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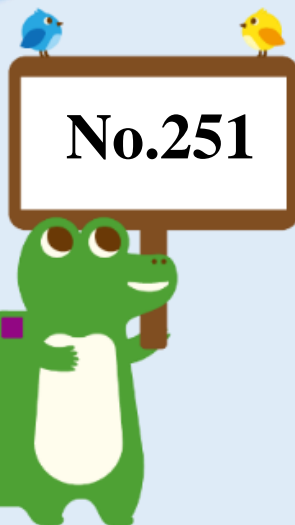
2024

July

Monthly
magazine

Financial Services Agency
Newsletter

Access FSA



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Annual Meeting of the National Association of Shinkin Banks

- Speech by Minister Suzuki -

On June 21 of this year, the Annual Meeting of the National Association of Shinkin Banks was held, and Minister Suzuki gave the following address:

Introduction

I am SUZUKI Shunichi, Minister for Financial Services. Thank you very much for inviting me today to the Annual Meeting of the National Association of Shinkin Banks.

I would like to extend my heartfelt congratulations on the holding of the annual meeting and say a few words on this occasion.

First of all, I would like to congratulate Mr. Hiramatsu, President of TRI bank Kanagawa, on his appointment as the new chairperson of your association today. I would like to express my sincere respect to the former chairperson Mimuro for his great contribution to the development of the shinkin bank industry.

The Japanese economy has been recovering moderately, although there has been some slowdown recently.

As for the outlook, a moderate recovery is expected to continue as the employment and income situation improves, partly owing to the effects of various policy measures. However, downside risks to overseas economies pose the risk of putting downward pressure on Japan's economy.

In addition, it is necessary to pay close attention to the effects of price increases, developments in the Middle East, and fluctuations in financial and capital markets, as well as the impact of the 2024 Noto Peninsula Earthquake on the economy.

Support for business operators

Under these circumstances, I would like to express my gratitude to all shinkin banks for their great efforts to support business operators.

While social and economic activities have been normalizing since the COVID-19 pandemic, the start of repayment of effectively interest-free and

unsecured loans by private financial institutions reached its final peak in April. Thus, there is a growing need not only for financing support but also for early management improvement and business revitalization support for businesses with increased debt.

In March, the Financial Services Agency (FSA), in joint cooperation with the Ministry of Economy, Trade and Industry and the Ministry of Finance, formulated and published the Holistic Support Measures for Business Turnaround of Corporate Borrowers, and formulated measures to further promote such activities as support for revitalization. In addition, from April, the FSA began applying the revised supervisory guidelines, which include the requirement for prompt action to be taken one step ahead.

Furthermore, on June 7, the Act on the Promotion of Cash Flow-Based Lending, which includes the creation of the Enterprise Value Charge, was enacted.

The FSA will continue to develop an environment that encourages financial institutions to support business operators. I would like to ask all of you to continue to provide thorough detailed support for business operators.

Regarding the 2024 Noto Peninsula Earthquake

Almost half a year has passed since the 2024 Noto Peninsula Earthquake. I would like to express my sincere gratitude to all of you for responding flexibly and politely to the individual circumstances of those affected by the disaster.

As we enter the full-scale recovery phase, the necessity and importance of financial assistance will further increase. I would like to ask for your continued close cooperation and response to ensure the steady reconstruction of the lives and livelihoods of the people affected by the disaster, as well as the recovery of the local economy and industry.

Realizing a virtuous cycle of growth and distribution

I understand that shinkin banks also support the asset building of local residents.

In order to promote the new capitalism from the financial side, the Kishida administration is promoting various initiatives aimed at realizing a virtuous cycle of growth and distribution.

Here, I will introduce initiatives for households and financial institutions that are closely related to you. As for households, the NISA (Nippon Individual Savings Account) was drastically expanded in January. As of the end of March, the number of accounts increased by approximately 9% and the amount purchased increased by approximately 17% compared with the levels at the end of December last year, which is growing at a different pace than ever before. In addition, we will enhance financial and economic education through the Japan Financial Literacy and Education Corporation, commonly known as J-FLEC, which is scheduled to start full-scale operations in August this year.

Regarding financial institutions, the Principles for Customer-Oriented Business Conduct were partially

enacted into law in the revision of the Financial Instruments and Exchange Act last year. Preparations for enforcement are currently underway. I would like to ask for the continued cooperation of shinkin banks in promoting customer-oriented business conduct.

Conclusion

I understand that shinkin banks are cooperative financial institutions that are deeply rooted in local communities and provide services based on people-to-people connections.

I hope that you will continue to listen to the wishes of local people and businesses, provide meticulous support, and resolve issues, thereby enhancing the sustainability of the local economy, as well as your own sustainability through the reinforcement of your customer base.

I would like to conclude my address by wishing for the further development of the shinkin bank industry and the good health of all those attending today.



（ Photo: Minister Suzuki giving the address ）

Data Analysis Project Case Competition (July 2023 - June 2024)

Macro-financial Stability and Data Strategy Office, Risk Analysis Division,
Strategy Development and Management Bureau

1. Introduction

The Financial Services Agency (FSA) is promoting a variety of initiatives so that a wide range of employees will become interested in data analysis and that data can be used in financial administration. As part of these initiatives, from the perspective of promoting the sharing and accumulation of knowledge within the FSA, the FSA has been consolidating and supporting Data Analysis Projects within the FSA since the year of July 2020-June 2021, promoting the sophistication of data analysis as part of its work, and promoting and supporting the launch and implementation of data analysis that employees are working on independently for policy making and monitoring.

In the year of July 2023-June 2024, the FSA expanded the scope of its assistance beyond the analysis of data to include projects working on the

visualization of large amounts of data and the efficiency of data utilization, thereby further promoting the expansion and sophistication of data analysis. At the report session held in May within the FSA (including Local Finance Bureaus), in addition to the usual examination meeting, in which evaluations are made and questions and answers are given by academic experts and other examiners, the presentation meeting was newly established to make it easier for analysts to make presentations regardless of the progress of their analyses.

This paper presents the analyses in the awarded projects that received the Commissioner's Award, etc. which is given to outstanding projects at the debriefing, and the interviews with project team members in charge of those analyses.



Group photo after the award ceremony

2. Commissioner's Award

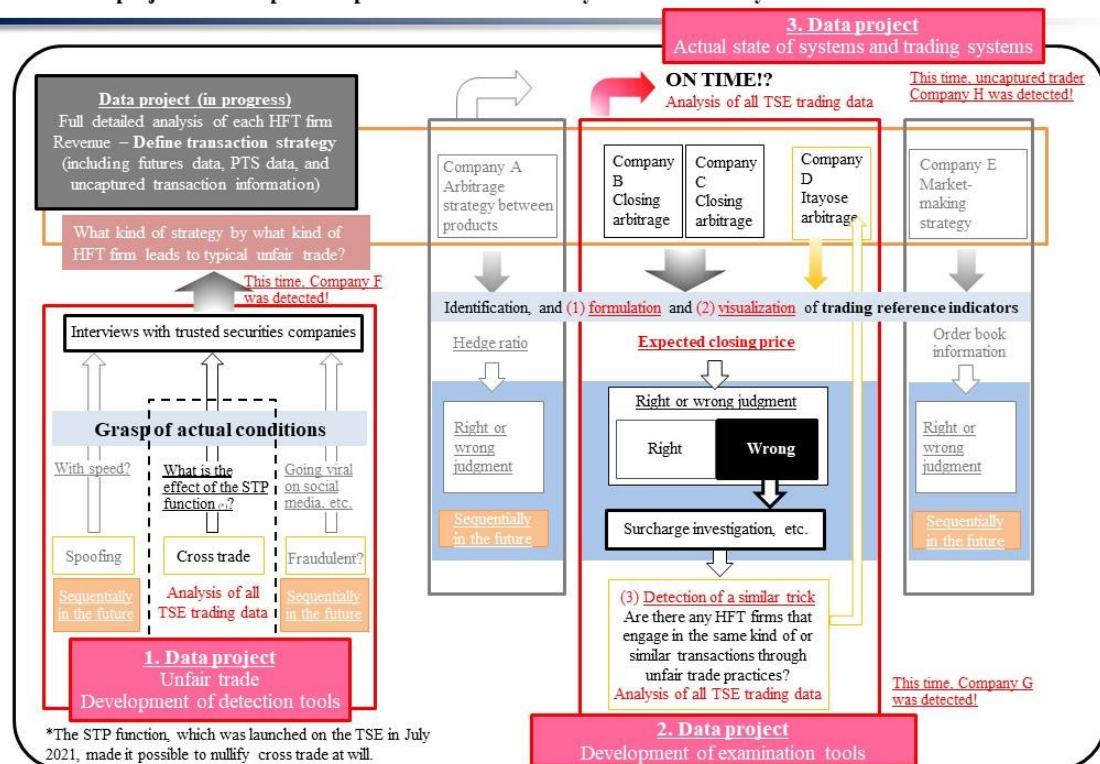
- HFT four analyses (including detection of outliers, etc.; examination tool development, etc.; structure of the TSE trading system from the viewpoint of analyzing large amounts of trading data; and utilization of detailed order book reproduction data, etc.)
- Market Surveillance Division, Executive Bureau, Securities and Exchange Surveillance Commission (SESC): Examiner Ohyama, Examiner Hara, Examiner Saito, Examiner Murao, Senior Examiner Honma, and Examiner Fukuyama

- Please tell us the outline of the analysis?

For the FSA, which aims to increase the welfare of the people by ensuring the fairness and transparency of capital markets and achieving the protection of investors, as well as by ensuring the stability of the financial system and revitalizing markets, when considering the merits and demerits of the emerging HFT^{*1}, it is necessary to take a bird's-eye view of the market as a whole to

understand to some extent the competitive environment, liquidity supply situation, price discovery function, and profits and potential risks (factors of market shocks) of HFT. Since the introduction of the HFT registration system in 2018, we have conducted analyses from a variety of perspectives in order to respond to this demand. This year, we attempted to examine, analyze, and develop the following four themes: the first was to understand the situation of cross trade in the market and then confirm the price fluctuations caused by high-speed trading in order to discover potential unknown unfair trading that has been transformed by high-speed trading; the second was to introduce the examination tool that has been developed to support the investigation of the first recommendation for HFT^{*2}; the third was to hypothesize and consider a distortion in the trading system that has become apparent from the trading style of HFT in order to nip potential risks in the bud; and the fourth was to introduce examples of the utilization of the TSE's vast amount of detailed order book reproduction data in examinations and investigations.

Each data project is an important part of the overall analysis and review by the HFT team.



^{*1} Abbreviation of High Frequency Trading, also called as High Speed Trading (HST)

^{*2} [Recommendation for Administrative Monetary Penalty Payment Order for Use of Fraudulent Means with High Speed Trading by Quadeye Trading LLC \(March 26, 2024\)](https://www.fsa.go.jp/sesc/english/news/reco/20240326-2.html)
<https://www.fsa.go.jp/sesc/english/news/reco/20240326-2.html>

- What was difficult and what did you keep in mind when conducting the analysis?

A difficult point was that data analysis cases other than data utilization (previous page, the fourth point) required the process of extracting information that met the conditions from all of the TSE's approximately five years worth of detailed order book reproduction data. The data itself was just a text file, but it was a large volume of approximately 40 TB, enough to record approximately 6,000 hours of full HD video. Data extraction for each of the three cases took a little less than one month. Because we ran the system to the limit, there were many cases in which PCs malfunctioned, or in the analysis process, we found too much or too little information and re-extracted it. Without the presence of IT experts in our team, we could not complete these analysis cases (while we had other cases).

In order to allow the functioning of the processes of forming an examiners' opinion on the findings obtained in each analysis; conducting interviews with relevant organizations; and finding out the truth based on the foregoing, it was important to analyze data using statistical processing that was as simple as possible. In addition, we tried to analyze the data so as to support the intuition of experienced examiners with data, and further so as to give awareness to professional market players.

- Your team was awarded the Commissioner's Award this year. Please tell us how you feel about receiving the award.

We would like to express our heartfelt gratitude to all the people who were in charge of planning and managing this project and to our Division Director and Deputy Director who showed understanding and warm support for the analysis work, for this valuable opportunity to convey to the entire FSA what efforts we, the only team responsible, made. We will continue to strive to support the SESC's mission of protecting fair markets.

3. Jury's Special Award

- Analysis of the performance of foreign-currency-denominated single-premium insurance
- Conduct Risk Management Policy Office, Risk Analysis Division, Strategy Development and Management Bureau: Financial Inspector Yasuda

- Please tell us the outline of the analysis?

I received information from eight leading insurance companies that provide foreign-currency-denominated single-premium insurance, including contract information (single-premium insurance amount, target setting, and initial investment period), surrender value, and continuation status for one of their best-selling products, including their predecessor products.

Using data collected from each company, I mainly analyzed (1) how much return customers are receiving from the product; and (2) whether sales are being conducted as expected, taking into account factors other than returns.

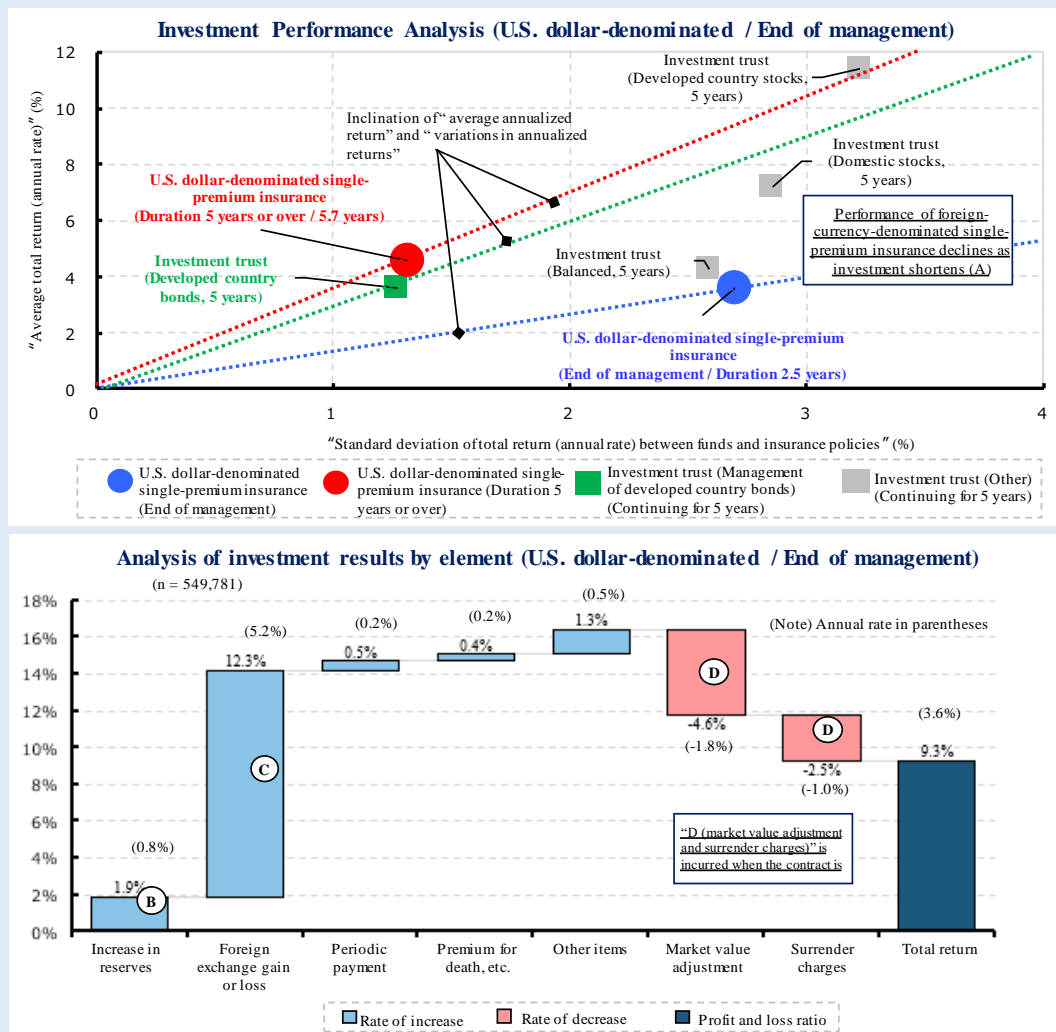
As a result of the analysis, it was found that, in terms of returns, the ratio of surrender value or death insurance amount falling below the initial lump-sum premium amount was not so large, but the investment was terminated before sufficient returns were obtained, and in terms of sales, the average investment period for U.S. dollar-denominated products was less than three years, despite the product characteristics based on a medium- to long-term investment.

Based on the results of this analysis, I was able to present convincing issues to insurance companies and sales companies (financial institution agents). Although I have only just begun to do so, I believe that the revision of guidelines by the Life Insurance Association of Japan and other measures aimed at early improvement have been one of the reasons for the industry as a whole to move forward.

- What was difficult and what did you keep in mind when conducting the analysis?

The status of data management varies from company to company, and the data was not arranged neatly. For example, any market value adjustment (MVA) caused by a difference in interest rates incurred at early termination was unknown in some data. In this case, I estimated the difference in interest rates at the time of entering into a contract and the time of terminating the contract in detail for each contract based on other contract information and recorded the extent of possible errors.

As I planned to utilize the results of the analysis in subsequent interviews with insurance companies and sales companies, it was difficult to determine the exact figures in time.



Therefore, I tried to take a realistic attitude to the aggregate results to some extent, and instead I tried to fully record what kind of numerical values were not obtained, what kind of calculation was used to calculate the estimated values, and how much error occurred as a result. This was done because I felt that the results of the analysis would be more convincing and would provide clues for further analysis.

I have not conducted any additional analysis so far, but in terms of a sense of satisfaction, when I explained the results of our analysis to the insurance companies that make up the products in particular, I believe that I was able to get responses from those companies that respected my results to some extent.

- You were awarded the Jury's Special Award this year. Please tell us how you feel about receiving the award.

I didn't think I would win the award because I had heard other team's wonderful presentations at the report session, and when I heard the result, I thought it was a great honor. Also, only one person

participated in the Data Analysis Project, but I am monitoring foreign-currency-denominated single-premium insurance in cooperation with my superiors, colleagues, and people in the Insurance Business Division, so I think it is only with their help that I received the award.

Looking back at the beginning of the year of July 2023-June 2024, when I analyzed the performance of foreign-currency-denominated single-premium insurance and decided to use it for monitoring, I was not sure about the data analysis. By participating in the Data Analysis Project, I was able to learn the basics, and I believe that I managed to give shape to the analysis of the performance of foreign-currency-denominated single-premium insurance. This award gave me encouragement for my future work, but I believe that the project itself will transform individual knowledge into collective knowledge, and that it will have a positive impact on both individuals involved in data analysis and the entire organization. I also would like to thank the people in the Data Analysis Office who encouraged me to participate in the Data Analysis Project.

4. Chief Data Officer (CDO) Award

- Compilation of interview memos into a database
- Macro-financial Stability and Data Strategy Office, Risk Analysis Division, Strategy Development and Management Bureau: Chief Yuki, and Financial Inspector Yamada

- Please tell us the outline of the analysis?

At the FSA, divisions and offices in charge of monitoring mainly conduct interviews on various matters with financial institutions. Memos related to these interviews are stored on the file servers of each division and office.

By compiling this large amount of text data into a database to improve search and summary functions, we aimed to increase convenience and extract comprehensive knowledge from detailed interview notes.

- What did you keep in mind when conducting the analysis?

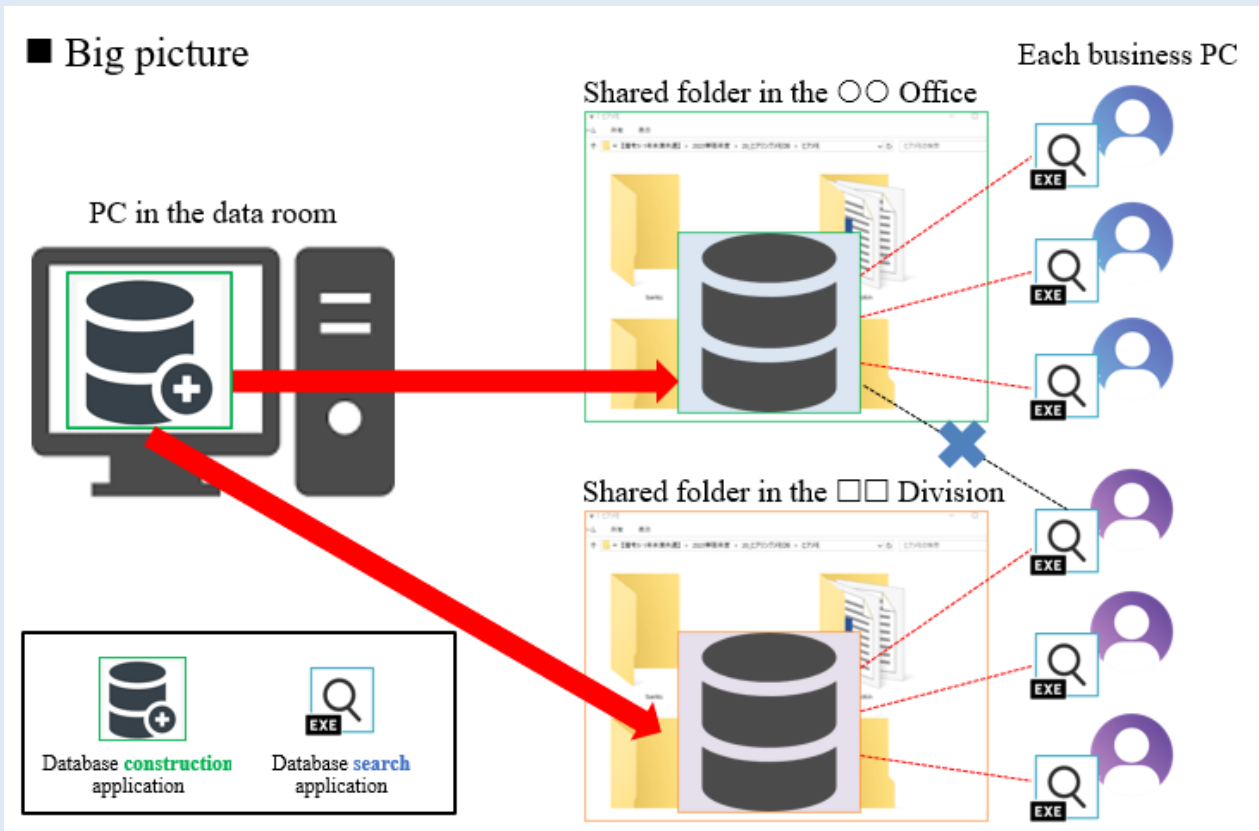
We tried to keep the following three points in mind: (1) High-speed operation while having a

multifunctional database search function, such as the implementation of a search and display function or a text analysis summarization function requested by each division and office in prior interviews; (2) Availability on individual business PCs without installation; and (3) Implementation of an authority management function, which was highly necessary in interviews, and provision to each division and office of the power to set who can view which interview memos.

- You were awarded the CDO Award this year. Please tell us how you feel about receiving the award.

I would like to express my heartfelt gratitude to my superiors for their guidance, to many seniors who gave us advice, and to the people in each division and office who kindly agreed to our interviews.

The goal of this project was to streamline the work of each division and office and create new value through analysis, so we are very pleased to have received the CDO Award for the interest of the people in each division and office.



ヒアリングメモ検索システム

キーワード
米金利上昇

メモ種類

金融機関名

ヒアリング実施事務年度

検索開始年(yyyy) ~ 検索終了年(yyyy)

● OR検索 ○ AND検索

● 通常表示 ○ テーブル表示

検索

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2. 損益状況(単体)
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5. Conclusion

This year marks the fifth year of the Data Analysis Project. As of the end of the year of July 2023-June 2024, a total of 84 projects, including continuing projects, had been launched by employees who wanted to use data analysis to discover and resolve issues in financial administration. Among them, there are many projects that have achieved certain results, such as those that have been published externally in reports, those that have significantly contributed to the sophistication and efficiency of operations, and those that are continuing as joint research with external experts, and steady progress has been made in expanding the scope and sophistication of data analysis.

The FSA's data analysis capabilities have improved over the years, and not only the projects introduced in this article, but all of the analyses presented at the report sessions were highly complete and well worth listening to. We are sure that many analysts were troubled by not being able

to perform the analysis they wanted in the process leading up to the presentation, but we believe that the results were arrived at because of the repeated process of trial and error until the end of the analysis, experimenting with various analysis methods and changing viewpoints. The FSA will continue its efforts to improve and utilize data analysis capabilities toward the further evolution of financial administration by working to raise the level of data analysis capabilities of all employees, supporting not only those who perform advanced data analysis but also those who take on the challenge of data analysis despite their difficulties.

JFSA's Major Activities in June (June 1 to June 30, 2024)

- [The third meeting of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\) \(June 28\)](#)
- [Publication of the Research Report, "Study of the Use of the NGFS Scenarios" \(June 25\)](#)
- [Publication of the finalized "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." after public consultation \(June 14\)](#)
- [Overview of financial results of major insurance companies as of March 31, 2024 \(June 14\)](#)
- [Monitoring Report on Regional Banks' Securities Investment Management \(June 11\)](#)
- [Publication of the examples of initiatives taken by financial institutions under their EMPs \(June 7\)](#)
- [Publication of the "Action Program for Corporate Governance Reform 2024: Principles into Practice"\(June 7\)](#)
- [Overview of major banks' financial results as of March 31, 2024 \(June 5\)](#)
- [Publication of statistics regarding over-the-counter \(OTC\) derivative transactions \(as of March 31, 2023\) \(June 5\)](#)
- [Publication of the "Policy Package of Special Zones for Financial and Asset Management Businesses"\(\(June 4\)](#)

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



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

Editorial Postscript

My name is HONDA Koichi, and I assumed the post of Director of the Public Relations Office in July. I took over from my predecessor, Shohei Yano.

At government offices in Kasumigaseki, the year ends when the ordinary Diet session closes in June, and the new year begins in July. Some of employees in the office were transferred, and we started with a new team. I would like to play my role as a leader to lead the Financial Services Agency's public relations and media response.

This year is the year of the Summer Olympics, and the success of Japanese athletes at the Paris Olympics has been reported. I often watch the Olympics, and not only the games themselves, but I am always deeply moved by the Kimigayo played at the award ceremony.

It has been extremely hot every day. I remembered my regrets about getting heat stroke this time last year. Everyone, please take care of your health.

HONDA Koichi, Director of the Public Relations Office, FSA
Edited and issued by the Public Relations Office, FSA