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State Minister of Cabinet Office (for Financial Services) Seto Inaugural Interview



SETO Takakazu

Date of birth	August 2, 1965
Birthplace	Kagawa Prefecture
Constituency	2nd district, Kagawa Prefecture
Hobbies	Shorinji Kempo, watching movies

*Brief personal history: [Website of the Prime Minister's Office of Japan](#)

We asked State Minister of Cabinet Office (for financial services) SETO Takakazu, who was inaugurated on November 13 2024 following the inauguration of the Second Ishiba Cabinet, about his enthusiasm and daily activities.

First of all, please tell us about your enthusiasm for your appointment as the State Minister of Cabinet Office (for financial services).

The first thing I think is that we must now revitalize local communities. To that end, I would like regional banks and other regional financial institutions to fulfill their roles and contribute to the development of regional economies through financial services. We would like to make every effort.

At the same time, I am paying attention to the value of Japanese financial markets in the world. Looking back on the past, I feel that in the 1980s, for example, Japanese banks and financial institutions had a certain presence in the world. I would also like to enhance the positioning of Japan's financial markets in the world so that Japan's financial sector can flourish in the world even in this evolving era. To that end, I believe it is important to firmly advance initiatives for promoting Japan as a Leading Asset Management Center.

—IT and AI that have a strong affinity with finance, and the development of the Japanese financial industry in terms thereof—

I originally studied financial engineering when I was in graduate school, and I have always been interested in the field of finance. After graduating from university, I joined the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications), and for a time I was involved in financial services such as those related to postal savings. Outside of the financial sector, I have been involved in a lot of information and communications-related services, and through my experience in each job, I have come to feel a strong affinity between finance and IT. Based on this affinity, I hope to further develop the financial industry through IT technology.

In terms of engineering, I think artificial intelligence, or AI, is also very compatible with finance. I believe that various issues will arise in the future regarding how to use AI in the world of finance, and in such a situation, I feel that the existence of a Japanese version of generative AI will become important. It is still risky to rely solely on AI originating from overseas, and I think it is desirable for a Japanese version of generative AI to be used in the financial field.

Currently, in the Japanese financial industry, we may not see such a strong connection with AI yet, but I believe that it will become necessary in the future such as for the use of AI to combat financial crimes, and I would like to work also on such things.

What made you decide to become a Diet member and what do you aspire to as a politician?

—Sensing the power of politics in the background of the rapid recovery from the earthquake, as the opportunity to become a Diet member—

As for becoming a Diet member, the occurrence of the Great East Japan Earthquake was one of the triggers. When I was working at the Ministry of Internal Affairs and Communications, I was seconded to the Iwate Prefectural Police. At the time of the Great East Japan Earthquake, I had returned to Tokyo, but immediately after the earthquake, the Cabinet Office established a disaster victim support team, and I joined the team because the area I had a connection with was damaged. What I felt on site was that while there were many situations in which government offices played a leading role in support activities and reconstruction policies, the speed of decision-making differed depending on the region, and that the presence of local leaders and politicians was a major factor behind this.

Even under unprecedented circumstances like the Great East Japan Earthquake, people who know how to find and implement solutions with a sense of speed and who to contact and what to do can do so. I felt that there was a great power of politics in this area, and this made me want to become a Diet member.

—Advancing cybersecurity measures at medical sites and revitalization of local communities through IT—

One of my goals as a politician is to promote IT measures in various fields.

One of them is such measures for hospitals. Ransomware attacks on hospitals in Japan have become a major problem. If a hospital's information system is infected with ransomware, it will be forced to suspend medical services for several months, and the damage to both hospitals and users will be enormous. It has become one of the serious problems of our time, such as the targeting of large-scale hospitals. I asked to set up

the project team for the promotion of digital security measures in the medical sector under the Research Commission on Social Security System of the Liberal Democratic Party, and served as the Chairperson. We held a series of discussions on how to budget for cybersecurity measures at medical sites, as well as to raise awareness of the importance of such measures not only in large hospitals but also in small- and medium-sized hospitals.



〔 Photo: Interview 〕

Another is measures to revitalize local communities. With the hope that local communities will continue to thrive, I invited a data center equipped with high-performance GPU servers for AI development to Kagawa Prefecture in order to contribute to the revitalization of my hometown. This invitation is expected to promote digital transformation (DX) by local companies and revitalize the local economy. With the advancement of DX, it will become easier for the younger generation to live in their hometown owing to the spread of multi-habitation. For example, they can do the same work as in the city center even if they are in their hometown, which will lead to local revitalization.

The total investment for the project was about 20 billion yen, but the government subsidy was 7.7 billion yen, so we had to collect a lot of money from the hometown. At that time, I felt the great power of financial institutions. Thanks to a network of financial institutions in the hometown and the efforts of many people, the project came to fruition. I again realized the importance of financial institutions and was very grateful. In this way, the Financial Services Agency will steadily promote its work so that financial institutions can play an active role in local communities.

Please tell us if you have an effective way of communicating about your daily activities.

I stream YouTube videos and blog about my activities, but honestly, I find it hard to find anything that works.

—How to ensure the accuracy of information is an important issue for financial markets—

The world is changing with the diversification of communication tools and the decline of old media among young people. Not only the younger generation, but also the elderly tend to access only the information they like on the Internet, and as a result, I am concerned about the bias of information held by each individual.

Under such circumstances, it is necessary to have the ability to discern what information is correct, and it will become increasingly important for the government to provide accurate information to the public and to respond to the spread of false information if it occurs.

In this regard, how to ensure the accuracy of information is a very important issue for financial markets.

Please tell us how you spend holidays or get refreshed.

—Refreshing with Shorinji Kempo with Diet members and commuting by bicycle—



Photo: State Minister Seto (left) in the Shorinji Kempo Club when he was a university student
(Source: [SETO Takakazu official website](#))

It is not about holidays, but I practice Shorinji Kempo once or twice a month with my colleagues in the Diet. Shorinji Kempo has been my hobby since I was a university student. I’ve been doing it for a long time, and it’s been making me feel refreshed. I also commute by bicycle to the Diet Member’s Office Building, and the number of people doing so has been gradually increasing around me. I like it because it gives me exercise and feels good.

When I go back to my hometown in the summer, I often go to the beach with my young son and swim with him whenever I find time between work. It is a precious time to spend with my son as it refreshes me in my busy days.



Photo: Interview

Interview concluded.

(Interviewer: HONDA Koichi, Director of the Public Relations Office)

Holding of a Meeting for Exchange of Opinions on Promotion of Support for Business Operators and Facilitation of Finance

On November 28 of this year, the Financial Services Agency held a meeting for exchange of opinions on promotion of support for business operators and facilitation of finance, attended by government officials, including Minister of State for Financial Services Kato and the Parliamentary Vice-Minister of Cabinet Office Nishino, and representatives of financial organizations.*

At the meeting, the Minister of State for Financial Services Kato explained to financial organizations that, in addition to making every effort to provide financing support to business operators toward the end of the year and fiscal year, when demand for working capital and other resources will increase, it is necessary to look ahead and provide support that goes beyond financing, such as support for management improvement, for business revitalization and for re-challenge, while there are many business operators that are still in a difficult situation due to changes in the economic environment, such as rising prices, labor shortages and soaring labor costs, although socioeconomic activities have been normalizing from the impact of the COVID-19 pandemic.



Photo: Meeting to exchange views



Photo: Nishino, Parliamentary Vice-Minister of Cabinet Office, speaking at the meeting



Photo: Kato, Minister of State for Financial Services, speaking at the meeting

In addition, in light of the government's decision made on November 22 of this year on Comprehensive Economic Measures to Foster the Safety and Security of Citizens and Sustained Growth to implement various measures to support business operators' management improvement, business revitalization and re-challenge, while facilitating financing for them, a written request was sent to financial organizations, etc. on the same day regarding matters including thorough support for business operators, and the request was publicized to ensure that the content of the request was fully disseminated.

[Financial institutions and related organizations participating in the meeting to exchange views]

- Japanese Bankers Association
- Regional Banks Association of Japan
- The Second Association of Regional Banks
- The National Association of Shinkin Banks
- Shinkumi Banks Association of Japan
- Trust Companies Association of Japan
- National Association of Labour Banks
- The Norinchukin Bank
- Japan Finance Corporation
- The Okinawa Development Finance Corporation
- The Shoko Chukin Bank, Ltd.
- Development Bank of Japan Inc.
- Japan Federation of Credit Guarantee Corporations
- Japan Housing Finance Agency

* Promotion of Providing Support for Business Operators and Facilitation of Financing for Corporate Borrowers (published on November 28)

“New NISA”

– Awarded 2024 Shogakukan DIME Trend Grand Prize –



The NISA (Nippon Individual Savings Account), which was launched in 2014, was drastically expanded in January this year, including making the tax-free holding period indefinite, which made it easier to use. This new system has been recognized by the people as the “New NISA.” In the first half of this year, the number of new accounts opened doubled compared to the first half of last year, and the amount of purchases increased by about four times.

In response to this spread, the New NISA was featured in some media announcements about this year’s hot topics.*

In the 2024 Shogakukan DIME Trend Awards, which recognize products, topical services and people that symbolize the year, New NISA received the Gold Prize in the Lifestyle Category and the Trend Grand Prize.

At the award ceremony held in Tokyo on December 11, the Parliamentary Vice-Minister of Cabinet Office Nishino attended the ceremony and gave a speech in honor of receiving the Grand Prize. In addition, a video message from the Minister of State for Financial Services Kato, was projected at the venue, and he said that the Financial Services Agency will continue to work to ensure that the people of Japan use NISAs appropriately as one of the means to achieve stable asset building.



Photo: Parliamentary Vice-Minister of Cabinet Office Nishino greeting the winner of the Trend Grand Prize



Photo: Minister of State for Financial Services, Kato’s speech at the award ceremony (Message video is available in the HTML version.)



Photo: Commemorative photo with each award winning organization (front row center: Parliamentary Vice-Minister Nishino)

Photo source: Shogakukan Inc.

*Nikkei Trendy “Top 30 Hit Products of 2024” (1st place) “New NISA & All Country Investment”

Words nominated for the U-Can “New Words and Buzzwords Awards” in 2024: (No. 11) “New NISA”

Outline and Purpose of Publication of “Progress Report for Enhancing Model Risk Management at Financial Institutions (2024)”

NOBUTOMO Masahiro, Deputy Director and SUDO Shunsuke, Deputy Director,
Major Banks Monitoring Office, Risk Analysis Division,
Strategy Development and Management Bureau

1. Introduction

In December this year, the Financial Services Agency (FSA) released the [Progress Report on Enhancing Model Risk Management at Financial Institutions \(2024\)](#) (hereinafter referred to as the “Report”)*¹.

This paper provides an overview and purpose of publication of the Report, touching on the importance of model risk management.

2. Importance of Model Risk Management

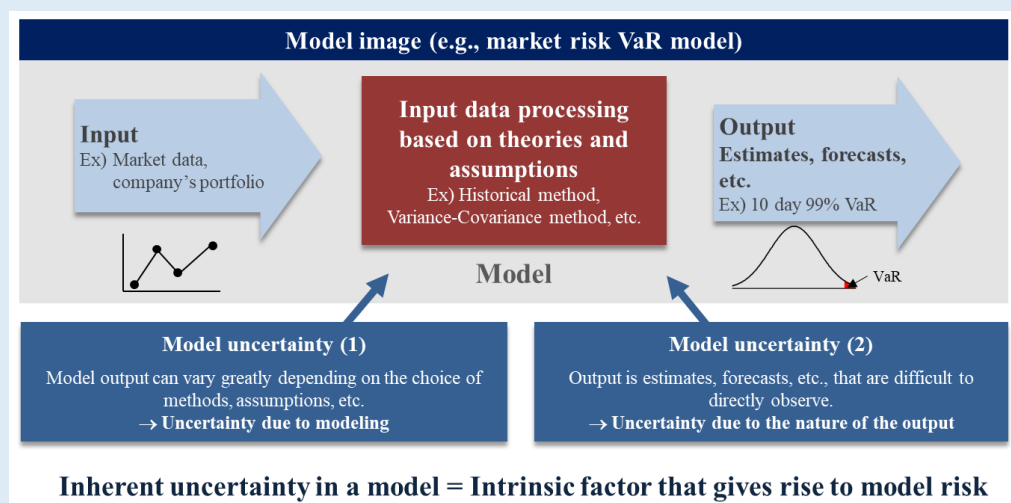
As financial institutions’ activities become larger and more complex, there is a need to use models strategically to provide more sophisticated financial services based on data and to enhance risk management. At the same time, it is also important to manage model risk, which is the risk that decisions based on errors in or improper use of models will have adverse effects. In past financial crises, it has been pointed out that the output of inaccurate models had a significant impact on the management of financial institutions.

As a recent example related to models, regarding

the bankruptcy of Silicon Valley Bank in the United States in 2023, the bank did not conduct a back test*² of its interest rate risk model, and the model verification department did not perform sufficient checks, such as model reviews and verification of model assumptions. These are points related to the use of models.*³

As another recent major development, financial institutions are increasingly using models making use of generative AI (hereinafter referred to as “AI models”). At present, the use of AI models by financial institutions in Japan is in the conceptual and early stages. However, given the speed of technological progress related to AI, it is likely that AI models will be used more widely in the future and in core operations of the financial industry. Therefore, it is important for financial institutions to appropriately manage new risks.

In conjunction with the Report, we have released [reference materials](#) that summarize what the model risk management is in the first place in the form of charts, etc. Please refer to those materials for details.*⁴



*¹ Released on December 12, 2024 <https://www.fsa.go.jp/news/r6/ginkou/20241212/20241212.html>

*² One of the methods to verify the accuracy of a model using historical data

*³ Federal Reserve Board (FRB):

[Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank](#)

*⁴ Released on December 12, 2024 https://www.fsa.go.jp/news/r6/ginkou/20241212/20241212_3.pdf

3. Announcement of Principles for Model Risk Management and Subsequent Status of Financial Institutions

The FSA published the Principles for Model Risk Management (hereinafter referred to as the “Principles”) in November 2021^{*5} and since then has monitored and communicated with target financial institutions^{*6} on their plans to enhance their model risk management structures and on their progress. In 2024, three years after the announcement of the Principles, the target financial institutions have built a management structure to a certain extent and is now in the phase of establishing practices (model life cycle management). In the course of compliance with the Principles, each financial institution has recognized actual management benefits, such as understanding the company-wide use of the model, making transparent the model that had been a black box, and having an opportunity to consider enhancing the model-related management structure, including the management team.

Under these circumstances, some regional financial institutions and insurance companies, which are not covered by the Principles at present, are making efforts to enhance model risk management by referring to what’s included in the Principles.

4. Purpose of Publication of the Report

At a financial institution, regardless of its size, if staff in charge continue to use a model that has a significant impact on management without fully understanding the content of the model, and if management fails to build the necessary structure, this could lead to serious risks. It is important for financial institutions to recognize important models according to their size and complexity, and to

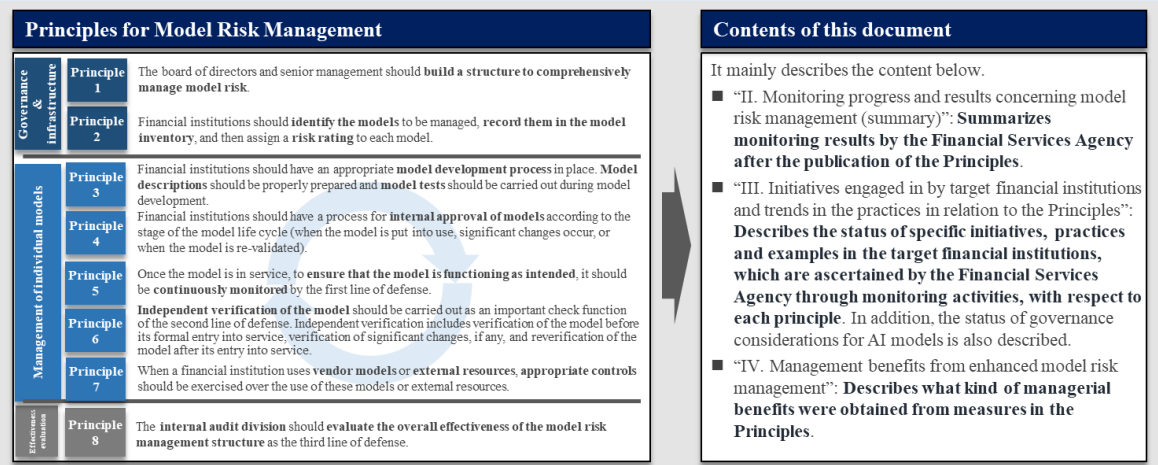
manage risks associated with the models in a required manner, such as understanding the methods, assumptions and weaknesses of, and limitations on those models, and verifying the output. As mentioned earlier, some financial institutions are making voluntary use of the Principles to enhance their risk management.

On the other hand, the Principles adopt a principles-based approach rather than a rules-based approach, and leave the details of initiatives to be engaged in depending on the circumstances of each financial institution. As a result, some people have pointed out that there are few clues to the building of and practices for the model risk management.

Therefore, for the purpose of not only supporting the further enhancement of model risk management at the target financial institutions, but also broadly supporting voluntary initiatives engaged in by other financial institutions aiming at the enhancement of management, initiatives engaged in by the target financial institutions after the publication of the Principles are compiled, summarized and published in the Report.

5. Overview of the Report

The third chapter of the Report presents the status of specific initiatives, practices and examples in the target financial institutions, which are ascertained by the FSA through monitoring activities, with respect to the eight principles of the Principles. (See the diagram below.) In addition, the status of governance considerations for AI models is also posted as “BOX.”



^{*5} Released on November 12, 2021 https://www.fsa.go.jp/common/law/ginkou/pdf_03.pdf

^{*6} Financial institutions that are Japanese G-SIBs, Japanese D-SIBs, and Japanese subsidiaries of G-SIBs selected by the FSB (excluding Japanese G-SIBs), and have received model approval from the Financial Services Agency

Given the models used and inherent risks differ depending on the size of the financial institution and complexity of its services, the effective structure and management are considered to differ from institution to institution. In addition, the initiatives introduced in the Report are those of financial institutions that are in the process of enhancing their model risk management and are not best practices for all financial institutions. However, we hope that financial institutions aiming to enhance their risk management will ascertain the current trends in the practices of the target financial institutions and use this information as a clue to building structures that are appropriate for their own circumstances.

In response to principle 1, governance, for example, the Report provides examples of initiatives and trends in the formulation of plans, including the development of the organizational structure based on the three lines of defense (three lines model), which is an important concept of the Principles, for building a group-level model risk management structure. In response to principle 2, model identification, inventory management and risk rating, the Report also provides examples and trends in the method of assigning a model risk rating, which is important in implementing a risk-based approach as the important concept of the Principles.

In addition, the Report summarizes and presents the status of initiatives engaged in by the target financial institutions under the eight principles, including the continuous monitoring conducted by the first line of defense (model users, etc.), the content and frequency of independent verification, and detection examples by the second line of defense (model verification division, etc.), the status of initiatives to control vendor models, and the status of audits on model and risk management

by the third line of defense (internal audit division). For specific details, please refer to the Report.

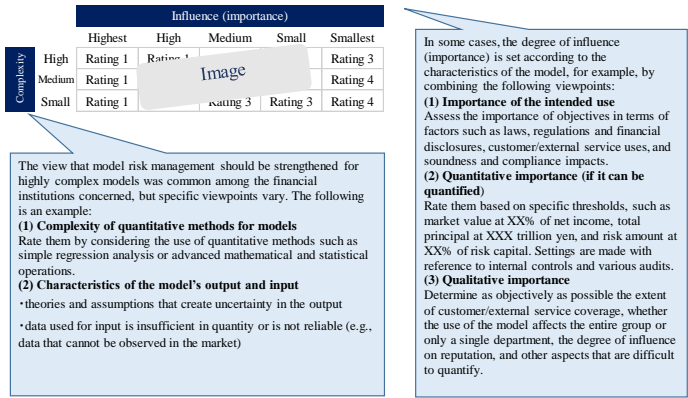
6. Conclusion

The location of model risk changes in response to changes in the environment. Even after the model is in use, it is important to be sensitive to such changes in the environment for the review of risk recognition in a timely and appropriate manner, and to change management methods accordingly. The FSA also plans to continue to discuss the ideal model risk management in light of changes in the environment by means such as exchanging opinions with overseas authorities and other relevant parties.

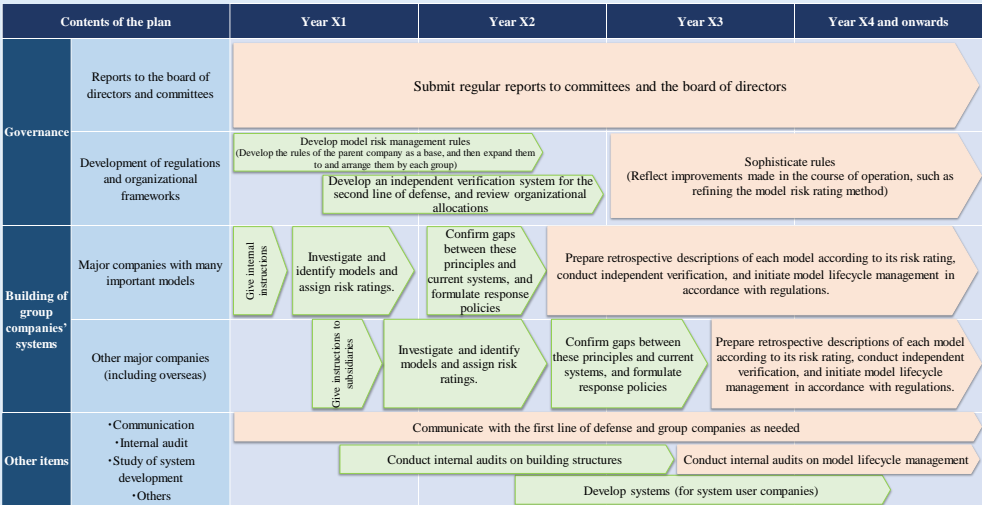
In compiling the Report, we would like to express our gratitude for the fruitful discussions held with various stakeholders and experts, including financial institutions. We expect that model risk management at financial institutions will continue to be enhanced.

*If you have any comments about the Report, please send them to bank-monitoring@fsa.go.jp. We will use your comments as a reference for future reports.

[Image of the model risk rating assignment method]



[Image of group-level plan formulation]



Cross-sectoral Publicity for Financial Crime Prevention

In order to prevent the misuse of deposit and savings accounts, financial institutions regularly send postcards or letters to confirm whether the account is being used by the rightful account holder. The cooperation of every customer in confirming their information will lead to the safety and security of society as a whole.

In order to foster public understanding and cooperation of this process, the Japanese Bankers Association has taken the initiative, with the cooperation of the Financial Services Agency and the National Police Agency, to create cross-sectoral promotional content for banks, shinkin banks, credit unions, and workers' credit unions.

➤ Click here to see the poster and video 📄

<https://www.fsa.go.jp/news/r6/ginkou/20241210-2/20241210.html>



Please check the link above.

We appreciate your understanding and cooperation in confirming information from financial institutions.



Photo above: PR poster

Photo left: Public relations video (source: [Japanese Bankers Association official YouTube](https://www.youtube.com/watch?v=...))



Photo: Minister of State for Financial Services Kato introducing the case at the press conference after the Cabinet meeting

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

- [Living in Japan:How to Open a Bank Account and Send Money \(Revised in September 2024\)\(November 29\)](#)
- [The fifth meeting of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\)\(November 25\)](#)
- [Publication of statistics regarding over-the-counter \(OTC\) derivative transactions \(as of March 31, 2024\)\(November 22\)](#)
- [Publication of "FSA Analytical Notes \(2024.7\) vol.2: Analysis of Impact of High-speed Trading Activity on Market Liquidity and Magnitude of Market Fluctuations"\(November 22\)](#)
- [Initiatives by the financial industry to enhance their asset management businesses\(November 20\)](#)
- [Updated list of issuers of gift certificates in repayment procedures based on the 'Payment Services Act' \(November 15\)](#)
- [Exchange of Letters on Cooperation in the area of banking resolution with the Korea Deposit Insurance Corporation \(KDIC\)\(November 13\)](#)
- [The second meeting of the Expert Panel on the Stewardship Code \(2024\)\(November 11\)](#)
- [Stewardship Code : 330 institutional investors have signed up to the Principles for Responsible Institutional Investors as of September 30, 2024\(November 11\)](#)
- [The updated statistics of money lending business\(November 8\)](#)
- [Publication of the finalized "Venture Capitals: Recommendations and Hopes" \(VCRHs\)\(November 8\)](#)
- ["Japan Fintech Week 2025" website is now officially launched\(November 6\)](#)



The Financial Services Agency has been writing about the status of its activities, including the introduction and explanation of measures taken by the Agency, in various publications, and publishing such writings on the website of the [Financial Research Center](https://www.fsa.go.jp/frtc/). This article covers some of these writings.

– Introduction of recently published contributions –

◆ [Significance of the Asset Owner Principle and Key Points of Utilization](#)

[- It is important to consider the establishment of the system for advanced operation as early as possible -](#)

HORIMOTO Yoshio, Vice Commissioner for Strategy Development and Evidence-based Policymaking,
Strategy Development and Management Bureau
(Published in the November 12 issue of the *Kinzai Weekly Financial Affairs*)

👉 For other contributions, please visit the website of the Financial Research Center.
<https://www.fsa.go.jp/frtc/kikou/index.html>

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



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

Editorial Postscript

This month, we published an interview with the State Minister Seto. He had a very approachable personality, and through the interview, I got the impression that he was friendly. He said that before COVID-19, he often went to karaoke, which was not mentioned in the main text, and I asked “please let me sing karaoke with you next time!” I look forward to that day.

Six months have passed since I assumed the post of Director of Public Relations Office in July of this year. I myself serve not only in the Public Relations Office but also in the so-called secretariat general affairs division, where I coordinate various matters within and outside the Agency. While valuing basic actions, I examine what I learn from precedents and deal with individual cases. I have learned a lot each time, and I feel that I am gaining good experiences every day together with my public relations work.

I can connect only through experience, but the remake of Dragon Quest 3 was released last month, and I play a little on the weekends. Defeating enemies to gain experience, increasing levels to advance the story, and defeating bosses to make the world a peaceful place. I am once again enjoying the greatness of the songs while thinking that this is a well thought out RPG. On the other hand, there is the risk of losing track of time and getting absorbed in it, and I feel that it has something in common with work.

This is the last issue of this year. Thank you very much for reading our public relations magazine, Access FSA. I look forward to working with you again next year. I wish everyone a Happy New Year.

(State Minister Seto and employees of the Public Relations Office)



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