

Focal Points of “JSDA’s Major Work Plans”

- Initiatives toward Addressing Social Issues -

July 1st, 2022

Stronger Support for Asset Building

~Contribution to the Doubling Asset-based Incomes Plan~

- Take initiatives for fundamental expansion of the NISA
- Take initiatives to improve the defined contribution (DC) pension system (Corporate DC, iDeCo)
- Take initiatives to improve financial literacy grouping by generation and occupation (Promote collaboration with the Japanese Bankers Association (JBA))

Achievement of the SDGs

~Accelerate Green Transformation (GX)~

- Promote sustainable finance
- Enhance interactions and information exchange on transition finance among stakeholders in Asia
- Deliberate on contributing to the phased development of the GX League
- Further promote diversity, including women’s active participation

HR Development

to Carry Out the Actions

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Enhancing Collaboration with
Stakeholders
inside/outside Japan

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Proactive Proposals and Initiatives for
the Realization of
a New Form of Capitalism

Fostering Start-ups

- Work toward consolidating the primary and secondary markets for unlisted stocks
- Facilitate risk money supply to start-ups
- Bring measures into effect to improve the IPO price-setting process

Accommodating Digital Transformation (DX)

- Further promote paperless and digitalized procedures in securities transactions
- Deliberate on promoting securities firms’ smooth adaption to DX
- Properly respond to progress in financial innovation
- Provide support for cybersecurity measures at securities firms
- Deliberate on expanding the use of the Social Security and Tax Number System (“My Number” System)

Provision of Financial Services Fit for an Aging Society

- Deliberate on more attentive financial services appropriate for elderly customers
- Conduct studies on the ways for asset management and utilization of agents’ transactions in cases of cognitive decline or impaired judgment
- Smoothly inherit financial assets between generations

Toward Further Enhancement of Investor Trust and Functioning of Securities Markets

JSDA's Major Work Plans for 2022-2023 (July 2022)

Investors (Individuals)

Strengthen support for household's asset-building through investment by conducting PR activities and contributing to developing suitable tax systems, etc.

1. Promote medium- and long-term asset building
 - Take initiatives for fundamental expansion of the NISA
 - Undertake initiatives to improve the defined contribution (DC) pension system (Corporate DC, iDeCo)
 - Promote asset-building through workplace
2. Promote the expansion of securities investment
 - Undertake initiatives toward the integration of financial income taxation (i.e. aggregation of profits and losses including those of derivatives)
 - Conduct PR activities to raise public awareness of securities investment
 - Conduct PR activities for asset building through stock investment
3. Create an environment that promotes smooth inheritance of risk assets between generations
4. Take initiatives to improve financial literacy (Promote collaboration with the Japanese Bankers Association (JBA))
 - Promote financial and securities education in schools
 - Promote financial and securities education for working adults

Market (Infrastructure)

Strengthen financial and capital markets' functions and competitiveness, including advancing financial innovation and Japan's status as a global financial hub

1. Properly respond to the progress in financial innovation
2. Facilitate risk money supply to start-ups
3. Work toward consolidating the primary and secondary markets for unlisted stocks and activating their trading
4. Undertake initiatives for expanding and diversifying the corporate bond market
5. Take initiatives to achieve an established status as an international financial center
6. Undertake initiatives aimed to expand the use of the Social Security and Tax Number System ("My Number" System)
7. Provide support for cybersecurity measures at securities firms
8. Conduct drills to maintain market functions
9. Review the Sales Representative Registration and Qualification System

Global

Enhance global outreach and cooperation

1. Conduct overseas PR activities on the attractiveness and potential of Japanese markets
2. Enhance international cooperation and collaboration, including support for emerging markets and information exchange on transition finance
3. Respond to the global regulatory agenda
4. Respond to enhanced demand for English-based communication in JSDA's operations

Market Intermediaries (Members)

Take active steps towards the achievement of SDGs and the acceleration of Green Transformation (GX), promote customer-oriented business conduct, and improve market intermediaries' functions and credibility.

1. Promote the sustainable finance and accelerate the GX
2. Create a fulfilling work environment and promote diversity
3. Support economically vulnerable children
4. Bolster partnerships with both Japanese and overseas parties towards the achievement of the SDGs
5. Support securities firms' efforts to develop human resources toward solving social issues
6. Carry out measures to ensure customer-oriented business conduct
7. Respond to needs to provide financial services fit for an aged society
8. Facilitate paperless and digitalized procedures in securities transactions
9. Properly respond to the changes in financial services
 - Review self-regulation considering the current state of solicitation for structured bond sales
 - Review self-regulatory rules based on the current reality of private placements of bonds
10. Exercise effective self-regulatory functions
 - Conduct agile and effective inspections of association members
 - Continue efforts to prevent insider trading
 - Compile FAQs responding to the revisions of regulations on Best Execution Policies, etc.
11. Bring measures into effect to improve the IPO price-setting process
12. Ease regulations on public offerings for M&A purposes
13. Work to reduce mistakes and failures in securities transactions and facilitate the post-survey and report operations for such incidents
14. Participate in the review of the firewall regulations, etc. from the viewpoint of the sound development of capital market

JSDA

Pursue measures and operations adapted to the DX

1. Further increase the efficiency of JSDA's operations tapping into the initiatives adapted to the Digital Transformation (DX) era
2. Sustain and strengthen JSDA's business continuity plan (BCP) and cybersecurity measures
3. Strategically develop qualified human resources and improve staff members' work-life balance

JSDA's Major Work Plans (2022-2023)

July 1, 2022

Investors (Individuals)

Strengthen support for household's asset-building through investment by conducting PR activities and contributing to developing suitable tax systems, etc.

1. Promote medium- and long-term asset building

- **Take initiatives for fundamental expansion of NISA**

Work with related parties seeking fundamental reform of NISA in order to shift individual financial assets from savings to investments across all generations.

Conduct PR activities to promote medium- and long-term asset-building targeted at a wide range of people, including online advertisements for Tsumitate (dollar-cost averaging) NISA and promotional activities for NISA on "Day of NISA".

- **Undertake initiatives to improve the defined contribution (DC) pension system (Corporate DC, iDeCo)**

Work with related parties to improve the system/operations related to the DC pension (Corporate DC, iDeCo).

- **Promote asset-building through workplace**

Conduct PR activities through workplace targeted at companies and municipalities to promote asset-building using incentive systems such as Tsumitate NISA and DC pension system for working people including those who are not interested in investment.

2. Promote the expansion of securities investment

- Undertake initiatives toward the integration of financial income taxation (i.e. aggregation of profits and losses including those of derivatives)

Work with related parties to respond to the discussion on financial income taxation.

- Conduct PR activities to raise public awareness of securities investment

Conduct PR activities mainly through the JSDA website in order to deepen the understanding of the significance and objectives of securities investment among those who are not interested in investment (focusing on younger generation).

- Conduct PR activities for asset building through stock investment

Implement PR activities targeted at a wide range of people through the JSDA website and SNS to promote their asset-building , highlighting the attractiveness of stock investments.

3. Create an environment that promotes smooth inheritance of risk assets between generations

Further review the valuations for inheritance tax and work with related parties to support the transfer of financial assets between generations.

Conduct studies necessary to ensure efficient management of financial assets, effective utilization of agents, as well as smooth asset inheritance between generations fit for the aged society.

4. Take initiatives to improve financial literacy (Promote collaboration with the Japanese Bankers Association (JBA))

- **Promote financial and securities education in schools**

Continue activities to support financial and securities education in schools by assisting teachers (of Social Studies in junior high schools and Civics and Home Economics in high schools), which includes providing supplementary materials and related information, as well as conducting seminars for the teachers.

In addition, conduct surveys and research to grasp the actual situation and issues in financial and economic education at schools under the changing circumstances including the newly introduced National Curriculum Standards and the advances in ICT.

- **Promote financial and securities education for working adults**

Conduct activities to support financial and securities education for working adults, which includes conducting seminars, providing online contents for young adults, substantially increasing the number of financial and securities instructors and offering onsite lectures, with the aim of widely disseminating securities knowledge among inexperienced and novice investors.

In addition, strengthen collaboration with related parties, including the joint use of the Financial and Securities Instructors with the JBA, and enhance various approaches to improve financial literacy targeting at a wide range of generations and occupations.

Market (Infrastructure)

Strengthen financial and capital markets' functions and competitiveness, including advancing financial innovation and Japan's status as a global financial hub

1. Properly respond to the progress in financial innovation

Conduct discussions and measures on tokenized securities (i.e. stocks and bonds that utilize blockchain technology) as necessary from the perspective of investor protection and sound development of the markets.

Collect information about the ongoing financial innovation collaborating with related parties, and conduct further research on its impact on the securities industry.

2. Facilitate risk money supply to start-ups

Deliberate on the tax reform requests that promote the supply of growth capital to start-ups.

3. Work toward consolidating the primary and secondary markets for unlisted stocks and activating their trading

Deliberate on how to develop primary and secondary markets of unlisted stocks for professional investors and how to vitalize their trading from the perspective of contributing to the expansion of fund supply to start-ups at later stages.

Consider establishing a system to promote the distribution and transfer of unlisted stocks in order to revitalize local businesses and support their business succession.

Enhance PR activities to raise awareness of the unlisted stock trading system.

4. Undertake initiatives for expanding and diversifying the corporate bond market

Respond to various issues for implementing corporate bond repo transactions in line with the "Milestones for the Development of the Corporate Bond Repo Market" published in April 2022.

Conduct periodical assessment regarding the impacts of reporting and publication rules for corporate bond transactions on market liquidity, and review the rules as necessary.

5. Take initiatives to achieve an established status as an international financial center

Deliberate on measures to enhance Japan's status as a global financial hub in Asia and a global financial center, and support the efforts by city authorities, including Tokyo and Osaka, in order to increase the global presence of the Japanese financial and capital markets.

Work on including profits and losses from derivative transactions in the scope of aggregation of profits and losses under the tax system in order to activate derivative transactions from the perspective of encouraging investment by individual investors in Japan's market and enhance Japan's status as an international financial city.

6. Undertake initiatives aimed to expand the use of the Social Security and Tax Number System ("My Number" System)

Continue to conduct PR activities to encourage customers to submit My Number, as well as to consider specific measures and work with related parties to expand the scope of use of My Number in the securities industry.

7. Provide support for cybersecurity measures at securities firms

Undertake necessary actions based on the government's strategic direction for economic security.

Coordinate member firms' participation in the government's cybersecurity exercises, in addition to sharing cyber incident information from member firms and providing them with information about cybersecurity measures taken by the government.

Provide support for enhancing each firm's cybersecurity standards to prevent fraudulent access so that customers can conduct their securities transactions with a greater sense of security.

8. Conduct drills to maintain market functions

Conduct BCP drills for the entire securities market to ensure that the communication network covering the entire industry functions well in the event of a large-scale disaster.

9. Review the Sales Representative Registration and Qualification System

Proceed with specific reviews toward implementing online training courses for renewal of sales representative qualification.

Market Intermediaries (Members)

Take active steps towards the achievement of SDGs and the acceleration of Green Transformation (GX), promote customer-oriented business conduct, and improve market intermediaries' functions and credibility.

1. Promote the sustainable finance and accelerate the GX

Through discussions at the "Advisory Board for the Securities Industry to Achieve Carbon Neutrality", deliberate on and implement initiatives to develop market participants' capacities with regards to sustainable finance including transition finance, as well as to promote sustainable finance to individual investors. Also, strengthen cooperation and collaboration with domestic and overseas counterparts.

Work with related parties to realize the request for special tax measures for investment in SDG bonds such as green bonds and social bonds.

2. Create a fulfilling work environment and promote diversity

Plan and conduct seminars and lectures for executives and employees of securities firms to improve working practices and bolster diversity in the industry.

Delete the gender column on the application for registration of sales representatives and delete gender information on the registry and other records of sales representatives kept in the JSDA in response to the revision of the Cabinet Office Ordinance.

3. Support economically vulnerable children

Support economically vulnerable children to foster their hope for the future through the "Securities Industry Network for Supporting Children," a platform that connects securities firms with NPOs supporting children in need.

In order to further increase awareness for addressing the poverty issue among children and youth in the securities and banking industries, deliberate on and implement industry-wide initiatives in cooperation with the Japanese Bankers Association, while the entire securities industry continuing to participate in the "Used Book Sale Donations for Children's Future."

4. Bolster partnerships with both Japanese and overseas parties towards the achievement of the SDGs

Manage the "Shareholders Incentives Endowment Fund for the SDGs" that utilizes social contribution-type shareholder incentives, and work on advancing the collaboration with universities, etc.

5. Support securities firms' efforts to develop human resources toward solving social issues

Support securities firms' efforts to develop human resources by providing training programs that contribute to achieving the SDGs and offering financial services fit for an aging society, through the "JSDA Training Hub," a training site for the executives and employees of securities firms.

6. Carry out measures to ensure customer-oriented business conduct

Based on the current state of "Customer-Oriented Business Conduct," consider and provide necessary responses.

7. Respond to needs to provide financial services fit for an aged society

Undertake initiatives as necessary to provide financial services according to each elderly customer's attributes and status.

Enhance the contents of "Booklet on Elderly Customers" distributed in June 2022, sharing case studies among member firms, and continue to engage in relevant information dissemination. Also, ensure appropriate solicitation practices for elderly customers by introducing a system to relay the complaints received by the FINMAC from relatives of elderly customers to member firms.

8. Facilitate paperless and digitalized procedures in securities transactions

Work with related parties to further facilitate the transition to paperless and digitalization in the securities industry, including documents to be delivered to customers.

Deliberate on promoting smooth Digital Transformation (DX) in securities firms.

Work with related parties to simplify documents attached to the application for registration of sales representatives in order to enhance operational efficiency in the registration procedure.

Conduct PR activities among the securities industry and work with related parties in order to smoothly introduce the electronic provision of shareholders meeting materials, which is to be newly introduced under the revised Companies Act.

9. Properly respond to the changes in financial services

- **Review self-regulation considering the current state of solicitation for structured bond sales**

Fully remind association members of the alert notification regarding structured bonds issued in June 2022. Consider and provide necessary responses depending on the products that they are selling as well as their solicitation practices for such products.

- **Review self-regulatory rules based on the current reality of private placements of bonds**

Based on the implementation status of “Rules Concerning Dealing, Etc. of Private Placement, Etc. of Corporate Bonds” and actual practices in dealing with private placements of bonds by association members, deliberate on the review of the said rules as necessary.

10. Exercise effective self-regulatory functions

- Conduct agile and effective inspections of association members

Continue to conduct agile and effective inspections of association members according to their business operations, status of assets, and other information in order to check and monitor their compliance with laws and self-regulatory rules, as well as the appropriateness of their internal administration.

- Continue efforts to prevent insider trading

Continue to collaborate with market-related entities to encourage listed companies to participate in the Japan Insider Registration & Identification Support System (J-IRISS) and deliberate on and implement further initiatives to prevent insider trading.

- Compile FAQs responding to the revisions of regulations on Best Execution Policies, etc.

In response to the revisions of regulations on Best Execution Policies, etc., compile FAQs to assist securities firms in preparing Best Execution Policy and Best Execution Manual.

11. Bring measures into effect to improve the IPO price-setting process

Deliberate on specific measures for the systemic revision to implement measures for the improvement of the IPO price-setting process based on the report published by the "Working Group on the Public Offering Price Setting Process."

12. Ease regulations on public offerings for M&A purposes

Continue to deliberate on easing current regulations on public offerings for M&A purposes (the current requirements for issuers to utilize the raised funds for M&A within one year in principle and to disclose an alternative use of the funds), in order to contribute to the growth of business enterprises through M&A.

13. Work to reduce mistakes and failures in securities transactions and facilitate the post-survey and report operations for such incidents

Continue to make improvements in the “Handbook for Sales Representatives on Prevention of Securities Incidents” sent to association members in July 2021, based on the survey of association members conducted in December 2021.

Conduct smooth operations for the incident examination/ the incident report by digitalizing the “Incident Report” submitted to the authorities in case that the amount of compensation paid to customers for the incident does not exceed JPY 1,000,000.

14. Participate in the review of the firewall regulations, etc. from the viewpoint of the sound development of capital market

Undertake necessary actions such as conveying member firms’ opinions regarding investment advice and firewall regulations to the Working Group on Capital Market Regulations of the Financial System Council.

Enhance global outreach and cooperation

1. Conduct overseas PR activities on the attractiveness and potential of Japanese markets

Conduct PR activities to update overseas investors, issuers and other related parties on the current situation and steps being taken in the markets to further raise the global presence of the Japanese financial and capital markets.

2. Enhance international cooperation and collaboration, including support for emerging markets and information exchange on transition finance

While taking COVID-19 situations into consideration, exercise leadership to enhance interactions and information exchange between the Asia Securities Forum (ASF) members with the aim of fostering financial and capital markets in the Asia-Pacific that can contribute to achieving a sustainable economy and society in light of the significance of transition finance.

Actively engage in international fora, such as the International Council of Securities Associations (ICSA) to respond to common global challenges and provide feedback to domestic related parties as necessary.

Undertake initiatives regarding cooperation between the Japanese and Chinese securities markets in collaboration with related parties, and provide technical assistance and cooperation to related entities in emerging markets.

3. Respond to the global regulatory agenda

Actively participate in discussions and investor protection initiatives in the International Organization of Securities Commissions (IOSCO), etc. Follow the global regulatory agenda pertaining to financial and capital markets, and respond as necessary in collaboration with related domestic and international entities.

Further facilitate the discussion and information sharing regarding the accounting, audit, and sustainability disclosure standards within the securities industry.

4. Respond to enhanced demand for English-based communication in JSDA's operations

Conduct English-based communication in JSDA's operations for new member firms that submit an application for registration in English to the administrative authorities.

Further promote the translation of JSDA's self-regulatory rules, notices, etc. into English.

Pursue measures and operations adapted to the DX

1. Further increase the efficiency of JSDA's operations tapping into the initiatives adapted to the Digital Transformation (DX) era

Further improve the efficiency of JSDA's operations through further development of Robotic Process Automation (RPA) and expansion of digital conference platforms.

Raise awareness of the latest initiatives regarding the DX that JSDA and related parties in the securities industry have envisioned or carried out.

2. Sustain and strengthen JSDA's business continuity plan (BCP) and cybersecurity measures

Enhance cyber resilience against the recent surge in targeted email attacks in order to cope with cyber-attacks properly.

Continue to endeavor to sustain/increase the effectiveness of BCP, including the responses to COVID-19 and other events of disaster, through the PDCA (plan-do-check-act) cycle.

3. Strategically develop qualified human resources and improve staff members' work-life balance

Enrich training programs and educational activities with the aim of developing staff members who have fundamental IT knowledge and skills in light of the environment where such expertise is becoming essential.

Develop personnel who can contribute to works related to international affairs, international exchange projects and securities business practice, by schemes such as sending staff to overseas graduate schools. Also, actively recruit female staff, aiming at women's active participation.

Take steps to strike a balance between work and private life, to enable every employee to realize their potential and continue to work with ease.