

# Main Topics Presented by the Financial Services Agency (FSA) at a Dialogue with the Financial Sector Association (major banks, etc.)

February 10, 2025

## 1. Financial measures in response to the disaster, etc. caused by the heavy snow from February 4, 2025

- In relation to the disaster, etc. caused by the heavy snow from February 4, 2025, financial institutions in disaster-affected areas are requested to offer support to disaster victims meticulously.

## 2. Status of support to startups

- As a result of the survey targeting major banks, etc. concerning the status of their support to startups, it was found that they are exercising originality and ingenuity and making responses and conducting consideration as exemplified as follows:
  - cases where they foster and secure human resources through OJT, inhouse recruitment, positive appointment of outside personnel, review of the compensation system, etc.; and
  - cases where they prioritize qualitative aspects in examination or they prepare an evaluation sheet and a checklist especially for startups, and cases where they conduct midterm management and collect materials in a manner unlike the case of ordinary lending.
- Major banks, etc. are expected to continue offering meticulous support to startups from their standpoint.

## 3. "Study Session for the Utilization of Enterprise Value Charge" of the Japanese Bankers Association

- At the "Study Session for the Utilization of Enterprise Value Charge," for which the Japanese Bankers Association serves as the secretariat, discussions have been held on where the Enterprise Value Charge (EVC) is to be utilized, the issue of accounting including allowances, the issue of practices of lending utilizing the EVC, etc.

- Please continue positive discussions to compile a report in March.

#### 4. Credit risk management

- The roles expected of financial institutions are to contribute to the development of the national economy by accepting people's funds as deposits and exercising their financial intermediary function.
- In order to sustainably exercise high-quality financial intermediary function, financial institutions need to maintain their financial soundness and appropriateness of their risk management. The precondition therefor is lending disciplines.

#### System for taking measures against window dressing

- The FSA's monitoring revealed the cases where financial institutions are found to have neglected basic actions, as follows:
  - a case where a financial institution neglected fund tracing and physical verification, which are necessary for ascertaining the actual conditions of borrowers, and overlooked window dressing and misconduct; and
  - a case where a financial institution had not had interviews with representatives or actual owners in borrowers for years, and as a result, overlooked borrowers' poor governance.
- Banks need to ascertain the actual conditions of their borrowers, while having a healthy suspicion and professional skepticism, thereby grasping a hint to detect window dressing or misconduct at an early stage.

#### 5. Preparation of a leaflet on financial institutions' countermeasures against financial crime

- In August 2024, the FSA, jointly with the National Police Agency, issued a statement to request financial institutions to strengthen measures to prevent misuse of deposit and saving accounts, including corporate accounts. In the statement financial institutions are requested to inform their customers that the sale of accounts constitutes crime, and promptly deal with detected suspicious trading.
- With the aim of supporting financial institutions to take these actions, the FSA and

the National Police Agency have jointly prepared a leaflet to ask their customers for the understanding and cooperation regarding these efforts.

- Financial institutions are expected to utilize the leaflet as necessary in providing explanations to customers.

#### 6. Publication of examples of the analysis of data on categories of borrowers and housing loans, etc. using the data on lending details

- On January 21, 2025, the FSA published the "FSA Analytical Notes (Jan. 2025) vol. 2," which compiles the analysis of granular data collected at the Common Data Platform.
- For example, it was suggested that among borrowers of regional banks, the percentages of normal borrowers are high for cross-border lending and lending in which large banks are included as creditors.

#### 7. Financial Policies Monitoring

- The Financial Policies Monitoring has been utilized as a mechanism to report frank opinions on financial policies presented by financial institutions and their employees directly to external experts, who are third parties with a neutral position, and have such opinions reflected in financial policies.
- Please disseminate this mechanism among financial institutions and their employees and provide us with frank opinions on financial policies and the FSA.

#### 8. IOSCO's Consultation Report on Pre-Hedging

- The International Organization of Securities Commissions (IOSCO) published the Consultation Report on Pre-Hedging on November 21, 2024. The Consultation Report offers a definition of pre-hedging and proposes a set of recommendations to guide regulators in determining acceptable pre-hedging practices and managing the associated conduct risks effectively. The recommendations may exert influence on banks' operations. We would like individual banks and the Japanese Bankers Association to examine and consider its details.