Annual Report

2022

National Police Agency

Introduction

The Act on Prevention of Transfer of Criminal Proceeds has been amended multiple times and its functions enhanced, so that it can effectively address the everchanging international and domestic situation surrounding money laundering and terrorist financing (ML/TF). Thanks to the continuous efforts of financial institutions and other specified business operators to enhance their vigilance against unlawful fund transfers, the number of suspicious transaction reports (STRs) filed with the competent authorities that supervise specified business operators (hereinafter referred to as the "Competent Authorities") from specified business operators exceeded 580,000 in 2022, which was the largest number ever. The amount of information on STRs provided to the law enforcement authorities (LEAs) and other institutions also continued to increase and was effectively used for measures taken by the LEAs and other institutions.

Enhancing anti-money laundering regulations in one country does not prevent money laundering because it occurs in countries whose regulatory frameworks are weak. International coordination is necessary for measures to combat money laundering. Based on the Recommendations developed by the Financial Action Task Force (FATF)*, which is an intergovernmental organization to combat money laundering, each country is implementing AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism) measures in a coordinated manner. In accordance with the FATF Recommendations, the Japanese government has developed laws and systems to combat money laundering by taking account of crime trends and changing situations in Japan to implement AML/CFT measures in collaboration with private companies.

In August 2021, the Fourth Round Mutual Evaluation Report (MER) of Japan was publicly disclosed by the FATF regarding the implementation status of the FATF Recommendations in Japan. The report evaluated the successful outcome of Japan's AML/CFT measures, and at the same time pointed out areas that should be improved. Currently, the Japanese government is conducting improvements in the areas pointed out and further strengthening its AML/CFT measures in line with the "National AML/CFT/CPF Action Plan" formulated when the report was publicly disclosed and the "National Strategy and Policy for AML/CFT/CPF" decided in May 2022.

In order to promote AML/CFT measures effectively, enforcement efforts by domestic LEAs alone are not enough, as it is also necessary to actively and continuously promote public-private sector cooperation and international coordination. In order to achieve this goal, we need to gain understanding and support from specified business operators and the general public. We hope that this Annual Report will help in cultivating understanding and support for AML/CFT measures among not only those who are directly involved in this field, but also the general public, while also promoting the prevention of transfers of criminal proceeds, thereby contributing to the safety and security of people's lives and sound economic development.

^{*} In Japan, the Financial Action Task Force is generally called "FATF."

Legend

1 Abbreviations for laws

Abbreviations for laws							
Abbreviations for laws are as follows.							
[Abbreviation]		[Law]					
Act on Prevention of		Act on Prevention of Transfer of Criminal					
Transfer of Criminal		Proceeds (Act No.22 of 2007)					
Proceeds							
Anti-Drug Special		Law concerning Special Provisions for the					
Provisions Law		Narcotics and Psychotropics Control Law,					
		etc., and Other Matters for the Prevention of					
		Activities Encouraging Illicit Conduct and					
		Other Activities Involving Controlled					
		Substances through International					
		Cooperation (Act No. 94 of 1991)					
Act on Punishment of		Act on Punishment of Organized Crimes and					
Organized Crimes		Control of Crime Proceeds (Act No. 136 of					
		1999)					
Act on Punishment of		Act on Punishment of the Financing of					
Financing of Offences of		Criminal Activities for the Purpose of					
Public Intimidation		Intimidation of the General Public and of					
		Governments (Act No. 67 of 2002)					
International Terrorist		Act on Special Measures Concerning the					
Asset-Freezing Act		Asset-Freezing of International Terrorists					
		Conducted by Japan Based on United					
		Nations Security Council Resolution 1267					
		(Act No. 124 of 2014)					
Payment Services Act		Act on Financial Settlements (Act No. 59 of					
		2009)					
Immigration Control Act		Immigration Control and Refugee					
-		Recognition Act (Cabinet Order No. 319,					
		1951)					
Investment Deposit and		Act Regulating the Receipt of Contributions,					
Interest Rate Act		the Receipt of Deposits, and Interest Rates					
		(Act No. 195 of June 23, 1954)					
Amusement Business Act		Act on Control and Improvement of					
		Amusement Business, etc. (Act No. 122 of					
		1948)					
Foreign Exchange Act		Foreign Exchange and Foreign Trade Act					
		(Act No. 228 of 1949)					

Abbreviations for conventions, etc.

Abbreviations for conventions, etc. are as follows.

[Conventions, etc.] [Abbreviation]

UN New Narcotics United Nations Convention against Illicit Convention

Traffic in Narcotic Drugs and Psychotropic

Substances (Convention No. 6 of 1992)

International Convention International Convention for the Suppression for the Suppression of the of the Financing of Terrorism (Convention Financing of Terrorism No. 6 of 2002)

G8 Action Plan Principles G8 Action Plan Principles to prevent the misuse of companies and legal arrangements

(Agreed at G8 Summit in Lough Erne in June

2013)

Japan Action Plan Japan Action Plan to prevent the misuse of

companies and legal arrangements

(Announced in June 2013)

3 Other

accountant

The following terms used in this Report include the following corporations: [Terms]

Lawyer Registered foreign lawyers, legal professional

> corporations, foreign legal professional corporations and attorney at law/registered

foreign lawyer joint corporations are

included.

Judicial scrivener Judicial scrivener corporations are included.

Certified administrative Certified administrative procedures legal procedures legal specialist specialist corporations are included.

Certified public accountant Foreign certified public accountants and

audit corporations are included.

Certified public tax Certified public tax accountant corporations

are included.

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Attachments

- (1) Act on Prevention of Transfer of Criminal Proceeds
- (2) Supplementary Resolution for the Bill for the Act on Prevention of Transfer of Criminal Proceeds
- (3) Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds
- (4) Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds
- (5) Act on Punishment of Organized Crimes and Control of Crime Proceeds (Extract)
- (6) Law concerning Special Provisions for the Narcotics and Psychotropics Control Law, etc., and Other Matters for the Prevention of Activities Encouraging Illicit Conduct and Other Activities Involving Controlled Substances through International Cooperation (Extract)
- (7) List of the Destinations of Suspicious Transaction Reporting
- Note 1: Unless otherwise noted, statistics and other numbers shown, including in charts and figures, are taken from National Police Agency surveys.
- Note 2: In this Report, the number of cases is counted by that of cases reported by prefectural police, so it is different from that of arrest cases.

Chapter 1 Overview of History of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures

Money laundering refers to attempts to evade the discovery of money obtained through illicit means, especially criminal proceeds, and arrests, etc. by investigative authorities, etc. by concealing the sources or beneficial owners of the money. If effective measures are not taken against money laundering, criminal proceeds will continue to be utilized for further crimes or be used to promote organized crimes. Money laundering utilized by transferring could also pose a serious threat to sound economic activities. Therefore, in order to ensure the safety and peace of national life and the sound development of economic activities, it is critical to take positive steps for AML/CFT.

The international community has continued to develop AML/CFT regimes in an effort to prevent and eradicate money laundering and terrorist financing (ML/TF) as mentioned below, and accordingly, Japan has also been working on the Anti-Money Laundering and Countering the Financing of Terrorism regimes (hereinafter referred to as "the AML/CFT measures, etc.") in cooperation with the international community. We consider that the various AML/CFT regimes, etc. put in place and the follow-up activities we have made for their effective implementation, as described in this report, illustrate our dedication to taking on the global challenge of combating ML/TF and implementing robust domestic efforts.

Section 1 History of International AML/CFT Efforts

1. Anti-Money Laundering as a Countermeasure against Narcotic Drugs

Through the 1980s, the global spread of narcotics abuse was considered to be a crisis in the international community, prompting a variety of initiatives to address this issue. Especially in fighting against illegal transactions by transnational drug-trafficking organizations, it was recognized as important to take all possible measures to inflict damage on the sources of their funds, such as confiscating illegal proceeds from drug manufacturing and trafficking and effectively preventing their money laundering activities. In this context, the UN New Narcotics Convention was adopted in December 1988, and it required each state to criminalize activities such as hiding drug crime proceeds and to establish relevant regulations to confiscate such proceeds.

At the Arch Summit in July 1989, in order to deepen international cooperation on money laundering initiatives related to drug crimes, the major developed countries took the initiative to establish the FATF. In April 1990, urged by the need for standardizing measures in different countries, the FATF devised "The 40 Recommendations" as standards for anti-money laundering measures to be applied in the fields of law enforcement, criminal justice, and the financial system. "The 40 Recommendations" required early ratification of "the UN New Narcotics Convention," the development of domestic laws stipulating anti-money laundering measures, and the establishment of measures, such as obligations to conduct customer identification and to report suspicious transactions by financial institutions.

2. Anti-Money Laundering as a Countermeasure against Organized Crime

In the 1990s, the international expansion of organized crime was recognized as a phenomenon that could threaten each country's security, and therefore the United Nations took the initiative to establish an international convention against international organized crimes. At the Halifax Summit in June 1995, it was pointed out that effective measures to prevent the concealing of proceeds not only from drug-trafficking but also from any other serious crimes were also necessary for successful countermeasures against transnational organized crimes. In accordance with these movements, in June 1996, the FATF revised a

part of "The 40 Recommendations," and recommended that, in addition to drug crimes, the scope of predicate offences for money laundering measures be extended to include other serious crimes.

Further, at the Birmingham Summit in May 1998, the participating countries agreed to create an FIU (Financial Intelligence Unit) in each country, which is dedicated to collecting, arranging, and analyzing money laundering information, and to disseminating the information to investigative authorities. The Egmont Group, established in 1995 as a forum for exchanging information between FIUs, defines an FIU as a "central, national agency responsible for receiving and analyzing information reported by financial institutions and providing such information to the competent authorities to support the government's anti-money laundering measures; it shows a way for exchanging information that is important for law enforcement agencies."

3. Countermeasures against Terrorist Financing

In countering the financing of terrorism, anti-money laundering measures were thought in most part equally applicable to it, given that among other matters, in terms of prevention it is critical to intercept the terrorist financing, clarify the sources of the funds, and promote international cooperation.

Based on the concepts noted above, the International Convention for the Suppression of the Financing of Terrorism, adopted in December 1999, requires that the signatory countries have mechanisms in place to criminalize terrorist financing and the collection of funds for terrorism, to confiscate terrorist finances, to verify customer identity by financial institutions, and to report on suspicious transactions.

Subsequently, in response to the terrorist attacks on the U.S. in September 2001, the FATF held an emergency session in October of the same year, when it issued "The 8 Special Recommendations," at which time it included measures to counter terrorist financing as part of its mission, as well as criminalizing terrorist financing and freezing terrorist assets as an international standard for fighting terrorist financing. In October 2004, a new recommendation related to the measures to prevent the physical cross-border transportation of funds was added to these recommendations, which made them "The 9 Special Recommendations."

4 Countermeasures against Changing ML/TF Trends

With the development of AML/CFT measures, the trends of ML/TF have also been changing, such as the employment of new tactics, including the use of businesses other than financial institutions to conceal criminal funds. As a result, in June 2003 the FATF revised "The 40 Recommendations," extending the scope of operators required to implement the Recommendations to designated non-financial businesses and professions (DNFBPs). Furthermore, in February 2012, the 40 Recommendations and 9 Special Recommendations were integrated and upgraded to become the new 40 Recommendations in order to properly address the proliferation of weapons of mass destruction, as well as the additional threat of corruption, including the bribery of public officials and the appropriation of property (See Table 1-1).

At the Lough Erne Summit in June 2013, the participating countries agreed on the G8 Action Plan Principles, in response to today's situation surrounding CFT measures and the fact that legal persons with nontransparent ownership and management structures and legal arrangements are misused for money laundering and tax evasion.

The G7 Leaders' Declaration issued in the G7 Summit at Schloss Elmau in June 2015 pointed to the risks that virtual assets^(Note) could be misused for terrorist financing and

Note: The term "virtual currency" used at the G7 Summit at Schloss Elmau, etc. was translated the "kasou tsuuka (virtual currency)" in Japanese, but later in international discussions, such as the meeting of G20 Finance Ministers and Central Bank Governors, "virtual asset"

concealment of terrorist funds, and stated that the members will take further actions to ensure greater transparency of all financial flows, including through the appropriate regulation of virtual assets and other new payment methods. The FATF Guidance issued in June 2015 also stated that exchangers of fiat currencies and virtual assets should be licensed or registered and regulated by AML/CFT laws, along with the customer due diligence (CDD), STR, recordkeeping, and other obligations.

Moreover, the Communiqué of the G20 Finance Ministers and Central Bank Governors Meeting in March and July 2018 noted that virtual-assets raise ML/TF issues. Following this statement, in October 2018 the FATF revised its Recommendations to include the need for AML/CFT regulations on virtual assets exchangers, wallet providers, and providers of ICO (initial coin offering)-related financial services.

Table 1-1 Overview of the New "40 Recommendations"

	1 4 5 1 5 1 5 1 6 1 6 1 6 1 6 1 6 1		
New Recom- mendation	Outline of Recommendation	New Recom- mendation	Outline of Recommendation
1	Assessing risks & applying a risk-based approach	21	Tipping-off and confidentiality
2	National cooperation and coordination	22	DNFBPs (designated non-financial businesses and professions): Customer due diligence
3	Money laundering offences	23	DNFBPs (designated non-financial businesses and professions): Other measures
4	Confiscation and provisional measures	24	Person substantially controlling of legal persons
5	Terrorist financing offences	25	Person substantially controlling of legal arrangements
6	Targeted financial sanctions related to terrorism & terrorist financing	26	Regulation and supervision of financial institutions
7	Targeted financial sanctions related to proliferation	27	Powers of supervisors
8	Non profit organizations (NPO)	28	Regulation and supervision of DNFBPs (designated non-financial businesses and professions)
9	Financial institution secrecy laws	29	Financial intelligence units
10	Customer due diligence	30	Responsibilities of law enforcement and investigative authorities
11	Record keeping	31	Powers of law enforcement and investigative authorities
12	Politically exposed persons	32	Cash couriers
13	Correspondent banking	33	Statistics
14	Money or value transfer services	34	Guidance and feedback
15	New technologies	35	Sanctions
16	Wire transfers (Obligation to add a supplementary note regarding information on the originator and the beneficiary)	36	International instruments
17	Reliance on third parties	37	Mutual legal assistance
18	Internal controls and foreign branches and subsidiaries	38	Mutual legal assistance: freezing and confiscation
19	Higher-risk countries	39	Extradition
20	Reporting of suspicious transactions on ML/TF at financial institutions	40	International cooperation (information exchange with foreign counterparts)

has been used instead of "virtual currency," and "virtual asset" has been translated as "angou shisan (virtual assets)" in Japanese. This Annual Report uses expressions based on the original text of the Leaders' Declaration, etc. cited.

Section 2 History of AML/CFT Efforts in Japan

1. Enforcement of "the Anti-Drug Special Provisions Law"

Anti-money laundering measures in Japan have been developed in accordance with the increasing awareness of AML/CFT among the international community. Firstly, in June 1990, the then Director-General of the Banking Bureau at the Ministry of Finance issued a notice that demanded that financial institutions verify customers' identities. Next, "the Anti-Drug Special Provisions Law" was enforced in July 1992 as one of the domestic laws implementing the "New Narcotics Convention," aiming mainly at dealing with drug crime proceeds. This law criminalized money laundering activities related to drug crime proceeds for the first time in Japan and established the suspicious transaction reporting system (regarding drug crime proceeds) by financial institutions etc., in response to "The 40 Recommendations."

2. Enforcement of "the Act on Punishment of Organized Crimes"

The FATF first round mutual evaluation of Japan in 1994 recommended remedial actions to be taken for the limited scope of predicate offences for money laundering that had targeted only drug crimes. As a practical matter, it was extremely difficult for reporting entities to determine if each transaction was actually related to drug crimes in reporting suspicious transactions, resulting in fewer suspicious transaction reports. This ineffectiveness was partially caused by the fact that there was no system in place to collect reported information or to disseminate it to the investigative authorities.

To address these problems, "the Act on Punishment of Organized Crimes" was enforced in February 2000 in Japan based on "The 40 Recommendations," as revised in 1996. This law represented progress for the regulations against criminal proceeds on several points. Firstly, the scope of predicate offences for money laundering was extended to include other serious crimes in addition to drug-related crimes. Secondly, the scope of crimes subject to the suspicious transaction reports regime was also extended to include other serious crimes besides drug crimes. Thirdly, the law mandated that the Financial Supervisory Agency (later reorganized to the Financial Services Agency) serve as the FIU of Japan, and the Japan Financial Intelligence Office (JAFIO) was established within the agency, accordingly.

3. Enforcement of "the Act on Punishment of Financing to Offences of Public Intimidation" and "the Act on Customer Identification by Financial Institutions," and Amendment of "the Act on Punishment of Organized Crimes"

As a major development after the terrorist attacks in the U.S., "the Act on the Punishment of Financing to Offences of Public Intimidation" was enforced in July 2002 as a domestic law to join "the International Convention for the Suppression of the Financing of Terrorism," criminalizing terrorist financing and the collection of funds for terrorism.

At the same time, "the Act on Punishment of Organized Crimes" was partially amended, so that the terrorist financing/fund collection offences were included in predicate offences. Moreover, terrorist funds were stipulated as criminal proceeds, which means that assets suspected of being terrorist funds are now subject to reporting as suspicious transactions. Also, to implement the obligations of customer identification and record keeping required under the said Convention and the 40 Recommendations, "the Act on Confirmation of Customers Identification by Financial Institution, etc." (hereinafter referred to as "Customer Identification Act") was enforced in January 2003.

Because of the frequent abuse of bank accounts under other or fictitious names for offences, such as billing fraud, the Customer Identification Act was amended in December 2004, and thereby provided sanctions against the transfer (both receiving and assigning) of passbooks and was renamed as "the Act on Confirmation of Customers Identification by Financial Institution, etc. and Prevention of Unauthorized Use of Deposit Account, etc.

4. Development of "the Act on Prevention of Transfer of Criminal Proceeds"

In response to the extension of the scope of businesses subject to customer due diligence (CDD) and other obligations to include DNFBPs in 2003, in December 2004, "the Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism," with the Chief Cabinet Secretary as its head, published "the Action Plan for Prevention of Terrorism," including consideration of the implementation of the re-revised 40 Recommendations. In November 2005, the abovementioned Headquarters decided that [i] the National Public Safety Commission and the National Police Agency would draft a bill to implement the re-revised Recommendations, [ii] the FIU function would be transferred from the Financial Services Agency to the National Public Safety Commission and the National Police Agency, and [iii] the competent administrative (guidance) authorities would provide STR-related guidance and supervision to relevant business sectors.

The National Police Agency drafted the bill, in cooperation with the relevant ministries and agencies, quoting the Customer Identification Act and a portion of the Act on Punishment of Organized Crimes, and submitted it to the 166th National Diet session in February 2007. "The Act on Prevention of Transfer of Criminal Proceeds" was then adopted in March of that year. The partial enforcement of the Act stipulating the transfer of the FIU was carried out in April of the same year, while the expansion of specified business operators subject to the CDD obligation and other remaining provisions were enforced in March 2008. As a result, the Customer Identification Act was repealed.

In April 2011, in consideration of the discussions on recommendations made under the FATF Third Round Mutual Evaluation of Japan in 2008, and in light of damages caused by billing fraud in Japan, the following amendments were made to the Act on Prevention of Transfer of Criminal Proceeds; additional points to verify on transactions of specified business operators, addition of telephone forwarding service providers to the list of specified business operator, addition of measures for accurate verification at the time of transactions, and strengthening punishments on illicit transfer of passbooks, etc. The amended Act was fully enforced in April 2013.

Following the G8 Action Plan Principles agreed at the G8 Lough Erne Summit in 2013, Japan also expressed its strong commitment to it by announcing the Japan Action Plan in June 2013, according to which necessary actions, including the national risk assessment of ML/TF, should be undertaken.

In November 2014, based on the above-mentioned results in the FATF Third Round Mutual Evaluation of Japan, the government partially amended the Act on the Punishment of Financing to Offences of Public Intimidation (which came into force in December 2014) and established the International Terrorist Asset-Freezing Act (October 2015). The Act on Prevention of Transfer of Criminal Proceeds was also partially amended to [1] add provisions regarding the responsibilities of the National Public Safety Commission in relation to the preparation of national risk assessment follow-up reports (NRAs), [2] clarify the criteria for suspicious transactions, [3] ensure stricter verification of correspondence contracts, [4] and expand the obligation for business operators to make efforts to develop the necessary systems (which came into force in October 2016).

In response to the G7 Leaders' Declaration in the Elmau Summit in 2015 and the FATF Guidance, Japan amended the Payment Services Act in May 2016 to regulate and license virtual assets exchangers. Japan also established the Act Partially Amending the Banking Act, etc. for Responding to the Advancement of Information and Communications Technology and Other Environmental Changes, which partially amended the Act on Prevention of Transfer of Criminal Proceeds to include virtual assets exchangers in the scope of specified business operators. This Act came into force in April 2017.

In May 2019, with the partial amendment of the Payment Services Act, the term "virtual currency" prescribed in the Payment Services Act was changed to "virtual assets," and

necessary amendments were carried out for the Act on Prevention of Transfer of Criminal Proceeds, such as changing the term "virtual currency exchangers" to "virtual assets exchange service providers" (enforced in May 2020).

In June 2017, in response to the expansion of the scope of predicate offences related to criminal proceeds through the amendment of the Act on Punishment of Organized Crimes, Japan amended the Act on Prevention of Transfer of Criminal Proceeds and expanded the scope of receivers of STRs to include the officials of the National Tax Agency and other authorities, who are in charge of investigations of tax offences relating to offences that fall under the expanded scope of predicate offences. This Act came into force in July 2017.

In response to the FATF Recommendations, which pointed out the risks that casinos may be used for ML/TF purposes and the need to introduce CDD obligations for customers engaging in financial transactions exceeding a certain threshold, Japan established the Act on Promotion of Development of Specified Complex Tourist Facilities Areas in July 2018, which partially amended the Act on Prevention of Transfer of Criminal Proceeds to include casino business operators in the scope of specified business operators. This Act came into force in July 2021.

In June 2022, based on the discussions on how to deal with so-called global stablecoins at the G20 Finance Ministers and Central Bank Governors Meeting, the Financial Stability Board (FSB), the FATF, etc., and also the moves to consider regulations in foreign countries, Japan amended the Payment Services Act to introduce business regulations, such as a registration system for business operators dealing with electronic payment instruments. Japan also amended the Act on Prevention of Transfer of Criminal Proceeds and enacted the Act to Partially Amend the Payment Services Act and Other Related Acts to Establish a Stable and Efficient Payment Services System, including the addition of intermediaries dealing with electronic payment instruments, etc., to specified business operators (to be enforced on the day specified by Cabinet Order by June 9, 2023).

In addition, in December 2022, based on the fact that in the recommendations in the FATF Fourth Round Mutual Evaluation Report (MER) of Japan published in August 2021, it was recommended that Japan work on strengthening countermeasures against virtual assets and amending laws to strengthen the AML measures, the Act on Prevention of Transfer of Criminal Proceeds was amended to include matters related to verification at the time of transactions conducted by legal professionals as specified business operators and establish the provisions for the STR reporting obligation, and the "Act to Partially Amend the Act on Special Measures Concerning the Asset-Freezing of International Terrorists Conducted by Japan Based on United Nations Security Council Resolution 1267, etc., to Deal with International Transfers of Unlawful Funds" (hereinafter referred to as the "Act to Respond to FATF Recommendations") was enacted, including the notification obligation pertaining to the transfer of virtual assets on virtual assets exchange service providers as specified business operators (the provisions on the notification obligation, etc., related to transfers of virtual assets are to be enforced on the day specified by Cabinet Order by September 8, 2023, and the provisions on the addition of matters related to the verification at the time of transactions conducted by legal professionals and the development of the STR reporting obligation, etc., are to be enforced on the day specified by Cabinet Order by June 8, 2024).

The Act to Respond to FATF Recommendations is an amended Act that collectively performs a total of six amendments of laws and acts, including the Act on Prevention of Transfer of Criminal Proceeds, the Act on Punishment of Organized Crimes, and the Anti-Drug Special Provisions Law. It also covers amendments to the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law that are intended to raise statutory penalties for the crime of money laundering, amendments to the Act on Punishment of Organized Crimes to expand the scope of property that can be confiscated as criminal proceeds, and amendments to the Act on Punishment of Terrorist Financing to expand the constituent requirements of punishment provisions and to raise statutory

penalties. These amended provisions were enforced from the day 20 days after their promulgation (December 29, 2022).

The major amendments to laws that have recently been made are discussed in Chapter 2 (Legislative Regime on AML, etc.).

The National Police Agency, together with other relevant government ministries and agencies, has amended laws and regulations related to the AML measures, etc. as appropriate, including the Act on Prevention of Transfer of Criminal Proceeds, thereby responding to changes to social conditions and addressing the deficiencies identified in the FATF (MER) of Japan.

Figure 1-1 History of AML/CFT Measures

	Global Events	Events in Japan
• December 1988 • July 1989	Adoption of UN New Narcotics Convention (Criminalization of money laundering activities related to illegal proceeds derived from drug crimes) Arch Summit (Establishment of the FATF (Financial Action Task Force on Money Laundering))	
• April 1990	FATF issued the 40 Recommendations - Customer identification by financial institutions - Reporting of suspicious transactions to financial regulatory authorities	 June 1990 The Ministry of Finance issued an order to financial Organizations (requiring financial institutions to verify customer identity) July 1992 Enforcement of the Anti-Drug Special Provisions Law (Criminalization of money laundering related to drug crimes, establishment of suspicious transaction reporting system)
• June 1994	FATF announced the FATF first round mutual evaluation of Japan Recommendations made concerning scope of predicate offences for money laundering that targeted only drug crimes	
• June 1995	Halifax Summit (Confirmation of the need for extending the scope of predicate offences to serious crimes)	
• June 1996	FATF revised the 40 Recommendations - Extending the scope of predicate offences to serious crimes became compulsory.	
• May 1998	Birmingham Summit (Agreement on establishment of FIU)	• February 2000
• July 1998	FATF announced the FATF second round mutual evaluation of Japan Repeated recommendations made concerning scope of predicate offences for money laundering being only limited to drug crimes	Enforcement of the Act on Punishment of Organized Crimes (Expansion of scope of predicate offences to include other serious crimes, establishment of Japanese FIU at the Financial Supervisory Agency) July 2002
• December 1999	Adoption of the International Convention for the Suppression of the Financing of Terrorism (criminalization of terrorist financing and collection of funds for terrorism became compulsory)	Enforcement of the Act on Punishment of Financing to Offences of Public Intimidation and the revised Act on Punishment of Organized Crimes (addition of terrorist funding and collection etc. to list of predicate offences) January 2003 Enforcement of the Customer Identification Act (Obligation of
• September 2001	Terrorist attacks in the US	customer identification by financial institutions etc. is legislated.) • December 2004 Enforcement of the amended Act on Customer Identification by
• October 2001	FATF issued its 8 Special Recommendations - Criminalization of terrorist financing, reporting of suspicious transactions related to terrorism	Financial Institutions (Punishment on illicit transfer of passbooks was established.) The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the Action Plan for Prevention of Terrorism.
• June 2003	FATF re-revised the 40 Recommendations - Application of recommendations to nonfinancial businesses (real estate agents, dealers in precious metals, dealers in precious stones, etc.) and professions (lawyers, accountants, etc.)	November 2005 The Headquarters for the Promotion of Measures Against Transnational Organized Crime and International Terrorism decided on the development of laws for implementation of the FATF Recommendations March 2007
• October 2004	FATF revised its 8 Special Recommendations to make 9 Special Recommendations - Measures were added to prevent physical movement of funds across border.	Adoption of the Act on Prevention of Transfer of Criminal Proceeds • April 2007 Partial enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Transfer of the function of FIU from the Financial Services Agency to the National Public Safety Commission/the National Police Agency)
		 March 2008 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Enforcement of the customer identification obligation etc. to DNFBPs)
• October 2008	FATF announced the FATF third round mutual evaluation of Japan - Nine categories, including CDD, were given the "NC" rating	

	Global Events	Events in Japan
• February 2012	FATF revised its 40 Recommendations and 9 Special Recommendations - FATF integrated both into New 40 Recommendations	 April 2011 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (Addition of matters to be confirmed during transactions, addition of measures to conduct the confirmation accurately, addition of special business operators, strengthening of penal provisions pertaining to the unauthorized assignment of bank passbooks, etc.)
• June 2013	Lough Erne Summit (Agreed on the G8 Action Plan Principles)	• April 2013 Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (the portion amended in April 2011)
• June 2014	FATF announced a statement on Japan - FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures	• June 2013 Release of the Japan Action Plan
• June 2015	G7 Elmau Summit Declaration regarding the introduction of an appropriate regulation of virtual assets)	 November 2014 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (provisions for clarification of the judgment method of suspicious transactions, strict verification at the time of the conclusion of correspondence contracts, and expansion of the obligation for business operators to make efforts to develop necessary systems) December 2014 Enforcement of the amended Act on Punishment of Financing to Offences of Public Intimidation October 2015 Enforcement of the International Terrorist Asset-Freezing Act May 2016 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding virtual assets exchangers into the scope of specified business operators) October 2016 Full enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (the portion amended in November 2014) April 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2016) June 2017 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (National Tax Agency and other authorities added to the recipient of information on suspicious transactions) July 2017 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in June 2017)

	Global Events	Events in Japan
• March and July 2018	G20 Finance Ministers and Central Bank Governors Meeting (Declaration regarding the ML/TF issues of crypto assets)	 July 2018 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding casinos into the scope of specified business operators)
• October 2018	Revision of FATF Recommendation 15 "New Technologies" - Pointed out the need for AML/CFT Regulations against virtual assets exchangers, etc.	 May 2019 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (The term "virtual asset" replaced with "crypto asset", the scope of regulation of services to manage crypto assets expanded)
• July 2020	FATF released the Report to the G20 Finance Ministers and Central Bank Governors on so- called stablecoins (Clarification of the application of FATF standards to so-called stable coins)	• May 2020 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2019)
• October 2020	FSB's recommendations at the G20 Finance Ministers and Central Bank Governors Meeting (Discussions on how to deal with so-called global stablecoins)	
		 July 2021 Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in July 2018
• August 2021	FATF announced the FATF fourth round mutual evaluation of Japan Pointed out to the investigation and prosecution, etc. pertaining to the supervision on financial institutions, etc., and money laundering and terrorism financing	 August 2021 Release of the "Plan of Action for AML/CFT & Proliferation" May 2022 Release of the National Strategy and Policy for AML/CFT/CPF
	and terrorism maneing	 June 2022 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (addition of issuers of high value and electronically transferrable prepaid payment instruments to specified business operators)
		December 2022 Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (addition of matters related to verification at the time of transactions conducted by legal professionals, introduction of a notification obligation for transfers of virtual assets, etc.)

Section 3 History of FIU in Japan

1. Establishment of the FIU

Following the enforcement of the Act on Punishment of Organized Crimes in February 2000, the first FIU in Japan was established under the Financial Supervisory Agency (later reorganized as the Financial Services Agency) in order to process information related to suspicious transactions and exchange information with foreign countries.

In 2003, the FATF once again revised the 40 Recommendations, expanding the scope of businesses subject to the obligation to implement measures, such as verifications of customers' identities, beyond financial institutions. In light of this, Japan also decided to expand the scope of businesses subject to the obligation for implementing measures to prevent ML/TF not only for financial institutions but also real estate agents, dealers in precious metals and stones, and other business operators.—

In November 2005, the Japanese government's "Headquarters for Promotion of Measures Against Transnational Organized Crime and International Terrorism" specifying that the National Police Agency drafts the bill for the implementation of the FATF Recommendations, and so on, decided to expand the scope of businesses subject to the obligation for implementing measures to prevent ML/TF to businesses other than financial institutions as mentioned above. Accordingly, it was determined that it was appropriate to shift the authority over the FIU functions, most of which concern the processing and analysis of information regarding suspicious transactions, from the Financial Services Agency, which supervises financial institutions, to the police, which uses reported information in general for investigations and countermeasures against organized crimes and terrorism.

The Act on the Prevention of Transfer of Criminal Proceeds, which was partially put into force in April 2007, made it clear that the National Public Safety Commission (NPSC), which exercises administrative supervision over the National Police Agency and is aided by it, is responsible for the prompt and appropriate collection, arrangement, and analysis of suspicious transaction reports (STRs) filed by specified business operators. The Act also granted the NPSC a function to provide STRs to investigative authorities and foreign FIUs, as well as a function to complement supervisory measures against specified business operators. The Director for Prevention of Transfer of Criminal Proceeds (merged with the Strategy-Planning and Analysis Division to form the Organized Crime Policy Planning Division in April 2014, and then the Division was reorganized into the 1st Organized Crime Division in November 2022 by reorganizing the affairs under the jurisdiction of the Division) was established within the Organized Crime Department in the Criminal Affairs Bureau of the National Police Agency as the organization responsible for processing administrative work related to the enforcement of the same law, and also the Director for Analysis of Financial Intelligence (abolished on April 1, 2015) and the Director for International Cooperation were established under the control of the Director for Prevention of Transfer of Criminal Proceeds, which internationally serves as the FIU in Japan and is referred to as Japan Financial Intelligence Center (JAFIC).

2. Mission and Structure

JAFIC endeavors to increase people's understanding about the importance of preventing the transfer of criminal proceeds, and it is tasked with the following works as specified in the Act on Prevention of Transfer of Criminal Proceeds.

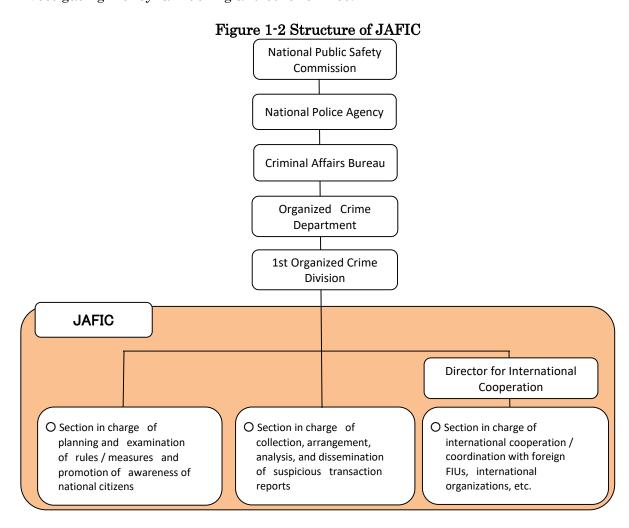
- Collecting, arranging, and analyzing information of suspicious transactions and disseminating information to investigative authorities, etc.
- o Disseminating information to foreign FIUs
- Preparing and publishing national risk assessment follow-up reports (NRAs) formulated after investigating and analyzing the status of transfers of criminal proceeds

 Providing information and supplementing supervisory measures by administrative authorities to ensure that specified business operators take the required measures

JAFIC also plans and examines the legal system related to AML/CFT and various measures. It also participates in various international AML/CFT standard-setting activities.

The structure of JAFIC is illustrated in Fig. 1-2. It is currently composed of about 100 employees working.

On the other hand, the "Task Force for Fact-finding concerning Criminal Proceeds" is established in each Prefectural Police in charge of tracing criminal proceeds and investigating money laundering and other crimes.



3. Partners

The relevant ministries and agencies in charge of supervising business operators not only exercise the supervisory function to secure the fulfillment of obligations under the Act on Prevention of Transfer of Criminal Proceeds, but they also provide support by issuing Lists of Reference Cases of Suspicious Transactions and holding seminars together with industry organizations. On the other hand, the police and other investigative authorities contribute in the areas of punishing money laundering or predicate offences and confiscating their proceeds.

These ministries and agencies carry out their duties in each position in cooperation with each other in several ways, including by sharing useful information and discussing issues to prevent money laundering.

Chapter 2 The Legislative Regime for AML/CFT

The AML/CFT regime in Japan has been developed since the 1980s. Today's AML/CFT regime focuses on achieving the following four goals:

- (1) Imposing CDD and other necessary obligations
- (2) Criminalizing money laundering
- (3) Confiscating criminal proceeds
- (4) Preventing terrorism financing

Of these, (1) is for deterring ML/TF by facilitating the tracing of criminal proceeds when they are transferred and making it difficult to avoid prosecution or confiscation, (2) and (3) primarily target assets of criminal organizations to root out their sources of funds, and (4) is for cutting off the funding necessary for the activities of terrorists by designating terrorists as individuals subject to asset-freezing measures.

(1) is realized by the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange Act, (2) and (3) are realized mainly by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law, and (4) is realized by the Act on Punishment of Financing to Offences of Public Intimidation, the Foreign Exchange Act, and the International Terrorist Asset-Freezing Act.

OAssure the safety and peace of national life **Purposes** OAssure the sound development of economic activities OImposition of CDD and other necessary obligations **OPunishment of money laundering Measures** OConfiscation of criminal proceeds OPrevention of terrorism financing The Act on Prevention of Transfer of Criminal Proceeds Preparation and preservation of transaction records, etc. Reporting of suspicious transactions Verification at the time **Provisions** of transactions, etc. on prevention Foreign Exchange Act Preparation and preservation of records Confirmation of identity of customers, etc. The Act on Punishment of Organized Crimes The Anti-Drug Special Provisions Law **Punishment of money laundering** Managing enterprises, etc. through illegal proceeds, etc Concealment of criminal proceeds, etc. (including drug crime proceeds) Receipt of criminal proceeds, etc. (including drug crime proceeds) **Provisions** Confiscation of criminal proceeds on controlling Temporary restraining order for confis-Confiscation Collection of equivalent value cation or collection of equivalent value Act on Punishment of Financing to Offences of Public Intimidation International Terrorist Asset-Freezing Act Foreign Exchange Act Punish persons providing funds for terrorists Freeze assets of terrorists, etc.

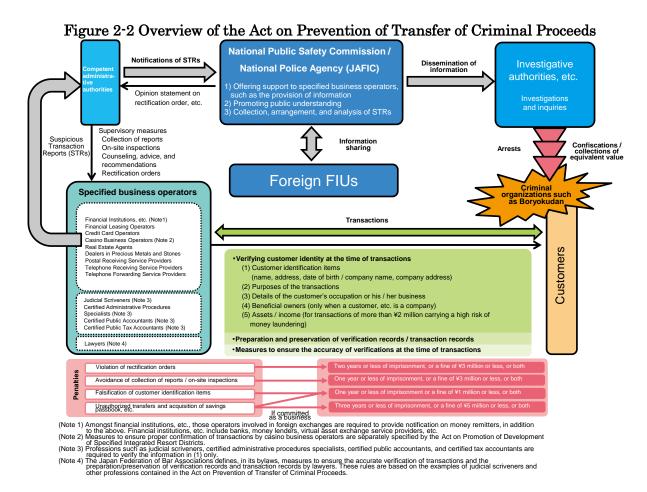
Figure 2-1 The Legislative Regime for AML/CFT

Section 1 The Legislative Regime Primarily for Imposing Obligations on Specified Operators to Perform CDD and Other Preventive Measures

Paragraph 1 The Act on Prevention of Transfer of Criminal Proceeds

The Act on Prevention of Transfer of Criminal Proceeds was created based on two laws, the amended Customer Identification Act and a portion of the Act on Punishment of Organized Crimes, in order to address changes in money laundering trends more effectively and comprehensively in a way consistent with global standards set out by the FATF 40 Recommendations in 2003.

The Act provides for preventive measures to combat ML/TF by imposing obligations on specified business operators to perform CDD, record keeping, filing STRs, etc., and the following shows important details among them. Note1



1. Purpose of the Act (Article 1)

The purpose of the Act is to prevent the transfer of criminal proceeds and to ensure the appropriate enforcement of international treaties, etc., concerning the prevention of terrorist financing, and thereby to ensure the safety and peace of national life and to contribute to the sound development of economic activities by way of devising such measures as verifying customer identification data, preserving transaction records and the like, and reporting suspicious transactions by a specified business operator, as

Note 1: This text explains the Act on Prevention of Transfer of Criminal Proceeds as of December 29, 2022, although some parts of the Act have not yet been enforced.

described in 3 below, coupled with other measures stipulated by the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law.

2. Criminal Proceeds (Paragraph 1 of Article 2)

The term "criminal proceeds" as used in the Act means criminal proceeds, etc. prescribed in Article 2, paragraph 4 of the Act on Punishment of Organized Crimes or drug-related criminal proceeds, etc. prescribed in Article 2, paragraph 5 of the Anti-Drug Special Provisions Law.

3. Specified Business Operators (Paragraph 2 of Article 2)

Any financial institution or DNFBP that falls under the Act shall be called "specified business operators" who shall be designated in line with the FATF Recommendations and also the domestic business context.

Specified business operators

- o Financial institutions (items 1 through 38):
 - Bank (item 1); Shinkin bank (item 2); Federation of Shinkin banks (item 3); Labor bank (item 4); Federation of labor banks (item 5); Credit cooperative (item 6); Federation of credit cooperatives (item 7); Agricultural cooperative (item 8); Federation of agricultural cooperatives (item 9); Fishery cooperative (item 10); Federation of fishery cooperatives (item 11); Fishery processing cooperative (item 12); Federation of fishery processing cooperatives (item 13); Norinchukin Bank (item 14); Shokochukin Bank (item 15); Development Bank of Japan (item 16); Insurance company (item 17); Foreign insurance company, etc. (item 18); Small-claims/short term insurance business operator (item 19); Federation of fishery cooperatives for mutual aid (item 20); Financial instruments business (item 21); Securities finance company (item 22); Specially permitted business notifying person (item 23); Notifier of Specially Permitted Businesses for Foreign Investors, etc. (item 24); Trust company (item 25); Self-trusteed company (item 26); Real estate specified joint enterprise operator, Small-scale real estate specified joint enterprise operator, special business operator or Qualified specially permitted investor limited business operator (item 27); Mutual loan company (item 28); Money lender (item 29); Call money market broker (item 30); Fund transfer company (item 31); Virtual assets exchange service provider (item 32); Futures commission merchant (item 33); Book-entry transfer institution (item 34); Account management institution (item 35); Electronic receivables recording organization (item 36); Organization for Postal Savings, Postal Life Insurance and Post Office Network (item 37); Currency exchanging operator (item 38)
- Financial leasing operator (item 39)
- Credit card operator (item 40)
- Casino business operator (item 41)
- Real estate agents (item 42)
- Dealers in precious metals and stones (item 43)
- Postal receiving service providers, telephone receiving service providers, and telephone forwarding service providers (item 44)
- Lawyer or legal profession corporation (item 45)
- o Judicial scrivener or judicial scrivener corporation (item 46)

- Certified administrative procedures specialists or administrative scrivener corporation (item 47)
- Certified public accountant or audit firm (item 48)
- Certified public tax accountants or certified tax accountant corporation (item 49)

4. The Responsibilities, etc. of the National Public Safety Commission (Article 3)

The Act provides that the National Public Safety Commission is responsible for 1) enhancing public awareness on the importance of the prevention of the transfer of criminal proceeds in order to ensure specified business operators conduct appropriate measures in performing CDD, and to provide them with support, including the provision of information on the modus operandi regarding the transfer of criminal proceeds, 2) promptly and appropriately collecting, arranging, and analyzing information on criminal proceeds, including information on suspicious transactions reported by specified business operators, so that such information can be effectively utilized in the investigation into criminal cases and related international cooperation.

In addition, the National Public Safety Commission is required each year to investigate and analyze the status of the transfer of criminal proceeds, including modus operandi related to the transfer, and compile and publish an NRA, which describes the investigation and analysis results, including the risk levels of transfers of criminal proceeds by type of transaction conducted by specified business operators and other business operators.

5. Measures by Specified Business Operators

The measures that specified business operators (excluding lawyers; the same shall apply in this section except for (8) and Table 2-1) are obligated to implement and the measures related to identification by lawyers are described in (1) to (8) and Table 2-1 below.

(1) Verification at the time of a transaction (Article 4)

In conducting the specified transactions with customers, etc. who are natural persons, specified business operators (refer to Table 2-2 for both of them) are required to verify their identification data (the name, address, and date of birth) by asking the customers to provide their identification documents, such as a driver's license. If the customer, etc. is a legal person, the specified business operator must check its identification data (the name and location of the head office or main office) by asking a natural person who is actually in charge of the specified transactions for the legal person to provide a document such as a certificate of registered information. Furthermore, unless the specified business operator is either a judicial scrivener, administrative scrivener, certified public accountant, or tax account (hereinafter referred to as a "judicial scrivener, etc."), the specified business operator must verify the purpose of transactions of the customer, etc. and its occupation if the customer, etc. is a natural person or the details of the business and the person substantially controlling the management of business if the customer, etc. is a legal person.

For transactions that have a high risk of being related to ML/TF, where there is a suspicion of pretending to be a customer, etc., specified business operators are required to use a more stringent method than usual to verify items related to verification at the time of transactions (limited to the verification of identification data in the case of a judicial scrivener, etc.). Moreover, in cases where the transaction involves the transfer of assets worth more than \$2 million, specified business operators are required to

verify information concerning sources of wealth and sources of funds of customers, etc. to the extent necessary to determine whether reporting of suspicious transactions is necessary. (For details, see the JAFIC Website.)

Furthermore, for a natural person who actually takes charge of specified transactions on behalf of customers, etc., their identification data must be verified.

Methods of verification if identification data at the time of transactions are as shown in Figures 2-3, 2-4, 2-5, 2-6 and 2-7.

- (2) Preparation and preservation of verification records (Article 6) Specified business operators are required to prepare and preserve the verification records collected at the time of transaction, as well as on measures taken for verification of the customer at the time of the transaction, for seven years from the day when the transactions were completed or terminated.
- (3) Preparation and preservation of transaction records etc. (Article 7)

 Specified business operators are required to prepare and keep the record of the date and contents of the transactions concerned for seven years.
- (4) Reporting of suspicious transactions (Article 8)

 Specified business operators are required to file an STR with the competent administrative authority in cases where an asset received through specified business affairs is suspected of being criminal proceeds, or where the customer, etc. is suspected of engaging in money laundering with regard to the specified business affairs (excluding judicial scriveners, etc.).

The determination as to whether or not such suspension exists will be made under a method prescribed by the ordinance of the competent ministries, while taking into account the contents of NRAs, in addition to the results of the verification at the time of transactions, the patterns and natures of transactions, and other circumstances.

The competent administrative authority (in case of a prefectural governor or prefectural Public Safety Commission, via the competent minister^{Note1}) is required to promptly notify the National Public Safety Commission of the matters related to the filing of an STR.

(5) Enhanced verification at the time of the conclusion of correspondence contracts (Article 9)

When concluding a correspondent banking contract^(Note) under which exchange transactions with an exchange business operator located abroad are conducted continuously or repeatedly, specified business operators who conduct exchange transactions on a regular basis are required to verify that the foreign exchange business operator located abroad has developed a system necessary for appropriately implementing a measure equivalent to verification at the time of transactions.

Note 1: This is specifically stipulated in Article 23 of the Act on Prevention of Transfer of Criminal Proceeds. The difference with the competent administrative authority mentioned earlier is that, in particular, when the competent administrative authority is a prefectural governor or prefectural Public Safety Commission, notifications from the administrative authority to the National Public Safety Commission about suspicious transactions and notifications of approval for on-site inspections by prefectural police departments from the National Public Safety Commission to a prefectural governor shall be made not directly but via the competent minister (refer to Article 8, paragraphs 4 and 5 and Article 19, paragraph 4 of the Act on Prevention of Transfer of Criminal Proceeds).

- Note: A correspondent banking contract means a contracts concluded by a Japanese financial institution with a foreign financial institution with regard to deputy work related to an exchange business for the purpose of international settlements.
- (6) Notification pertaining to foreign exchange transactions (Article 10)

 When making wire transfers to other countries, specified business operators conducting exchange transactions on a regular basis are required to notify other specified business operators, which receive money sent by such wire transfers, or the receiving exchange transaction business operator located abroad, of certain information such as the customer's name and account number.
- (7) Measures to ensure thorough and effective CDD measures to be taken (Article 11) Specified business operators are required to take measures to keep up-to-date information for which verification at the time of transactions was conducted, to formulate rules concerning the implementation of such measures as verification at the time of transactions, etc., and to take measures to appoint a person in charge of supervising business affairs, etc.
- (8) Measures for verification of customer identification data by lawyers (Article 12) It has been established by a special provision that lawyers shall follow the provisions specified in the Rules of the Japan Federation of Bar Associations, in line with cases of judicial scrivener, etc. for measures relevant to those described in (1) through (3) and (7) above (for (1), limited to the verification of customer identification data).

The CDD regime in which the measures described in (1) through (3) of those described in (1) through (7) above are undertaken is intended to make financial or other services less attractive to those who want to try to use them for money laundering or any other illicit purposes and to ensure the traceability of illicit funds. Meanwhile, the STR regime as described in (4), in which reported information is used for investigations into money laundering and/or predicate offences, is also intended to protect the financial system from misuse to ensure its soundness. The measures as noted in (7) are intended to ensure the accuracy of the customer identification process during transactions, making the process more efficient. These measures are expected to help specified business operators be made aware of ML/TF risks more comprehensively and efficiently.

The purpose of notifications pertaining to enhanced verification at the time of the conclusion of correspondence contracts and foreign exchange transactions described in (5) and (6) is to make financial and other services less attractive to those who want to try to use them for international money laundering and also have the effect of ensuring the international traceability of illicit funds.

Table 2-1 Measures that Must be Implemented by Specified Business Operators under the Act

		U.	ne Act				
Mandatory measures Specified business operators [Article 2,	Verification at the time of transaction	Preparation and preservation of verification records	Preparation and preservation of transaction records, etc.	Reporting of suspicious transactions	Enhanced verification at the time of the conclusion of correspondence contracts	Notification pertaining to foreign exchange transactions	Measures to ensure thorough and effective CDD measures to be taken
paragraph 2]	[Article 4]	[Article 6]	[Article 7]	[Article 8]	[Article 9]	[Article 10]	[Article 11]
Financial institutions (items 1 through 38)					(Limited to those who conduct exchange transactions on a regular basis)	(Limited to those who conduct exchange transactions on a regular basis)	
Financial leasing operators (item 39)							
Credit card operators (item 40)							
Casino business operators (item 41)	0			0			
Real estate agents (item 42)							
Dealers in precious metals and stones (item 43)		0	0				O (Note)
Postal receiving service providers (item 44)							
Telephone receiving service providers (item 44)							
Telephone forwarding service providers (item 44)							
Judicial scriveners (item 46)					×	×	
Certified administrative procedures specialists (item 47)	O(Only						
Certified public accountants (item 48)	identification data)						
Certified public tax accountants (item 49)							
Lawyers (item 45)		the by laws set h r Associations ba ners, etc.		×			As prescribed by the by laws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. [Article 12]

Note: The obligations of casino business operators are separately specified by the Act on Development of Specified Integrated Resort Districts.

Table 2-2 Specified Business Affairs and Specified Transactions Requiring Performance of Obligations by Specified Business Operators

	of Obligations by Specified Bu	
Specified business operators [Article 2, paragraph 2]	Specified business affairs	Specified transactions
Financial institutions (items 1 through 38)	Business affairs conducted by financial institutions, etc. (limited to business affairs regarding finance)	Conclusion of deposit/savings contracts (which means contracts for the acceptance of deposits or savings), large cash transactions exceeding 2 million yen, exchange transactions involving receipt of cash exceeding 100,000 yen, etc.
Financial leasing operators (item 39)	Financial leasing business affairs (limited to transactions which cannot be terminated earlier than the end of a contract, and to cases where the leaser enjoys the benefit associated with use of leased product and bears the cost)	Conclusion of lease contracts of goods whose lease fee exceeds 100,000 yen per payment
Credit card operators (item 40)	Credit card business affairs	Conclusion of contracts for the delivery or issuance of a credit card
Casino business operators (item 41)	Casino business affairs (except playing)	Transactions, etc. of issuing or granting tips
Real estate agents (item 42)	Business affairs which pertain to buying and selling of building lots or buildings, or agent work or intermediation thereof	Conclusion of contracts for buying and selling of building lots or buildings, or agent work or intermediation thereof
Dealers in precious metals and stones (item 43)	Business affairs which pertain to buying and selling of precious metals (gold, platinum, silver, and alloys of these metals) and jewelry (diamonds and other precious stones, semiprecious stones, and pearls)	Conclusion of contracts for buying and selling precious metals, etc. whose payment amount exceeds 2 million yen by cash
Postal receiving service providers (item 44)	Business affairs for providing the service of receiving postal mail on behalf of a customer	Conclusion of contracts for the provision of service
Telephone receiving service providers (item 44)	Telephone receiving services	Conclusion of contracts for the provision of service *Excluding conclusion of a contract which includes a clause stating that the agent operator will clearly specify the company name of the agent when receiving a telephone call. *Excluding conclusion of a contract for a call center business
Telephone forwarding service providers (item 44)	Telephone forwarding services	Conclusion of contracts for the provision of service
Judicial scriveners (item 46) Certified administrative procedures specialists (item 47) Certified public accountants (item 48) Certified public tax accountants (item 49)	Business affairs which pertain to agent or deputy work for the following acts: · Acts or procedures concerning buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities, and other property *Payment of taxes, penalties, fines, etc. is excluded. *Management or disposition of others' property as a duty of a person appointed by the court or the competent administrative authority, such as a guardian of an adult, etc. is excluded.	Conclusion of contracts for carrying out agent work, etc. for the following acts: · Acts or procedures concerning buying and selling of building lots or buildings · Acts or procedures concerning the establishment, merger, etc. of companies, etc. · Management or disposition of cash, deposits, securities, and other property whose value exceeds 2 million yen *Excluding conclusion of a contract for a voluntary guardian

Figure 2-3

Main Methods for Verifying Identification Data of a Customer, etc. who is a Natural Person (Face-to-Face Transactions)

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Presentation of a photo identification document such as a driver's license, residence card, Individual Number card, passport, etc., by a customer, etc.

Presentation of an identification document such as a health insurance card, national pension passbook, certified copy of the family register ("koseki-tohon"), or a certified copy of the resident register by a customer, etc.

Sending of documents related to transactions by registered mail, etc. as non-forwarding mail to the residence of a customer, etc. described in the identification document by a specified business operator

Presentation of an identification document such as a health insurance card or national pension passbook, etc. by a customer, etc. Presentation of any other identification document or receipt for utility charges, containing the current residence of the customer, etc. by a customer, etc.

Sending of any other identification document or a receipt of utility charges, etc. containing the current residence of the customer, etc., or a copy thereof by a customer, etc.

● If the person is a short-term foreign visitor (such as a tourist) whose domicile in his/her home country cannot be verified by the descriptions in his/her passport, etc.

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* When it is recognized that the period of stay does not exceed 90 days by the stamp of landing permission, etc., it is considered as not domicile in Japan.

Presentation of a passport, crew member's pocket-ledger, or a landing permit for cruise ship tourists containing the name, nationality, passport or crew member's pocket-ledger number and date of birth by the foreign person in question only in the event of currency exchange exceeding ¥2 million, purchase of precious stones or precious metals, exceeding ¥2 million, etc., issuance of a tip exceeding 300,000 yen at a casino, etc.

Figure 2-4

Main Methods for Verifying Identification Data of a Customer, etc. who is a Natural Person (Non-Face-to-Face Transactions (1))

Sending of image information for identification (i.e., image information of an identification document with a photo showing the physical appearance and face of a customer, etc. taken by using software provided by a specified business operator, (by which the name, address, date of birth, photo and thickness and other features of the identification document can be recognized)) by a customer, etc. using software provided a specified business operator

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Sending of image information for identification (i.e., image information of the physical appearance of a customer etc. taken by using software provided by a specified business operator) by a customer, etc. using software provided by a specified business operator

Sending of information stored in the integrated circuit (IC) chip included in an identification document with a photo of the face (information on the name, address, date of birth and photo) by a customer, etc.

— Sending of image information for identification (image information of an identification document such as a driver's license, residence card, Individual Number card, passport, health insurance card or national pension passbook taken by using software provided by a specified business operator, (by which the name, address and date of birth as well as the thickness and other features of the identification document in question can be recognized)) by a customer, etc. using software provided by a specified business operator

or

 Sending by a customer, etc. of information stored in the integrated circuit (IC) chip included in an identification document read by using software provided by a specified business operator (information on the name, address and date of birth) Confirmation by a specified business operator of the fact that any other specified business operator has verified that a customer, etc. is the same customer, etc. recorded in the verification record (verified and recorded name, address and date of birth) prepared at the time of execution of a deposit/savings contract or a credit card contract by receiving information that should be unknown to anyone except the customer, etc. from the customer, etc.

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Transfer of money to a deposit/savings account of a customer, etc. (limited to the account, for which the name, address and date of birth of the customer, etc. in question are verified at the time of execution of a deposit/savings contract, and verification record of such verification is retained) by a specified business operator

Sending by a customer, etc. of a copy of a bankbook containing information necessary for identifying the transfer in question, etc.

Figure 2-5

Main Methods for Verifying Identification Data of a Customer, etc. who is a Natural Person (Non-Face-to-Face Transactions (2))

Sending of an identification document by a customer, etc. Sending of copies of 2 kinds of identification documents by a customer, Sending of a copy of an identification document and a receipt of utility charges, etc. containing the current address or a copy thereof by a customer, etc. Sending of image information for identification (image information of an identification document such as a driver's license, residence card, Individual Number card, passport, health insurance card or national pension passbook, (by which the name, address and date of birth as + well as the thickness and other features of such identification document can be recognized) taken by using software provided by a specified business operator) by a customer, etc. using software provided Sending of documents related by a specified business operator to transactions by registered mail as non-forwarding mail, etc. to the residence of a Sending information (on name, address, and birth date) by a customer, customer, etc. from a specified etc. of information on identification items stored in the integrated circuit business operator (IC) chip included in an identification document In any of the following cases, sending of a copy of an identification document by a customer, etc. - Execution of a contract concerning acceptance of deposits and savings with an employee of a legal person (limited to a legal person whose transactions are deemed to have a low risk of transfer of criminal proceeds by considering the patterns of transactions conducted with a specified business operator) and other circumstances + - Execution of a contract concerning an act of causing a customer, etc. to obtain securities by acts listed in Article 2, paragraph 8, items 1 to 6 or item 10, or acts listed in Article 2, paragraph 8, items 7 to 9 of the Financial Instruments and Exchange Act (only when the Individual Number is provided) or execution of a contract concerning the opening of an account for book-entry transfer of bonds, etc. pursuant to the provision of Article 12, paragraph 1 or Article 44, paragraph 1 of the Act on Book Entry of Corporate Bonds and Shares or execution of a contract concerning safe custody, which occurs concurrently with or consecutively to the execution of the above contract

Method of sending documents from a customer, etc., by a specified business operator, related to transactions to a customer, etc. by addressee-only mail, etc. (limited to mail for which the address is verified on behalf of a specified business operator, for which an identification document with a photo of the face is presented, and measures are taken for notifying a specified business operator of the name, etc. of a person who verified the identification items, the date of presentation of the identification document, and the name, symbol and number of the identification document, etc.) when handling such documents

Sending of information from a customer on specified transactions, etc., for which an electronic certificate (recording the name, address and date of birth) and an electronic signature confirmed with such electronic certificate are provided (or by using an electronic certificate under the Electronic Signature Certification Act)

Figure 2-6

Main Methods of Verification of Identification Items of a Customer, etc. that is a Legal Person (Face-to-Fact Transactions)

Presentation of an identification document of a legal person by the representative, etc. of a customer, etc.

Declaration of the corporate name and location of the head office, etc. of a legal person by the representative of a customer, etc.

- Receipt by a specified business operator of registration information

 of a legal person from the registration information service of the Minji
 Homu Kyokai (Civil Legal Affairs Association)
- Verification by a specified business operator of the corporate name and location of the head office, etc. of a legal person published on the Corporate Number Publication Site of the National Tax Agency

Figure 2-7

Main Methods of Verification of Identification Items of a Customer, etc. that is a Legal Person (Non-Face-to-Face Transactions)

Declaration of the name and head office's address, etc. of a legal person by the representative, etc. registered as an officer having the right to represent a customer, etc.

Declaration of the name and head office's address, etc. of a legal person by the representative, etc. not registered as an officer having the right to represent a customer, etc.

Declaration of the name and head office's address, etc. of a legal person by the representative, etc. of a customer, etc.

representative, etc. of a customer

Publication Site of the Nation Tax Agency

Sending of an identification document of a legal person or a copy thereof by the

business operator of the registration information from the registration information service of the Minji Homu Kyokai (Civil Legal Affairs Association)

Receipt by a specified

Verification by a specified business operator of the name and head office's address, etc. of a legal person published on the Corporate Number Publication Site of the National Tax Agency

transactions is not necessary

Sending of documents or copies

thereof related to transactions by

Sending of documents related to

registered mail by a specified business operator, etc. as nonforwarding mail, etc. to the head office, etc. of a legal person described in the registration information in question, the head office, etc. of a legal person published on the website in question, or the head office, etc. of

a legal person described in the identification document in question.

Transmission by the representative of a customer, etc. of an electronic certificate prepared by a registrar in accordance with the Commercial Registration Act information and information on specified transactions, etc., for which an electronic signature confirmed with such electronic certificate is provided

6. Dissemination of STR Information (Articles 13 and 14)

In order to make use of STR information for investigations conducted domestically or internationally, JAFIC may disseminate such information, whose notification was received according to 5(4) above, to certain public prosecutors, assistant officers to prosecutors, judicial police officials (police officers, narcotics control agents, coast guards, etc.), certain relevant officials of the National Tax Agency, regional taxation bureaus or tax offices, customs officers, personnel of the Securities and Exchange Surveillance Commission (SESC), and other related investigators. JAFIC also disseminates STR information to foreign FIUs concerned based on the agreed terms of conditions.

7. Supervision (Articles 15 to 19, 25, 26, and 31)

The Act provides for a supervisory regime undertaken by the competent administrative authorities in order to ensure the compliance of specified business operators. For this purpose, the supervising authorities exercise a supervisory power by collecting reports and conducting on-site inspections of the regulated businesses, provide the necessary guidance and advice, and make the necessary suggestions, or issue a rectification order for non-compliance, as necessary.

Persons who have failed to submit reports or materials, submit false reports or materials, or refused on-site inspections shall be punished with imprisonment with labor for not more than one year, or a fine of not more than 3 million yen, or both. Persons who violate a rectification order shall be punished with imprisonment with labor for not more than two years, or a fine of not more than 3 million yen, or both.

Importantly, to complement the supervision by the regulating authorities, JAFIC is authorized to advise the supervising authorities over whether appropriate actions should be taken against specified business operators based on non-compliance that JAFIC detected. For the purpose of fulfilling this duty, JAFIC is also granted the power to inspect a specified business operator that it has doubts about.

8. Penal Provisions regarding Receipt/Delivery/Provision of Deposit/Savings Passbooks, etc. (Articles 28 to 30)

For years, it had been a significant challenge to take actions against traded deposit/savings passbooks, ATM cards, exchange transaction cards, IDs and passwords for virtual assets transactions, etc., exposed to exploitation for the purpose of money laundering or any proceed-related crimes. In order to prevent this, the Act prohibits anyone from giving or taking a deposit/savings passbook, an exchange transaction card, or IDs and passwords for virtual asset transactions (information for virtual asset exchange), etc., as the subject of a transaction, no matter whether or not it is for value, with a penalty of imprisonment with labor for not more than one year, or a fine of not more than 1 million yen, or both. Specifically, when such transaction is conducted as a business of any of the parties concerned, the penalty shall be increased to imprisonment with labor for not more than three years, or a fine of not more than 5 million yen, or both.

Furthermore, it is also prohibited that anyone invites or solicits another party to assign, deliver, or provide a deposit/savings passbook and exchange transaction card, etc. or an ID and password for virtual asset transactions no matter whether or not it is for value, resulting in a punishment of imprisonment with labor for not more than one year, or a fine of not more than 1 million yen, or both.

9. Recent Legislative Changes

From the AML/CFT perspective, the National Police Agency has made the necessary amendments as appropriate to the Act on Prevention of Transfer of Criminal Proceeds and its subordinate decrees in order to reflect the current societal environment and the amendments to other laws.

(1) Amendment of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with the partial amendment of the Payment Services Act (promulgated on June 10, 2022)

In recent years, transactions using so-called stablecoins, which aim to link their value to that of fiat currencies, have been rapidly expanding in the U.S. and other countries. Internationally, discussions on how to deal with so-called global stablecoins have been held at the G20 Finance Ministers and Central Bank Governors Meeting, the Financial Stability Board (FSB), FATF, etc., and foreign countries have been working to develop regulations.

In light of these circumstances, the Bill to Partially Amend the Payment Services Act and Other Related Acts to Establish a Stable and Efficient Payment Services System, including the amendment of the Payment Services Act to regulate and license intermediaries dealing with electronic payment instruments and the amendment of the Act on Prevention of Transfer of Criminal Proceeds to add intermediaries dealing with electronic payment instruments, etc., and issuers of high-value, electronically transferable type prepaid payment instruments to specified business operators, was submitted to the 208th session of the Diet in March 2022. The bill was enacted on June 3, 2022, and promulgated on June 10 of the same year.

The following is an outline of the amendments to the Act on Prevention of Transfer of Criminal Proceeds.

- i) Addition of specified business operators
 Issuers of high-value, electronically transferable type prepaid payment instruments, intermediaries dealing with electronic payment instruments, electronic payment service operators, shinkin bank electronic payment service operators, and credit cooperative electronic payment service operators are added to specified business operators who are obliged to verify the preparation and preservation of verification records, reporting of suspicious transactions, etc., at the time of transactions.
- ii) Enhanced verification at the time of the conclusion of contracts with intermediaries dealing with electronic payment instruments located abroad When intermediaries dealing with electronic payment instruments conclude a contract that provides for continuous or repeating transfers of electronic payment instruments with intermediaries dealing with electronic payment instruments located abroad, they are required to verify that the intermediaries dealing with electronic payment instruments located abroad have developed a system necessary for appropriately implementing a measure equivalent to verification at the time of a transaction.
- iii) Development of provisions for the notification obligation related to transfers of electronic payment instrumentsWhen intermediaries dealing with electronic payment instruments transfer

electronic payment instruments, they are required to provide information on

customers to other intermediaries dealing with electronic payment instruments or to foreign intermediaries dealing with electronic payment instruments.

- iv) Establishment of penal provisions
 - The Act on Prevention of Transfer of Criminal Proceeds provides for penal provisions for the transfer and receipt of deposit/savings passbooks, etc., by a third party for criminal acts of transferring proceeds by impersonating another person. For transactions of high-value, electronically transferable type prepaid payment instruments through issuers of high-value, electronically transferable type prepaid payment instruments, and transactions of electronic payment instruments through intermediaries dealing with electronic payment instruments, there is the risk that such information is misused by a third party impersonating another party for the transfer of criminal proceeds, if information such as an ID and password required to receive services is provided to the third party. Therefore, the Act also provides for penal provisions to the same effect pertaining to the receipt of information required for receiving services under an issuance agreement for high-value, electronically transferable type prepaid payment instruments and a transaction agreement for electronic payment instruments.
- (2) Amendment of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with a partial amendment of the Penal Code, etc. (promulgated on June 17, 2022) In order to further improve the treatment of inmates in penal institutions and the system of suspension of execution of sentences, the penalty of "imprisonment" was introduced with the abolition of "imprisonment with labor" and "imprisonment without labor" through the partial amendment of the Penal Code, etc. Accordingly, it became necessary to arrange the provisions of related acts. As a result, a bill for the Act on the Arrangement of Related Acts that Accompany the Enforcement of Acts Partially Amending the Penal Code, including the amendment of the provisions of the Act on Prevention of Transfer of Criminal Proceeds containing the term "imprisonment with labor" (replacing the said term with "imprisonment"), was submitted to the 208th session of the Diet, and the bill was enacted on June 13, 2022, and promulgated on June 17 of the same year.
- (3) Amendment of the Act on Prevention of Transfer of Criminal Proceeds in accordance with the Act to Respond to FATF Recommendations (promulgated on December 9, 2022)
 - Based on the fact that in the FATF Fourth Round Mutual Evaluation Report of Japan publicly disclosed in August 2021, it was recommended that Japan work on strengthening its countermeasures against virtual assets and amending laws to strengthen its AML measures, a bill for the Act to Respond to FATF Recommendations, including matters related to verification at the time of transactions conducted by legal professionals as specified business operators through the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the development of the provisions for the STR reporting obligation, and the notification obligation pertaining to the transfer of virtual assets on virtual assets exchange service providers as specified business operators, was submitted to the 210th session of the Diet in October 2022. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year.

The following is an outline of the amendments to the Act on Prevention of Transfer of Criminal Proceeds.

i) Addition of matters related to verification at the time of transactions conducted by legal professionals

When judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified public tax accountants from among the so-called legal professionals as specified business operators conduct verification at the time of transactions, in addition to matters concerning customer identification, they are newly required to verify the purpose of the transaction, etc. (purpose of the transaction, occupation, nature of business, and beneficial owner). Also, certified administrative procedures specialists, certified public accountants, and certified public tax accountants are required to report suspicious transactions, except for matters concerning confidentiality obligations, and in high-risk transactions, to verify information concerning sources of wealth and sources of funds to determine whether the reporting of suspicious transactions is necessary.

Lawyers are required to follow the provisions specified in the Rules of the Japan Federation of Bar Associations for measures relevant to verification of the purpose of transaction, in the same way as the verification of customer identification data.

ii) Addition of information to be reported concerning foreign exchange transactions and the transfer of electronic payment instruments

When specified business operators conduct foreign exchange transactions, in addition to information on customers, they are newly required to provide information on payment counterparties to other specified business operators or exchange business operators located abroad.

When intermediaries dealing with electronic payment instruments transfer electronic payment instruments, in addition to information on customers, they are newly required to provide information on the transfer counterparties to other intermediaries dealing with electronic payment instruments or foreign intermediaries dealing with electronic payment instruments.

iii) Enhanced verification at the time of the conclusion of contracts with virtual assets exchange service providers located abroad

When virtual assets exchange service providers conclude a contract that provides for continuous or repeating transfers of virtual assets with virtual assets exchange service providers located abroad, they are required to verify that the virtual assets exchange service providers located abroad have developed a system necessary for appropriately implementing a measure equivalent to verification at the time of a transaction.

- iv) Development of provisions imposing the notification obligation related to transfers of virtual assets
 - When virtual assets exchange service providers transfer virtual assets, they are required to provide information on customers and transfer counterparties to other virtual assets exchange service providers or to foreign virtual assets exchange service providers.
- (4) Amendment of the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with a partial amendment of the National Pension Act, etc. (promulgated on March 31, 2022, enforced on April 1 and May 1 of the same

year)

In accordance with the provision of Article 2 of the Act on the Partial Revision of the National Pension Act, etc., to Strengthen the Country's Pension System (Act No. 40 of 2020, hereinafter referred to as the Act on the Partial Revision of the National Pension Act, etc.) enacted in May 2020, it was decided to delete Article 13 of the National Pension Act and to abolish the national pension book.

The National Pension Act, etc., provides for transitional measures to the effect that the national pension books that currently have already been issued as of the date of enforcement of the Act on the Partial Revision of the National Pension Act, etc. (April 1, 2022) can continue to be used as a document to be attached to a request form, etc., for pension-related procedures. Even after the date of enforcement, the pension books can be used as an official document.

In light of these circumstances, the Order for Partially Amending the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (2022 Ministerial Ordinance No. 1 of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism) was enacted, which includes transitional measures to allow national pension books to be regarded as an identification document in the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds even after the enforcement of the Act on the Partial Revision of the National Pension Act, etc. (promulgated on March 31, 2022, enforced on April 1 and May 1 of the same year).

(5) Amendment of the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with a partial amendment of the Basic Resident Registration Act, etc. (promulgated and enforced on February 1, 2023)

In accordance with the provision of Article 2 of the Act Partially Amending the Act on the Use of Information and Communications Technology in Administrative Procedures for Improving the Convenience of Related Parties and Simplifying and Enhancing Efficiency of Administrative Operations through the Utilization of Information and Communications Technology (Act No. 16 of 2019) enacted in 2019, the Basic Resident Registration Act (Act No. 81 of 1967) was amended to add "date of birth" to the matters to be entered in the supplementary family register after January 11, 2022, which enables a copy of the supplementary family register to meet the requirements of an identification document under the regulations.

In light of these circumstances, the Order Partially Amending the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (2023 Ministerial Ordinance No. 1 of the Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Justice, Ministry of Finance, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, and Ministry of Land, Infrastructure, Transport and Tourism) was enacted (promulgated and enforced on February 1, 2023), which prescribes that a copy of the supplementary family register can be used as an identification document in place of a certified copy or an abridged copy of the family register with a copy of the supplementary family register attached in the provisions of the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds.

Paragraph 2 Foreign Exchange Act (excluding the measures described in Paragraph 2 of Section 3)

1. Purpose of the Act (Article 1)

The purpose of the Act is to enable the proper development of foreign transactions and the maintenance of peace and security in Japan and in the international community by implementing the minimum necessary management and coordination for foreign transactions to ensure that the equilibrium in the balance of international payments and the stability of Japanese currency are maintained, as well as to contribute to the sound development of the Japanese economy, based on the freedom of foreign exchange, foreign trade, and other foreign transactions.

2. Confirmation of Identity at the Time of Executing Contracts for Specified Exchange Transactions and Capital Transactions (Article 18, Article 18-5, Article 22-2, and Article 22-3)

Since the Act requires that banks (including banks and other financial institutions set forth by cabinet order) confirm the identities of customers, etc., to implement measures such as asset freezing effectively, banks, fund transfer companies, and virtual assets exchange service providers are obligated to confirm identity when conducting a specified exchange transaction or virtual assets transfer transaction. Banks and other financial institutions (which refer to banks, trust companies, type I financial instruments business operators, type II financial instruments business operators, and virtual assets exchange service providers) and currency exchanging operators are obligated to confirm identify when executing a contract for a capital transaction with or providing a currency exchange service for a customer. When confirming identify, they need to confirm the name, address or residence, and date of birth of a customer by requesting that he/she presents a driver's license or by other means if said customer is a natural person, and to confirm the company name and location of the principal place of business if said customer is a legal person. If a representative of a company conducts a specified exchange transaction, etc. for the company, or otherwise a natural person who is in charge of a specified exchange transaction, etc. with a bank or any other business operator is not the customer him/herself, financial institutions and currency exchange service providers are required to confirm the identify of such natural person, in addition to the identity of the customer.

3. Preparation and Retainment of Identity Confirmation Record (Article 18-3, Article 18-5, Article 18-6, Article 22-2, and Article 22-3)

Whenever financial institutions and currency exchange service providers confirm identify, they are required to prepare an identity confirmation record and retain the record for seven years from the date of the end of the transaction.

4. Rectification Measures (Article 18-4, Article 18-5, Article 18-6, Paragraph 2 of Article 22-2, Article 22-3, and Article 70-2)

The Act includes provisions for an order to rectify violations committed in the course of performing the obligation to confirm identity and other obligations at the time of executing a contract for a specified exchange transaction, a virtual assets transfer transaction, or a

capital transaction.

Any person who violates an order for rectification may be subject to imprisonment for up to two years and/or a fine of up to 3 million yen.

5. Recent Legislative Changes (Article 18-6 and Article 22-2)

In order to impose on virtual assets exchange service providers the obligation to confirm the identity of customers and other obligations to further strengthen the effectiveness of sanctions in the context of the tightening of financial sanctions by the international community, the Bill for the Act Partially Amending the Foreign Exchange and Foreign Trade Act was submitted to the 208th session of the Diet. The bill was enacted and promulgated on April 20, 2022, and enforced on May 10 of the same year.

Also, a bill for the Act to Respond to FATF Recommendations including the provisions imposing the obligation to confirm the identity of customers and other obligations on intermediaries dealing with electronic payment instruments, etc., was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, and promulgated on December 9 of the same year.

Section 2 The Legislative Regime Primarily for Criminalization of Money Laundering and Forfeiture of Criminal Proceeds, etc.

Paragraph 1 The Act on Punishment of Organized Crimes

The Act on Punishment of Organized Crimes was enacted in response to the requirement to expand the scope of predicate offences of money laundering to include serious crimes due to the revision of the FATF 40 Recommendations in 1996 and the international agreement reached at the 1998 Birmingham Summit on the establishment of FIUs. It came into force in February 2000. In terms of criminal proceeds regulations, this law has expanded the scope of predicate offences of the concealment of criminal proceeds, etc., to include certain serious crimes. It also provides for the confiscation and collection of an equivalent value of criminal proceeds, etc.

1. Criminalization of Money Laundering (Articles 9 through 11)

- (1) Illegal corporate control management (Article 9)
 - The Act on Punishment of Organized Crimes criminalizes the act of changing executives, etc. of a legal person to control its business management through the exercise of authority or influence by a person who has obtained a status as a shareholder of such legal person, etc., using illicit proceeds (proceeds from certain crimes, proceeds from certain drug-related crimes, assets acquired through ownership or the disposition of those proceeds, or assets including such assets and other assets).
- (2) Concealment of criminal proceeds (Article 10)

 The following acts are criminalized by this article: (i) The act of disguising facts with respect to the acquisition or disposition of criminal proceeds, (ii) the act of concealing criminal proceeds, (iii) the act of disguising facts with respect to the source of criminal proceeds.
- (3) Receipt of criminal proceeds (Article 11)

 The act of knowingly receiving criminal proceeds is criminalized by this article.

2. Confiscation, Collection of Equivalent Value, and Preservation Measures (Articles 13 through 16, 22, 23, 42, and 43)

The system of confiscation and collection of an equivalent value provided for in the Act on Punishment of Organized Crimes is left to the discretion of the court, in principle, which is the same as in the system provided for by the Penal Code. However, it has been strengthened compared to the system in the Penal Code. In the Act on Punishment of Organized Crimes, the scope of items subject to the system has been expanded to include property in general, including monetary claims, in addition to tangible objects and assets obtained as the fruit of criminal proceeds, and preservation measures have been established.

As one of the preservation measures relating to a restraining order for confiscation, the court may prohibit, either upon the request of a prosecutor or based on its own authority, the disposition of assets that should be confiscated in a prosecuted case in order to prevent the disposition before a court judgment is made. In cases in which it is possible that an offender who acquired assets that are equivalent to criminal proceeds will detect the initiation of investigation and so dispose of the assets, the judge may prohibit the disposition of the assets upon the request of judicial police officers, etc., even before the institution of a prosecution for a period of 30 days or less (the period may be renewed upon the request of the prosecutor). For a restraining order for collection of equivalent value, there is a similar provision to that for a restraining order for confiscation. (However, only the prosecutor can request a temporary restraining order before the institution of a prosecution.)

3. Recent Legislative Changes

Based on the fact that in the recommendations in the FATF Fourth Round Mutual Evaluation Report of Japan publicly disclosed in August 2021, it was recommended that Japan raise its statutory penalty limits for ML offences and include criminal proceeds from virtual assets, etc., in the scope of property subject to confiscation, a bill for the Act to Respond to FATF Recommendations, including raising the statutory penalty limits for ML offences and the expansion of the scope of property subject to confiscation through the amendment of the Act on Punishment of Organized Crimes, was submitted to the 210th extraordinary session of the Diet in October 2022. The bill was enacted on December 2, 2022, promulgated on December 9, and came into effect on December 29 of the same year. The following is the outline of the amendments to the Act on Punishment of Organized Crimes.

- (1) Raising statutory penalties for ML offences
 - i) The statutory penalty for illegal corporate control management (Article 9) was amended from "imprisonment with labor for not more than five years, or a fine of not more than 10 million yen, or both" to "imprisonment with labor for not more than 10 years, or a fine of not more than 10 million yen, or both."
 - ii) The statutory penalty for concealment of criminal proceeds (Article 10, paragraph 1) was amended from "imprisonment with labor for not more than five years, or a fine of not more than 3 million yen, or both" to "imprisonment with labor for not more than 10 years, or a fine of not more than 5 million yen, or both."
 - iii) The statutory penalty for receipt of criminal proceeds (Article 11) was amended from "imprisonment with labor for not more than three years, or a fine of not more

than 1 million yen, or both" to "imprisonment with labor for not more than 7 years, or a fine of not more than 3 million yen, or both."

(2) Expanding the scope of property subject to confiscation

The types of property that may be confiscated as criminal proceeds provided for in

Article 13, paragraph 1 of the Act on Punishment of Organized Crimes was amended
from "real property, movables, or monetary claims" to "property." This makes it
possible to confiscate new types of property, such as virtual assets.

Paragraph 2 Anti-Drug Special Provisions Law

The Anti-Drug Special Provisions Law was enacted for the purpose of blocking cycles of illegal proceeds derived from drug crimes, directly triggered by the UN New Narcotics Convention adopted in 1988 and the FATF "40 Recommendations" compiled in 1990, and was enforced in July 1992. This law contains two items that relate to measures against drug crime proceeds, as described below.

1. Punishment of Money Laundering (Articles 6 and 7)

The Anti-Drug Special Provisions Law criminalizes the acts of disguising facts with respect to the acquisition or disposition of drug-related criminal proceeds and concealing and receiving such proceeds as money laundering.

2. Confiscation, Collection of Equivalent Value, and Preservation Measures (Articles 11 through 13, 19, and 20)

Drug-related criminal proceeds shall be confiscated or an equivalent value thereto shall be collected. The system of confiscation and collection of equivalent value provided in this law is mandatory, in principle, whereas the system provided in the Act on Punishment of Organized Crimes is discretionary.

For the restraining orders for the confiscation and collection of equivalent value, there are provisions similar to those under the Act on Punishment of Organized Crimes.

3. Recent Legislative Changes

Based on the fact that in the recommendations in the FATF Fourth Round Mutual Evaluation Report of Japan publicly disclosed in August 2021, it was recommended that Japan raise its statutory penalty limits for ML offences, a bill for the Act to Respond to FATF Recommendations, including raising the statutory penalty limits for ML offences through the amendment of the Anti-Drug Special Provisions Law, was submitted to the 210th extraordinary session of the Diet in October 2022. The bill was enacted on December 2, 2022, promulgated on December 9, and came into effect on December 29 of the same year.

The following is an outline of the amendments to the Anti-Drug Special Provisions Law.

- (1) The statutory penalty for concealment of drug-related criminal proceeds (Article 6) was amended from "imprisonment with labor for not more than five years, or a fine of not more than 3 million yen, or both" to "imprisonment with labor for not more than 10 years, or a fine of not more than 5 million yen, or both."
- (2) The statutory penalty for receipt of drug-related criminal proceeds (Article 7) was amended from "imprisonment with labor for not more than three years, or a fine of not more than 1 million yen, or both" to "imprisonment with labor for not more than

seven years, or a fine of not more than 3 million yen, or both."

Section 3 The Legislative Regime Primarily for Prevention of Terrorism Financing

Paragraph 1 The Act on Punishment of Financing to Offences of Public Intimidation

The Act on Punishment of Financing to Offences of Public Intimidation was established for the purpose of developing domestic laws necessary to comply with the International Convention for the Suppression of the Financing of Terrorism and to respond to requests from the international community to implement measures to prevent terrorism financing. It came into force in July 2002.

1 Punishment of Financing to "Offences of Public Intimidation" (Articles 2 through 5)

The Act defines murder and other criminal acts carried out with the aim of intimidating the public, national or local governments, or foreign governments and other entities as "an act of public intimidation," and it provides for punishments for criminal acts, including the provision of funds for acts of public intimidation or other profits which will benefit such acts.

Providing funds to persons who provide funds to persons who intend to commit an act of public intimidation ("prospective terrorists") is also subject to punishment under the Act. The scope of prospective terrorists under the Act includes but is not limited to persons subject to asset freezing and other measures under the Foreign Exchange Act and International Terrorist Asset-Freezing Act.

2 Recent Legislative Changes

With regards to crimes under the Act on Punishment of Financing to Offences of Public Intimidation, a bill for the Act to Respond to FATF Recommendations, including extending the scope of crimes of terrorist financing, etc., and raising statutory penalties, was submitted to the 210th session of the Diet. The bill was enacted on December 2, 2022, promulgated on December 9, and came into effect on December 29 of the same year.

The following is an outline of the amendments to the Act on Punishment of Financing to Offences of Public Intimidation.

- (1) Expanding the constituent requirements through the establishment of "Specified Criminal Acts"
 - The FATF pointed out that the scope criminalization of the Act on Punishment of Financing to Offences of Public Intimidation is more limited than that required by the International Convention for the Suppression of the Financing of Terrorism due to the "public intimidation" requirement contained in the Act. Although the International Convention is considered to be secured, in order to make CTF measures more complete through international cooperation, a new category of "Specified Criminal Acts" was created to criminalize the provision of funds, etc.
- (2) Raising statutory penalties
 - The FATF pointed out that the statutory penalties of the punishment provisions of the Act on Punishment of Financing to Offences of Public Intimidation do not have an appropriate and sufficient deterrence effect. Also, in light of the current state of terrorism in various parts of the world, the statutory penalties under the punishment provisions of the Act have been increased in order to deter terrorist financing and

related acts more strongly under international cooperation.

Paragraph 2 Foreign Exchange Act

In response to the United Nations Security Council Resolution (No. 1267), which requires assets provided to the Taliban to be frozen or that other measures be taken at the time of foreign transactions, and the United Nations Security Council Resolution (No. 1373) adopted after the September 11 terrorist attacks in 2001, the Foreign Exchange Act requires that asset-freezing measures be implemented, with the approval of the competent minister, against persons who make or receive payments or perform capital transactions (including deposit transactions, trust transactions, and loan agreements) with individuals or entities subject to asset freezing or other measures and who have been designated by a public notice of the Ministry of Foreign Affairs.

Paragraph 3 International Terrorist Asset-Freezing Act

Together with the measures under the Foreign Exchange Act, asset freezing and other measures under the International Terrorist Asset-Freezing Act secure the performance of the obligations established in the above resolutions by requiring that approval be obtained from a prefectural public safety commission ("public safety commission") for domestic transactions made in relation to international terrorists, etc. by individuals or entities subject to asset freezing and other measures in compliance with the United Nations Security Council Resolution No. 1267, etc.

The Act requires that individuals and entities named as persons subject to asset freezing and other measures in the public notice under the Act obtain approval of a public safety commission if they engage in donation or loan of money or other similar acts. The Act also provides that the public safety commissions are entitled to order said individuals and entities to submit a portion of the assets owned by them and to retain these assets temporarily.

Chapter 3 The Operational Status of the Suspicious Transactions Reporting System

The Act on Prevention of Transfer of Criminal Proceeds requires that specified business operators file a report to the competent administrative authorities when a transaction is suspected of being related to criminal proceeds (lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified public tax accountants are not subject to this obligation, and hereinafter the same applies in this Chapter).

Section 1 System Outline

1. Purpose

The suspicious transaction reporting system aims to support investigations of money laundering and its predicate offences, as well as terrorist financing, to prevent the misuse of financial or other services provided by specified business operators and to enhance trust in business activities.

2. Flow of Suspicious Transaction Reporting

Suspicious transactions reported by specified business operators are collected at the Japan Financial Intelligence Center (JAFIC) via the competent administrative authorities. JAFIC collates and analyzes suspicious transaction reports (STRs) to disseminate those that are deemed useful to the investigative authorities, such as the prefectural police and public prosecutors, for their use.

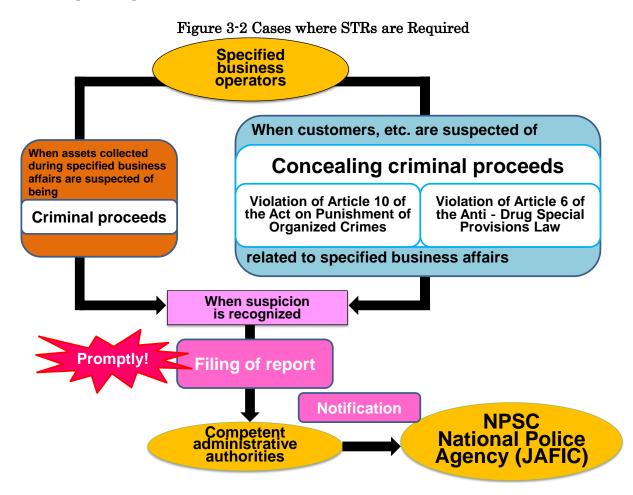
The investigative authorities use the received STRs for investigations of money laundering and its predicate offences or criminal cases. In addition, information, etc. related to foreign transactions of the STRs are disseminated to foreign FIUs by JAFIC as needed and used for clarifying the status of the transfer of international criminal proceeds, etc.

Competent **Specified Investigative Administrative Business JAFIC Authorities Authorities Operators** Detection Receive Use in **Register into** Dissemi Notifica-Report reports of criminal of database, -nation tion suspicious suspicious investigation arrange and transaction transaction analyze reports of suspicious transaction Foreign FIUs

Figure 3-1 Flow of STRs from Specified Business Operators through JAFIC to the Investigative Authorities

3. When STRs are Required

Under Article 8 of the Act on Prevention of Transfer of Criminal Proceeds, it is required that specified business operators promptly file an STR with the competent administrative authorities when they suspect that assets they have received could be criminal proceeds, or that a customer, etc. could commit an act that constitutes a crime under Article 10 of the Act on Punishment of Organized Crimes (concealment of criminal proceeds) or Article 6 of the Anti-Drug Special Provisions Law (concealment of drug-related criminal proceeds) with respect to specified businesses affairs.



4. Identification of Suspicious Transactions

The Act on Prevention of Transfer of Criminal Proceeds provides that specified business operators are required to determine whether there is any suspicious activity behind the transaction concerned by considering the details of national risk assessment follow-up reports (NRAs), in addition to the results of the verification at the time of the transaction, the transaction method and other matters, and by the method specified by the ordinance of the competent ministry^(Note).

Subject to the provision mentioned in the preceding sentence, specified business operators should, based on their own knowledge and experience in their particular field of operations, determine the nature of transactions or types of customers, etc. and whether the transactions are suspected of being related to ML/TF. However, not all of them identify ML/TF risks in every transaction and they may find it difficult to make an appropriate determination. Therefore, the competent administrative authorities that supervise specified business operators have announced "reference cases of suspicious transactions," based on the characteristics of respective transactions conducted by specified business operators. These cases are provided as a reference to help specified business operators find

or identify suspicious transactions in their day-to-day operations. Although all of the transactions that appear to match the listed samples in the reference cases do not necessarily have to be reported as STRs, any transaction that specified business operators determine as should be reported as STRs are subject to the reporting.

Note: Methods, etc., of verification of whether there is suspicion of ML by comparing the nature of a transaction with those of normal transactions and comparing it with the nature of past transactions with the same customer, and based on its consistency with the verification results.

Section 2 Situation of STR Filings, etc.

1. Transition of the Annual Number of Notifications

Although the suspicious transaction reporting system was established with the enforcement of the Anti-Drug Special Provisions Law in 1992, less than 20 reports a year were received between 1992 and 1998, largely because the subjects of the reporting were limited to proceeds derived from drug-related crimes. However, since the enactment of the Act on Punishment of Organized Crimes in 1999, the crimes subject to suspicious transaction reports were extended beyond drug-related crimes to include other serious crimes as specified by the Act. Since the enforcement of the Act in 2000, the number of reports has been rising. The number of reports received in 2022 was 583,317.

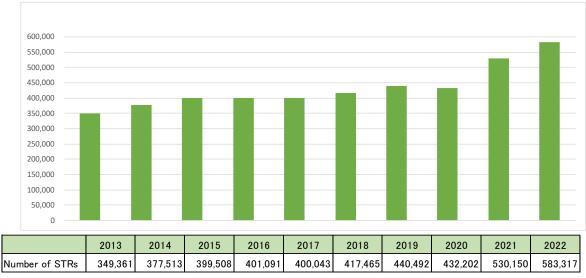


Figure 3-3 Trend Diagram of Annual Number of STRs (2013–2022)

Note: "Number of Reports Received" is the number of STRs from the competent administrative authorities of specified business operators received by JAFIC.

As possible underlying factors of this increasing trend, the following points can be raised.

- The spread of compliance culture among the general public and the increasing importance of the international AML/CFT measures has encouraged financial institutions' efforts to apply stringent monitoring for their measures against illegal money transfers.
- The effects of education provided on the need to report suspicious transactions, such as seminars, held for financial institutions and others.

The number of STRs deleted in 2022 was 128,091 and the number of STRs stored as of the end of December 2022 was 5,725,631.

2. Annual Number of Notifications by Business Type

The number of STRs that each category of business operator filed in 2022 is shown in Table 3-1. Banks, etc., had the highest number of reports, of 414,651 or 71.1% of all reports, followed by money lenders (45,684 or 7.8%) and credit card operators (41,106 or 7.0%) (see Table 3-1).

Table 3-1 Annual Number of STRs by Business Type

Year	2018	2019	2020	2021	2022
Category	Number of				
Financial Institutions etc.	reports 401,155	reports 415,299	reports 402,868	reports 495.029	reports 542,003
Depository Institutions	363,380	366,973	342,226	411,683	435,728
Banks etc.	346,014	344,523	319,812	390,381	414,651
Shinkin Banks and Credit Cooperative	14,375	19,487	19,793	18,461	18,520
Labor Banks	467	371	300	318	316
Norinchukin Banks etc.	2,524	2,592	2,321	2,523	2,241
Insurance Companies	2,671	2,876	2,635	3,458	3,939
Financial Instruments Business	13,345	17,116	17,933	19,718	19,032
Money Lender	12,396	17,316	25,255	35,442	45,684
Fund Transfer Companies	1,391	3,913	6,040	10,499	20,271
Virtual Assets Exchange Service Providers	7,096	5,996	8,023	13,540	16,550
Futures Commission Merchant	50	256	320	388	318
Currency Exchanging Operators	649	712	252	201	430
Electronic Receivables Recording Organizations	10	4	5	7	0
Others	167	137	179	93	51
Financial Leasing Operators	222	270	123	163	71
Credit Card Operators	15,114	24,691	29,138	34,904	41,106
Real Estate Agent	8	6	7	4	11
Dealers in Precious Metals and Stones	952	217	63	48	124
Postal Receiving Service Providers	6	4	2	0	1
Telephone Receiving Service Providers	0	0	0	0	0
Telephone Forwarding Service Providers	8	5	1	2	1
Total	417,465	440,492	432,202	530,150	583,317

3. Annual Number of Notifications by Methods

Table 3-2 shows the number of STRs by filing method (electronic filing through e-Gov or filing by other means, such as sending documents, etc., to the competent administrative authorities).

Table 3-2 Annual Number of STRs by Method

Year	2018		2019		2020		2021		2022	
Method	Number of reports	%								
Electronic Application	410,964	98.4%	436,291	99.0%	428,089	99.0%	526,997	99.4%	579,533	99.4%
Other Methods	6,501	1.6%	4,201	1.0%	4,113	1.0%	3,153	0.6%	3,784	0.6%
Total	417,465	100.0%	440,492	100.0%	432,202	100.0%	530,150	100.0%	583,317	100.0%

The National Police Agency will continue to work to further publicize online reporting at all opportunities in order to reduce the reporting-obligation burden on specified business operators.

Section 3 Dissemination and Use of Information on STRs

Paragraph 1 Dissemination

The NPSC and NPA collect, arrange, and analyze all STRs, and they disseminate STRs that are useful for investigations of money laundering, predicate offences, or other offences to LEAs.

The number of STRs disseminated to LEAs in 2022 was 581,252, when the number of STRs reached a record high (see Table 3-3).

JAFIC utilizes the following information for analyses of criminal organizations, whose fund-raising methods have diversified remarkably in recent years, as well as analyses of crimes relating to fraud, illegal stays, and drugs:

- o Past STRs
- o Information accumulated by police officers
- Publicly available information

Moreover, in response to the recent changes in the social situation, JAFIC has enhanced analyses of virtual asset transactions, which are often misused for ML/TF due to their anonymity, analyses of transactions using diversified fund transfer services, and analyses of bribery of foreign public officials, etc. JAFIC reviews the findings from the analysis of various crimes mentioned above in a comprehensive manner and disseminates the results to LEAs.

The number of analysis reports disseminated to LEAs has continued to rise each year, and in 2022 it reached a record high of 15,990 (see Table 3-3).

Table 3-3 Number of Reports Disseminated to LEAs

	2018	2019	2020	2021	2022
Information on STRs	460,745	467,762	461,687	524,462	581,252
Results of Analysis	8,259	8,676	11,176	12,769	15,990

In 2022, there was no request from an investigative authority to view or copy an STR or to have a copy sent to it.

Paragraph 2 Use of STRs in the Law Enforcement Authorities (LEAs)

1. Prefectural Police Departments

Prefectural police departments use STRs to discover criminal proceeds, analyze criminal organizations, investigate criminal proceeds-related offences, etc. The number of STRs used by prefectural police departments for investigations in 2022 was 373,849 (see Table 3-4).

Table 3-4 Number of STRs Used for Investigative Purposes, etc.

	2018	2019	2020	2021	2022
Number of STRs used in investigation	314, 296	307, 786	325, 643	353, 832	373, 849

The number of cases cleared that were initiated based on STRs and closed with arrests ("STR-initiated cases") was 994 in 2022, and the number of arrests made by using STRs in the course of performing investigations already underway ("STR-use cases" (excluding STR-initiated cases)) was 1,866.

The number of STR-initiated cases by crime category is shown in Table 3-5, and the number of STR-use cases (excluding STR-initiated cases) is shown in Table 3-6.

The following describes each type of violation in the STR-initiated cases and STR-use cases counted by type of crime.

- (i) The number of STR-initiated cases of fraud-related crimes (fraud and violations of the Act on Prevention of Transfer of Criminal Proceeds, etc.) was 877, comprising 88.2% of all the STR-initiated cases, and the number of STR-use cases of fraud-related crimes was 877, comprising 47.0% of all the STR-use cases, each of which is the largest number recorded. They included bank passbook smuggling, fraudulent receipt of benefits related to COVID-19 and other benefits, and special fraud such as concert ticket fraud on social media, refund fraud by parties related to Boryokudan (Japanese gangster organizations), and cash card fraud.
- (ii) The number of STR-initiated cases of illegal stays (violations of the Immigration Control Act) was 25 and the number of STR-use cases of illegal stays was 30, which included cases of foreign nationals who had overstayed their visas, who had no work permits and were given assistance in gaining illegal employment, and who used forged residence cards.
- (iii) The number of STR-initiated cases violating the Act on Punishment of Organized Crimes (concealing and receiving criminal proceeds) was 13 and the number of STR-use cases violating the Act on Punishment of Organized Crimes was 61, which included concealing and receiving criminal proceeds obtained through fraud, theft, etc.
- (iv) The number of STR-initiated cases of drug crimes (violation of the Stimulants Control Act and the Cannabis Control Act, etc.) was 28 and the number of STR-use cases of drug crimes was 290, which included the possession, transfer, and/or receipt, or the organized sale or purchase of illegal drugs such as stimulants and cannabis.
- (v) The number of STR-initiated cases of counterfeiting crimes (use of forged official documents with a seal, false entries in the original of an electromagnetic notarized deed and the use of such a deed, etc.) was 16, while the number of STR-use cases of counterfeiting crimes was 44, which included opening a bank account using a forged driver's license, etc., illegal contracts for mobile phones and other devices, sham marriages, etc.
- (vi) The number of STR-initiated cases of loan sharks (violation of the Money Lending Business Act and the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates) was 8 and the number of STR-use cases of loan sharks was 11, which included arrests for unregistered money lending business, loansharking, etc.

- (vii) The number of STR-initiated cases of entertainment business-related offences (violation of Act on Control and Improvement of Amusement Business, etc.) was 2 and the number of STR-use cases of entertainment business-related offences was 11, which included the operation of unlicensed bars or nightclubs, etc., the operation of adult entertainment shops in prohibited areas.
- (viii) The number of STR-use cases of gambling-related offences (habitual gambling, running of a gambling place for the purpose of gain, etc.) was 4, which included arrests for habitual gambling conducted by Boryokudan-related parties, and baseball gambling using mobile phones.
- (ix) The number of STR-initiated cases of other criminal offences (theft, violence, felony, etc.) was 11 cases and the number of STR-use cases of other criminal offences was 443, which included unauthorized withdrawals of money from ATMs using another person's cash card and extortion by a senior member of Boryokudan, etc.
- (x) The number of STR-initiated cases of other special criminal offences (violation of the Trademark Act or the Banking Act, etc.) was 14 and the number of STR-use cases was 95, which included violations of the Trademark Act through the sale and transfer of fake products without the approval of the trademark licensor and violations of the Banking Act through illegally sending money overseas without a license, etc.

Table 3-5 Number of STR-initiated Cases by Type of Crime

Table 3-5 Number of STR-initiated Cases by Type of Crime										
STR	Year P-initiated Cases by Type of Crime	2018	2019	2020	2021	2022				
	Fraud-related crimes	1004	933	873	855	877				
(.,	Violation of Act on Prevention of Transfer of Criminal Proceed	636	593	631	561	626				
	Fraud	366	338	237	290	247				
	Computer fraud	2	2	5	4	4				
(ii)]	Illegal stays	26	53	38	46	25				
, ,	Violation of Immigration Control Act	26	53	38	46	25				
(iii)	Violation of Act on Punishment of Organized Crimes	17	34	30	41	13				
	Concealment of criminal proceeds, etc.	12	20	21	28	9				
	Receipt of criminal proceeds, etc.	5	14	9	13	4				
	Control of management of companies, etc.	0	0	0	0	0				
(iv)	Drug crimes	42	39	45	39	28				
	Violation of Stimulants Control Act	34	35	36	26	18				
	Violation of Cannabis Control Act	6	0	5	8	6				
	Violation of Anti-Drug Special Provisions Law	2	4	1	4	3				
	Violation of Narcotics and Psychotropics Control Act	0	0	0	1	1				
	Violation of Act on Ensuring the Quality, Efficacy and Safety of	0	4	•	0	0				
	Drug and Medical devices, etc.	0	4	3	0	0				
(v)	Counterfeiting crimes	7	15	8	17	16				
	Forgery of signed public documents	3	8	3	3	2				
	False statement on licenses	0	2	2	2	3				
	Illegal preparation and supply of false entries in original	4	4	0	2	2				
	electromagnetic notarized deed									
	Others	0	0	3	10	9				
(vi)	Loan sharks	8	13	6	8	8				
	Violation of Money Lending Business Act	7	11	2	6	7				
	Violation of Act Regulating the Receipt of Contributions, Receipt	4	4	4	2	1				
<i>(</i>)	of Deposits, and Interest Rates	0	4	0	0	0				
(VII)	Entertainment business-related offences	3	4	3	2	2				
	Violation of Amusement Business Act	3	4	2	1	<u> </u>				
(:::`	Distribution of obscene materials	0	0	1	1	1				
(VIII,	Gambling-related offences	1	0	0	2	0				
	Habitual gambling	1	0	0	1	0				
	Gambling Operating a gambling site for profit	0	0	0	1	0				
(iv)	Other criminal offences	5	_	_	_					
(IX)	Theft	0	12 5	12	18	11 8				
	Violence	5	4	9	11					
	Felony	0	0	0		0				
	Others	0	3	_	0					
(v)	Other special criminal offences			12	17	1.4				
(X)	Violation of Trademark Act	11	20 3	13	17 5	14 2				
	Violation of Banking Act	1	2	4		4				
	Violation of Act on Specified Commercial Transactions	0	2	4	4 0	0				
	Violation of Customs Act	0	0	1	0	0				
	Others	9	_	1	_					
Tot		1,124	1 1 2 2	1,028	1,045	994				
100	al	1,124	1,123	1,02δ	1,040	994				

Note 1: The number of STR-initiated cases means the number of cases initiated based on STRs and closed with arrests after investigations.

Note 2: Arrests for multiple crimes are recorded respectively as an arrest for the crime subject to the severest punishment. Arrests for multiple criminal offences and

special criminal offences subject to the same punishment are categorized by criminal offences, and arrests for multiple criminal offences only and those for multiple special criminal offences only are categorized respectively by the major offences. Arrests for violation of the Act on Punishment of Organized Crimes and Control of Crime Proceeds are all recorded as cases of violation of said Act, irrespective of other offences committed simultaneously.

Note 3: Other types of criminal offences in the Table are recorded according to the crime statistics.

Table 3-6 Number of STR-use Cases by Type of Crime (excluding STR-initiated cases)

ST	R-use Cases by Type of Crime	2018	2019	2020	2021	2022
	raud-related crimes	400	493	589	647	877
	Violation of Act on Prevention of Transfer of Criminal Proceed	208	275	302	271	396
	Fraud	188	215	280	360	460
	Computer fraud	4	3	7	16	21
(ii) 1	Illegal stays	50	36	27	41	30
	Violation of Immigration Control Act	50	36	27	41	30
(iii)	Violation of Act on Punishment of Organized Crimes	18	37	40	37	61
	Concealment of criminal proceeds, etc.	12	20	26	26	49
	Receipt of criminal proceeds, etc.	6	17	13	11	12
	Control of management of companies, etc.	0	0	1	0	0
(iv)	Drug crimes	89	175	224	240	290
	Violation of Stimulants Control Act	66	132	167	160	148
	Violation of Cannabis Control Act	12	29	41	49	98
	Violation of Anti-Drug Special Provisions Law	4	6	8	20	24
	Violation of Narcotics and Psychotropics Control Act	4	4	7	6	18
	Violation of Act on Ensuring the Quality, Efficacy and Safety of	3	4	1	5	2
	Drug and Medical devices, etc.	,	7		3	
(v)	Counterfeiting crimes	18	19	23	42	44
	Forgery of signed public documents	11	7	6	4	11
	False statement on licenses	0	2	0	0	2
	Illegal preparation and supply of false entries in original	6	9	10	17	6
	electromagnetic notarized deed					
	Others	1	1	7	21	25
(vi)	Loan sharks	4	10	18	12	11
	Violation of Money Lending Business Act	1	6	13	7	5
	Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates	3	4	5	5	6
(vii)	Entertainment business-related offences	12	16	12	12	11
(VII)	Violation of Amusement Business Act	11	16	12	12	11
	Distribution of obscene materials	1	0	0	0	0
(viii)	Gambling-related offences	7	9	9	10	4
(VIII,	Habitual gambling	2	6	5	5	3
	Gambling	1	0	3	0	0
	Operating a gambling site for profit	4	3	1	5	<u>0</u> 1
(iv)	Other criminal offences	150	244	373	366	443
(1//	Theft	45	102	154	164	217
	Violence	65	76	135	129	130
	Felony	15	25	23	28	35
	Others	25	41	61	45	61
(v)	Other special criminal offences	37	63	82	94	95
(//)	Violation of Trademark Act	6	5	3	5	10
	Violation of Banking Act	1	1	0	2	3
	Violation of Act on Specified Commercial Transactions	2	3	2	5	6
	Violation of Customs Act	1	3	1	1	1
	Others	27	51	76	81	75
Tot	<u> </u>	785	1,102	1,397	1,501	1,866
100	ai	763	1,102	1,387	1,501	1,000

Note 1: The number of STR-use cases means the number of arrests made by using STRs in the course of performing investigations, excluding the number of STR-initiated cases.

Note 2: Arrests for multiple crimes are recorded respectively as an arrest for the crime

subject to the severest punishment. Arrests for multiple criminal offences and special criminal offences subject to the same punishment are categorized by criminal offences, and arrests for multiple criminal offences only and those for multiple special criminal offences only are categorized respectively by the major offences. Arrests for violation of the Act on Punishment of Organized Crimes and Control of Crime Proceeds are all recorded as cases of violation of said Act, irrespective of other offences committed simultaneously.

Note 3: Other types of criminal offences in the Table are recorded according to the crime statistics.

2. The Public Prosecutors Offices

STRs are shared among public prosecutors offices nationwide. They are used for secret investigations, as well as for corroborating statements by offenders and associated parties, investigating further crimes and accomplices, and finding criminal facts.

STRs are also used for a wide range of other activities, including monitoring the flow of funds of Boryokudan and other crime organizations and examining the actual state of organized crime.

3. The Narcotics Control Department

The Narcotics Control Department in the Health, Labour and Welfare Ministry utilizes STRs in identifying criminals and transferred criminal proceeds and in investigating drug trafficking and other drug-related crimes, by such means as comparing STRs and information obtained from already arrested suspects and secret investigations, etc., and identifying new accounts for illegal drug trafficking.

4. The Japan Coast Guard

The Japan Coast Guard utilizes STRs to analyze relationships with parties that are reported to have a high risk of committing a crime, as well as to promote investigations of organized smuggling of restricted items and of illegal immigrants, thus striving to take thorough frontline measures to prevent such crimes. It also utilizes STRs to uncover poaching rings involving Boryokudan-related parties.

5. The National Tax Agency

The National Tax Agency shares information on suspicious transactions with regional tax bureaus nationwide and actively utilizes the information to investigate tax evasion crimes by analyzing STRs and data on tax declarations retained by the regional tax bureaus.

6. Customs

Customs creates a database of STRs that it shares with customs offices across the country. STRs can be used for investigating violations of the Customs Act by such means as comparing them against various types of information obtained by customs offices. By doing so, Customs can identify and clear illegal drug trafficking cases, for example, and it is taking strong steps to stop the smuggling of items that may threaten public safety and security.

7. The Securities and Exchange Surveillance Commission (SESC)

The SESC actively uses STRs, by such means as analyzing and comparing them against information retained by the SESC, in its investigations into misconduct that impairs the fairness of the financial markets, such as the use of fraudulent securities reports (fraudulent accounting), insider trading, market manipulation, and other fraudulent methods.

Chapter 4 Crackdown on Money Laundering

In order to take effective anti-money laundering measures, it is essential to understand the scale and modus operandi of money laundering.

In Japan, money laundering is criminalized as the following activities: the control of management of enterprises of legal persons and other entities through illicit proceeds (Article 9), the concealment of criminal proceeds (Article 10), and the receipt of criminal proceeds (Article 11), which are all stipulated in the Act on Punishment of Organized Crimes, and also the concealment of drug-related criminal proceeds (Article 6) and the receipt of drug-related criminal proceeds (Article 7), both stipulated in the Anti-Drug Special Provisions Law. They include typical money laundering activities, such as transferring criminal proceeds to a certain place so that these proceeds would not be traceable and depositing criminal proceeds in a bank account in the name of another person, although all activities to transfer criminal proceeds are not covered.

In addition, penalties for violating the supervisory mechanisms issued by the competent administrative authorities to specified business operators (excluding lawyers) and penalties for illegally transferring or receiving, etc. bank account passbooks are stipulated in the Act on Prevention of Transfer of Criminal Proceeds. The anti-money laundering achievements in Japan can be understood to some extent by looking at the number of cleared cases related to money laundering and the amounts of criminal proceeds confiscated.

Section 1 Cleared Cases of Money Laundering

Paragraph 1 Cleared Cases of Money Laundering under the Act on Punishment of Organized Crimes

1. Number of Cleared Cases

There were 709 cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2022, consisting of 1 case of illegal corporate control management, 578 cases of concealment of criminal proceeds (Note), and 130 cases of the receipt of criminal proceeds. The total number of the cases represented an increase of 86 cases (13.8%) on the previous year (see Table 4-1).

(Note) Criminal proceeds means proceeds from criminal activities, assets derived from criminal proceeds, or assets mixed with other assets (Article 2, Paragraph 2 to 4 of the Act on Punishment of Organized Crimes).

Table 4-1 Number of Arrests Made for Money Laundering under the Act on Punishment of Organized Crimes

				- 0						
Year Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Management Control through	2	1	2	0	2	1	0	2	0	1
Illicit Proceeds (Article 9)	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)
Concealment of Criminal	171	180	234	268	240	377	378	413	461	578
Proceeds, etc. (Article 10)	(35)	(26)	(43)	(45)	(22)	(36)	(32)	(27)	(32)	(43)
Receipt of Criminal	99	112	145	112	111	126	150	182	162	130
Proceeds, etc. (Article 11)	(40)	(28)	(46)	(25)	(24)	(26)	(19)	(30)	(28)	(18)
Total	272	293	381	380	353	504	528	597	623	709
lotai	(75)	(55)	(89)	(70)	(46)	(62)	(51)	(57)	(60)	(62)

Note: The numbers in brackets represent the number of cases conducted by Boryokudan (meaning members and quasi-members of organized crime groups and other persons affiliated thereto; hereinafter, the same).

With regard to the types of money laundering cases under the Act on Punishment of Organized Crimes, the number of theft cases was the highest at 257, followed by 254 cases of fraud, 105 cases of computer fraud, and 12 cases of loan sharking, etc.

2. Modus Operandi of Money Laundering Observed in Cleared Cases

(1) Examples of Concealment of Criminal Proceeds

Predicate offences of the cases of the concealment of criminal proceeds in 2022 covered theft, fraud and violation of the Money Lending Business Act, etc. Such cases of concealment of criminal proceeds, etc. consisted largely of cases in which offenders attempted to transfer funds to bank accounts in the names of other persons. Bank accounts constitute a major infrastructure used in money-laundering crimes.

In addition, criminals use various methods to keep investigative authorities off their track, including hiding stolen properties in coin lockers, selling stolen goods, etc., using another person's identity documents, etc., obtaining criminal proceeds by disguising them as legitimate business proceeds, and so on.

[Case 1] Concealment of criminal proceeds related to a special fraud and computer fraud case

A fraud victim deposited money into a bank account under the name of another person at the direction of a special fraud group. Then a group of unemployed men transferred the money to another bank account under someone else's name. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Nagasaki, in January)

[Case 2] Concealment of criminal proceeds related to a special fraud case

A group of men in the consulting business sold the right to use e-money defrauded by a special fraud group on an e-money trading site under the name of a limited liability company run by another person, impersonating the person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Metropolitan Police Department, in April)

[Case 3] Concealment of criminal proceeds related to a computer fraud case

A male company employee purchased virtual assets with criminal proceeds transferred to a bank account in his name, and he then transferred the assets to a virtual assets address managed by an unidentified person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Okayama, in February)

(2) Examples of Receipt of Criminal Proceeds, etc.

Predicate offences of the cases involving the receipt of criminal proceeds cleared in 2022 covered theft, fraud, forgery of documents, and gambling cases. Such cases involving the receipt of criminal proceeds included cases where offenders received criminal proceeds they gained from such crimes directly or via bank accounts, and cases where offenders received stolen property, etc. by purchasing them. These cases show that criminal proceeds are transferred from one criminal to another by various means.

[Case 4] Receipt of criminal proceeds related to a robbery case

A female esthetician received a watch, knowing that it had been obtained by robbery committed by an unidentified person, and sold it to a buyer. This case was cleared as an arrangement of disposal of stolen goods and a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Metropolitan Police Department, in June)

[Case 5] Receipt of criminal proceeds related to a theft case

A male farmer received a small special motor vehicle by paying money, knowing that it was property stolen by a group of thieves. This case was cleared as a violation of receiving stolen property, etc., with compensation and the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Ibaraki, in April)

3. Money Laundering Cases Related to Boryokudan (the general name for Japanese gangster organizations)

There was a total of 62 cases cleared as money laundering related to Boryokudan in 2022, consisting of 1 case of illegal corporate control management, 43 of concealment of criminal proceeds and 18 of receipt of criminal proceeds. This number accounts for 8.7% of all cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2022. Looking at ML crimes related to Boryokudan members by predicate offence, there are 28 fraud cases as the highest, 11 cases of computer fraud, 9 theft cases, etc. The modus operandi of money laundering cases seems to include the method of utilizing an account in the name of another person when obtaining criminal proceeds and the method of receiving criminal proceeds, which was generated by the gambling cases, in the name of protection racket, etc. This shows that Boryokudan commit a variety of offences and launder the criminal proceeds.

[Case 6] Concealment of criminal proceeds related to a special fraud case by a member of an Inagawa-kai-affiliate group

A male member of an affiliate group of the Inagawa-kai organized crime group collected money that a fraud victim had sent to a fictitious recipient at the direction of a special fraud group from the delivery box in the recipient's apartment. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Kagawa, in May)

[Case 7] Receipt of criminal proceeds related to a violation of the Money Lending Business Act by a senior member of a Kobe Yamaguchi-gumi affiliate group

A male senior member of an affiliated group of the Kobe Yamaguchi-gumi received repayment money brought by a borrower's guarantor, knowing that the proceeds were from a loan sharking business operated by another senior member of the affiliate group. This case was cleared as a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Kyoto, in July)

4. Money Laundering conducted by Foreign Visitors to Japan

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2022, there were 103 cases related to foreign visitors to Japan, representing 14.5% of all cases. They consisted of 69 cases of concealment of criminal proceeds and 34 cases of receipt of criminal proceeds.

With regard to the predicate offences of the cases of money laundering related to foreign visitors to Japan, there were 36 fraud cases as the highest, 35 theft cases, 11 cases of computer fraud, and 6 violations of the Immigration Control and Refugee Recognition Act. It can be seen that criminals of foreign nationalities operating in Japan use various methods to carry out money laundering, including the use of bank accounts in Japan opened in the names of other people when obtaining criminal proceeds, the use of someone else's illegally obtained electronic payment code, and the purchase of stolen goods, etc.

[Case 8] Concealment of criminal proceeds related to a theft case by a Chinese person A Chinese man residing in Japan pretended to be someone else to make a delivery request and had a shipping company deliver stolen shoes. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Metropolitan Police Department, in April)

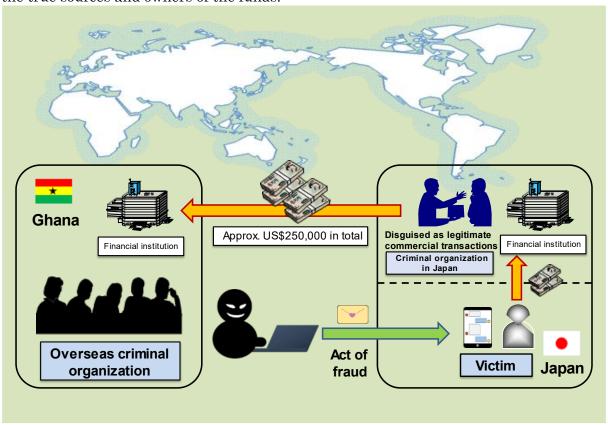
[Case 9] Receipt of criminal proceeds related to a robbery and murder case by a Filipino

A female Filipino factory worker received cash, knowing that it was obtained through robbery and murder by a man she knew. This case was cleared as a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Gunma, in May)

5. Cases of Cross-Border Money Laundering

There were some ML cases where criminal proceeds from fraud committed overseas were disguised as legal funds and criminal proceeds defrauded from users of social networking and other services were disguised as legitimate funds for overseas remittance, concealing the true sources and owners of the funds.



[Case 10] Concealment of criminal proceeds related to a fraud case

When a male company executive remitted criminal proceeds obtained through fraud to an account opened in a bank in the Republic of Ghana, he submitted a false invoice to a bank in Japan for the purchase price of cacao beans, etc., pretending to make legitimate fund settlement for a commercial transaction. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Osaka, in February)

Paragraph 2 Cleared Cases of Money Laundering under the Anti-Drug Special Provisions Law

The total number of cleared cases of money laundering under the Anti-Drug Special Provisions Law in 2022 was 17 cases (see Table 4-2).

In some cases, funds acquired through drug offences, such as the smuggling of stimulants, etc., are laundered. In these cases, offenders make customers deposit the payments for illegal drugs into a bank account in the name of another party. (Note)

(Note) Drug-related criminal proceeds means proceeds from drug crimes and assets stemming from the proceeds of drug crimes, or a mix of said assets and other assets (Article 2, Paragraph 3 to 5 of the Anti-Drug Special Provisions Law).

Table 4-2 Number of Arrests Made for Money Laundering under the Anti-Drug Special Provisions Law

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Concealment of drug-related criminal proceeds, etc.	6	5	5	5	7	5	8	3	5	15
(Article 6)	(6)	(3)	(3)	(4)	(3)	(2)	(6)	(1)	(2)	(2)
Receipt of drug-related	4	2	3	3	1	2	1	0	4	2
criminal proceeds, etc. (Article 7)	(4)	(2)	(2)	(2)	(1)	(1)	(1)	(0)	(2)	(0)
Total	10	7	8	8	8	7	9	3	9	17
i ocai	(10)	(5)	(5)	(6)	(4)	(3)	(7)	(1)	(4)	(2)

Note: The numbers in brackets represent the number of cases conducted by Boryokudan.

[Case 11] Concealment of drug-related criminal proceeds related to the trafficking of stimulants, etc.

A drug trafficker smuggled stimulants and cannabis using social networking services and had customers deposit the payments for the drugs in an account opened in the name of another person. This case was cleared as a violation of the Anti-Drug Special Provisions Law (concealment of drug-related criminal proceeds). (Hokkaido, in April)

Section 2 Temporary Restraining Order for Confiscation of Criminal Proceeds before Institution of Prosecution

It is important to deprive criminals of criminal proceeds to prevent them from using these proceeds to maintain and expand the powers of criminal organizations and to invest in future criminal activities. The confiscation and collection of equivalent value of criminal proceeds are conducted based on a court order. To ensure that criminal proceeds are not concealed or spent before the order is given, the police use a system called a Temporary Restraining Order for Confiscation before Institution of Prosecution (hereafter referred to as a Temporary Restraining Order) stipulated in the Act on Punishment of Organized Crimes and the Anti-Drug Special Provisions Law in order to confiscate criminal proceeds effectively.

Paragraph 1 Temporary Restraining Order under the Act on Punishment of Organized Crimes

The number of Temporary Restraining Orders issued under the Act on Punishment of Organized Crimes in 2022 (on the request of judicial police officers) was 162 (see Table 4-3).

Table 4-3 Numbers of Temporary Restraining Orders Issued and Total Amounts Confiscated Before Prosecution under the Act on Punishment of Organized Crimes

Category	2018	2019	2020	2021	2022
Cases	206(27)	169(14)	150(20)	142(22)	162(19)
Total amount of credit	410,918,942 yen	348,965,441 yen	513,222,080 yen	507,211,792 yen	1,047,244,103 yen
Others		Gold bullion: 414 Poker game machine: 9	Virtual assets (XEM, BTC) Gold bullion: 30 Pachinko game machine etc. 70	Beer coupon: 70	Camper: 1 Necklace: 1 Pachinko game machine, etc.: 45

Note 1: Only the cases requested by judicial police officers.

Note 2: The number of cases in brackets represents the number of cases related to Boryokudan.

A breakdown of this figure by type of predicate offence includes 30 violations of the Amusement Business Act as the highest, 29 gambling cases, 27 fraud cases, 21 theft cases, 15 violations of the Immigration Control Act, and so on.

The system of Temporary Restraining Orders under the Act on Punishment of Organized Crimes, which allows the confiscation of criminal proceeds, is an effective measure to deprive offenders of criminal proceeds. The police, in good coordination with the public prosecutor's office, use this system effectively to prevent criminal organizations from utilizing criminal proceeds. The police also actively make use of Temporary Restraining Orders in order to ensure the enforcement of confiscation orders for the purpose of the recovery of a crime victim's property by the public prosecutor under the Act on the Provision of Compensation for Crime Victim Property, etc.

Temporary Restraining Orders issued in 2022 were for monetary claims making use of the Act on Punishment of Organized Crimes, under which monetary claims are subject to confiscation. Examples of monetary claims confiscated include claims on deposits and claims for unpaid salaries, and claims for repayment of advances. In addition, since the confiscation of crime components and items provided for or used for criminal acts became possible by the partial amendment of the Act on Punishment of Organized Crimes in 2017, the cases include gambling cases in which LEAs confiscated and reserve funds as criminal components of the cases.

[Case 12] Temporary Restraining Order against criminal proceeds, etc. related to a violation of the Amusement Business Act

A man managing a restaurant opened and operated an unlicensed adult entertainment shop. A Temporary Restraining Order was issued against claims for deposits, etc. of approximately 59.68 million yen obtained through violation of the Amusement Business Act.

(Aichi, in March)

[Case 13] Temporary Restraining Order against criminal proceeds, etc., related to a violation of the Anti-Prostitution Act

A man running a company that operates a store-type adult entertainment special business offered a place for prostitutes to engage in prostitution. A Temporary Restraining Order was issued against the proceeds from offering the place of approximately 1.98 million yen in total of the cash obtained through violations of the Anti-Prostitution Act.

(Hyogo, in May)

[Case 14] Temporary Restraining Order against criminal proceeds related to a habitual gambling case

A group of men running a gambling shop with game machines set up game machines in the shop and let customers gamble. A Temporary Restraining Order was issued against the proceeds, etc., of approximately 3.46 million yen in cash that they had obtained from the habitual gambling case.

(Mie, in March)

Paragraph 2 Temporary Restraining Order under the Anti-Drug Special Provisions Law The number of Temporary Restraining Orders issued under the Anti-Drug Special Provisions Law in 2022 (on the request of judicial police officers) was 23 (see Table 4-4).

For example, a Temporary Restraining Order was issued against proceeds from the trafficking of stimulants, etc.

Table 4-4 Number of Temporary Restraining Orders Issued and Total Amounts Confiscated Before Prosecution under the Anti-Drug Special Provisions Law

Year Category	2018	2019	2020	2021	2022
Cases	17(5)	8(1)	18(6)	24(6)	23(5)
Total amount of credit	484,08,554 yen	4,153,977 yen	12,684,518 yen	32,712,378 yen	25,363,870 yen
Others	Foreign currency: US\$ 1,000	Foreign currency: US\$ 1,800 TWD 72 MYR 95.6			

Note 1: Only the cases requested by judicial police officers.

Note 2: The number of cases in brackets represents the number of cases related to Boryokudan.

[Case 15] Temporary Restraining Order against drug-related criminal proceeds related to a stimulant trafficking case

A men who were trafficking stimulants were arrested under the Anti-Drug Special Provisions Law (transfer as business). A Temporary Restraining Order was issued against approximately 1.7 million yen in cash that they had obtained from trafficking stimulants.

(Saitama, in March)

Section 3 Application of Provisions of Confiscation and Collection of Equivalent Value

Paragraph 1 Application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes

The details of the application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes in general court procedures (first trials) are shown in the following Table 4-5.

Table 4-5 Statistics of the Application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes in General First Trials

Year	Confis	cation	Colle	ction	Toțal		
rear	Persons	Amount	Persons	Amount	Persons	Amount	
2017	99	360, 734	73	2, 463, 508	172	2, 824, 242	
2018	65	184, 210	36	545, 123	101	729, 333	
2019	89	1, 005, 016	77	988, 705	166	1, 993, 721	
2020	83	352, 900	68	1, 156, 082	151	1, 508, 982	
2021	72	217, 888	62	1, 476, 380	134	1, 694, 268	

Note 1: Data is based on materials prepared by the Ministry of Justice.

Note 2: The unit is thousands of yen (amounts less than one thousand yen are rounded down).

Note 3: When Confiscations and Collections of Equivalent Value were ordered in duplicate for accomplices, the amount was calculated excluding the duplicate amount.

Note 4: Foreign currencies were exchanged into Japanese yen at the exchange rate on the date of the order.

Paragraph 2 Application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law

The details of the application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law in general court procedures (first trials) are shown in the following Table 4-6.

Table 4-6 Statistics of the Application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law in General First Trials

Voor	Confis	cation	Colle	ction	Total		
Year	Persons	Amount	Persons	Amount	Persons	Amount	
2017	36	39, 291	192	317, 231	228	356, 522	
2018	36	5, 138	204	269, 902	240	275, 040	
2019	41	4, 101	227	520, 023	268	524, 125	
2020	66	7, 681	211	152, 426	277	160, 107	
2021	51	10, 465	226	854, 361	277	864, 826	

Note 1: Data is based on materials prepared by the Ministry of Justice.

Note 2: The unit is thousands of yen (amounts less than one thousand yen are rounded down).

Note 3: When Confiscations and Collections of Equivalent Value were ordered in duplicate for accomplices, the amount was calculated excluding the duplicate amount.

Note 4: Foreign currencies were exchanged into Japanese yen at the exchange rate on the date of the order.

Section 4 Cleared Cases of Violation of the Act on Prevention of Transfer of Criminal Proceeds

The Act on Prevention of Transfer of Criminal Proceeds stipulates the penalties to ensure the effectiveness of supervisory mechanisms put in place by the competent administrative authorities over specified business operators (excluding lawyers) and the penalties on the illicit transfer of savings passbooks, and the police are enhancing efforts to crack down on such practices. Many money laundering crimes involve the illicit use of savings passbooks in the name of another party. The number of cases cleared as the illicit transfer of savings passbooks in 2022 was 3,066, an increase of 531 cases on the previous year (see Table 4-7).

Table 4-7 Number of Arrests Made for Violation of the Act on Prevention of Transfer of Criminal Proceeds

Year Category	2018	2019	2020	2021	2022
Transfer, etc. of savings passbooks	2,519	2,479	2,539	2,446	2,951
Transfer, etc. of savings passbooks (as business)	27	44	18	27	18
Soliciting the transfer of passbooks, etc.	27	27	32	11	10
Transfer of foreign exchange cards, etc.	0	27	35	26	41
Transfer, etc. of information for virtual asset exchange	0	0	6	23	46
Others	4	0	4	2	0
Total	2,577	2,577	2,634	2,535	3,066

Chapter 5 Efforts of the Administrative Authorities and Specified Business Operators to Promote Anti-Money Laundering and Countering the Financing of Terrorism Measures

In order to effectively implement anti-money laundering and counter the financing of terrorism measures, it is critical that every obligation imposed on specified business operators is properly enforced. For this purpose, every year the National Public Safety Commission prepares and publishes the National Risk Assessment-Follow-up Report that describes the risk of ML/TF for transactions performed by business operators for each type of transaction, in accordance with the Act on Prevention of Transfer of Criminal Proceeds. JAFIC is also working together with the relevant competent ministries to provide various outreach programs to support their own efforts by holding AML/CFT workshops and posting the latest information on the website. It is also making robust efforts at the private sector level as well.

Importantly, JAFIC will, when there is non-compliance, exercise its supervisory power over the non-compliance in stating its opinion to the supervising administrative authority to take appropriate measures, such as issuing a rectification order against the specified business operator (except for lawyers) concerned.

Section 1 Collaborations with the Specified Business Operators

Paragraph 1 Preparation and Publication of the National Risk Assessment-Follow-up Report

1. Background

The FATF Recommendations revised in February 2012 (new FATF 40 Recommendations) call on individual countries to identify and assess their own ML/TF risks (national risk assessment), etc.

In light of the current situation surrounding CFT measures and the fact that legal persons and legal arrangements are misused for money laundering and tax evasion due to the lack of transparency over their ownership and management structures, the G8 leaders who gathered at the Lough Erne Summit in June 2013 agreed on the G8 Action Plan Principles, which include a provision requiring that G8 members assess the risks surrounding their AML/CFT measures and implement proportionate measures to counter such risks.

In light of the FATF Recommendations and the G8 Action Plan Principles, Japan formulated its national action plan in the same month, which includes a provision for establishing an inter-ministerial working team consisting of the National Police Agency, as well as the Financial Services Agency and other relevant ministries and agencies, to conduct the national risk assessment. Based on this national action plan, the relevant ministries and agencies published the National Risk Assessment of Money Laundering and Terrorist Financing in December 2014.

Furthermore, in accordance with Article 3, paragraph 3 which is a new provision added as a result of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the National Public Safety Commission has been required to prepare and publish the National Risk Assessment-Follow-up Report every year since 2015, and in December 2022, the Commission published the report for 2022.

2. Purpose

The National Risk Assessment-Follow-up Report identifies and evaluates the risks that transactions carried out by business operators may be used for ML/TF for each type of such transactions.

The National Risk Assessment-Follow-up Report provides the foundation for the effective and efficient implementation of risk-based AML/CFT measures by business operators. For example, financing specified business operators will determine whether they suspect

ML/TF by considering the content of the National Risk Assessment-Follow-up Report, file an STR and also take measures for accurate verification at the time of transaction.

3. Overview of National Risk Assessment-Follow-up Report

The National Risk Assessment-Follow-up Report published in December 2022 presents the results of the analysis of geographical, social, and economical environments surrounding Japan, the broad risk of crime trends, etc., and money laundering cases, etc., and evaluates risks in a comprehensive and multi-faceted manner based on the analysis of the specific risks of misuse for ML/TF, and examples of misuse cases for ML, statistics about STR, and risk mitigation measures taken, regarding the form of transactions, country and region, and type of customers, and the products and services handled by specified business operators, etc. In addition, the National Risk Assessment Report is required to include recent trends related to ML/TF based on the current situation, etc., including on the following.

- By actively using the information obtained from the law enforcement authorities and the relevant ministries and agencies, to add descriptions such as the status of utilizing statistics about STRs by an investigating authority or the like other than the police, risk evaluation by the administrative authority supervising non-profit organizations (NPO), and the threats and vulnerabilities newly recognized by the supervising administrative authority.
- By referring to FATF reports and the like, to introduce matters such as environmental crimes, on which attention is increasing internationally, the global trend surrounding virtual assets, and the circumstances surrounding Japan.
- To enhance descriptions about ML and other risks in Japan by organizing the information about the methods for, and legal persons involved in, misuse of transactions between Japan and other countries, and by updating the examples of misuse cases for ML crimes.

The National Risk Assessment-Follow-up Report is published on JAFIC's website.

4. Major Transactions Misused for ML, etc.

Table 5-1^{Note 1} shows the major transactions of misuse for ML that were discovered in the course of investigation based on the analysis of cleared cases of ML crimes (during the three years from 2019 until 2021).

The majority of transactions of misuse for ML consisted of 478 cases of domestic exchange transfer transactions, 253 cases of cash transactions, and 167 cases of deposit transactions.

Table 5-1 [Major Transactions of Misuse for ML]

Misused transactions Year	Domestic exchange transactions	Cash transactions	Deposit transactions	Credit Cards	Electronic money	Corporate status	Virtual assets	International transactions (such as foreign exchange)	Funds transfer services	Precious metals and stones	PO box service companies	Legal/accounting professions	Foreign currency exchange	Financial instruments	Total (Number of cases)
2019	σ 160	61	31	15	12	14	2	14	6	3	3	1	0	0	322
2020	110	120	96	20	12	14	32	16	1	2	0	1	1	0	
2021	208	72	40	40	23	16	9	9	9	2	0	1	1	2	432
Total (Number of cases)	478	253	167	75	47	44	43	39	16	7	3	3	2	2	1,179

Paragraph 2 Measures for Specified Business Operators, etc.

1. Establishment of Guidelines, etc.

(1) Guidelines

- o In February 2021, the Financial Services Agency (FSA) followed procedures for public comment by aiming to amend the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism (hereinafter referred to as the FSA's "Guidelines for AML/CFT" in this Chapter) to organize the issues, etc. found during monitoring to evaluate the ML/TF risk management system of each financial institution, etc. and develop a further effective system, etc. The Guidelines were revised as necessary in July and November of the same year. In addition, "FAQs on the Guidelines for AML/CFT" were formulated for the purpose of contributing to the improvement of understanding of the Guidelines by the persons concerned. Required revisions were made to these FAQs in March and August 2022. Furthermore, for the steady implementation of the system development to respond to the Guidelines, the completion deadline (March 2024) was established for the matters required by the Guidelines to be responded to, and it was requested via individual business sectors' organizations to develop the system.
- o In September 2018, the Ministry of Finance reorganized the existing Foreign Exchange Inspection Manual, which was established based on the rules and checklists, and established the "Foreign Exchange Inspection Guidelines" to require financial institutions and currency exchanging operators, etc., to identify the risks they face relating to ML/TF and take appropriate measures to reduce these risks. In July 2021, the Guidelines were partially amended to require thoroughness, etc. of the risk assessment and continuous customer management based on the characteristics of services, etc. in foreign currency exchange duties. Furthermore, for the steady implementation of the system development to respond to the Guidelines, the completion deadline (March 2024) was established for the matters required by the Guidelines to be responded to, and it was requested that the system be developed.
- O In August 2019, the Ministry of Economy, Trade and Industry (METI) amended the Examination Standards for Disposition by the Minister of Economy, Trade and Industry under the Installment Sales Act, etc., and the Basic Policy on Supervising under the Installment Sales Act (post pay), and it established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Credit Card Business

to add provisions concerning AML/CFT measures, and since 2020, METI has been providing inspection and supervision according to the policy and guidelines.

In November 2021, for the further implementation of the development of an effective system, etc. for the Guidelines, necessary amendments were carried out, and in December of the same year, the completion deadline (March 2024) was established for the matters required to be responded to by the Guidelines, and it was requested via business lobby groups to develop the system.

- o In October 2021, the Ministry of Agriculture, Forestry and Fisheries (MAFF), and the METI conducted necessary amendments for the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business to implement a more effective system development. In addition, for the steady implementation of the system development to respond to the Guidelines, the completion deadline (March 2024) was established for the matters required by the Guidelines to be responded to, and it was requested via business lobby groups to develop the system.
- In December 2021, METI established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Postal Receiving Service Business, and since 2022, METI has been conducting inspections and providing supervision according to the policy and guidelines.
- o In February 2022, METI established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in Dealers of Precious Metals and Stones, and based on these Guidelines, conducted public awareness activities targeting business operators concerning anti-money laundering measures, etc.
- In March 2022, the Ministry of Internal Affairs and Communications (MIC) established
 the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in
 Telephone Receiving/Telephone Forwarding Service Business, and based on these
 Guidelines, conducted public awareness activities targeting business operators
 concerning money laundering measures, etc.
- In October 2022, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) established the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in Real Estate Agency Business and informed the relevant members of these Guidelines via business lobby groups.
- (2) Reference cases of suspicious transactions

The relevant ministries and agencies published reference cases of suspicious transactions that specified business operators should pay extra attention to and for which they must comply with the STR reporting obligation.

2. Seminars, etc.

- (1) For financial institutions, etc.
 - o In collaboration with business lobby groups and finance bureaus, etc., the FSA holds lectures and seminars for financial institutions, etc., to continuously improve AML/CFT measures, etc. During 2022, it held 147 lectures and seminars for the development of systems of financial institutions in Japan. In collaboration with the Ministry of Finance (MOF), opinion exchanges were conducted with the Japan Virtual and Crypto assets Exchange Association and virtual assets exchange service provider on how to respond to the current international situation concerning Ukraine, followed by a request for action. After making this request, opinion exchanges were continued to promote the thorough and further strengthening of AML/CFT measures, etc.
 - In June 2022, MAFF organized seminars for the relevant personnel of prefectural government employees to raise their awareness of the need for efforts to improve AML/CFT measures, etc.
 - o In October 2021, MOF conducted seminars for currency exchanging operator on the

amendment of the Foreign Exchange Inspection Guidelines for the further strengthening of AML/CFT measures, etc.

(2) For real estate agents

Each regional development bureau, etc., and each prefectural government carry out an "onsite inspection of real estate agents" of building lots and buildings transaction business operators every year to examine the status of the preparation of verification records and transaction records of customers, etc., which is required under the Act on Prevention of Transfer of Criminal Proceeds. Furthermore, in October 2021, a request to further strengthen guidance and supervision was made to each regional development bureau, etc., and each prefectural government.

In addition, for renewing a real estate transaction agent identification card issued based on the Building Lots and Buildings Transaction Business Act, AML/CFT measures, etc. based on the Act on Prevention of Transfer of Criminal Proceeds and the elimination of anti-social forces are items to be addressed in seminars that are legally required to be taken.

Moreover, further strengthening of AML/CFT measures, etc. was requested to business lobby groups, in line with the public disclosure of the FATF Fourth Round Mutual Evaluation Report in August 2021.

- (3) For dealers in precious metals and stones
 - METI carried out an "inspection of the status of performance of obligations under the Act on Prevention of Transfer of Criminal Proceeds" to dealers in precious metals and stones, etc., to ascertain the status of performance of obligations, including the obligation to verify at the time of transactions as set forth in the Act on Prevention of Transfer of Criminal Proceeds, and it made sure that these dealers are familiar with the matters relating to compliance with laws or regulations.
- (4) For postal receiving service providers [new] METI organized information on the actual situation and issues, as well as the risk of the illegal use of a postal receiving service provider, and it also developed the Guidance document for postal receiving service providers, which includes the efforts made to prevent illegal use. In addition, an explanatory movie has been posted on METI's website since July 2019.
- (5) For telephone receiving/telephone forwarding service providers [new; previously included in the section for other measures]
 In July 2022, the Ministry of Internal Affairs and Communications (MIC) sent a document describing the outline of the Act on Prevention of Transfer of Criminal Proceeds and CDD matters to telephone receiving/forwarding service providers to improve their understanding of the information that they need to identify and of the need to keep records as specified business operators.
- (6) For certified public tax accountants [new]

 The NPA dispatched its officials to explain the outline of the Act on Prevention of Transfer of Criminal Proceeds for the preparation of the training materials of the Japan Federation of Certified Public Tax Accountants' Associations (JFCPTA). The content of the explanation has also been recorded in DVDs, etc., which have been available to the members of JFCPTA since February 2019.
- (7) For commodity derivatives business operators
 In May 2022, MAFF and METI conducted explanatory meetings (jointly organized with business lobby groups) on the responses to the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business, for further development of the system.

3. Visits to Specified Business Operators, etc.

In 2022, the NPA visited banks and other financial institutions as well as virtual assets exchange service providers individually, and it also conducted opinion exchanges with the Japan Payment Service Association in June of the same year and with the Japan Virtual and Crypto assets Exchange Association and the Association of Real Estate Agents of Japan in July of the same year, to explain the matters that they need to pay attention to for STR reporting.

4. Other Measures

(1) Call for Actions by Specified Business Operators on the Adoption of United Nations Security Council Resolutions

When the United Nations Security Council adopts a resolution requiring countries to freeze the funds or other assets of any persons or entities in order to prevent and suppress terrorism and terrorist financing, the National Police Agency, in cooperation with the relevant ministries and agencies, shall disseminate the content to specified business operators and request that they thoroughly conduct CDD on persons or entities subject to the resolutions concerned.

Also, the targeted persons or entities are listed on the website of JAFIC.

(2) PR through the NPA website

The NPA website has a dedicated web page for JAFIC, in which annual reports, updates on JAFIC's activities, and the content of the Act on Prevention of Transfer of Criminal Proceeds are published.

- NPA Website https://www.npa.go.jp
- · JAFIC Website

https://www.npa.go.jp/sosikihanzai/jafic/index.htm

Section 2 Efforts of Specified Business Operators

1. Bank Industry [FSA]

The Japanese Bankers Association (hereinafter, the "JBA") established the Working Committee on Money Laundering Issues and has been taking AML/CFT measures, such as preparing and providing notices on items to keep in mind on CDD and STR filing, preparing and distributing seminar handbooks to members, and holding seminars for its members. Furthermore, the JBA prepares leaflets, posters or the like and carries out PR activities using broadcast media, newspapers or other mass media to inform customers of CDD measures for bank transactions. In addition, the JBA promotes organizational measures on issues related to ML/TF inside and outside of Japan by following, at all times, the development of AML/CFT measures at the FATF, exchanging and sharing information constantly with foreign bankers associations and other organizations. The JBA has been playing a leading part in the efforts of the banking industry with its Code of Conduct, which provides for matters on compliance with laws or regulations, including the prevention of ML/TF and confrontations with anti-social forces, and it has prompted its members to put provisions into practice.

In 2018, the Public-Private AML Committee was established to ensure stronger cooperation between the two sectors. Moreover, the JBA established the AML/CFT Support Office to provide further support for its member banks for their AML/CFT efforts. Since 2019, the JBA has continuously conducted activities to raise awareness and advertise that each member bank will perform additional verification with customers according to the details and circumstances, etc. of transactions with customers as part of continuous customer management.

In 2020, the JBA developed a miniature experimental system using AI to filter transactions (which means to verify whether a customer is a person prohibited from conducting business with banks, such as persons subject to asset freezing or anti-social forces, at the start of a transaction and during the course of continuous customer management) and transaction monitoring (which means to determine whether a transaction is an unnatural or suspicious transaction at the start of a transaction and during the course of continuous customer management) during a research project performed for the New Energy and Industrial Technology Development Organization (NEDO) to examine if it is possible to strengthen the current procedures and make them more efficient. A certain result was achieved.

Since 2021, based on the results of the research project performed for NEDO, JBA established the AML/CFT Joint Operation Task Force for the organization and review of issues towards achieving joint-operation measures of AML/CFT work, and in October 2022, it was decided that a new company would be established with the following corporate mission. "In light of the global demand for measures against money laundering and other issues, and our nation's policy on responding to the demand, we, as an organization consisting of financial institutions and the like under the system of mutual aid, shall promote the improved viability and effectiveness of measures against money laundering, etc., as well as the increased sophistication and efficiency of work, in order to ensure security and safety for all citizens and thereby contribute to the healthy development of economic activities."

2. Shinkin Banks (Credit Unions) [FSA]

The National Association of Shinkin Banks established the Shinkin Banks Action Ethics Program (NASB), under which it is aiming for "strict observance with laws, regulations and rules" and the "severance of relationships with anti-social forces and countermeasures for terrorism and other threats." It represents its efforts to observe the laws and regulations related to the prevention of ML/TF and to eliminate transactions made by

Boryokudan and other anti-social forces.

On the issue of countermeasures against ML/TF, in March 2017, NASB established the AML/CFT Management System Study Group to continuously provide its members with reference information obtained from case studies. In March 2018, as an example of the activities, NASB published a guidebook titled "AML Handbook for Blocking ML at the Tellers of Shinkin Banks Tellers" in order to provide tellers of Shinkin Banks with the correct knowledge on the Act.

In April 2021, given the situation in which the Financial Services Agency (FSA) set the deadline of the end of March 2024 and requested specified business operators, which are under FSA's control, to complete the response to the items for which a response had been requested in the FSA's Guidelines for AML/CFT and to develop the system, NASB held nine classes of the Study Group on Anti-Money Laundering, with officials of FSA as lecturers, from December 2021 until May 2022, in order to help shinkin banks meet the deadline for system development. In the study groups, commentaries and question-and-answer sessions were conducted for each of the themes on the Guidelines for AML/CFT and the FAQs on the Guidelines for AML/CFT, and the contents were made available by steps including (1) the delivery of an explanation movie, (2) the preparation and provision of lecture records and Q&As, and (3) the creation and provision of a summary document (Key Factors for System Development in Light of Guidelines concerning Money-Laundering) for all the study groups.

In addition, as activities pertaining to continuous customer management, which is an issue in the financial world, the NASB has been providing support to its members, including (1) creating and distributing a leaflet explaining the "business points for continuous customer management" (May 2020), (2) providing information on the policy for the application of "simple management of customers" (October 2020), (3) preparing tools to raise awareness and advertise in order to broaden customers' understanding of the activities of continuous customer management (a video was created to be played at banks in May 2020, and leaflets were prepared with the names of the FSA and the NASB printed on them to be presented and distributed to customers in August 2021).

In addition, since February 2022, an advertising video titled "Cooperation Requested for Measures against Money Laundering" has been distributed on YouTube as a direct way to advertise to the clients of shinkin banks.

3. Labor Bank Industry [Ministry of Health, Labour and Welfare]

The Federation of Labor Banks amends the Basic Regulations for Deposit and Other Bank Operations or the Manual of CDD Procedures, etc., which are the standards used in the industry so that each labor bank can prevent ML/TF appropriately.

The Federation and each labor bank are of the opinion that foreign customers or non-member customers are at a relatively high risk of money laundering, etc. because the misuse of accounts through transfer of bankbooks occurs, and have been implementing measures to reduce this risk by distributing fliers advising that the transfer of accounts is illegal, and also starting to develop systems to conduct risk assessment based on updated customer information so that AML/CFT measures can be taken in a more realistic manner. In light of the content of the National Risk Assessment-Follow-up Report (published in December 2021) and the state of development of laws and regulations, etc., the Federation added a management method, which is that upon confirmation of beneficial owners of a stock company, if a list of beneficial owners can be obtained, the information provided by the customer is to be verified as the same as the content of such list.

In addition, in July 2018, members of the Board of Directors of the National Association of Labour Banks (NALB) agreed on policies on AML/CFT measures, etc., and each labor bank is developing measures by establishing a "plan for AML/CFT measures" according to

the agreed policies, etc.

NALB also shares information on the FATF Recommendations, FSA's Guidelines for AML/CFT, and the Ministry of Finance's Foreign Exchange Inspection Guidelines, etc., in the industry as appropriate.

4. Credit Cooperatives [FSA]

To ensure AML/CFT measures are conducted by all credit cooperatives, the National Central Society of Credit Cooperatives (NCSCC) informs its members of the published FATF Recommendations, amended list of parties subject to asset freezing (including those relating to the Taliban), amended reference cases of suspicious transactions etc., as appropriate.

To support highly enhanced system development by its members, NCSCC has provided regulations and the like (reference examples) reflecting the amended content of FSA's Guidelines for AML/CFT, and FAQs on the Guidelines for AML/CFT, and the National Risk Assessment-Follow-up Report (such as Basic Regulations for AML/CFT Measures, risk assessment document, and manual on preparation of risk assessment document), and it has organized a study group with the Financial Services Agency, Strategy Development and Management Bureau, Risk Analysis Division, ML Team (a total of ten times) and provided videos thereof to the members. NCSCC also organizes study groups targeted at management executives.

In order to help the members obtain the understanding and cooperation of customers concerning AML/CFT measures, NCSCC prepared an explanatory leaflet for customers (a leaflet on updating customer information pertaining to continuous customer management).

The joint system center of the credit cooperatives provides an SAML system (credit association anti-money laundering system), thereby indirectly supporting the industry's response to money laundering through the use of transaction filtering and transaction monitoring functions, as well as a customer information maintenance function for rating customers.

5. Agricultural Cooperatives and Fishery Cooperatives [MAFF]

For the prevention of ML/TF, agricultural cooperatives and fishery cooperatives hold briefing sessions and training sessions for staff members regarding the appropriate operation of administrative procedures related to the implementation of CDD at the time of transactions and STR reporting, etc., based on the Act on Prevention of Transfer of Criminal Proceeds. In addition, they create and issue posters intended to raise members' and users' awareness about CDD at the time of transactions.

The agricultural cooperatives and fishery cooperatives have made further efforts to enhance their AML/CFT measures, such as adopting a risk-based approach and amending their formats for the "documents prepared by specified business operators, etc." as a risk assessment document every year. This is as provided for in the Ordinance for Implementation of the Act on Prevention of Transfer of Criminal Proceeds by considering the actual state of the cooperatives and also introducing a checklist to be used at the time when an account is opened, adding a provision for restricting transactions to the regulations on savings accounts and managing the period of stay of foreign customers.

In addition, in response to the deadline being set for the system development related to AML/CFT measures by the Ministry of Agriculture, Forestry and Fisheries and the Financial Services Agency (FSA), the agricultural cooperatives and fishery cooperatives have been addressing further enhancement of the reconfirmation of customer management information and transaction monitoring and filtering, based on the FSA's Guidelines for AML/CFT, and FAQs on the Guidelines for AML/CFT.

6. Life Insurance Industry [FSA]

The Life Insurance Association of Japan (LIAJ) works to ensure appropriate AML/CFT measures by its members by incorporating AML/CFT and anti-social forces policies into its Code of Conduct. LIAJ supports its members' AML/CFT efforts by means such as distributing posters on CDD and the AML/CFT Handbook. Furthermore, with a view to enhancing the quality of the risk-based AML/CFT measures conducted by its member companies, LIAJ established the AML/CFT Measures Project Team as a platform on which AML/CFT personnel can share information and opinions with each other.

In 2022 continuing on from 2021, to prevent the spread of COVID-19, the Project Team worked on enhancing AML/CFT measures for the entire life insurance industry through a non-contact system, including sharing information with members regarding the AML/CFT measures taken by the competent administrative authorities and other types of financial institutions, etc., and through information sharing, etc., related to the public disclosure of the FATF Fourth Round Mutual Evaluation Report of Japan.

7. Non-Life Insurance Industry [FSA]

The General Insurance Association of Japan (GIAJ) has made efforts to prevent ML/TF by aiming to establish "guidelines for compliance with laws and regulations, etc." and "guidelines for severing relationships with anti-social forces" in the Code of Conduct.

So far, the General Insurance Association of Japan (GIAJ) has actively worked to ensure adequate CDD procedures across the industry through such efforts as developing guidelines for CDD procedures for savings-type insurance contracts and large cash transactions with high ML/TF risks, creating posters, and issuing letters to independent agents, which are the main sales channels of non-life insurance companies.

The GIAJ has revised the Administrative Reference Materials for its members in order to ensure standardized and comprehensive CDD procedures and recordkeeping in the industry. It has also updated the information about CDD, etc., on its website and customer leaflets.

In April 2018, GIAJ established a project team, which serves as a platform on which its members can learn about the FAQs on the Guidelines for AML/CFT and the partial amendment of the ministerial orders related to foreign exchange, etc., as well and continuously sharing information and opinions in 2022.

8. Securities Industry [FSA]

In order to ensure effective STR, the Japan Securities Dealers Association (JSDA) has stressed the need for stronger AML/CFT measures and prompt STR reporting, including by issuing the STR Guidelines for the JSDA Members.

At the practical level, relevant organizations such as securities companies, JSDA, stock exchanges, financial bureaus, the prefectural police, the Prefectural Center for Elimination of Boryokudan and the Bar Association established the Securities Police Liaison Council in each prefecture, and they have improved the effectiveness of the elimination of anti-social forces from the industry and the prevention of ML/TF through information exchanges at the field level or in seminars.

Additionally, JSDA established the Securities Safety Measures Support Center in 2009. It was registered as an organization to manage information on unjust demands, based on the Act on Prevention of Unjust Acts by Organized Crime Group Members, by the National Public Safety Commission and the National Police Agency. The Center checks customers' involvement with antisocial groups upon a member's request, using its verification system connected to the National Police Agency's database.

In terms of measures taken in accordance with the amended laws and regulations, etc., (1) how to handle the pension handbook and the Notice of Basic Pension Number in light of the revised National Pension Act, and (2) how to handle a copy of the list of beneficial

owners as documents for verifying a customer's identity based on the Act on Prevention of Transfer of Criminal Proceeds, were conveyed to its members.

Furthermore, due to the partial revision of the FSA's FAQs on the Guidelines for AML/CFT in March and August 2022, JSDA revised the "Practical Treatment and Points to Note for the 'Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism' in How to Respond to ML/TF in a Financial Instruments Business" in June and October of the same year, which contains examples of and points to note on practical responses in a financial instruments business (especially, a securities-related business) of the JSDA members, and revised the Q&As on the Act on Prevention of Transfer of Criminal Proceeds, and on Relevant Ordinances and Guidelines in June of the same year. JSDA provided online training (on-demand distribution of the recorded video) for its members on the theme of the AML/CFT measures.

9. Moneylending Industry [FSA]

In order to prevent ML/TF and damages caused by anti-social forces, the Japan Financial Services Association (JFSA) implements self-regulation rules, which require that its members incorporate AML/CFT provisions in their internal rules to serve as the pillars of the AML/CFT structures of JFSA members. The JFSA also provides the guidelines for developing internal rules, as well as model internal rules to exemplify the matters that should be included in members' internal rules (hereinafter referred to as the Guidelines for Internal Rules Development). In addition, the JFSA has reviewed the internal rules of all members and provided instructions for improvements, as necessary.

In addition, the JFSA also publishes information on preventing ML/TF and damage caused by anti-social forces on its website in order to familiarize association members with these issues.

The JFSA conducts both document-based and onsite-based inspections. It audits member companies' compliance by assessing how well internal systems are established based on the Guidelines for Internal Rules Development on preventive measures against the damages caused by money laundering, terrorist financing, and anti-social forces.

In September 2022, JFSA also worked to enhance the system to prevent ML/TF and damage by antisocial groups in the moneylending industry through such efforts as organizing a seminar on AML/CFT with the topic of "Seminar on Recent Trends on AML/CFT" and streamed a video of the seminar, in light of the public disclosure of the FATF Fourth Round Mutual Evaluation Report of Japan.

10. Fund Transfer Industry [FSA]

The Japan Payment Service Association (JPSA) provides self-regulation rules, which require its members to establish a system to ensure adequate verification at the time of transactions and STR reporting, as well as providing model internal rules. JPSA revised the self-regulation rules and model internal rules following the amendment of the Act on Prevention of Transfer of Criminal Proceeds and FSA's Guidelines for AML/CFT, etc., and it prepared FAQs about the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act and revised the FAQs in response to the amendment of the Act on Prevention of Transfer of Criminal Proceeds, the amendment of the Foreign Exchange and Foreign Trade Act, as well as the amendment of the Ministry of Finance's "Foreign Exchange Inspection Guidelines." It also actively works to ensure its members understand the revised rules as well as various other information, including the FSA list of persons subject to asset freezing and information on finance-related measures against North Korea, etc., on its member website.

JPSA supports the development of an internal management system for the appropriate implementation of the verification at the time of transactions and for the verification obligation under the Foreign Exchange and Foreign Trade Act, etc., by holding seminars on the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act with specialists, etc., as necessary. It has also been holding meetings of the Fund Transfer Business Council from time to time to explain and exchange opinions about the important points of the AML/CFT measures and examples of the measures, etc., by inviting FSA officials and specialists.

Based on the public disclosure of the FATF Fourth Round Mutual Evaluation Report of Japan in August 2021 and the formulation and public disclosure of an action plan for the next three years by the government, and so on, the JPSA has further supported the activities related to the system development by inviting FSA officials in October of the same year to meetings of the Fund Transfer Business Council for explanations and opinion exchange on the responses, etc., related to the result of the Mutual Evaluation of Japan and the three-year action plan in order to enhance the system development of the AML/CFT management for overall fund transfer service providers. Thereafter, in April 2022, the subject of specific explanations and opinion exchanges covered matters such as examples of misuse of the fund transfer service, statistics about STR, examples of efforts made by fund transfer companies on a risk-based approach, and the need for the development of the system. Likewise in October of the same year, the subject of specific explanations and opinion exchanges covered matters such as key points in the FAQs on the Guidelines for AML/CFT, which were revised in August, and the risks faced by fund transfer companies and the need to build the management system. In addition, the JPSA supports the development of a risk management system for the AML/CFT measures of its members by informing them about the National Risk Assessment-Follow-up Report (disclosed in December 2021) and so on, including the major amendments of the Report from the 2020 version.

Furthermore, in March 2022, as a PR activity for promoting understanding among general customers of the need for AML/CFT, leaflets titled "Notice to customers using funds transfer companies" and "Understanding and cooperation requested regarding regular verification of customer information by funds transfer companies" were prepared jointly with the FSA, asking for customers' understanding and cooperation regarding AML/CFT. The leaflets were posted on the homepage of JPSA, and JPSA supported efforts by members to make use of the leaflets by downloading them or posting them on their homepages for purposes of advertisement and awareness-building targeting customers.

11. Virtual Assets Exchange Industry [FSA]

The Japan Virtual Currency Exchange Association (JVCEA) was established in March 2018 and registered as a certified association for payment service providers based on the provision of Article 87, paragraph 1 of the Payment Services Act (Act No. 59 of 2009), by the FSA on October 24, 2018. On May 1, 2020, the JVCEA was registered as a certified association for financial instrument service providers pursuant to the provision of Article 78, paragraph 1 of the Financial Instruments and Exchange Act, and at the same time changed its name to the Japan Virtual and Crypto Assets Exchange Association (JVCEA). In accordance with Guidelines for AML/CFT, the JVCEA developed self-regulation rules titled "Rules and Guidelines for AML/CFT Measures on Virtual Asset Exchange Services" as well as the "Rules and Guidelines for AML/CFT Measures on Derivatives Related to Virtual Assets." Along with said Rules and Guidelines, the JVCEA developed and published a set of self-regulation rules, including the Rules Regarding the Severance of Relationships with Antisocial Forces Related to Virtual Asset Exchange Services and the Rules Regarding the Severance of Relationships with Antisocial Forces in connection with Derivatives Related to Virtual Assets, and the abovementioned Rules and Guidelines. The above self-regulation rules have been reviewed in accordance with the amendment, etc. of laws and regulations and the FSA's Guidelines for the AML/CFT measures. Partial amendment was made on parts, etc., citing the amended part of the FSA's Guidelines

(partially amended in February 2021), of the Rules and Guidelines for AML/CFT Measures on Virtual Assets Exchange Services and the Rules and Guidelines for AML/CFT Measures on Derivatives Related to Virtual Assets.

Also, in response to developments such as the addition of virtual asset-related items in the FATF Recommendations, the JVCEA continues to promote various efforts with the utmost priority toward enhancing the AML/CFT system in the industry. Specifically, the JVCEA has carried out reviews and consultations based on its self-regulation rules through the activities for the early improvement of members' system development and detection abilities based on a risk-based approach and the monitoring of the CDD system and the STR reporting of members. Furthermore, the FATF Standards, which were amended in 2019, introduced regulations (so-called travel rules) that imposed on the transfer of virtual assets via virtual assets exchange service provider the same notification obligation as that of an electronic money transfer. In response to this amendment, JVCEA is working on specific actions, for example introducing travel rules to the self-regulation rules, "Rules for AML/CFT Measures on Virtual Assets Exchange Services," starting in April 2022 in advance of the amendment to the Act on Prevention of Transfer of Criminal Proceeds that is scheduled after the spring of 2023, and starting to acquire information on virtual assets transfer transactions. Once the actual law amendment is submitted to the Diet, JVCEA will hold study groups on discussions and trends on FATF by exchanging opinions with the FSA and by inviting FSA officials, and so on, and it is thus working on the preparations for amendments of regulations.

12. Commodity Futures Industry [METI: new]

The Commodity Futures Association of Japan (CFAJ) has requested its members conduct self-inspections based on a resolution of the Board of Directors regarding the "efforts for the exclusion of antisocial forces," and it has prepared and provided policies on the exclusion of antisocial forces and provisions for the exclusion of Boryokudan in the terms and conditions, and a sample agreement to represent that a company is not an antisocial force for its members.

Furthermore, to further strengthen efforts to exclude antisocial forces in the commodity futures industry and improving the effectiveness of such exclusion, the CFAJ established its self-regulation rules titled the Rules on Exclusion of Antisocial Forces. It has also developed a system for verifying whether customers conducting derivative instrument transactions are antisocial forces, and accepts inquiries from members since April 2019. Moreover, in July 2020, a part of listed commodities of Tokyo Commodity Exchange, Inc. was transferred to Osaka Exchange, Inc. (merged exchange). In association with it, CFAJ partially amended the user policy of the system for verifying whether customers conducting derivative instrument transactions are antisocial forces so that the members of CFAJ, which handle only transactions of commodities transferred as financial instruments business operators (market derivatives related to commodities) can continue to perform such verification.

The CFAJ also revises and provides members with FAQs about the Act on Prevention of Criminal Proceeds and Cabinet and Ministerial Ordinances of such Act to promote understanding about the specific measures for futures commission merchants to take. In October 2021, the Ministry of Agriculture, Forestry and Fisheries (MAFF), and METI partially amended the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business. In response, CFAJ partially amended the "Practical Treatment and Points to Note for the 'Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism in the Commodity Derivatives Business,' How to Respond to ML/TF" and explained the content of the amendment in an explanatory meeting conducted by MAFF and METI in May 2022, aimed at responding to the Guidelines for Anti-Money Laundering and Combating the Financing

of Terrorism in the Commodity Derivatives Business.

13. Foreign Exchange Industry [Ministry of Finance: new]

In the foreign exchange industry, seminars are held regularly for the members of curio dealer, travel, hotel and department store associations who provide foreign exchange services to inform them of their obligations under the Act on Prevention of Transfer of Criminal Proceeds. A manual for foreign exchange services has also been prepared to improve the AML/CFT measures.

In particular, foreign currency exchanging operators handling a high volume of transactions are striving to improve the system for detecting suspicious transactions by lowering the threshold for CDD and utilizing a check sheet to examine whether or not a transaction falls under a suspicious transaction at the time of transaction.

14. Leasing Industry [METI]

The Japan Leasing Association (JLA) issues and distributes educational pamphlets on the Act on Prevention of Transfer of Criminal Proceeds for leasing customers. Educational pamphlets and other related documents are also uploaded onto the JLA's website to raise awareness of the Act on Prevention of Transfer of Criminal Proceeds.

In 2022, the JLA provided a virtual professional training session on the AML/CFT measures, mainly for managers of leasing companies, during an annual training program (advanced course). Furthermore, it provided an online lecture on preventing leases that are at high risk of money laundering during the training program (basic course) for persons in charge of the actual work at leasing companies. Examples of such leases include: fictitious leasing, in which a leasing company is made to transfer the price of products to a seller of the products; and multiple leasing, in which a lease contract is executed with multiple leasing companies for one property for lease in order to raise funds. In addition, the JLA conducted a follow-up investigation in September 2020 to examine the status of implementation of the Guidelines for Anti-Money Laundering and Combatting the Financing of Terrorism in the Finance Leasing Industry, established in September 2019, to raise more awareness in the industry. In 2021, a request for correcting the deficiencies was made in February of the same year to members that have deficiencies in their transactions, found as a result of the investigation, and in May of the same year, the corrected content was confirmed. Thereafter, follow-up investigations are to be conducted each year.

Regarding the Guidelines, the Guidelines were amended in July 2021 to enable a group-based application, including subsidiaries inside and outside Japan of a member company.

15. Credit Industry [METI]

The Japan Consumer Credit Association (JCA) has included items on CDD and on STR reporting under the Act on Prevention of Transfer of Criminal Proceeds in its self-regulation rules on comprehensive credit purchase, etc. It has also established a manual on the preparation of the documents to be prepared by the specified business operators set forth in the Ordinance for Enforcement of the Act, and requires that its member companies implement the measures under the Act.

Furthermore, the JCA provided training, etc. to inform its member companies of the details of the amendment when the Act was updated.

In addition, an information communication meeting was held remotely for members in eight districts nationwide in September through November 2021 to share the overview of the FATF Fourth Round Mutual Evaluation Report of Japan regarding the status of AML/CFT/CPF measures, etc. in Japan, publicly disclosed in August 2021. In addition, members were informed by March 2022 of responses, etc. to be made by credit card companies, described in the Guidelines for Anti-Money Laundering and Combatting

Terrorist Financing in the Credit Card Business to be amended and the Act on Prevention of Transfer of Criminal Proceeds.

16. Real Estate Industry [MLIT]

In December 2007, the real estate industry established the Liaison Council for Preventing Transfer of Criminal Proceeds and Preventing Damage by Anti-social Forces in the Real Estate Industry so that this industry as a whole can promote collective efforts to prevent the transfer of criminal proceeds and to eliminate anti-social forces. It is proceeding with measures to share information on the Act on Prevention of Transfer of Criminal Proceeds, including efforts such as letting the whole industry reach an agreement on the development of a system controlling the implementation of CDD measures, etc., appointing a responsible officer for the operation of the system within the relevant business operators, and also preparing and distributing a handbook explaining the need for and basic knowledge about these initiative, etc., to member real estate agents through a trade association.

In addition, the Liaison Council for Prevention of Transfer of Criminal Proceeds and Prevention of Damage Caused by Antisocial Forces held in October 2021 requested further strengthening of money laundering measures, etc. based on the content of the FATF Fourth Round Mutual Evaluation Report of Japan by the Ministry of Land, Infrastructure, Transport, and Tourism.

In November 2022, the Association of Real Estate Agents of Japan held a lecture on the FATF evaluation results by inviting officials of the Ministry of Finance, and on the Guidelines for AML/CFT Measures on Building Lots and Buildings Transaction Business Operators by inviting officials of the Ministry of Land, Infrastructure, Transport and Tourism, and it distributed the lecture content to the member companies on its website.

17. Precious Metals and Stones Industry [METI]

In 2022, the Japan Jewelry Association (JJA) continued to distribute, via e-mail, awareness-building documents containing information such as an outline of the Act on Prevention of Transfer of Criminal Proceeds and the obligations of business operators provided for under the law, in order to raise awareness of the legal system among consumers and business operators in the industry. Furthermore, the JJA distributed such documents to people visiting the jewelry exhibition that was held in late August for the purpose of drawing people's attention to these matters, and the JJA is also informing the relevant people in the industry, etc., about the Act and drawing attention to it through a special webpage for the Act on its website.

The Japan Re-Jewelry Council requires that applicants for the qualification of jewelry remodel counselors, which is granted to those with advanced jewelry remodeling skills, are knowledgeable about the Act on Prevention of Transfer of Criminal Proceeds.

The Japan Gold Metal Association (JGMA) holds regular seminars to work on raising awareness among its members on the Act on Prevention of Transfer of Criminal Proceeds. In June 2022, concerning the Guidelines for Anti-Money Laundering and Combatting Terrorist Financing in the Jewelry and Precious Metal Business that were formulated by METI in February of the same year, JGMA invited lecturers from METI to hold seminars and raised awareness about AML/CFT, etc., pursuant to said Guidelines. JGMA requires its members to strictly check import documents when purchasing gold bullion brought into Japan from overseas, which it posts on the JGMA website to make sure it is widely known to the relevant parties in the industry. The JGMA distributed an informational document to its members in July 2021, regarding the outline of the Act on Prevention of Transfer of Criminal Proceeds publicly disclosed by JAFIC and the amended content of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds. The JGMA has also distributed posters, etc., to raise awareness for the legal system among consumers

and businesses in the industry with the support from METI.

18. Secondhand Goods Dealers [Community Safety Planning Division]

In 2022, the Japan Reuse Affairs Association and the Antique Dealers Federation of Tokyo continued to work on raising awareness among their members on AML/CFT measures, such as distributing their handbooks to their members, etc., which explain the obligations under the Act on Prevention of Transfer of Criminal Proceeds that dealers must comply with when trading precious metals.

The Nationwide Pawnshop Union Alliance Society distributes leaflets to its members, posts information on websites and so on to raise awareness among its members about the Act on Prevention of Transfer of Criminal Proceeds.

19. Bar Associations [Ministry of Justice]

The Japan Federation of Bar Associations (JFBA) has worked on promoting AML/CFT measures in the context of legal services, with an awareness of the importance to the industry of the AML/CFT aspects. As part of such efforts, the JFBA developed the CDD and Recordkeeping Rules and Regulations. These Rules and Regulations require that lawyers conduct CDD and preserve records for certain legal services, and that they refrain from accepting requests whenever there is a risk of transfer of criminal proceeds. The Regulations and Rules came into effect in March 2013. The Guidelines and Rules were partially revised following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014. JFBA revised the Rules in December 2015 and the Regulations in January 2016. The revised Rules and Regulations came into force on October 1, 2016. In December 2017, the Rules and Regulations were partially amended following a resolution of the special assembly and a resolution of the JFBA board respectively, in order to add a provision that requires members to submit annual reports so that the JFBA can check its members' compliance with the obligations under the Rules and Regulations, including the CDD and recordkeeping obligations, and a provision that grants the JFBA

to add a provision that requires members to submit annual reports so that the JFBA can check its members' compliance with the obligations under the Rules and Regulations, including the CDD and recordkeeping obligations, and a provision that grants the JFBA the authority to require that its members take improvement measures as necessary to ensure their compliance with the obligations. The revised Rules and Regulations entered into force on January 1, 2018.

As described above, the JFBA has been engaged in AML/CFT measures of lawyers since

As described above, the JFBA has been engaged in AML/CFT measures of lawyers since the past, and in order to further promote such measures, it established the JFBA Anti-Money Laundering Measures Promotion Council in June 2022 and is working on money laundering measures, etc., with the JFBA at the center.

The JFBA also performs the following activities to raise awareness among its members, etc., about the efforts it is making for measures to handle money laundering, as well as the overview of the international AML/CFT measures, etc.

As reference materials on the Rules and Regulations, the JFBA publishes instruction manuals, e-learning programs, pamphlets, CDD checklists, recordkeeping formats, and leaflets for clients on its website and members-only website.

The Risk-based Approach Guidance for Legal Professionals developed and published by FATF for lawyers (revised in June 2019, hereafter, the "Guidance") and a tentative translation of the Legal Professionals' Vulnerability to ML/TF (published in June 2013) are also posted on the website for the members. The details of the amended Guidance and the practice of the risk-based approach are included in Jiyū to Seigi (March and October 2019 issues), an institutional magazine distributed to all JFBA members.

In addition, JFBA regularly reviews and revises the Money Laundering Risk Assessment Report on Legal Services in Japan published on the website for its members as a reference material to perform money laundering risk assessments.

The above reference material, etc., is available for the bar associations in Japan as training materials and is used at a seminar for newly registered lawyers and ethics workshop that

are held by each bar association every year. JFBA dispatches lecturers for seminars by each bar association as necessary. Furthermore, by utilizing the above reference materials, etc., JFBA regularly holds nationwide study groups with the persons in charge in the Bar Association.

In Jiyū to Seigi, the JFBA has regularly included articles on the Rules and Regulations and AML/CFT measures in the context of legal services, etc., in order to raise awareness (in the January, March, April, May, August to October 2019 issues and in the May, July, October 2022 issues). In addition, the JFBA Newspaper, Committee News, and Fax News have also regularly included articles on AML/CFT measures (January, March, April, May and June 2019, March and May to September 2020, March, April, June, and September 2021, March, April, June, September, and October 2022).

20. Judicial Scriveners Associations [Ministry of Justice]

The Japan Federation of Shiho-Shoshi Lawyer's Associations (JFSLA) has worked on AML/CFT measures required in the context of judicial scrivener services. As part of such efforts, the JFSLA partially amended its Standards for Judicial Scriveners, which include the obligations to perform CDD and keep records of clients, etc., requiring that each shiho-shoshi lawyers' association revise its standards as necessary, and it established the CDD Rules and the Guidelines for Judicial Scrivener Services in Relation to the Prevention of Transfer of Criminal Proceeds. The JFSLA has also worked to ensure that the members of shiho-shoshi lawyers' associations become familiar with the rules on CDD procedures and recordkeeping in relation to the services they provide, as well as AML/CFT measures through the relevant shiho-shoshi lawyers' association.

While the shiho-shoshi lawyers' associations will provide their members with guidance on specific services, the JFSLA has strengthened the AML/CFT measures by establishing a department for compliance with the Act on Prevention of Transfer of Criminal Proceeds in 2010 and in July 2018 established a project team on taking the AML/CFT measures. In addition, JFSLA requested the shiho-shoshi lawyers' associations to select persons in charge related to money laundering measures, etc., and held an explanatory meeting in September 2021 for the persons in charge to let them have common recognition regarding the working attitude by the risk-based approach. Such explanatory meetings and opinion exchanges are to be continued in 2022 as well. Furthermore, in July 2022, JFSLA made Q&As for responding to the results of the FATF Fourth Round Mutual Evaluation Report of Japan and provided it to the shiho-shoshi lawyers' associations.

The shiho-shoshi lawyers' associations require their members to submit to the associations reports on the verification of identification items and record-keeping measures under the Act on Prevention of Transfer of Criminal Proceeds, and measures taken for their clients, with a focus on specified services set forth in the Act (specific case reports) every year to ensure that the members perform their duties appropriately to prevent the transfer of criminal proceeds, etc. The JFSLA revised the JFSLA rules in 2019 to require each shihoshoshi lawyers' association to provide the JFSLA with the total number of specific case reports submitted by their members. In FY 2020, the JFSLA examined and analyzed the specific case reports submitted by members, and also collected specific examples of suspicious transactions in the specified services set forth in the Act on Prevention of Transfer of Criminal Proceeds. This was done considering the need to provide members with actual examples of suspicious transactions unique to the shiho-shoshi lawyer services so that members would be able to effectively and appropriately handle requests from clients made for the purpose of transferring criminal proceeds.

In August 2020, the JFSLA issued FAQs on the handling of actual work under the Act on Prevention of Transfer of Criminal Proceeds for shiho-shoshi lawyers to indicate the proper way of performing duties to prevent the transfer of criminal proceeds in actual work situations, and announced them to the members of the shiho-shoshi lawyers' associations through the relevant associations. The JFSLA also informed the members of the shiho-shoshi lawyers' associations about explanations of specific case reports through the shiho-shoshi lawyers' associations so that the members can refer to the explanations when preparing specific case reports. In October 2020, the JFSLA reviewed items to be reported in specific case reports to make it easier for members of the shiho-shoshi lawyers' associations to prepare specific case reports. In 2022 continuing on from 2021, the JFSLA has been conducting a study to formulate a guide for a risk-based approach (tentative title).

The JFSLA also prepared a training DVD on the trends in AML/CFT measures and judicial scrivener services, etc., in March 2019, a training DVD related to specified case reports in November 2019, and a training video on AML/CFT measures and on how to respond to FATF in September 2022. The JFSLA distributed the DVDs to shiho-shoshi lawyers' associations and also posted them in its training library, and they are still available to the members of the shiho-shoshi lawyers' associations to promote their understanding.

In addition, the JFSLA, the eight regional shiho-shoshi lawyer's associations, and other shiho-shoshi lawyer's associations hold training sessions for members of the shiho-shoshi lawyers' associations and new shiho-shoshi lawyers on CDD procedures as a duty of judicial scriveners, as well as on CDD and recordkeeping obligations under the Act on Prevention of the Transfer of Criminal Proceeds.

Since 2014, the JFSLA has invited officials from the National Police Agency as lecturers and held seminars on the Act on Prevention of Transfer of Criminal Proceeds and AML/CFT measures.

The JFSLA constructed a system for confirming validity of public personal authentication in February 2021 in order to digitalize and operate CDD in a strict manner.

21. Association of Certified Administrative Procedures Specialists [MIC]

To facilitate the implementation of the obligations under the Act on Prevention of Transfer of Criminal Proceeds, the Japan Federation of Certified Administrative Procedures Specialists Associations (JFCAPSA) has compiled the Handbook on Customer Identity Verification under the Act on Prevention of Transfer of Criminal Proceeds, which it has distributed to the members of all the associations of certified administrative procedures specialists. In January 2014, the JFCAPSA also partially revised the Ethics of Certified Administrative Procedures Specialists, which specifies the basic approach to the performance of the duties of certified administrative procedures specialists and to add a provision concerning CDD.

In response to the full enforcement of the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2014, the JFCAPSA revised and published the new version of the abovementioned Handbook in March 2017, and it has been continuously providing related information on its website as well as distributing a video on identity verification under the Act on Prevention of Transfer of Criminal Proceeds as a training material in order to raise awareness among all the members of each prefectural association of certified administrative procedures specialists (ACAPS).

In 2022, the JFCAPSA and ACAPS continued to work to raise awareness about CDD and recordkeeping on such CDD and transactions, as well as on the development of account books related to business operations specified by the Administrative Scrivener Act, via freshman seminars and compliance workshops, in order to ensure compliance with the Act on Prevention of Transfer of Criminal Proceeds.

22. Japanese Institute of Certified Public Accountants [FSA]

The Japanese Institute of Certified Public Accountants (JICPA) holds a training course aimed at raising awareness about the details of the recommendations for designated non-

financial businesses and professions (DNFBPs) in the report on the FATF Fourth Round Mutual Evaluation of Japan publicly disclosed in August 2021, and an outline of the Act on Prevention of Transfer of Criminal Proceeds, as well as the need for AML/CFT measures.

The JICPA disseminates information on AML/CFT in relation to the Act on Prevention of Transfer of Criminal Proceeds from time to time through the association website for its members in order to thoroughly familiarize them on these issues. The JICPA also conducts a survey of members every year in order to ascertain the actual situation. Furthermore, the JICPA included an outline of the Act on Prevention of Transfer of Criminal Proceeds in its newsletter, "Kaikei Kansa Journal" (April 2020 edition) and introduced the Guidance on Risk-Based Approach for Accounting Specialists revised by the FATF in June 2019. In addition, the JICPA introduced the quality management review system. This is a system for reviewing the status of quality management of audits conducted by audit companies or certified public accountants as a self-regulation system under the Certified Public Accountants Act to properly maintain and improve quality standards of audit services and secure the credibility of auditing from the public's perspective by considering the public nature of audit services, and has been implementing the system since 1999. In June 2020, the JICPA revised the Procedures for Review of Quality Management Systems to review the status of development and status of implementation of audit firms' quality management systems to examine, during quality management reviews, whether the audit firms specify policies and procedures for handling the verification at the time of transactions in the event of specified transactions, etc. set forth in the Act on Prevention of Transfer of Criminal Proceeds.

23. Certified Public Tax Accountants' Association [National Tax Agency: new]

The Japan Federation of Certified Public Tax Accountants' Associations (JFCPTAA) informs all its members of the AML/CFT measures by providing information on complying with the Act on Prevention of Transfer of Criminal Proceeds on the JFCPTAA website and by preparing and distributing leaflets (in Japanese and English) showing a work flowchart of the relationship between the AML/CFT measures and tax services with the items of the Act on Prevention of Transfer of Criminal Proceeds provided, in addition to making revisions to update to the most recent information.

The JFCPTAA posted an article titled "AML/CFT measures necessary for certified public tax accountants" in the JFCPTAA newsletter in March 2018 and an article titled "The risks of money laundering surrounding certified public tax accountants" in June 2019. In November 2018, the JFCPTAA prepared a video as a training material in which officials of the National Tax Agency and the National Police Agency lectured on AML/CFT measures, and distributed it on the JFCPTAA website since February 2019.

In addition, the JFCPTAA has posted a list of persons subject to asset freezing (including those relating to the Taliban) on its website (since May 2019) and updates the list from time to time.

Section 3 Orders for the Submission of Reports and Opinion Statements

When suspicion arises during the investigation of cases, including special fraud cases by the Prefectural Police, with regard to the possibility that a specified business operator (excluding lawyers; the same applies in this section) has violated the obligation of CDD and other matters prescribed in the Act on Prevention of Transfer of Criminal Proceeds, the National Public Safety Commission and the National Police Agency shall order the alleged specified business operators to submit a report and shall prepare an opinion statement for the competent administrative authorities.

1. Orders for the Submission of Reports and Opinion Statements by the National Public Safety Commission/the National Police Agency

In 2022, the National Public Safety Commission and the National Police Agency ordered 4 telephone forwarding service providers to submit reports.

As a result, the following misconducts were found.

- Not carrying out CDD prescribed by the rules
- Not verifying the purpose of transaction and customers' occupations, etc.
- o Failing to retain a part of CDD records, etc.
- Not keeping records of the matters prescribed by rules in CDD records

In addition, based on the submitted reports, the National Public Safety Commission and the National Police Agency sent 4 opinion statements to the competent administrative authorities to request them to take rectification measures for non-compliance with the Act on Prevention of Transfer of Criminal Proceeds by the end of the year.

Table 5-2 Number of Supervisory Actions

	Table 5-2 Number of Supervisory Actions							
Catego	Year	2018	2019	2020	2021	2022		
Number of orders for submission of a report		13	7	7	12	4		
	Postal receiving service providers	0	0	0	2	0		
	Telephone receiving service providers	0	0	0	0	0		
	Telephone forwarding service providers	12	7	7	8	4		
	Postal receiving/telephone forwarding service providers	1	0	0	2	0		
Number prefectu	of directions to conduct an inquiry to ral police	0	0	0	0	0		
	of opinion statements submitted to nt administrative authorities	11	8	7	14	4		
	Postal receiving service providers	2	0	0	4	0		
	Telephone receiving service providers	0	0	0	0	0		
	Telephone forwarding service providers	9	8	7	10	4		

2. Issuing of Rectification Orders by Competent Administrative Authorities Based on Opinion Statements

In 2022, 3 rectification orders were issued by the Minister of Internal Affairs and Communications against telephone forwarding service providers, and 1 rectification order was issued by the Minister of Economy, Trade and Industry against a postal receiving service provider. They are issued when the competent administrative agency that receives opinion statements issued by the National Public Safety Commission and the National Police Agency issues a rectification order against a specified business operator if such specified business operator mentioned in such opinion statements is deemed to have violated the provisions of the Act on Prevention of Transfer of Criminal Proceeds.

Table 5-3 Number of Rectification Orders by Competent Administrative Authorities

Category	Year	2018	2019	2020	2021	2022
Number of statements	rectification orders based on opinion	1	1	2	4	4
	Postal receiving service providers	1	0	0	0	1
	Telephone forwarding service providers	0	1	2	4	3

Chapter 6 Promotion of International Cooperation

Today, as the globalization of economic and financial services are spreading remarkably, it has become possible to move money anytime and anywhere across borders in a moment. Consequently, financial services are likely to be exploited by criminal or terrorist organizations in an attempt to evade the investigations of authorities by hiding criminal proceeds or terrorist funds through, among other methods, cross-border wire transactions.

To make matters worse, jurisdictions with non or insufficient compliance with the global AML/CFT regime provide a loophole and a significant opportunity for those trying to commit ML/TF.

Taking these situations into consideration, it is essential for the international community to cooperate closely with each other in fighting global scale ML/TF. In particular, in order to detect any illicit funds and prevent the misuse of the global financial system, the competent government authorities in all jurisdictions that are playing any role in AML/CFT have to share the latest trends in ML/TF or information on anything undermining our efforts in a timely manner and take effective measures against ML/TF all together.

Section 1 Activities of International Institutions

Paragraph 1 FATF

1. Organization

FATF is an intergovernmental body established following the Economic Declaration of the 1989 Arche Summit Communique to promote international cooperation on AML measures. Since the terrorist attacks in the United States in 2001, FATF has also taken the initiative in promoting international CFT measures.

FATF had 37 member jurisdictions (including Japan) and 2 international institutions as of the end of December 2022. (See Table 6-1)

Table 6-1 [List of FATF Member Countries (as of the end of December 2022)]

Iceland, Ireland, Argentina, Israel, Italy, India, UK, Austria, Netherlands, Canada, South Korea, Greece, Australia, Saudi Arabia, Singapore, Switzerland, Sweden, Spain, China, Denmark, Germany, Turkey, Japan, New Zealand, Norway, Finland, Brazil, France, USA, Belgium, Portugal, Hong Kong, Malaysia, South Africa, Mexico, Luxembourg, Russia, European Commission (EC), Gulf Cooperation Council (GCC)

2. Activities

(1) Main Activities

The main activities of FATF are as follows.

- 1. Formulating and reviewing international standards in the FATF Recommendations concerning AML/CFT measures
- 2. Monitoring the status of compliance with the FATF Recommendations in FATF member jurisdictions (Mutual Evaluations)
- 3. Promoting compliance with the FATF Recommendations in non-member jurisdictions
- 4. Studying the trends and modus operandi of ML/TF.

(2) FATF Recommendations

1. FATF 40 Recommendations

In 1990, FATF devised standards in the 40 Recommendations to be applied by each jurisdiction in the field of financial regulations.

In 1996, FATF revised the Recommendations to make the STR obligatory and for other matters. In 2003, FATF revised its recommendations to counter the increasing sophistication and complexity of ML.

The 40 Recommendations contain the following additional elements.

- A clear definition and expansion of scope of ML offences
- o Undertaking CDD, including customer identification
- Measures to prevent the unlawful use of legal persons in relation to ML
- Application of preventive measures to designated non-financial businesses (real
 estate agents, dealers in precious metals and stones) and professions (lawyers,
 accountants, and other professions)
- National and international cooperation among FIUs, supervisory authorities, law enforcement authorities, and other governmental organizations handling issues related to ML

2. FATF 9 Special Recommendations

In October 2001, a month after the terrorist attacks in the United States, FATF held an emergency session. The agreement of the session was reflected in the 8 Special Recommendations. Since FATF added a new recommendation on "cash couriers" in 2004, they are now called the 9 Special Recommendations on Terrorist Financing. The main points of the 9 Special Recommendations are as follows:

- Criminalizing the financing of terrorism
- Requiring STR reporting related to terrorism
- Requiring that financial institutions include accurate and meaningful originator information (name, address, and account number) on fund transfers, etc.

3. The new 40 Recommendations

In 2012, FATF integrated the 40 Recommendations and the 9 Special Recommendations into its new 40 Recommendations in preparation for its Fourth Round Mutual Evaluation.

The major points it newly included in the new 40 Recommendations can be summarized as follows.

- o Enhancing a risk-based approach
- o Increasing the transparency of legal persons, entrustment, and wire transfer systems
- Enhancing the capabilities of the relevant administrative authorities and strengthening the system of international cooperation on countermeasures against ML/TF.

(3) Mutual Evaluation

FATF sequentially sends an assessor team comprising non-member countries to FATF member jurisdictions to mutually assess the status of their compliance with the FATF Recommendations from various viewpoints, such as AML laws and regulations/control regimes and ML crime investigations.

Summarily, the mutual evaluation process refers to the following:

- 1. A desk-based review of a country's level of technical compliance and contextual factors, and its ML/TF risks
- 2. On-site visits to clarify issues relating to a country's implementation of an AML/CFT system
- 3. Discussions at the FATF Plenary Meeting

The scope of the evaluations involves two inter-related components for technical compliance (TC) and effectiveness. The TC component is to assess whether the necessary laws, regulations, or other required measures are in force and effect. The TC assessment counts the ratings of 40 Recommendations and rates countries into four levels of compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). The effectiveness assessment is conducted based on 11 immediate outcomes to rate countries into four levels of effectiveness: high (HE), substantial (SE), moderate (ME), and low (LE).

The mutual evaluation results are summarized in the Mutual Evaluation Report (MER), which is adopted after being discussed at the FATF Plenary Meeting. The evaluation of the assessed countries is finalized upon the adoption of the MER. Based on the results of the mutual evaluation, the assessed countries are classified into "regular follow-up countries," "enhanced follow-up countries," and "countries under ICRG review," and depending on their classification, they are required to report the improvement status of items pointed to for improvements in the MER. Specifically, "regular follow-up countries" are required to report the improvement status within approximately three years after the release of the MER. If, as a result of the mutual evaluation, a country has 8 or more PC/NC ratings in the TC assessment or 7 or more ME/LE ratings in the effectiveness assessment, or if one or more significant recommendations is rated either NC or PCNote 1, the country is placed into "enhanced follow-up" and is required to report the improvement status of whether the necessary laws, regulations, or other required measures are in force and effective every year for three years after the release of the MER. If a country has 20 or more PC/NC ratings in the TC assessment or 9 or more ME/LE ratings in the effectiveness assessment, or if three or more of significant recommendations are rated either NC or PCNote 2, the country is placed "under review by ICRG" and is required to report the significant progress it has made for the items pointed to in the MER during the one-year observation period. If countries under ICRG review are unable to make any significant progress during the observation period, an action plan is developed to address strategic deficiencies in their AML systems. Such countries (so-called "grey list countries") are placed under increased monitoring by FATF. Furthermore, countries that have some strategic deficiencies in their AML systems and that are unable to make any significant progress in addressing the deficiencies are identified by FATF as high-risk countries with serious strategic deficiencies in their AML systems. For such countries (so-called "blacklist countries"), FATF requests that the FATF member countries apply countermeasures, such as enhanced due diligence, and countermeasures according to the risks related to the deficiencies.

In response to the new 40 Recommendations, the FATF Fourth Round Mutual Evaluation started in 2013, and evaluation procedures have been carried out sequentially based on the assessment methodology (evaluation standard for assessors) that was adopted in the same year. Each country's evaluation results as of December 2022, which are based on the results at the time of the release of the MER, are as shown in Table 6-2. The FATF Fifth Round Mutual Evaluation is scheduled to begin from 2025.

Note 1: Of the new 40 Recommendations, if one or more of Recommendation 3, 5, 10, 11, and 20 is rated either NC or PC, the country is placed into "enhanced follow-up." For details of the recommendations, refer to Chapter 1, Section 1, Table 1-1 [Overview of the New "40 Recommendations"].

Note 2: Of the new 40 Recommendations, if three or more of Recommendation 3, 5, 6, 10, 11, 20 are rated either NC or PC, the country is placed "under review by ICRG." For details of the recommendations, refer to Chapter 1, Section 1, Table 1-1 [Overview of the New "40 Recommendations"].

Table 6-2 [Evaluation Results of FATF Member Countries (as of December 2022)]

	Country name
IRAGIII AR TALIAW-IIN CAIINTRIAC	Israel, Italy, UK, Netherlands, Greece, Spain, France, Portugal, Hong Kong, Russia
Enhanced follow-up countries	Ireland, Australia, Austria, Canada, South Korea, Saudi Arabia, Singapore, Switzerland, Sweden, China, Denmark, Germany, Japan, New Zealand, Norway, Finland, USA, Belgium, Malaysia, Mexico
Countries under ICRG review	Iceland, Turkey, South Africa

3. Mutual Evaluation for Japan

FATF has conducted mutual evaluations for Japan four times (in 1994, 1998, 2008, and 2019). For the Fourth Round Mutual Evaluation of Japan, the assessor team conducted an on-site visit in October/November 2019. The MER adoption scheduled to be conducted at a FATF Plenary Meeting in 2020 had been postponed due to the COVID-19 pandemic, and implemented in a FATF Plenary Meeting in June 2021, and Japan's MER was publicly disclosed on August 30 of the same year. (Details of Japan's MER are described in Section 3.)

4. Participation

As one of the founding members of FATF, Japan has been a very active contributor to its work since its establishment in 1989. Japan has the tri-annual participated in (normally, February, June, and October) Plenary Meetings and working groups, which conduct analysis of ML typologies, etc., and it was the plenary chair between July 1998 and June 1999. JAFIC and other government ministries and agencies also actively joined the discussions toward the development of a new AML/CFT framework, sending their officials to the plenary and working group meetings every year. Due to the impact of the COVID-19 pandemic, the meetings were held online or in a hybrid manner of online and faceto-face participation from June 2020 to June

FATF Plenary Meeting (Paris)



2022, and JAFIC participated online. As the meeting in October 2022 was held face-to-face, JAFIC dispatched its officials to it to participate in the discussions.

Paragraph 2 APG

1. Organization

APG (Asia/Pacific Group on Money Laundering) is an international cooperative body whose establishment was decided in February 1997 at the FATF 4th Asia/Pacific Money Laundering Symposium held in Thailand. In the context of the increasing risk of vulnerability to ML in the Asia/Pacific region, the APG was established to promote regional cooperation, the adoption of the international standards, and the assistance to the jurisdictions.

As of the end of December 2022, the APG consisted of 41 jurisdictions, including Japan. (See Table 6-3)

Table 6-3 [List of APG Member Countries and Regions and Jurisdictions (as of the end of December 2022)]

Afghanistan, India, Indonesia, Australia, Canada, Cambodia, South Korea, Cook Islands, Samoa, Singapore, Sri Lanka, Solomon Islands, Thailand, Taiwan, China, Tonga, Nauru, Niue, Japan, New Zealand, Nepal, Pakistan, Palau, Vanuatu, Papua New Guinea, Bangladesh, East Timor, Fiji, Philippines, Bhutan, Brunei, USA, Vietnam, Hong Kong, Marshall Islands, Macau, Malaysia, Myanmar, Maldives, Mongolia, Laos

2. Activities

The main activities of APG are as follows.

- 1. Promotion of compliance with the FATF Recommendations in the Asia/Pacific region
- 2. Promotion of legislation on AML/CFT in the Asia/Pacific region
- 3. Mutual Evaluations in the Asia/Pacific region
- 4. Information exchange and analyses on ML trends in the Asia/Pacific region

3. Participation

Japan is one of the founding members of APG and has been actively contributing to the activities of APG, much as it has with FATF. For example, the first annual meeting and the second typology meeting were both held in Tokyo in March 1998 and March 1999, respectively. Japan was the co-chair with Australia between July 2004 and June 2006.

JAFIC and other government ministries and agencies have also actively joined the discussions on the latest ML methods and trends, sending their officials to the annual meeting and typology workshop every year. Since the typology workshop in February 2021, the meetings have been held in a virtual manner due to the

APG Annual Meeting (Kuala Lumpur)



impact of the COVID-19 pandemic, so JAFIC has been participating online. As the annual meeting in July 2022 was held face-to-face, JAFIC dispatched its officials to it to participate in the discussions.

Paragraph 3 Egmont Group

1. Organization

The Egmont Group is an international forum established mainly by the FIUs of several European nations and the United States in April 1995 with the goal of promoting cooperation on information exchange, training, and the sharing of expertise between FIUs around the world engaging in AML measures. The group is named after the Egmont castle in Belgium where the first plenary session was held.

Although the Egmont Group was first established as an informal forum, today it has become an internationally recognized official body through the adoption of the Egmont Group Charter at the May 2007 annual plenary in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada.

The Egmont Group revised its charter in light of the growing need for close international cooperation between FIUs due to the increasing sophistication and complexity of ML around the world, its increasingly diverse functions, and the inclusion of the enhancement of the FIUs' functions and a system of international cooperation in FATF's new 40 Recommendations. A new charter that better specifies the objectives and role of the Egmont Group was adopted at the annual plenary held in South Africa in July 2013.

The Egmont Group consisted of the FIUs of 166 jurisdictions as of the end of December 2022.

2. Activities

In addition to the annual plenary meeting, which is attended by representatives from all member FIUs, the Egmont Group has the following working groups, which are held twice a year.

- 1. Working Group on information exchange
- 2. Working Group on membership, support and compliance
- 3. Working Group on policy and procedures
- 4. Working Group on technical assistance and training

3. Participation

Following the establishment of JAFIO in February 2000 within the Financial Supervisory Agency (currently known as the Financial Services Agency) as a Japanese version of FIU, the Financial Supervisory Agency applied for membership of the Egmont Group, which was granted at the 8th Plenary Meeting held in Panama in May 2000.

Since then, JAFIO has actively participated in the activities of the Egmont Group. It has sent staff members to working group meetings and the plenary meetings and has taken part in the drafting of the Egmont Group Charter. JAFIO also undertook the role of FIU for supporting the application Egmont Group Working Group (Riga, Latvia)



procedures (in co-sponsorship with the Thailand FIU) (hereinafter referred to as "sponsor FIU") of the Myanmar FIU, which is currently not yet an Egmont Group member.

After JAFIC started to take the responsibility as the Japan FIU from JAFIO in April 2007, JAFIC applied to the Egmont Group and was granted the Egmont Group membership at the 15th plenary held in Bermuda in May 2007.

After joining the Egmont Group, JAFIC has sent its members to both the annual meetings and the working group meetings to participate in the discussions on the principles related to information exchanges between FIUs and other matters.

JAFIC accepted the role of sponsor FIU for the Pakistan FIU (in co-sponsorship with the U.S. FIU) at the request of the Egmont Group in 2011. In 2012, JAFIC conducted an onsite survey to assess the Pakistan FIU's membership qualification. Due to the impact of the COVID-19 pandemic, annual meetings, etc., were held in a virtual manner from July 2020 to February 2022, and JAFIC participated online. As the annual meeting in July 2022 was held face-to-face, JAFIC dispatched its officials to it to participate in the discussions.

Moreover, JAFIC has taken over from JAFIO the role of sponsor FIU for the Myanmar FIU in the application procedures for the Egmont Group, and in 2016, JAFIC staff visited the Myanmar FIU, together with the Thailand FIU, which is a joint sponsor, to confirm the progress made by Myanmar in the procedures for joining the Egmont Group.

Paragraph 4 Participation in the Activities of International Organizations

Table 6-4 shows that JAFIC has been actively participating in the activities of international organizations by attending online meetings or dispatching its officials to various meetings.

Table 6-4 Participation in the Activities of International Organizations in 2022

	Month	Name of meeting	Location
	March		Hybrid face-to-face (Paris, France) and virtual format
FATF	June	Plenary Meeting	Hybrid face-to-face (Berlin, Germany) and virtual format
	October		Face-to-face (Paris, France)
APG	July	Annual Meeting	Kuala Lumpur, Malaysia
Egmont Group	February	Working Group	(Virtual meeting)
Egillofft droup	July	Annual Meeting	Riga, Latvia

Section 2 Progress of the International Cooperation

Paragraph 1 Calling on Specified Business Operators to Take Actions upon the Adoption of the United Nations Security Council Resolutions

When the United Nations Security Council passes a resolution about persons subject to asset freezing or when the FATF adopts a statement about countries and jurisdictions with weak AML/CFT measures, the National Police Agency issues a notice through the supervisory authorities that requires specified business operators to perform appropriate CDD with respect to such persons, countries, and jurisdictions.

Some trade organizations provide specified business operators with a database of such persons.

1. Measures Based on the United Nations Security Council Resolutions (UNSCRs)

Japan implements targeted financial sanctions to freeze the assets of persons or entities associated with the Taliban, etc. according to the UNSCRs concerned. Each time the list of such parties is revised, the National Police Agency requires that specified business operators ensure CDD through the supervisory authorities. Such a requirement was made a total of 10 times in 2022.

2. Measures Based on the Public Statement Issued by FATF

At the plenary meeting held in February 2020, the FATF adopted a statement that identified North Korea and the Islamic Republic of Iran as high-risk countries and jurisdictions, and called on all FATF members and jurisdictions to apply countermeasures to protect the international financial system from ML/TF risks emanating from these countries. The FATF, which has since April 2020 suspended the review process for the list of high-risk countries and jurisdictions subject to a call for action due to the impact of the COVID-19 pandemic, have been adopting similar statements and making similar requests at the plenary meetings held since June 2020.

Furthermore, at the plenary meeting held in October 2022, the FATF adopted a statement that identified Myanmar as a high-risk country, in addition to North Korea and the Islamic Republic of Iran, and it called on all FATF members and jurisdictions as well as other countries and jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from Myanmar.

In response to these requests, the National Police Agency issued a notice through the supervisory authorities that requires specified business operators to properly perform CDD and the STR reporting obligation with respect to such countries and jurisdictions when dealing with them.

Paragraph 2 Information Exchanges with Foreign FIUs

1. Establishment of the Framework for Exchange of Information

It is necessary to exchange information on suspicious [Establishment of the framework transactions with foreign FIUs in a timely manner in order to detect ML/TF by appropriately tracing criminal proceeds or terrorist financing across borders.

On the other hand, Article 14 of the Act on Prevention of Transfer of Criminal Proceeds the National stipulates that Public Commission (for which JAFIC serves may disseminate information secretariat) suspicious transactions to foreign FIUs on the condition that there is a framework governing the restrictions on the use of the disseminated information in the foreign countries.

In response, JAFIC has established the necessary framework by exchanging documents specifying the restrictions on the use of provided information and other matters with foreign FIUs. JAFIC has been handling the negotiations for establishing the

with the Kosovo FIU]



frameworks for information exchange with numerous foreign FIUs in order to enable constructive exchanges of information with them.

From its establishment in April 2007 until the end of December 2022, JAFIC set the frameworks for information exchange with the FIUs of 110 jurisdictions (In 2022, JAFIC established frameworks for information exchange with Benin, Bhutan and Kosovo. See Table 6-5).

Table 6-5 Jurisdictions with which JAFIC has Set the Frameworks for Information Exchange between FIUs

Exchange between FIGS							
Jurisdictions							
Algeria	Kazakhstan	Slovenia	Norway	Portugal			
Argentina	Qatar	Seychelles	Bahrain	Hong Kong			
Aruba	Canada	Senegal	Panama	Macau			
Armenia	Korea	Saint Vincent and the Grenadines	Vanuatu	Malawi			
Anguilla	Cambodia	Saint Martin	Papua New Guinea	Malta			
Angola	Cyprus	Turks and Caicos Islands	Bermuda	Malaysia			
Andorra	Cuba	Thailand	Palau	Isle of Man			
Israel	Curaçao	Tajikistan	Paraguay	Myanmar			
Italy	Kyrgyzstan	Tanzania	Bangladesh	Mexico			
India	Cook Islands	Czech	Fiji	Mauritius			
Indonesia	Cayman Islands	China	Philippines	Morocco			
Ukraine	Costa Rica	Tunisia	Finland	Monaco			
Uzbekistan	Kosovo	Chile	Bhutan	Mongolia			
U.K.	Colombia	Denmark	Brazil	Montenegro			
British Virgin Islands	San Marino	Germany	France	Jordan			
Egypt	Gibraltar	Togo	U.S.	Laos			
Australia	Jersey	Trinidad and Tobago	Vietnam	Latvia			
Austria	Singapore	Turkmenistan	Benin	Liechtenstein			
Netherlands	Switzerland	Turkey	Peru	Romania			
Ghana	Sweden	Nigeria	Belgium	Luxembourg			
Cabo Verde	Spain	New Zealand	Poland	Lebanon			
Guernsey	Sri Lanka	Nepal	Bolivia	Russia			

2. Situation of Information Exchanges

JAFIC exchanges suspicious transaction information with foreign FIUs in a positive and expeditious manner.

As JAFIC has allocated sufficient resources to STR analysis, it has actively arranged information exchanges with foreign FIUs. In 2022, with regards to unusual or unreasonable money transfers to and from foreign countries that had come to light from the results of the STR analyses, JAFIC made 231 requests to the relevant foreign FIUs for the provision of information, such on the flow of funds transferred out of Japan and the sources of remittance from abroad (see Table 6-6).

Table 6-6 Number of Requests for Information between JAFIC and Foreign FIUs

Category	2018	2019	2020	2021	2022
Number of requests for information from JAFIC to foreign FIUs	255	201	214	170	231
Number of requests for information from foreign FIUs to JAFIC	72	61	47	63	43
Total	327	262	261	233	274

In addition to these requests for information, there are mechanisms for the voluntary exchanges between FIUs of information that is useful for effective AML/CFT measures (see Table 6-7).

Table 6-7 Number of Spontaneous Information Disclosures between JAFIC and Foreign FIUs

Category	2018	2019	2020	2021	2022
Number of spontaneous information disclosures from JAFIC to foreign FIUs	101	111	152	207	115
Number of spontaneous information disclosures from foreign FIUs to JAFIC	68	85	67	76	106
Total	169	196	219	283	221

In 2022, there were 118 cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs (see Table 6-8).

Table 6-8 Number of Cases in Which JAFIC Shared Information Provided by Foreign FIUs with Domestic LEAs

1105 With Bollieblic Phi B								
Category	2018	2019	2020	2021	2022			
Number of cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs	103	151	162	142	118			

Section 3 FATF Mutual Evaluation of Japan

Paragraph 1 Implementation of the FATF Fourth Round Mutual Evaluation of Japan

As abovementioned 3 of Chapter 6, Section 1, Paragraph 1, Japan was subjected to the FATF Fourth Round Mutual Evaluation, and the evaluation results are publicly disclosed on the FATF website (https://www.fatf-gafi.org/) and the website of the Ministry of Finance

(https://www.mof.go.jp/policy/international_policy/convention/fatf/fatfhoudou_20210830_1.html, and https://www.mof.go.jp/policy/international_policy/amlcftcpf/efforts.html).

Paragraph 2 Overview of Results

The results on Japan's TC components (Technical Compliance: to assess whether the necessary laws, regulations, or other required measures are in force and effect) are as shown in Table 6-9: 4 Cs (Compliant), 24 LCs (Largely Compliant), 10 PCs (Partially Compliant), and 1 NC (Non-Compliant), 1 N/A (Not Applicable).

The results of Japan's effectiveness component (to assess whether the AML/CFT systems are working) are as shown in Table 6-10: 3 SEs (Substantial) and 8 MEs (Moderate). Based on these evaluation results, Japan was rated PC and NC for 11 recommendations in the TC assessment and ME for 8 recommendations in the effectiveness assessment. Also, Japan was rated PC for Recommendation 5. As a result, Japan was evaluated as an "enhanced follow-up country" (for the rating criteria, refer to Chapter 6, Section 1, Paragraph 1, item 2 (3) above).

Table 6-9 Results on Technical Compliance (to Assess Whether the Necessary Laws, Regulations, or Other Required Measures are in Force and Effect)

Rec.	Overview of the Recommendation	Evalu- ation	Rec.	Overview of the Recommendation	Evalu- ation
1	Risk assessment and risk-based approach	LC	21	Obligation to protect notifying persons	С
2	Cooperation between relevant Japanese authorities	PC	22	Customer management in designated non- financial businesses and professions (DNFBPs)	PC
3	Criminalizing money laundering	LC	23	Obligation to report suspicious transactions by designated non-financial businesses and professions (DNFBPs)	PC
4	Confiscation and preservation measures for criminal proceeds	LC	24	Beneficial owners of corporations	PC
5	Criminalizing the financing of terrorism	PC	25	Beneficial owners of legal arrangements	PC
6	Freezing assets of terrorists	PC	26	Obligation to supervise financial institutions	LC
7	Financial sanctions against those involved in the proliferation of weapons of mass destruction	PC	27	Ensuring the authority of supervisory authorities	LC
8	Prevention of abuse by non-profit organizations (NPOs)	NC	28	Obligation to supervise designated non-financial businesses and professions (DNFBPs)	PC
9	Confidentiality obligations of financial institutions	С	29	Obligation to establish an FIU	С
10	Customer management	LC	30	Investigation of money laundering and terrorist financing	С
11	Obligation to confirm identity and preserve transaction records	LC	31	Obligation to obtain investigation-related materials, etc.	LC
12	Politically exposed persons (PEPs)	PC	32	Dealing with cash couriers	LC
13	Correspondent contracts	LC	33	Development of comprehensive statistics	LC
14	Alternative remittance services	LC	34	Obligation to formulate guidelines	LC
15	Prevention of abuse of new technologies	LC	35	Sanctions against non-performance of obligations	LC
16	Wire transfers (obligation to include remitter and receiver information)	LC	36	Ratification of UN documents	LC
17	Third-party dependency on customer management measures	N/A	37	Legal mutual assistance and international cooperation	LC
18	Financial institutions' obligation to develop internal management rules, and the application of the Recommendations to overseas branches and local subsidiaries	LC	38	Asset freezing, etc. at the request of foreign countries	LC
19	Dealing with countries/regions that have problems with the implementation of the Recommendations	LC	39	Extradition of criminals	LC
20	Reporting of suspicious transactions involving money laundering and terrorist financing in financial institutions	LC	40	International cooperation (information exchange with foreign authorities)	LC

Note: Technical compliance ratings can be either a C- compliant, LC- largely compliant, PC- partially compliant or NC- non compliant.

Table 6-10 Results on Effectiveness (to Assess Whether the AML/CFT Systems are Working)

Efficacy	Overview of efficacy	Evalu- ation
1	Risk assessment of money laundering / terrorist financing	SE
2	International cooperation	SE
3	Supervision of financial institutions, etc.	ME
4	AML/CFT measures by financial institutions, etc.	ME
5	Prevention of abuse of corporations, etc.	ME
6	Use of STR information	SE
7	Investigation, supplementary suit, and sanctions of money laundering crimes	ME
8	Confiscation of money laundering proceeds	ME
9	Investigation, supplementary suit, and sanctions of terrorist financing	ME
10	Freezing assets of terrorists and prevention of abuse of NPOs	ME
11	Freezing assets of those involved in the proliferation of weapons of mass destruction	ME

Note: Effectiveness ratings can be either a High – HE, Substantial – SE, Moderate – ME, or Low – LE, level of effectiveness.

Paragraph 3 Japan's Initiatives Based on the Evaluation Results

Japan, which was evaluated as an "enhanced follow-up country," must work on improving the items pointed to in the Mutual Evaluation Report as the procedures specified by FATF and report the improvement status to the FATF three times from October 2022. Based on the Evaluation Report, the government set up the Inter-Ministerial Council for AML/CFT/CPF Policy co-chaired by the National Policy Agency and the Ministry of Finance to proceed with AML/CFT/CPF measures through a concerted effort by the government, and it formulated a three-year action plan in August 2021 (https://www.npa.go.jp/sosikihanzai/jafic/kokusai/da-ta/20210830_2.pdf). The government also formulated the National Strategy and Policy for AML/CFT/CPF in May 2022 (https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/20220519_1.pdf). In accordance with the action plan and the basic policy, the relevant organizations are working in cooperation on improving the items pointed to.

Japan submitted its first report on the improvement status to the FATF in 2022 and requested an upgrade in its rating for Recommendation 2 "National cooperation and coordination." As a result, it was approved to change its rating from "PC" to "LC," which was reported at the FATF Plenary Meeting in October 2022. Japan's progress will continue to be reported at the FATF Plenary Meeting.