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Contents

Special Feature (P1-)

P1 Interview with the Director of the Financial Research Center, Dr. Yanagawa

Interviewer: Vice Commissioner for Policy Coordination, Mr. Ishida

Notices (P5-)

P5 Financial Services Agency's Initiatives for Promoting Japan as a Leading Asset Management Center, Vol. 2

P6 Beware of scams impersonating officials of the Financial Services Agency

JFSA's Major Activities in May (P7)

Interview with the Director of the Financial Research Center, Dr. Yanagawa

Interviewer: Vice Commissioner for Policy Coordination, Mr. Ishida



Dr. Yanagawa

Dr. YANAGAWA Noriyuki was born in Saitama Prefecture in 1963. He graduated from the Faculty of Economics, Keio University, and completed his doctorate at the Graduate School of Economics, the University of Tokyo. After serving as a full-time lecturer at the Faculty of Economics, Keio University, and as an assistant professor at the Graduate School of Economics, the University of Tokyo, he became Professor of the Graduate School of Economics, the University of Tokyo, in 2011, a position in which he serves to date. He has served as an expert member of the Financial System Council of the Financial Services Agency and also at a number of other government committees.

For a brief biography of Dr. Yanagawa, and an overview of the Financial Research Center, see the [Financial Research Center website](https://www.fsa.go.jp/news/r5/sonota/20240401-3/20240401_frc.html):

https://www.fsa.go.jp/news/r5/sonota/20240401-3/20240401_frc.html

We interviewed Dr. YANAGAWA Noriyuki, Professor of the Graduate School of Economics, the University of Tokyo, who was appointed as Director of the Financial Research Center, Financial Services Agency (FSA), on April 1, 2024.

Revitalizing the economy and business activities by revising laws

Ishida The FSA is grateful for the engagement and support that Dr. Yanagawa has offered to us in many aspects of financial administration for many years. One thing I remember particularly is, more than ten years ago, when the FSA began to strongly promote corporate governance,^(Note) I had the impression that the term “corporate governance” was, at the time, still unfamiliar to the public, but since then, the Companies Act has been revised, and I believe that the governance framework has developed so much. Today, the term “corporate governance” is well recognized. What do you think about the corporate

governance of Japanese companies?

Yanagawa I studied contract theory, and law and economics, and researched the effects that laws would have on the economy. My focus grew on the question of how we could change the laws in a way that the economy and corporate activity would be revitalized, and I conducted theoretical analysis on the impact of laws on corporate behavior and finance. At that time, when the Japanese economy was still struggling to achieve stable growth, there was growing momentum for change, for reinforcing rules on the stock market and other measures in order to revitalize companies, and I think the changes you mentioned were being made. During this period, the FSA worked hard to advance this change, and I feel that reforms on corporate governance have progressed a lot.

Ishida Yes, reforms have really progressed.

^(Note) Collected in "Corporate governance from the viewpoint of economic theory" (Noriyuki Yanagawa), Chapter 9 of "Corporate Governance Perspectives" (Edited by Hideki Kanda, Masaru Ono and Shinya Ishida, Chuo Keizai, 2011).

Yanagawa There are terms such as “defensive corporate governance” and “offensive corporate governance,” and I think we have made considerable progress on the “defensive” governance, that is, measures have been instituted to effectively govern scandals and employees' problematic behavior. On the other hand, with regard to “offensive” governance, it is not simply that changes in laws and regulations will change corporate behavior and improve business performance all at once. But rather, it is important that the situation changes as the purpose of the system gradually permeates through society. I would like to note that, even if the actual situation has changed, corporate performance and the economic growth rate would depend on the overall economic situation, so it remains that how to improve them relates more to challenges associated with the Japanese economy, rather than corporate governance issues.

Resistance is inevitable in pursuing reforms, such as “Reskilling” and “Promoting Japan as a Leading Asset Management Center”

Ishida Could you tell us about your recent interest in economics and policy?

Yanagawa Recently, my interest has been focused on how to raise labor productivity, and I consider it an important policy issue. For example, “reskilling” is a specific policy measure. In the past, it used to be referred as “relearning by working people.” For more than ten years, I have had the feeling that, unless people take opportunities to relearn it would be difficult to continue playing an active role in this era of rapid change and long life expectancy. I think it is a significant change that “reskilling” has recently become a policy issue. The term “reskilling” has become quite popular, but the reality is that many people seem to be driven by the idea that they need to do something to improve their capabilities, but are not sure exactly what they should do. On that point, I feel the need for detailed institutional design. By reviewing not only laws, but also the overall system, including companies' evaluation systems and personnel strategies, I hope that an environment will be established in which opportunities for human resources development expand, on the basis that everyone pursues reskilling.



Ishida I have the impression that there is a big gap between the current environment and the existing personnel system that assumes lifetime employment. Unless the system is fine-tuned, and the society as a whole keeps working on it, individuals will not be able to adapt to new changes. Various initiatives seem to be emerging in the financial sector.

Yanagawa In Japan, I think business has been carried out with a long-term perspective, with adjustments made to maintain overall consistency, as evident from the practice of long-term employment. Not only employment but also transactions are said to have been made on a long-term basis as business practices. I think there were certain advantages to such a social system. However, such a system would make it difficult to respond flexibly to changes. When it comes to reform issues, the focus tends to be on the conflict structure, such as the conflict between reformers and conservatives. However, it is not that simple. When we need to change a system, there may be friction against it, but we have to change, even by a little step, implementing new ideas, upon recognizing the difficulty of changing what has been done for a long time in a stable manner. Reforms are underway in terms of FSA's policy too, working to achieve the objective of “Promoting Japan as a Leading Asset Management Center.”



Ishida Much public attention has been paid to the objective of “Promoting Japan as a Leading Asset Management Center,” and I feel that the younger generation is increasingly interested in making investment.

The FSA has been working to advance various reforms for this objective. Until now, banks and securities companies have had the impression that asset management was not their main business, but from now on, asset management should be their main business. I believe that the businesses and systems of banks and securities companies need to change dramatically.

Yanagawa In this regard, thanks to the FSA, I feel that such a major shift will begin, and I think it will have a tremendous impact on Japan's overall policy. There will be some friction in the process of achieving a major change, and I think we have no choice but to achieve a major change by fine-tuning and correcting the course, through “agile governance,” which is a popular phrase these days. Therefore, if you make a big fuss with small friction, the whole big movement will stop, so I think you have to work on it while fixing it, thinking that some friction is inevitable.

The age of fintech and data analysis

Ishida Could you tell me what you are interested in regarding the current administration and measures of the FSA?

Yanagawa Obviously I'm interested in the fintech area. At the University of Tokyo, I have also been involved in fintech events, including fintech forums. I do not mean, by the term “fintech,” that

the scope of my interest is narrow, as I am interested from a wider perspective of how the new technology will change the world of finance and how it should be regulated accordingly, because finance as a whole is tending to utilize this new technology in various ways.

It is not limited to the financial sector, but technology is changing very quickly and specialization is rapidly advancing. When the business structure changes as a result of new technology, the “black box” problem could arise for many parts of business processes, and this can be quite challenging in terms of regulation.

Ishida On the supervisory side too, new financial instruments and services are emerging one after another, so we are constantly facing challenges in terms of existing systems and human resources.

Yanagawa In relation to my recent interest, I also feel that not just the FSA but Kasumigaseki (i.e., Japanese bureaucracy) as a whole needs to become a kind of “data scientist.” It is necessary to consider various policies by analyzing the data. In the fields of economics and finance, research now involves considerable data analysis, and I feel that collaboration with academia will become more and more important in the future.

Ishida The FSA has also been working to reconstruct its operations by identifying inefficient operations and practices using data analysis methods on a project team basis for the past several years. We hope to have your continued advice on this aspect.

Importance of deep exploration into the process and background leading to conclusions

Yanagawa It is not limited to the financial sector, but recently, with the greater use of social media and the Internet, I feel that the world as a whole has fallen into simplifying discussions, jumping to “black-or-white” conclusions. It is often the case where only the conclusion is taken up, but an in-depth understanding of the process and background leading to the conclusion has great significance, and so the FSA needs to explain these points carefully.

Ishida I also feel the importance of explaining the process and background, because misinterpretation or an unintended internet uproar could arise from cutting out conclusions or insufficient explanations.

Yanagawa I feel that steady research is required more in that sense.

Helping individuals feel confident that they are a major driver of the overall economy

Ishida Finally, please send a message to our readers and FSA staff.

Yanagawa The financial sector is very important because it is the blood of the economy. I think that the employees of financial institutions and the FSA can have a strong influence because they can look around the whole economy. Many people probably think that they are just performing their own tasks, just what they have to do, but I would like to stress that these people are the ones who are actually driving the economy as a whole, and I hope that they recognize this and have confidence about it. Given that this is a period of change, I think how the Japanese economy will change would depend greatly on the thoughts and perceptions of each employee of financial institutions and the FSA.

Ishida Yes, I think we should work with such mindset intact, because when we are focusing on and tackling our daily jobs, we could sometimes lose the meaning and the implications of the tasks we are doing in regard to the overall Japanese economy. I think that the FSA has an atmosphere

where young employees can work relatively freely on new things in Kasumigaseki. and I would like to encourage all employees, the young and experienced alike, to do their best.

Yanagawa After assuming the position of the Director of the Center, I once again feel that the FSA is very capable of implementing policies that meet the needs of the times.

Ishida Thank you. Because the FSA is a relatively new and small organization, I think we are more “quick” to move. I would like to maintain such good quality in doing our job.

Yanagawa I hope to contribute as much as I can.

Ishida Thank you.

End



Right: Director of the Financial Research Center, Dr. Yanagawa
Left: Vice Commissioner for Policy Coordination, Mr. Ishida

Financial Services Agency's Initiatives for Promoting Japan as a Leading Asset Management Center, Vol. 2

Following on from Access FSA No. 245 (issued on January 12, 2024), we would like to introduce the Agency's initiatives for Promoting Japan as a Leading Asset Management Center.

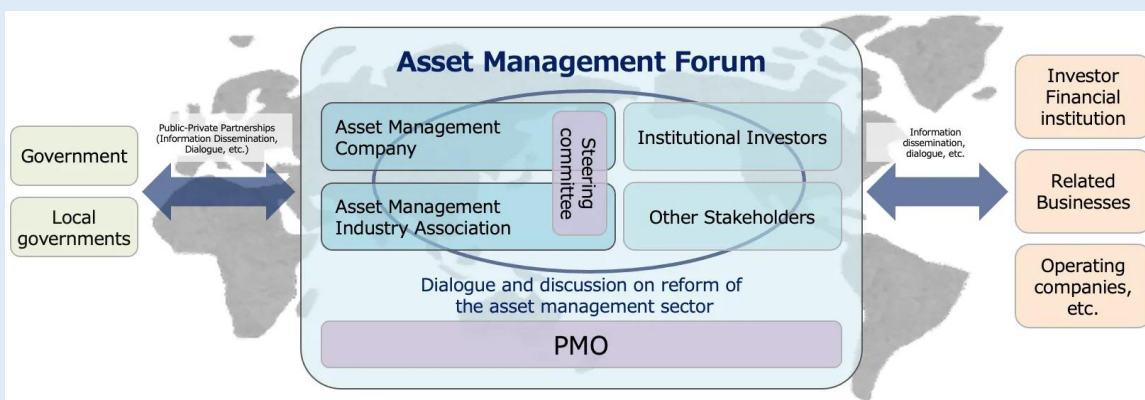
(1) Launch of a special website for Japan Weeks 2024



Last month, we launched a special website for Japan Weeks, which will be held this autumn as part of our efforts towards Promoting Japan as a Leading Asset Management Center and Japan as an International Financial Center. Event information will be updated from time to time, so please pay attention to it.

- [Japan Weeks 2024 special website: https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks2024/index_en.html](https://www.fsa.go.jp/internationalfinancialcenter/lp/japanweeks2024/index_en.html)
- For collaboration inquiries regarding Japan Weeks 2024, please feel free to contact us at: japan_as_ifc@fsa.go.jp

(2) Launch of a special website for the Asset Management Forum and beginning of membership recruitment



In order to promote the measures announced at the end of last year for the "Policy Plan for Promoting Japan as a Leading Asset Management Center" in line with the needs of domestic and overseas related businesses and investors, we plan to launch the Asset Management Forum on October 3 during Japan Weeks, which will provide opportunities for dialogue with domestic and foreign stakeholders, and information on the appeal of the Japanese financial market.

To this end, a special website for the Asset Management Forum was launched this month, and membership recruitment began. Financial instruments business operators and institutional investors in Japan and overseas are encouraged to participate.

- Asset Management Forum special website: <https://english.amforum.jp/> (external site)

Beware of scams impersonating officials of the Financial Services Agency



Beware of scams impersonating officials of the Financial Services Agency

- ✓ **No official of the Financial Services Agency designates an account to which money should be transferred.**
- ✓ **DO NOT TRANSFER MONEY!**

Scams have occurred, in which a person claiming to be an official of the AML/CFT Policy Office incites a bank account freeze on suspicion of money laundering, and asks for money to be deposited into a designated bank account.

JFSA's Major Activities in May (May 1 to May 31, 2024)

- [Bilateral meeting between Minister Suzuki and Mr. Christian Noyer, Honorary Governor of the Bank of France \(May 31\)](#)
- [Direction of remaining issues on economic value-based solvency regulation \(May 29\)](#)
- [Updated its pamphlet titled “Game companies are required to notify the Japanese authority \(Local Finance Bureau\) in accordance with the Payment Services Act.” \(May 24\)](#)
- [Bank of Japan Review Foreign Currency Liquidity Risk Management at Japanese Major Banks: Efforts and Enhancement \(May 22\)](#)
- [Japan Weeks 2024 official website open \(May 10\)](#)
- [Release of “Climate-Related Scenario Analysis – Next Step in the Banking Sector –” \(May 10\)](#)
- [Revision of the “Discussion Paper for Dialogues on Practices of IT Governance at Financial Institutions” \(May 10\)](#)
- [The second meeting of the Working Group on Disclosure and Assurance of Sustainability-related Financial Information \(of the Financial System Council\) \(May 7\)](#)
- [Updated the “Cold Calling” list \(as of April 30, 2024\) \(May 2\)](#)

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



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

Editorial Postscript

The rainy season is finally here in Kanto, and it is a hot and humid season. It was very bright in the early morning, and when I realized it, I strongly felt that a year had passed since I assumed the position of Director of the Public Relations Office. Perhaps because I was fasting regularly during this period of time, I recently realized that while I was light when I ran, I could not run long distances anymore, so I renewed my mind to try new things.

This month's issue features an interview with Dr. Yanagawa, who has been appointed as Director of the Financial Research Center. I feel inspired by his attitude, in which he changes research topics with the changing times and gains deep insight. Also, I have renewed my desire to adapt to changes in the world by incorporating agile governance into my own life.

YANO Shohei, Director of the Public Relations Office, FSA
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