

JURISDICTION: JAPAN

AUTHORITY: JAPAN FINANCIAL SERVICES AGENCY (JFSA)

Background

The *Financial Services Agency* (JFSA) is responsible for ensuring the stability of Japan's financial system, protection of depositors, insurance policyholders and securities investors, and smooth finance through such measures as planning and policymaking concerning the financial system, inspection and supervision of private sector financial institutions, and surveillance of securities transactions. The FSA plays extremely important roles for the sound development of the national economy.

Affairs handled by the FSA:

- Planning and policy making of financial systems;
- Inspection and supervision of private sector financial institutions, including banks, insurance companies, and financial instrument business operators, as well as market participants, including exchanges;
- Establishment of rules for trading in markets;
- Establishment of business accounting standards and others concerning corporate finance;
- Supervision of certified public accountants and auditing firms;
- Participation in activities of international organizations and bilateral and multilateral fora on financial issues to develop internationally consistent financial administration; and
- Surveillance of compliance of rules in markets.

Sustainability objectives

- The JFSA defines its ultimate mission as maximizing national welfare by promoting sustainable growth of the economy and national wealth through our supervision. Since we believe that the risks arising from climate change can potentially have a huge impact on the financial system and economy, the JFSA has been vigilant to these risks and has published its strategy for developing well-functioning financial markets to finance Sustainable Development Goals (SDGs), believing that promoting SDGs in finance will serve the JFSA's ultimate mandate.
- In our annual policy paper, JFSA priorities for July 2020-June 2021, the JFSA also declared to further materialize JFSA's strategy on Sustainable Finance, including;
 - » Encouraging constructive dialogues between businesses and investors towards increasing corporate value in the medium to long term by promoting the private sector's voluntary initiatives, including disclosures, in line with the TCFD's recommendations;
 - » Discussing with financial institutions regarding risk management and other issues related to climate changes in light of financial stability; and
 - » Discussing with financial institutions their initiatives in creating values through financial services with attention to ESG.

Sustainability work highlights

- The JFSA appointed a Chief Sustainable Finance Officer in March 2019, ahead of other countries' authorities and actively communicated Japan's initiatives and opinions at international conferences and other venues.
- The JFSA, together with the Ministry of Economy, Trade and Industry and the Ministry of Environment, supported the establishment of TCFD Consortium of Japan in May 2019, which facilitated constructive dialogues between investors and companies around climate-related financial disclosures.
- The JFSA has promoted voluntary corporate initiatives in line with the TCFD recommendation, with Japan being the world's largest corporate supporters of the TCFD.
- The Corporate Governance Code was revised in 2018, which requires "comply or explain" reporting on a principle basis to listed entities, and specifically spells out ESG elements within its concept of disclosure.
- The stewardship code of conduct was revised in March 2020, including with respect to sustainable finance. It redefines "stewardship responsibilities" and explicitly instructs institutional investors to consider medium- to long-term sustainability, including ESG factors, according to their investment management strategies in the course of their constructive engagement with companies in which they invest.

Membership of any other initiatives/networks working on sustainability

- IAIS
- NGFS
- FSB
- IPSF
- BCBS Task Force on Climate-related Financial Risks
- IOSCO Sustainability Task Force
- ICMA (Member of Advisory Council and Climate Transition Finance WG)
- ISO/TC 207 (Environmental Management) and ISO/TC 322 (Sustainable Finance) National Committee

Recent engagement with SIF

JFSA have recently provided valuable input into the development of the SIF work programme 2021-2023, and contributed to the SIF/IAIS' future Application Paper on the Supervision of Climate-related Risks in the Insurance Sector. The paper will focus specifically on topics such as enterprise risk management, corporate governance, investment and disclosure, in line with the Insurance Core Principles. Previously, the JFSA provided contributions to the *SIF/IAIS Issues Paper on the Implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures*, published in February 2020.

JFSA attended SIF's 8th meeting in Basel in February 2020, and the two virtual meetings that followed in May 2020.

