to complete the development by the end of March 2021, so this turned out to be an unprecedented, challenging task. Moreover, we had to proceed with the development in a situation of very difficult communication depending entirely on online dialogue with the development contractor amid the COVID-19 crisis.

In this severe situation, we faced the challenge of having to significantly change the scope of the development only three months before the scheduled expiry of the development period because of various circumstances. However, thanks to the contractor's efforts, we overcame this challenge and completed the development of the system in around just six months.

In the development of this system, we were able to fulfill our responsibility for starting the operation of the new system as initially scheduled, as institution-wide efforts, including strong support from the planning and management divisions and management offices of various bureaus, were devoted to the development work.

Remarks by the person in charge of system development at the Information Technology Office



Supporting Japanese Financial Institutions at FinTech Hub Singapore

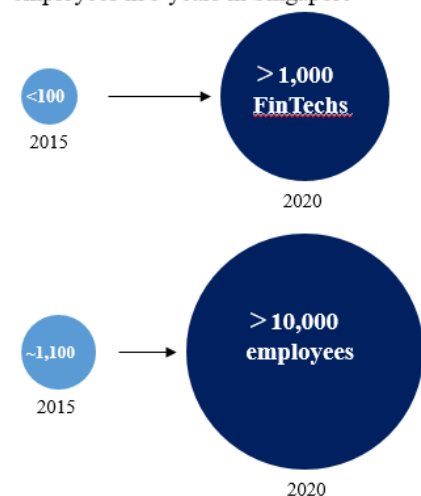
SADAMOTO Reiko, First Secretary, Embassy of Japan in Singapore

1. FinTech Ecosystem in Singapore

Fintech, a combination of the words “financial” and “technology”, is expected to be one of the most developing and booming sector in the world.

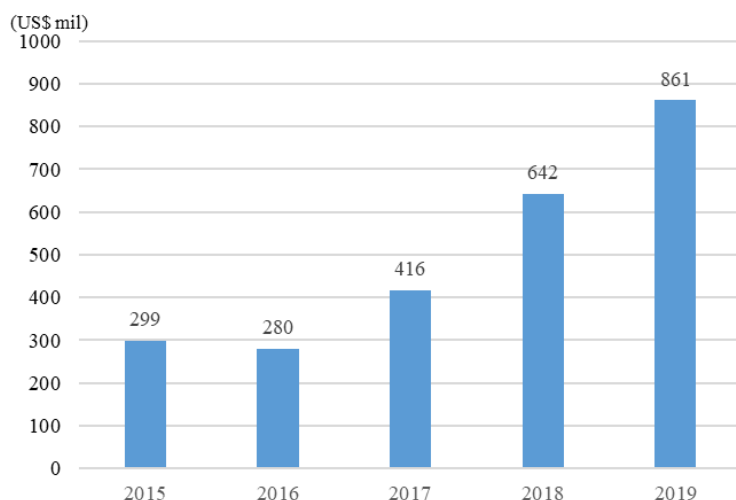
The FinTech market is also rapidly expanding in Singapore. In 2015, the number of FinTech firms was less than 100 with a total workforce of around 1,100 employees and a total funding of 200 million U.S. dollars. However, the market grew rapidly, with the number of FinTech firms surpassing 1,000 and the total workforce expanding to around 10,000 employees in 2020 while the total funding exceeded 800 million U.S. dollars in 2019 (Figures 1 and 2).

Figure 1: Growth of number of FinTechs and employees in 5 years in Singapore



Excerpted from Singapore FinTech Association, "SINGAPORE FINTECH LANDSCAPE 2020 AND BEYOND" (p.1)

Figure 2: FinTech funding in Singapore



Excluding the value of investment in Grab. Excerpted from Singapore FinTech Association, "SINGAPORE FINTECH LANDSCAPE 2020 AND BEYOND" (p.1)

One factor behind this rapid growth is Singapore's strenuous efforts to develop a FinTech ecosystem through cooperation between the public and private sectors. Those efforts are characterized by the inclusive approach of involving partners from everywhere, regardless of nationality or organizational affiliation, as long as they possess superior technology or excellent connections. The approach includes the government's financial support to FinTech firms and holding of hackathons (technical contests in which participants compete to develop better services and systems in a short time span), and joint R&D initiated by an industry, government, and university.

2. Meetup event between Singapore Fintech firms and Japanese financial institutions

In order to promote collaboration between FinTech firms in Singapore and Japanese financial institutions, on September 3, the Embassy of Japan in Singapore held "Singapore Fintech Webinar & Meetup with Japanese Financial Institutions," an online meetup event to bring together those firms and financial institutions, jointly with the Fintech Association of Japan, the FinTech and Innovation Office of the Strategy Development Division under the FSA's Strategy Development and Management Bureau, the Japan External Trade Organization (JETRO), and the Singapore FinTech Association (SFA). In this event, with the SFA's support, we had five FinTech firms in Singapore that are interested in advancing into the Japanese market or expanding business there make presentations and exchange opinions with individual Japanese financial institutions. More than 50 Japanese companies including financial institutions participated and exchange ideas including technical matters.

What surprised me was that a very large number of Japanese financial institutions, including regional banks, and system vendors joined the event. Some financial institutions were actively looking for possible partners among FinTech firms. Now interests in FinTech seems to become stronger than ever among Japanese financial institutions regardless of their size.

On the other hand, there were some discussions that Japanese financial institutions need to reconsider their waterfall software development approach when they collaborate with FinTech firms adopting agile software development approaches. Agile is an interactive approach to software development that starts small and modifies the project through interaction with costumers or end-users. The approach doesn't match well with major Japanese companies adopting a waterfall development approach under which the budget size and other specifics are prefixed from the beginning. The important point is not which approach is better, but organizations change their decision-making process as necessary as they encounter new innovative technologies and services. This episode can apply not only to financial institutions but also to the regulatory authorities including the FSA.

Since announcing the Smart City vision in 2014, the Singapore government has been promoting digitalization in all aspects of life. We would like to contribute to taking advantage of the Singapore government's activities like these to promote the development of the Japanese market.

Aim and Future Approaches Regarding the "List of Financial Institutions" that Compiled Their Policies Based on the "Principles for Customer-Oriented Business Conduct"

NOBUMORI Takehiro, Director, Conduct Planning Office, Risk Analysis Division, Strategy Development and Management Bureau

(*The opinions expressed in this report are the personal views of the author and do not necessarily reflect the organization with which the author is affiliated.)

1. Introduction

On September 3, 2021, the FSA published a list of financial institutions that have compiled their policies based on the "Principles for Customer-Oriented Business Conduct" (the "Principles") (the "List of Financial Institutions"; as of the end of June 2021). The aim of the list and expected future approaches of financial institutions are explained below.

2. Background leading to the publication of the List of Financial Institutions

(1) Status of dissemination of customer-oriented business conduct

Four and a half years have passed since the publication of the Principles (in March 2017). The number of financial institutions that signed up to the Principles has increased steadily and reached 2,098 as of the end of December 2020, and the understanding of the concept of customer-oriented business conduct seems to have been spreading.

The Principles expect the creation of a mechanism wherein customers can select financial institutions that are making better efforts. When aiming to achieve people's stable asset building, it is important to ensure that customers can select financial institutions that offer financial instruments and services commensurate with their needs. On the other hand, from the viewpoint of financial institutions, it is preferable that they would be able to secure stable customer bases and further achieve sustainable business through competing with each other in developing and offering high-quality customer-oriented financial instruments and services. A mechanism of such virtuous cycle cannot be created merely with regulations (rules) but individual financial institutions' originality and ingenuity are indispensable (principle-based approach).

However, policies compiled by individual financial institutions that signed up to the Principles are often conceptual, and we seldom observe that concrete means for achieving customer-oriented business conduct and efforts to communicate their achievements in an easy-to-understand manner ~~are only limited~~. Perhaps for these reasons, the customer survey conducted by the FSA revealed the fact that customers ~~users~~ do not utilize or know of financial institutions' policies.

In light of such circumstances, the Working Group on Financial Markets, Financial System Council, recommended that financial institutions should verify implementation regarding each of the items of Principles 2 to 7 and explicitly present the results when publishing their policies, etc., and that the FSA, when announcing the List of Financial Institutions, should make it easier to compare the policies and status of efforts of individual institutions with respect to each of the items of the Principles.

(2) Publication of measures for "visualization"

In response to the Working Group's recommendation, the FSA presented the following as measures for further disseminating the Principles in its publication titled "New Initiatives to Further Promote and Embed Customer-Oriented Business Conduct of Financial Institutions" (on April 12, 2021):

(i) Financial institutions' reporting to the FSA

Regarding financial institutions that have signed to the Principles and request to be put on the List of Financial Institutions, the FSA has decided to newly require reporting on the relationship between their own policies and each of the items of Principles 2 to 7, in addition to publication of their policies.

(ii) FSA's new approach for publication of the "List of Financial Institutions"

The FSA has decided to only list financial institutions which have been confirmed to have explicitly presented the aforementioned relationship.

All these initiatives aim to encourage financial institutions to review their efforts for each item of the Principles in light of the actual circumstances in their sales activities and to provide related information to customers in an easy-to-understand manner. The FSA aims to back up the realization of the aforementioned mechanism of a virtuous cycle through the visualization of financial institutions' efforts. In particular, the FSA considers it important to make the details of the policies specific. If the details are made specific and differences in individual financial institutions' efforts are made evident, this will make it easier for customers not only to make comparisons in terms of cost and accessibility but also to make selections from the perspective of whether financial instruments and services suited to their individual needs are being provided or not.

3. Publication of the list and problems being revealed

(1) Publication of the List of Financial Institutions

The FSA published the List of Financial Institutions for the first time on September 3, 2021. The list was made based on the reporting mentioned in (2) (i) above as of the end of June 2021 and the data are compiled in a manner to enable comparison of policies for each item of the Principles. When preparing the list, the FSA checked whether the aforementioned relationship is clearly indicated in financial institutions' policies. Conversely, the FSA does not make any concrete judgment regarding the appropriateness of the details or the sufficiency in implementing the policies of listed financial institutions.

This is because the role of the FSA in making financial institutions' efforts visible is not to stop financial institutions from doing specific acts but to assist them with the dissemination of their financial instruments and services as outcomes of their positive efforts for achieving customer-oriented business conduct. From such perspective, the FSA only checks the formality and leaves judgments on the appropriateness of the details to customers.

(2) Challenges that have been revealed through checking of policies

In order to achieve customer-oriented business conduct, the FSA considers it important for individual financial institutions to make efforts of creating ~~prepare~~ their policies based on analysis and understanding of their customers, services and financial instruments and to present them to customers and implement them in their sales activities. The checking of their efforts for visualization focuses on whether the disclosure of policies and the progress in KPIs is as concrete as it is helpful for customers.

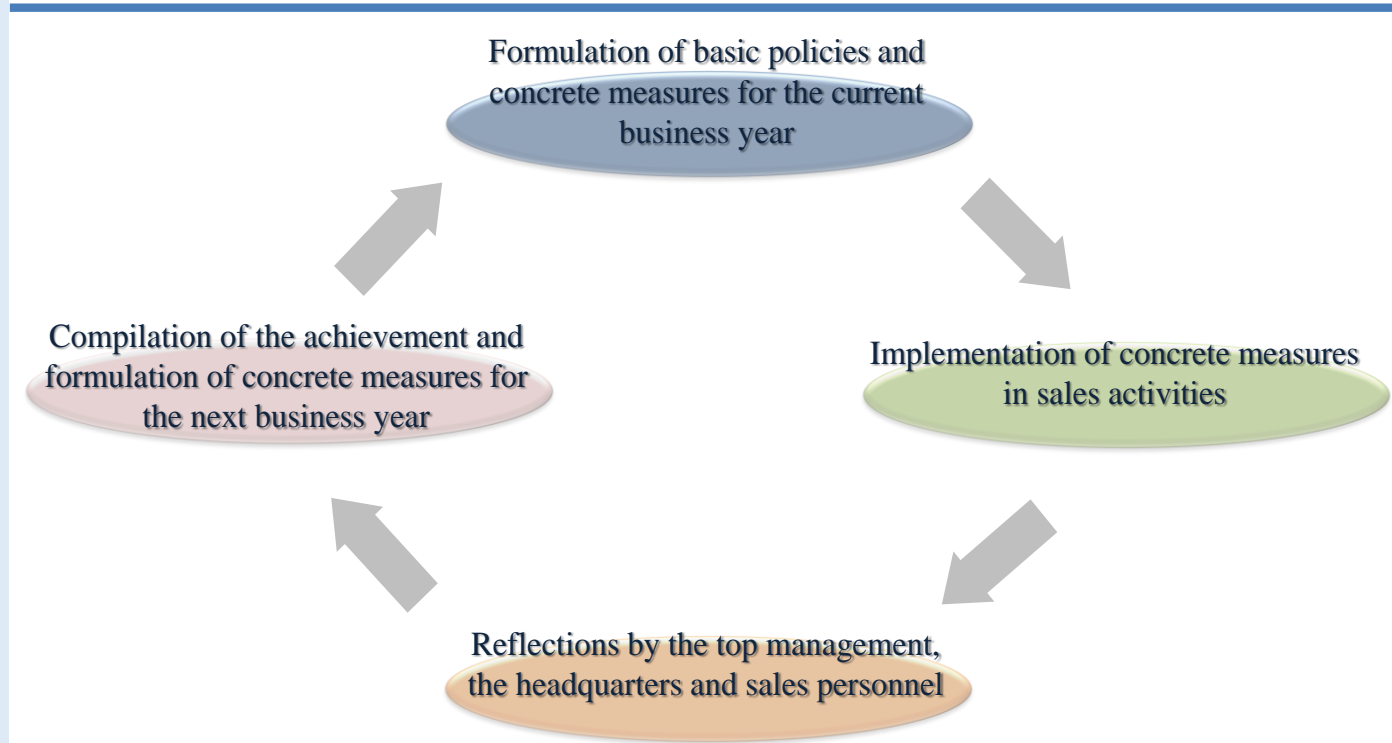
However, the FSA found many unsatisfactory policies through the checking. There were many institutions that failed to clearly indicate the aforementioned relationship on their website, etc. and could not be included in the list. Furthermore, some of the listed institutions used expressions similar to those in the Principles and failed to give due consideration to raised problems based on the Working Group's recommendation. This may be partially because that the idea that the visualization is for the sake of customers has not been fully understood (in addition to the fact that the FSA's explanation is technically insufficient). On the premise that only institutions that present information useful for customers are included in the list, the FSA would like to emphasize again the need for proper reporting to the FSA.

(3) Expectations for financial institutions

Financial institutions are expected to take this request for "visualization" as an opportunity for discussions among all staff from the top management to sales personnel, not merely as work regarding a desk plan. In this respect, one person in charge presented a positive opinion that they considered the policies, etc. as tools to share a common understanding between sales personnel and customers and discussed the details and how to disclose them in cooperation among sales personnel, the headquarters, and the top management. Some of such positive institutions devised means to disclose their clear and fulfilling policies to customers and indicated the aforementioned relationship clearly by using appended tables.

You should understand that the concept of customer-oriented business conduct questions each financial institution's attitude toward their retail business (business targeting final beneficiaries of the investment chain, such as sale of financial instruments, provision of advice, development of financial instruments, and management and investment of assets). Based on such understanding, the top management needs to take the initiative in analyzing to whom they should offer what types of financial instruments and services in what manner in order to achieve the customers' best interest and in working out retail strategies and showing them as their policies for customer services. Then, front-line personnel, who offer financial instruments and services directly to customers, need to actually provide added value. Furthermore, they need to review their policies as necessary based on the achievement brought about by daily efforts. What matters in achieving customer-oriented business conduct is not the observation of individual rules (compliance in a narrow sense), or whether each item of the Principles is formally satisfied or not.

Utilization of policies and status of implementation thereof by financial institutions



Current challenges for financial institutions are the implementation of their disclosed policies and the compilation of the achievement. They are requested to compile and analyze the progress of their efforts from an early state and prepare for the reporting for the next year.

4. Challenges for the FSA

The FSA will provide diverse information to develop an environment in which financial institutions that are making efforts positively for customer-oriented business conduct are better recognized and selected by customers. In particular, reflecting on the point that financial institutions' policies are not fully known to customers, the FSA will strengthen its efforts for information provision.

The FSA expects that financial institutions' efforts for visualization will make it easier for customers to select institutions in line with their needs and will eventually contribute to their stable asset building, and that customer-oriented business conduct will lead to ensure stable business management for financial institutions.

Results of the Corporate Survey

HARADA Kenichiro, Deputy Director

TOMIOKA Hiroki, Officer Regional Financial Planning Office, Banking Business Division II,
Supervision Bureau

On August 31, 2021, the FSA published the results of the Corporate Survey, which are outlined below.

Introduction

The FSA has been conducting a questionnaire survey (Corporate Survey) to check customers' evaluations since the 2015 business year as one of the tools for confirming the effects of financial administration and having dialogues with regional financial institutions with the aim of creating their sustainable business models. Through this survey mainly targeting SMEs and small businesses that use regional financial institutions as their main financing banks, the FSA intends to ascertain the status of how regional financial institutions perform their financial intermediary function and to have dialogues based thereon, thereby improving the quality of their financial intermediary function.

In the latest survey, the sixth one since the 2015 business year, the FSA not only checked customers' evaluations concerning 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. The FSA sought cooperation with the questionnaire survey (through outsourcing) from approximately 30,000 companies, centered on SMEs and small businesses that use regional financial institutions as their main financing banks, and valid answers were obtained from 10,162 of them.

Impact of the spread of the COVID-19 infection

With regard to cash flow status, a considerable number of companies answered that the funding has been unstable after the outbreak of the COVID-19 pandemic (from February 2020 to March 2021), but the number of companies answering that the funding has been stable increased considerably as of the time of the latest survey (April 2021). 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).

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.

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

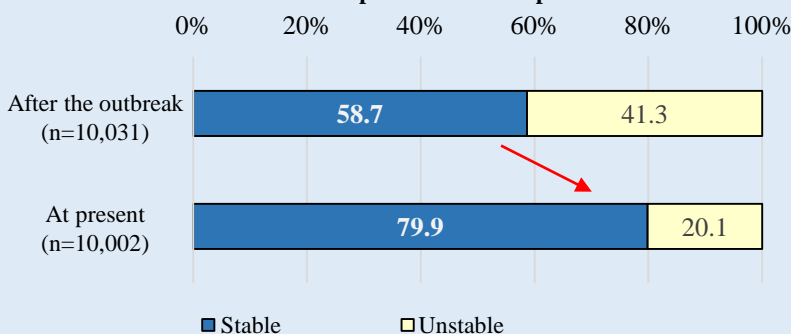
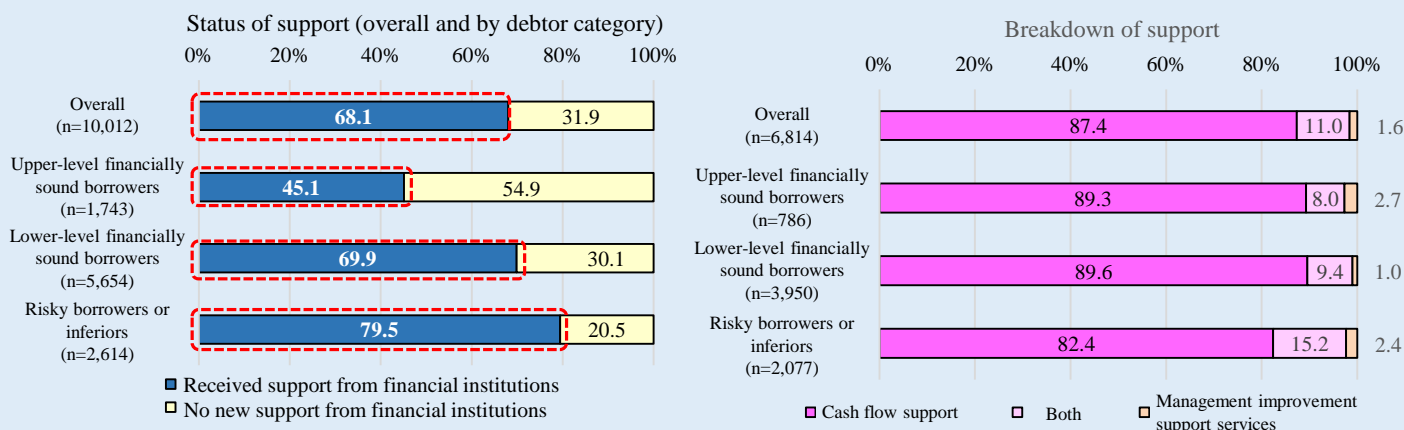


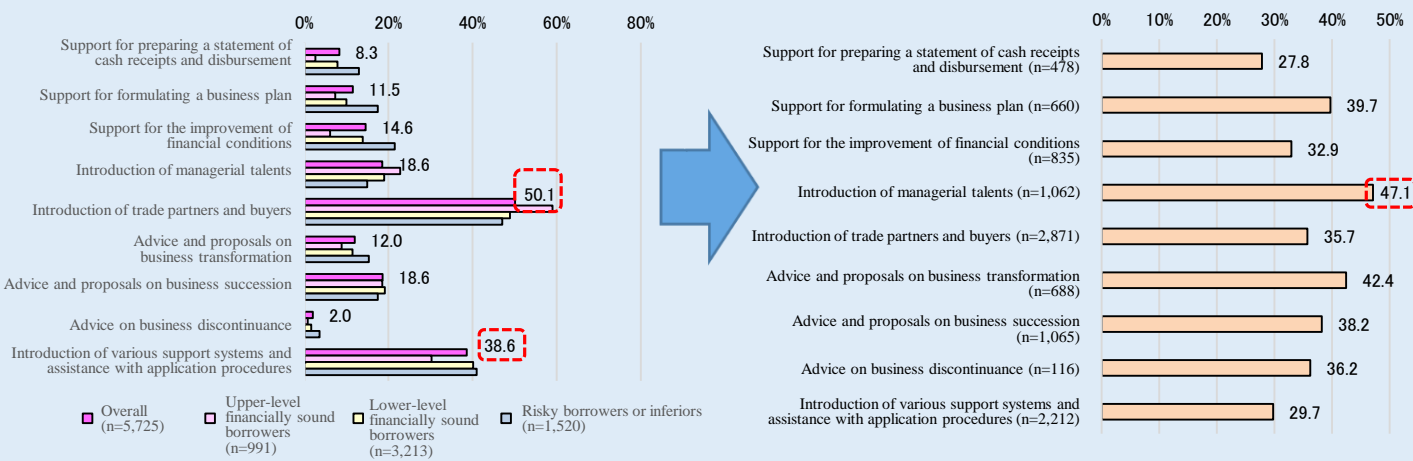
Figure 2. Support by financial institutions



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

Overall and by debtor category

Overall: Percentage of companies answering that they would pay



Main financing banks

Regarding such questions as whether the bank ascertains your business problems and worries, whether you can share the results of the bank's analysis of your business problems, and whether you fully understand your business problems and evaluations explained by the bank, companies that answered "Yes" are defined as companies sharing problems in the sense that common awareness of problems is shared between relevant companies and their main financing banks.

Among companies sharing problems, over 80% positively wish to maintain a business relationship with their main financing banks, almost double the percentage among companies other than those sharing problems (over 40%). None of them answered that they do not wish to maintain or consider discontinuing a business relationship.

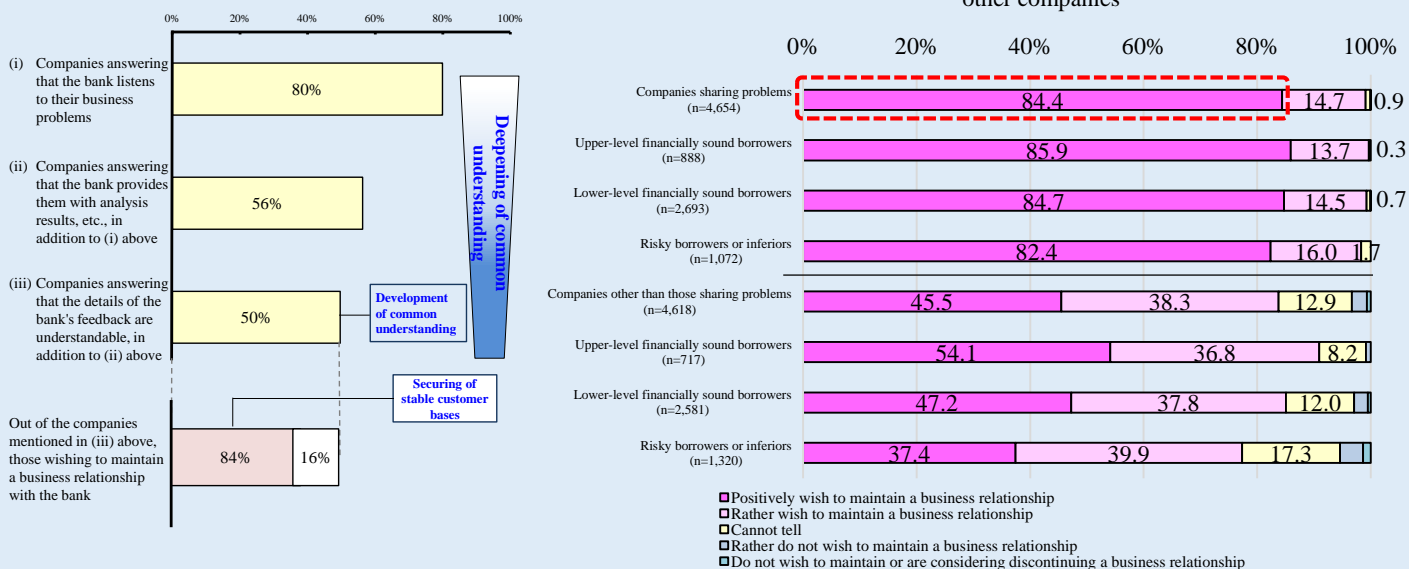
On the other hand, among companies other than those sharing problems, companies positively wishing to maintain a business relationship with their main financing banks accounted for some 40%, and even adding companies rather wishing to maintain a business relationship, the total percentage was lower than that among companies sharing problems. Nearly 20% of companies other than those sharing problems suggested a possibility to change their main financing banks depending on future developments.

Given these, it can be said that financial institutions' efforts to share problems with companies and develop a common understanding and try to provide loans and propose services in a satisfactory manner based on companies' needs and problems may lead to securing more stable customer bases.

Figure 4. Sharing of a common understanding and securing of stable customer bases

Percentage of companies with which banks share problems

Differences in answers between companies sharing problems and other companies



Conclusion

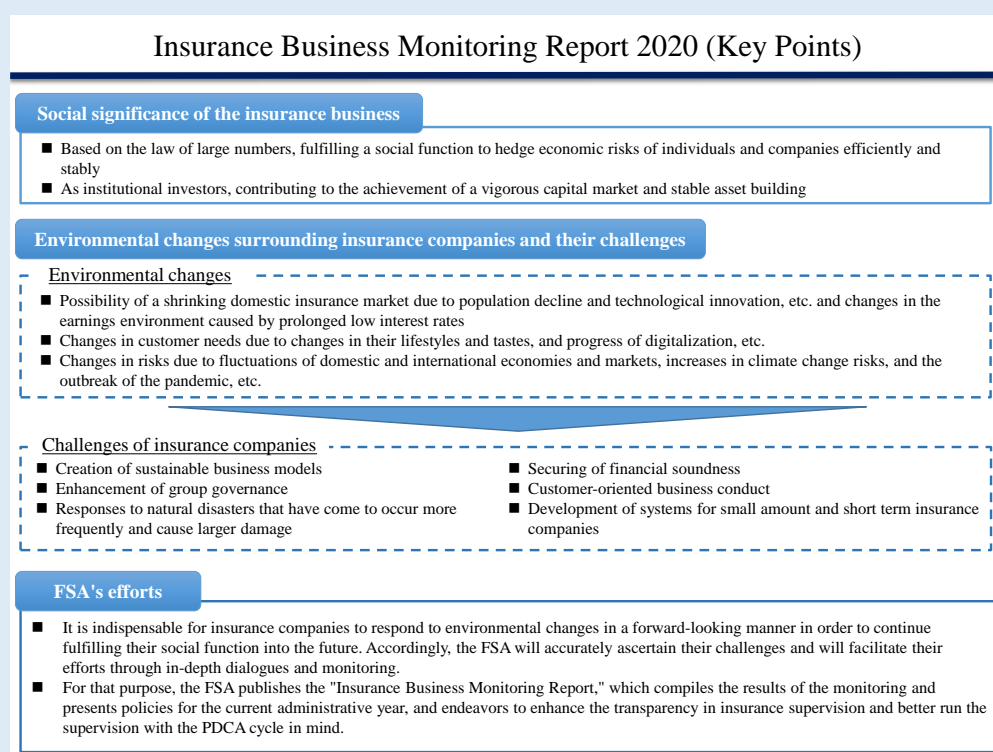
The FSA will conduct the Corporate Survey this business year as well, with the aim of encouraging regional financial institutions to further perform the financial intermediary function, while ascertaining the status of their efforts by checking customer companies' evaluations thereof.

Publication of the Insurance Business Monitoring Report 2021

NISHIOKI Yu, Senior Deputy Director
Ishimoto Ryo, Section Chief
Insurance Business Division, Supervision Bureau

Introduction

On September 10, 2021, the FSA published the Insurance Business Monitoring Report 2021 (the "Report"), which compiles the current status and issues regarding major matters that the FSA ascertained through its monitoring in the previous administrative year and presents monitoring policies for the current administrative year based thereon. Through the publication of the Report, the FSA aims to enhance the transparency in insurance supervision and better run the supervision with the PDCA cycle in mind. This is the first report focused on insurance supervision, and the FSA intends to continue this initiative. The Report is outlined below.



Sustainable business models

Insurance companies need to take measures, looking ahead to the post-COVID-19 era, in addition to responding to medium to long-term environmental changes, such as the possibility of a shrinking insurance market due to population decline and technological innovation, continuation of low interest rates, and increases in climate change risks. The FSA had dialogues with insurance companies regarding their efforts. Life insurance companies are generally promoting system development to build new sales activity models integrating face-to-face services and non-face-to-face services instead of making a fundamental shift from their conventional business models centered on channels cultivated by their sales personnel. Non-life insurance companies are accelerating their efforts for digitalization, which they had commenced before the outbreak of the COVID-19 infection, but measures against accompanying new risks pose new challenges for them. This business year, the FSA will further deepen dialogues on how individual companies intend to deal with those medium to long-term environmental changes mentioned above.

Financial risk management

(i) Enhancement of group governance

While insurance company groups, mainly large ones, are expanding business overseas, they need to enhance their group governance. The FSA revised the Comprehensive Guidelines for Supervision last administrative year, developed a framework to supervise groups in accordance with their sizes and characteristics, and conducted monitoring. As a result, the FSA found problems regarding the management of counterparties of M&As by overseas subsidiaries and the development

frameworks for internal control and auditing common among respective groups. This administrative year, the FSA will conduct more comprehensive and in-depth verification as to whether each element of an effective governance system (Figure 1), as indicated in the revised Comprehensive Guidelines for Supervision, functions properly while organically linking with each other, etc.

(ii) Responses to natural disasters that have come to occur more frequently and cause larger damage

In recent years, large scale natural disasters, such as typhoons and floods, have occurred frequently and non-life insurance companies face continued increases in payments of fire insurance proceeds (Figure 2), which has been increasing reinsurance costs and poses a significant business challenge. Under such circumstances, the FSA confirmed that management teams of individual companies are endeavoring to balance capital, risks and returns. The FSA participated in deliberations concerning a cross-industrial initiative for prompt and proper payment of insurance proceeds upon a disaster and this June established an expert panel to have it facilitate more appropriate discussions on the segmentation of fire insurance rates depending on water disaster risks, which have been discussed by non-life insurance companies. The FSA will continue these activities this business year as well.

(iii) Securing of financial soundness

The FSA conducted monitoring with regard to the impact of the spread of the COVID-19 infection on financial conditions of major insurance companies. It also encouraged some companies to make improvements earlier under the early warning system, and conducted monitoring with regard to a systemic risk of the insurance business sector as a whole based on the Holistic Framework.^{*1} The FSA also reviewed the supervisory accounting as required from the perspective of appropriately ascertaining insurance companies' financial conditions and developing a sound competitive environment. The FSA has had deliberations aiming to introduce the Economic Value-based Solvency Framework for the purpose of facilitating insurance companies' efforts for enhancing risk management, and published the progress of the deliberations this June. The FSA will steadily continue deliberations to provisionally determine and publish the basic content of the system within the next year.

Customer-oriented business conduct

(i) There have been money fraud cases in sales personnel channels of life insurance companies and there was an extraordinary case causing damage over 1.9 billion yen last administrative year. The FSA demanded that the relevant company formulate recurrence prevention measures and make proper responses to victimized customers, and also requested that the life insurance industry as a whole review sales personnel management systems. In response, the Life Insurance Association of Japan conducted a questionnaire survey targeting all life insurance companies to ascertain their current statuses and published a report this April. The Association plans to conduct a follow-up this administrative year and the FSA will continuously encourage all life insurance companies to review their management systems.

Figure 1. Elements of effective governance system

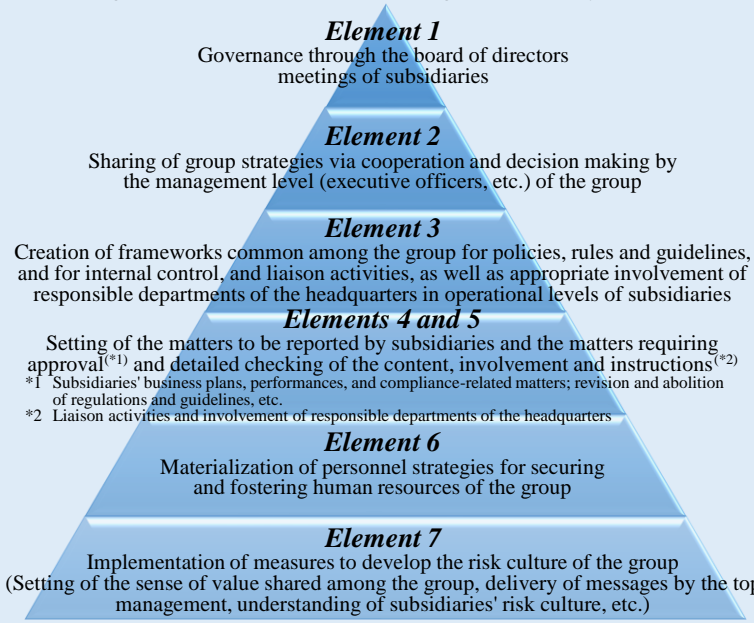
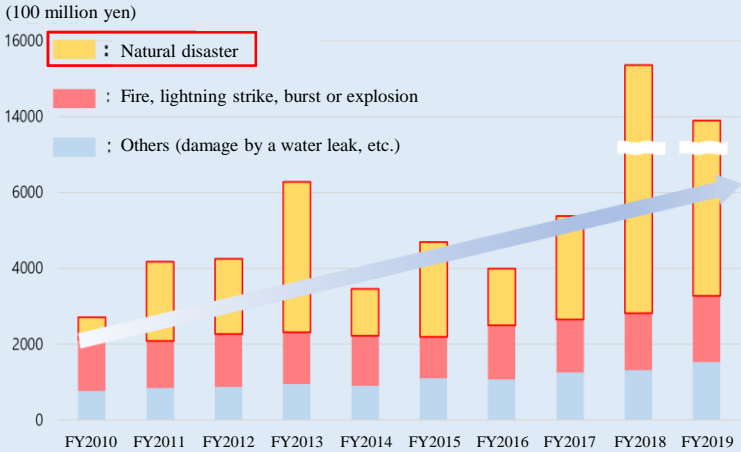


Figure 2. Changes in the amounts of fire insurance proceeds paid by domestic non-life insurance companies

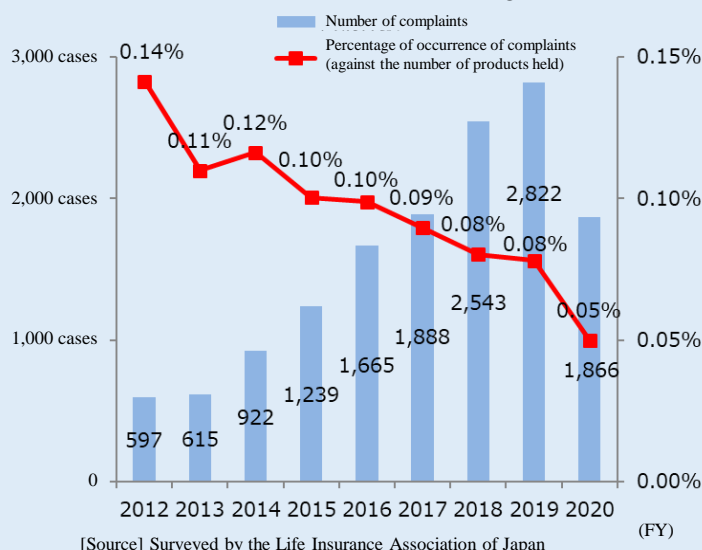


^{*1} A global framework for mitigating a systemic risk in the insurance sector, which was adopted by the International Association of Insurance Supervisors (IAIS) in November 2019

(ii) Enhancement of management of solicitation for foreign currency-denominated insurance products

The percentage of occurrence of complaints regarding foreign currency-denominated insurance products is decreasing as a result of voluntary efforts by the life insurance industry but remains at a higher level compared with other insurance products (Figure 3). The FSA revised the Comprehensive Guidelines for Supervision and has had dialogues not only with insurance companies but also with financial agencies and representatives and has encouraged them to review their suitability standards. Furthermore, the FSA encouraged the introduction of a “Key Information Sheet”, which makes it easier to compare insurance products of companies in different business categories, and revised the Comprehensive Guidelines for Supervision to encourage the review of the levels of time lag margin,^{*2} which customers bear upon cancellation, and the content of the relevant explanations to customers. This administrative year as well, the FSA will have dialogues with insurance companies and financial agencies and representatives to achieve further improvements.

Figure 3. Number and percentage of occurrence of complaints concerning new contracts for foreign currency-denominated insurance and pension products that arise at banks and other agencies



(iii) Smooth collaboration with non-life insurance representatives

Sales channels of non-life insurance companies mostly consist of non-life insurance representatives, and building constructive cooperative relationships between them is significant from the viewpoint of customer-oriented business conduct. However, some representatives complain about non-life insurance companies' point system for commission charges and their moves to promote integration and abolition of representatives. The FSA requested the General Insurance Association of Japan to make further efforts for solving problems by telling the Association the complaints and opinions of the Independent Insurance Agents of Japan and other organizations collected through this April's opinion exchanges with them. The FSA will continue these activities this administrative year as well.

Small amount and short term insurance companies

(i) Business operations under appropriately developed systems

The number of small amount and short term insurance companies is increasing, but there is a certain number of loss-making companies which have failed to develop their operational systems as required. In cooperation with Local Finance Bureaus, the FSA encouraged those companies that have problems in their financial conditions to have top-level discussions on means for improvements, and also presented issues in preparing written opinions of actuaries to the Institute of Actuaries of Japan to seek better functioning of actuaries. Additionally, the FSA encouraged the relevant industry as a whole to develop a system to conduct voluntary inspections. The FSA will continue these activities this administrative year as well.

(ii) Responses to companies to which transitional measures are applied^{*3}

As the deadline for the transitional measures (end of March 2023) is approaching, the FSA conducted checking last administrative year with regard to the implementation status of the relevant companies' action plans towards the deadline and confirmed steady progress for most of them. This administrative year, the FSA will urge companies that have been lagging to take required measures promptly.

^{*2} There are many types of foreign currency-denominated insurance products that introduce the Market Value Adjustment (MVA) to reflect fluctuations in prices of invested assets depending on market interest rates to the amounts of cancellation returns. It is often the case that an insurance company sets a coefficient for the purpose of preparing for interest-rate fluctuations, etc. that may arise between the time of setting the calculation base for a cancellation return and the time of cancellation (around two weeks at the longest) and calculates the cancellation return by reducing a certain amount using that coefficient. Such coefficient is called a time lag margin.

^{*3} Through the amendment of the Insurance Business Act in 2005, those who had been engaged in mutual aid business were newly included in the coverage of the Act, but transitional measures concerning the maximum amount for insurance underwriting were prescribed for the purpose of mitigating drastic changes. “Companies to which transitional measures are applied” refer to small amount and short term insurance companies that are underwriting insurance policies exceeding the statutory maximum amount per policyholder through the application of the transitional measures.

Public Invitation for Participation by Organizations and Employees (Second Additional Registration) for the Business Support Knowhow Sharing Site

INADA Yuya, Unit Chief, Regional Financial Planning Office, Banking Business Division II, Supervision Bureau
SUZUKI Yuta, Unit Chief, Regional Finance Support Office, Planning and Management Division, Supervision Bureau

From September 1 to September 15, 2021, the FSA publicly invited additional participants for the Business Support Knowhow Sharing Site (second additional registration). This site was opened within the Regional Revitalization College, operated by the Cabinet Secretariat's Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan for sharing knowhow on supporting business operators across regions and organizations among employees of regional financial institutions and credit guarantee associations. The FSA commenced a trial operation this January and a full operation at the end of this April. As a result of the additional public invitation, the participants increased to a total of 423 employees of 179 organizations (with other 72 organizations participating only as visitors).

[Business Support Knowhow Sharing Site]

Many companies have been affected by the COVID-19 infection irrespective of regions and business types, and employees of financial institutions are expected to play central roles in offering not only cash flow support but also support for management improvement, business rehabilitation, and business model transformation.

Accordingly, this site was opened as one of the "mutual help" initiatives to share practical knowhow and knowledge on business support among frontline employees of regional financial institutions across the boundaries of regions, business types and organizations.

Through a trial operation from January to March this year, the FSA reviewed the form and operation methods of the site based on opinions of the participants, and commenced full operation this April. During a trial operation, many of the participants said that as the site adopts the method of posting comments and answers using personal names, communications are becoming easier after repeating contact and coming to feel familiar with each other. Therefore, the FSA increased the number of participants by stages, and this time was the second additional public invitation.

Additionally, once a month or so, the FSA holds online study sessions regarding concrete examples of practical business support by inviting participants or working-level employees as lecturers and meetings to exchange opinions among participants. At online study sessions, participants can share concrete and practical knowhow and knowledge that they can immediately use in their workplaces through direct Q&As with lecturers and group sessions among participants in an honest and friendly atmosphere.

Online exchange meetings among participants are also scheduled to be held. On these opportunities, participants can discuss problems posted on the site in depth, and directly have consultations and exchange opinions on problems and worries they face in their daily duties for business support. Through such connection among participants broadly across regions, business types and organizations, personal relationships beyond the framework of the Business Support Knowhow Sharing Site are being created.

Business support knowhow sharing site Image of exchange of opinions (Conceptual image)

Business support knowhow sharing site Image of exchange of opinions (Conceptual image)

Business support knowhow sharing site Image of exchange of opinions (Conceptual image)

For use by regional financial institutions' employees
Business Support Knowhow Sharing Site

Regarding the business sharing site | Answer on the job | Event pamphlet | Event report

Business support bulletin board

Post a new article or question

Manual for and rules on posting articles and other content

Search for and narrow down articles and other content to be displayed on a list

Search results

NEW Please explain the key to achieving a sales recovery amid the COVID-19 crisis.
Please explain useful knowhow, if any, on exploring new sales channels for business operators for which achieving a sales recovery is urgent, such as eating and drinking establishments, retailers, and wholesalers. In the case of micro businesses, is it possible to expand a new sales channel through online sales? [Display full text >](#)

A credit guarantee association in the Chugoku region

経営改善・事業再生の手帳 | 事業支援 | コストの見直し | 公的支援・補助金

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There is not any quick fix available for everyone to achieve a sales recovery. What should be done first is to divide the market and needs into small segments and select appropriate targets. In the case of eating and drinking establishments, one possible option is to consider concrete plans regarding pricing and the store visit frequency of existing customers.

参考になった 1件

A regional bank in the Tokai region

NEW What are your approaches to guaranteed-loan programs and the modification of lending terms.
Many business operators used an effectively interest-free loan program that provides a grace period of one year, but the grace period will expire soon. On the other hand, because of the prolonging of the COVID-19 crisis, many business operators are facing difficulty making repayments. In your region, what are your approaches? [Display full text >](#)

A credit cooperative in the Kanto region

経営改善・事業再生の手帳 | 事業支援 | コストの見直し | 公的支援・補助金

👍 参考になった 0件 🌟 もっと知りたい 1件 📄 コメント 1件

(i) Modification of terms (suspension of principal repayment and rescheduling) and (ii) the provision of additional loans if the modification does not resolve financing problems
Even interest-free loans require repayment, so instead of increasing the loan amount with little thought, we place the priority on modifying the terms of lending after considering financing schedules. We believe that a flexible approach is necessary.

参考になった 1件

A regional bank in the Shikoku region

*Opinions are exchanged across the boundaries of regions, business types and organizations.

Supervisory Viewpoints for Financial Institutions when Temporarily Performing Business from Overseas due to Disasters or Other Reasons (Revision of the Comprehensive Guidelines for Supervision)

YAMADA Atsushi, Assistant Director, Foreign Securities Business Monitoring Office,
Securities Business Division, Supervision Bureau

1. Introduction

The FSA revised the Comprehensive Guidelines for Supervision of Major Banks, etc. and of Financial Instruments Business Operators, etc. (the "Guidelines for Supervision") as required in order to specify supervisory viewpoints on the assumption that banks and type I financial instruments business operators may be forced to perform business from overseas temporarily as they face difficulties in continuing business in Japan due to a large-scale disaster or any other reason. The background and the details of the revision of the Guidelines for Supervision are explained below.

2. Background leading to the revision of the Guidelines for Supervision

In the event of a crisis, such as a large-scale disaster, taking restoration measures promptly and securing continuation of the minimum necessary services or otherwise making appropriate responses is extremely important for people's lives and economy. For that purpose, financial instruments business operators and banks need to ensure their business continuity management (BCM) and prepare risk management manuals and business continuity plans (BCPs) in normal times. The FSA has been requesting them to develop a system to ensure BCM (III-8 of the Comprehensive Guidelines for Supervision of Major Banks, and III-2-9- of the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators).

However, there may be cases where financial institutions cannot continue business in Japan upon the occurrence of a disaster affecting broader areas or otherwise depending on the seriousness of the crisis.

Even in such a case, financial institutions' efforts to ensure BCM appropriately and strengthen their capacity to continue offering services are indispensable in enhancing resilience against the disaster risks, etc. of the Japanese financial market, and those efforts will eventually contribute to the achievement of the Japanese market's status of an international financial center.

Based on the aforementioned ideas, the latest revision of the Guidelines for Supervision (1) envisages a case where a crisis occurs in Japan (from overseas to Japan) and (i) clarifies that domestic financial institutions are permitted to perform business from overseas within the minimum necessary scope for the purpose of ensuring their BCM, and (ii) specifies supervisory viewpoints when domestic financial institutions have incorporated plans to perform business from overseas in their BCPs. These are for enhancing resilience against the disaster risks, etc. of the Japanese financial market, but financial institutions are at any rate required to observe Japanese laws and regulations, such as for protecting customers.

Additionally, the latest revision also (2) envisages a case where a crisis occurs at a financial institution's overseas business base (from Japan to overseas), and clarifies that the relevant financial institution's domestic business base is permitted to offer support for its overseas business base's business continuation.

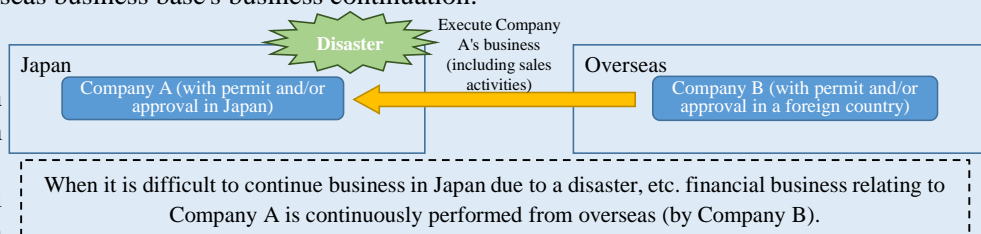
3. Outline of the revision

(1) When performing business in Japan from overseas (from overseas to Japan)

Even in a case where a financial institution faces difficulties in

continuing business in Japan due to a large-scale disaster or any other reason and is forced to perform business of its domestic business base from its overseas business base, the financial institution is required to be surely under the FSA's supervision and ensure appropriate measures necessary for protecting customers. Accordingly, the FSA clarified the following five points to be focused on when verifying financial institutions' BCPs in advance:

- The scope and the scale of the relevant business and the place and the period for performing that business are specified in a BCP.
- The scope and the scale of the business to be performed from overseas and the period for performing that business are limited to the minimum necessary.
- From the perspective of protecting customer information, access from overseas to domestic customer information is limited to the minimum necessary.
- A system is ensured to enable the internal control department to check whether there are any acts that are in violation of laws or regulations or are problematic in terms of user protection, etc.
- A system has been developed to get in touch with the FSA and other relevant bodies.



The FSA presented its views in answers to questions through the public comment system, but the following should be particularly noted when financial institutions prepare their BCPs.

Q: What types of risks are envisaged in the latest revision of the Guidelines for Supervision^{*1}?

A: Basically, out of the types of risks shown in III-8-2 (2) of the Comprehensive Guidelines for Supervision of Major Banks, etc., those making it difficult for financial institutions to continue business are envisaged. Even cases that do not fall under the relevant risk types may be considered to be cases where the performance of business from overseas is permitted if they are supposed to force financial institutions to perform business from overseas. However, in such cases as well, the premise is that the performance of business in Japan has become difficult.

Q: Is it necessary to report a BCP in advance?

A: The FSA intends to verify the appropriateness of BCPs through interviews, etc. with individual companies in advance and request submission of the content or explanations by issuing report orders as necessary.

Q: Is there any limit for the period to perform business from overseas?

A: The relevant period is generally supposed to be from around one month to three months, but should be determined in accordance with the circumstances. The extension of the period may be permitted depending on the possibility or difficulty in resuming business in Japan.

Q: Is it necessary to obtain registration as a sales representative?

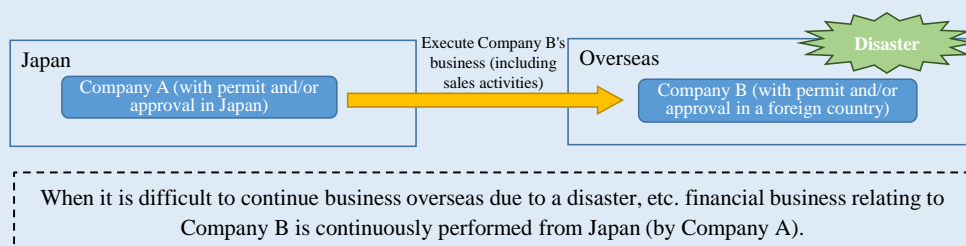
A: When a sales personnel of an overseas business base performs duties for a domestic business base as a sales representative, he/she is required to be registered as a sales representative. If a person has passed a qualification examination or otherwise has a qualification as a sales representative as defined by any of the relevant associations, that sales personnel of an overseas business base may obtain registration as a sales representative in Japan.

Q: How should we consider the relationship with the regulations concerning foreign securities services providers^{*2}?

A: When an overseas business base offers support for the business of a domestic business base, the business actually performed and provided in Japan by an employee of the overseas business base needs to be in compliance with Japanese laws and regulations as the business of the domestic business base. Incidentally, it is generally considered that business in the form of contract or delegation is not subject to the command or control of the delegator (the domestic business base).

(2) When performing overseas business from Japan (from Japan to overseas)

The revised Guidelines for Supervision clarifies that in the event of a large-scale disaster or other crisis not in Japan but in a foreign country, business of an overseas business base may be performed from a domestic business base by complying with the laws and regulations of the relevant country.



4. Conclusion

The FSA will back up financial institutions' efforts so that their BCM will be strengthened through the latest revision of the Guidelines for Supervision. The FSA expects that these measures will enhance resilience against disaster risks, etc. of the Japanese financial market and strengthen its status and competitiveness, thereby contributing to the achievement of the Japanese market's status of an international financial center.

^{*1} (i) Natural disasters (earthquakes, typhoons, abnormal weather, epidemics of infectious diseases); (ii) Acts of terrorism and wars (including those that occur outside Japan); (iii) Accidents (large-scale power failures, computer system breakdowns, etc.); (iv) Unfounded rumors (word-of mouth rumors, internet messages, e-mail messages, news articles based on speculation, etc.); (v) Crimes committed against financial instruments business operators (blackmail, intervention by anti-social forces, data theft and abduction of officers or employees); (vi) Problems involved in business processes (inappropriate response to complaints and inquiries, errors in data entry, etc.); (vii) Problems related to personnel management affairs (accidents and crimes involving officers and employees, internal disputes, sexual harassment cases, etc.); and (viii) Problems related to labor affairs (cases of whistle-blowing, deaths from excessive workloads, occupational diseases, drain of human resources, etc.)

^{*2} Article 58-2 of the Financial Instruments and Exchange Act provides that "a foreign securities services provider (a person which is governed by foreign laws and regulations and which engages in securities services in a foreign state) must not perform any act set forth in the items of Article 28, paragraph (8) with a person in Japan as the counterparty."

Be careful about attractive talk by loan sharks even if you are broke!

New approaches by underground lenders

Hi, everyone:

Do you know the age of adulthood will be lowered to 18 from 20 in April 2022? People ages 18 and 19, therefore, will be able to sign valid contracts as an adult and at their own discretion, effective from April 2022. The effects of the cut in the age are so large that they will impact everyone around you in various ways. To prepare for such an environment, the government is addressing various related issues through the cooperation of ministries and agencies convening the "Intragovernmental Liaison Conference to Develop Environmental Arrangements for the Cut in the Age of Adulthood." With regard to the money lending business under the jurisdiction of the Financial Services Agency's Money Lending Business Office, programs are being promoted in cooperation with industry organizations concerned to prevent people aged 18 and 19 from impulsively borrowing too much money from money lenders and becoming excessively indebted by introducing appropriate measures in extending loans to borrowers of those ages.

Under supervision by the local finance bureaus and prefectural governments, it is ensured that legitimate money lenders do not (1) forcibly extend more money to borrowers than they can afford to pay back by recognizing their income, (2) charge interest higher than legal defined rates (20% per annum on a loan of less than 100,000 yen, or (3) collect repayment in a punitive way that drives borrowers into a corner, and so forth. But there are money lenders that refuse the required registration and operate hiddenly without receiving supervision by the local finance bureaus and prefectural governments. They are so-called underground lenders you have probably seen in TV dramas or *manga* stories. Unlike legitimate lenders, underground lenders do not abide by the law and so (1) lend money even to people who possibly fall into having multiple debts, (2) charge interest in excess of legally defined rates, and (3) resort to relentless collection methods, such as visiting borrowers at their homes at night or their workplaces, demanding repayment from their family members and disclosing their personal information on the Internet.

Many people probably think of an underground money lender as pasting fliers carrying its phone number on utility poles and inside public telephone booths and operating obscurely in a room in a small multi-tenant building. In addition to such old-fashioned underground money lenders, there are some that adopt new business approaches, including the use of the Internet and social network services, these days. Furthermore, underground lenders are even conducting extremely vicious operations such as advertisement and solicitation targeting people struggling to earn living expenses under the impact of the COVID-19 pandemic. As the new approaches are designed to attract borrowers with attractive words, such as "anyone," "easy" and "immediate," people may borrow money even if they are aware that offered loans include those from underground lenders. As mentioned above, however, once someone borrows money from an underground lender, they may fall into having multiple debts or be exposed to relentless collection. When underground lending is discovered, the FSA resorts to such countermeasures as issuing a warning and providing related information to the police. But as it is impossible to eliminate all underground lenders, you need to exercise caution as to whether you are dealing with underground lenders.

As we will introduce three new approaches by underground lenders in this report, we ask you to read and understand them by all means and tell your families, friends and others about them! In particular, we urge you, aged 18 and 19, who will likely engage in various social activities at your own discretion, starting in April 2022, to never ever use underground lenders!*

* Please refer to the following for consultation and other services.
(Watch out for illegal financing under the name of payroll factoring!)
https://www.fsa.go.jp/ordinary/chuui/kinyu_chuui2.html

(Watch out for "person-to-person financing" via SNS and by other means!)
https://www.fsa.go.jp/ordinary/chuui/kinyu_chuui.html

(Watch out for expressions like "cash now" and "easy cash!" Caution needed about so-called pay-later cashing!)
https://www.fsa.go.jp/ordinary/chuui/cashing_chuui.html

(1) Payroll factoring

Payroll factoring is the practice of paying a person an amount equal to their wages receivable before payday for a fee and then collecting the wages through the person on payday. (The practice is the same as lending money on the assumption of repayment on the following month's payday.)

Advertisements for payroll factoring have faded away since the FSA announced a view in March 2020 that the practice falls into the category of money lending business. But people need to remain alert to avoid being victimized by underground money lenders.

(2) Person-to-person financing via SNS

Do you know that a huge number of posts come up on an SNS if you search "person-to-person financing"? Posts like "I personally lend money. Please feel free to contact me" are among those you come across. Although the posts declare person-to-person financing, the practice, even done by an individual, with an intention of repeating and continuing the extension of loans, falls into the category of "money lending business."

The FSA publicly and broadly alerts people about person-to-person financing. Since November 2019, furthermore, the FSA has been directly sending replies from its official Twitter account to each malignant post on Twitter soliciting people to use person-to-person financing. By sending direct replies to more than 400 accounts, some 80% of them have been either deleted or frozen. The FSA also opened an official account on Instagram, popular with young people, in August 2021 and began to directly send replies like it does in the case of Twitter.

Underground money lenders, or loan sharks, will charge you an unreasonably high rate of interest. You could become involved in unexpected troubles through the illegal use of the personal information you provided when borrowing money. Please be very careful not to consult with underground money lenders even when you find posts on person-to-person financing that say, "Please feel free to contact me."

(3) Pay-later cashing

Pay-later cashing is the practice of selling goods on a pay-later basis and lending cash to users in the name of compensation for writing reviews of them and so forth. As the practice is pretended to involve buying and selling of merchandise, it appears to pose no problem. In reality, however, it provides cash to people in need of money and has them pay high prices later, such as on payday. It has a structure extremely similar to that of money lending, which assumes repayment on the next month's payday. Even if trading in merchandise takes the form of later payment, it falls into the category of money lending business as long as lending is its economic reality.

Advertisements by pay-later cashing service providers have an array of sugarcoated words attractive to people in need of money, such as "same day cashing" and "get compensation for contributing reviews." But users are exposed to risks. For example, they may fall deeper into economic difficulties due to high payments after receiving cash for immediate needs or may be involved in trouble because the personal information they provide to borrow money is abused. Please be very careful, recognizing risks hidden in attractive words.

給与の買取りをうたった違法なヤミ金融にご注意ください！

「給与の買取り」などと称して、個人の貸金借金を買い取って金銭を支払う、個人を通じて資金を回収する業務は、貸金業に該当します。

貸金業登録を受けずにこうした業務を営む者は、違法なヤミ金融業者です。

～「給与の買取り」に関する被害事例～

- 年収換算で数倍高い利率で返済を求められる
- 家族や知人への、つらい電話や大声での恫喝
- 高額の延滞損害金の請求

あなたの生活が破綻するおそれがあります！ヤミ金融業者を絶対に利用しないでください

悪質な業者の被害や債務に関する相談窓口

日本貸金業協会 貸金業相談センター
03-5561-6011 (貸金業相談専用ダイヤル)

消費者庁 消費生活相談センター
03-5253-7311 (消費生活相談専用ダイヤル)

貸す側も、借りる側も #個人間融資に要注意！

SNS等で勧誘し、お金の貸し借りを行う「個人間融資」は、たとえ個人が行う場合であっても、貸金業法の規定に抵触する場合があります。

貸金業法の規定

- 個人であって反復継続する意思をもって金銭の貸付を行うことは、貸金業法の規定に抵触します。
- 貸金業者でない場合は、取引が偶発的かつ金銭の貸付を行う必要はありません。
- 不特定多数が閲覧可能なSNS等でお金貸します、融資しますなどと書き込んで、契約の締結を勧めることは、貸金業法に抵触している「貸金業法上の行為」として、貸付の契約の締結について勧誘をするに該当するおそれがあります。
- ➔ これらの貸金業者の無登録営業、無登録業者の勧誘は、罰則の対象です。

⚠️ 個人間融資を利用しようと思っている方へ

- ・ 個人を相手とした貸金業者による違法な高金利での貸付けが行われる
- ・ 個人情報や住所などの、犯罪捜査や不正利用に悪用される

ヤミ金融業者による個人間融資は利用しないように！

悪質な業者の被害や債務に関する相談窓口

日本貸金業協会 貸金業相談センター
03-5561-6011 (貸金業相談専用ダイヤル)

消費者庁 消費生活相談センター
03-5253-7311 (消費生活相談専用ダイヤル)

「今すぐ現金」「手軽に現金」にご注意

即日現金化 ツケ払い商品売却で即日キャッシュバック
レビュー投稿で現金報酬GET SNS拡散で商品宣伝協力金
などの甘い言葉にご注意ください！

いわゆる後払い(ツケ払い)現金化に要注意！

事例

①申込み
商品の購入者から商品の写真や動画を送り、商品の購入金額を支払う。

②商品代金の支払い
商品の購入金額を支払う。

③商品代金の支払い
商品の購入金額を支払う。

特例1 形式的には後払いによる商品売買だが、商品代金の支払に先立ち、商品の購入者から現金を受け取る。

特例2 後払いで商品代金を支払うことになり、その商品代金と先に受け取った現金との差額が高額。

※ 商品の購入金額と商品代金の差額が高額な場合は、商品の購入金額と商品代金の差額が高額なことがあり、貸金業法に抵触するおそれがあります。

その後の高額な支払によりかえって経済的状況が悪化し、多重債務に陥る危険性があります。

取引で提供した個人情報が悪用されたり、ネット上でさらされるなど、トラブルや犯罪被害に巻き込まれる危険性があります。

日本貸金業協会 金融庁 警察庁 消費者庁

- Supplement 1: The above mentioned issues (2) and (3) were explained in detail in a government publicity radio program broadcast on August 22, 2021. Please listen to it if you have time.
(Government publicity online: Radio program "Simple and Convenient is Dangerous! New Tricks of Underground Money Lenders")
<https://gov-online.go.jp/pr/media/radio/sc/backnumber/202108.html>
- Supplement 2: The following website enables you to check whether money lenders are legitimate and registered business operators.
(Login page to retrieve information on registered money lenders)
<https://clearing.fsa.go.jp/kashikin/index.php>

"Kasumigaseki Dialogue" held online

Financial institutions' characteristic initiatives and policies by ministries and agencies introduced

The FSA's Better Regional Finance Office and Regional Solutions Support Team jointly held a "Kasumigaseki Dialogue"* online on September 8 and 22, 2021. A total of around 200 people from regional financial institutions, local governments and other entities across Japan participated in the event over the two days.

On September 8, three of the characteristic initiatives by financial institutions and others concerning regional revitalization in fiscal 2020, honored by the Minister of State for Regional Revitalization, were introduced by officials of the financial institutions who implemented them, as a joint plan with the Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy, Prime Minister's Office of Japan.

In his opening address, Counsellor SAWAI Atsushi of the secretariat said, "Regional financial institutions, which have local information, networks and others, play important roles to promote initiatives for regional revitalization. As characteristic initiatives implemented every fiscal year include an extremely large number of innovative and amazing initiatives, we read each of them with interest in the preliminary screening process. We greatly look forward to listening to each financial institution's explanation today."



Photo: Counsellor SAWAI Atsushi delivers an opening speech.

The event this year introduced "Support for Regional Revitalization Using Licensable Patent," "Efforts for Creation and Succession of Businesses, etc., Using Shared Offices as Nodes" and "Computerization of Special Guarantee Authorization Process in Ishikawa Prefecture" supported by the Regional Solutions Support Team. Cooperative approaches between each financial institution and various organizations were introduced. As accounts given by financial institution officials in charge included difficulties encountered by them, which are unknowable without direct involvement, and case examples they recognized in implementing the programs, participants said that they could "bring back very important information" and "receive many clues as a result of meeting speakers and other participants" and that the event "offered opportunities for direct talks with people actually involved in activities and information unavailable anywhere else." We intend to continue creating opportunities for two-way inter-region dialogues involving financial institution officials and others through the Kasumigaseki Dialogue and other events.

On September 22, the FSA, the host of the event, and five other government agencies, jointly introduced policies that they want to deliver to regions and held direct talks with participants from regional financial institutions, local governments and others actually engaging in programs in their localities.

* The dialogue has been devised through voluntary cooperation between officials of the FSA and other government offices to deepen understanding of measures taken by ministries and agencies to achieve regional revitalization and promote the effective implementation of the measures through direct dialogue between working officials at ministries and agencies, etc., and front-line employees of financial institutions and local governments.

The event this year disseminated information, as a special theme for SDGs, on wide-ranging issues, including SDGs finance for regional revitalization, aquaculture, promotion of women's and elderly persons' empowerment, and environmental policy. Participants voiced such views as "I was inspired because I felt the power of deliberations beyond boundaries between officials in charge at the national government and those from across the country" and "A good opportunity to learn was provided amid an



〔 Photo: A Kasumigaseki Dialogue in progress 〕

increase in talks about decarbonization and I could recognize many things through questions by other participants." Noting that the event was "a precious opportunity to directly hear about national policies," a participant said that lessons learned there will be used for "efforts underway to achieve regional revitalization." We thus felt the launch of moves to make use of the event for such efforts in various parts of the country.

The FSA's Better Regional Finance Office and Regional Solutions Support Team will continue to support the infiltration of policy measures and dissemination of good examples by connecting Kasumigaseki to regions and regions to regions through voluntary networks.

- Held on September 8 (characteristic initiatives by financial institutions and others for regional revitalization)

Self-Running Support for Regional Revitalization Using Licensable Patent —Japan's first program involving a welfare service provider and licensable patent	Omuta Yanagawa Shinkin Bank
Regional Industrial Revitalization via Organic Support for Creation and Succession of Businesses and Employment of Human Resources Using Shared Offices as Nodes	Osaka Shinkin Bank
Steep Acceleration of Fundraising Support by Computerization of Special Guarantee Authorization Process (for novel coronavirus-related loans)	Hokkoku Bank and Kyoei Shinkin Bank

- Held on September 22 (Measures by ministries and agencies, etc.)

Toward Formation of Self-Sustaining Favorable Environments via SDGs Finance for Regional Revitalization	Office for Promotion of Regional Revitalization at the Cabinet Office
Guidelines for Assessment of Aquafarming— Guidelines for Identifying Quality of Aquafarming Business	Fisheries Agency
Toward Promoting Empowerment of Women and Elderly People for Regional Revitalization	Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy, Prime Minister's Office of Japan.
Roadmap to Regional Decarbonatization— Toward Settling Regional Issues via Decarbonization	Ministry of the Environment
Career Advancement in Construction Industry	Ministry of Land, Infrastructure, Transport and Tourism
Regional Revitalization College	Secretariat of the Headquarters for Overcoming Population Decline and Vitalizing Local Economy, Prime Minister's Office of Japan.

Message to the Market

(Recommendation for administrative monetary penalty payment, etc.)

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 August 31, 2021, is summarized below.

* The whole Japanese text is available on the SESC website:
<https://www.fsa.go.jp/sesc/message/20210831-1.html>



Recommendation for administrative monetary penalty payment against Net One Systems Co., Ltd. for making false statements in its disclosure documents.

The SESC made a recommendation on June 11, 2021, that the Prime Minister and the Commissioner of the FSA impose an administrative monetary penalty order against Net One Systems Co., Ltd. (hereinafter called the "Company"). The SESC found that the Company had disclosed its false disclosure statements and violated laws and ordinances, through the inspection pursuant to the Financial Instruments and Exchange Act of Japan (hereinafter called the "FIEA").

(Summary of the Findings)

The Company submitted Annual Financial Reports and Quarterly Securities Reports regarding the period from Apr. 2015 to Sep. 2019, which contained false statements about important matters in consolidated financial statements including an excessive amount of net profit, to the Kanto Local Finance Bureau. As a result, the Company disclosed 19 false statements to the investors and violated the FIEA.

(Improper Accounting Practices)

Summaries of improper accounting practices are as follows.

(1) Overstated sales via fictional circular transactions

The Company repeatedly made sales and purchase amongst specific companies and booked sales and sales cost.

However, we found that no actual goods and services were traded in that transaction through the inspection. In addition, a former employee of the Company forged orders and quotations and sent them to companies, and had them to prepare vouchers in order to fit fictional trades mentioned above.

The SESC found that trades mentioned above were fictional circular transactions and thus the Company booked overstated sales and sales cost in its consolidated financial statements.

(2) Cancellation of overstated sales cost related to fictional circular deals

The Company cancelled sales and sales cost related to the fictional circular transactions, as mentioned in (1) above in its accounting process, and, therefore, submitted amended Annual Financial Reports and Quarterly Securities Reports.

However, the Company found the Company had cancelled sales cost improperly through the inspection operated by the Company. Amongst the cancelled cost, there were included the actual service cost provided by Company B, which related to the trades ordered to Company A by the Company. Both of these trades were not related to the trades mentioned in (1) above. While the former employee asked Company B to issue orders for service cost lower than actual trade in order to make as if the trades between Company A looked better than in reality. On the one hand, the former employee made compensation for Company B via Company A using illicitly transferred funds. In this regard, the source of the funds were generated through the fictional circular transactions mentioned above.

Thus, the SESC found that the former employee arranged cost amongst the several trades by utilizing the fictional circular transactions. Although the Company should have booked proper sales cost on arranged cost, the Company understated amount of sales cost in its consolidated financial statement.

The Company was aware of the improper cost arrangement in light of the interview to the former employee, however, neglected to effect a further adequate inspection and examine how the outflow of funds would adversely affect its accounting practice.

The SESC will continue to strictly deal with false statements and other disclosure rule violations in financial statements and others as in the case mentioned above.

JFSA's Major Activities in September

(September 1 to September 30, 2021)



- [Updated statistics of money lending business \(September 29, 2021\)](#)
- [Press Conference by the Minister of State for Financial Services \(August 31, 2021\) \(September 29, 2021\)](#)
- [Press Conference by the Minister of State for Financial Services \(August 20, 2021\) \(September 29, 2021\)](#)
- [The second meeting of the Working Group on Corporate Disclosure of the Financial System Council \(September 24, 2021\)](#)
- [Stewardship Code : 316 institutional investors have signed up to the Principles for Responsible Institutional Investors as of August 31, 2021 \(September 15, 2021\)](#)
- [FSA publishes the status of loans held by all banks as of the end of March 2021, based on the Financial Reconstruction Act \(September 8, 2021\)](#)
- [Joint session of the 47th general meeting of Financial System Council and the 35th meeting of Sectional Committee on Financial System \(September 6, 2021\)](#)
- [Letter to the Chair of the Board of Trustees of the IFRS Foundation regarding financial contribution to the International Sustainability Standards Board \(ISSB\) \(September 6, 2021\)](#)
- [Updated list of issuers of gift certificates in repayment procedures based on the 'Payment Services Act' \(September 3, 2021\)](#)

- 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

This month's issue of ACCESS FSA explain various topics including FinTech-related activities in Singapore and the FSA's efforts to shift almost all application/notification procedures (around 4,000 procedures) to an online format. We will continue to introduce a great variety of activities to you in future issues.

SAITO Takafumi, Director,
Public Relations Office, FSA