Summary of the Annual Report 2022

This is the summary of the 2022 annual report on the prevention of transfer of criminal proceeds. Please see the complete annual report for the details.

* The Act on Prevention of Transfer of Criminal Proceeds is as of December 29, 2022.

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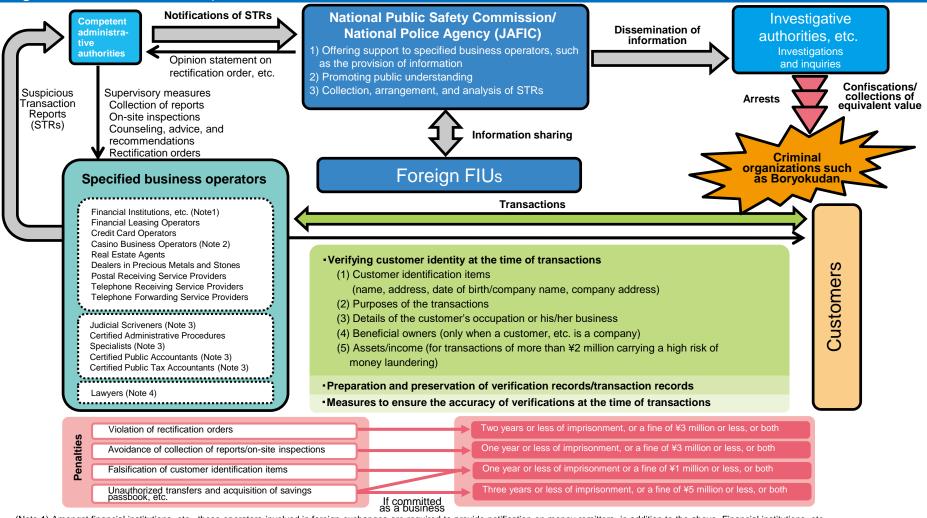
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1. Overview of the Act on Prevention of Transfer of Criminal Proceeds (Chapter 2)



The purpose of the Act on Prevention of Transfer of Criminal Proceeds is to establish a system to prevent the transfer of criminal proceeds by requiring specified business operators take appropriate measures, such as CDD of customers, etc., the preparation and retainment of records, and STR reporting.

The various systems related to the anti-money laundering measures under the Act and the relationships between the relevant organizations and business operators are as follows:



- (Note 1) Amongst financial institutions, etc., those operators involved in foreign exchanges are required to provide notification on money remitters, in addition to the above. Financial institutions, etc. include banks, money lenders, virtual assets exchange service providers, etc.
- (Note 2) Measures to ensure proper confirmation of transactions by casino business operators are separately specified by the Act on Promotion of Development of Specified Integrated Resort Districts. (Note 3) Professions such as judicial scriveners, certified administrative procedures specialists, certified public accountants, and certified tax accountants are required to verify the information in (1) only.
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 (Note 4) The Japan Federation of Bar Associations defines, in its bylaws, measures to ensure the accurate verification of transactions and the preparation/preservation of verification records and transaction records by lawyers. These rules are based on the examples of judicial scriveners and other professions contained in the Act on Prevention of Transfer of Criminal Proceeds.

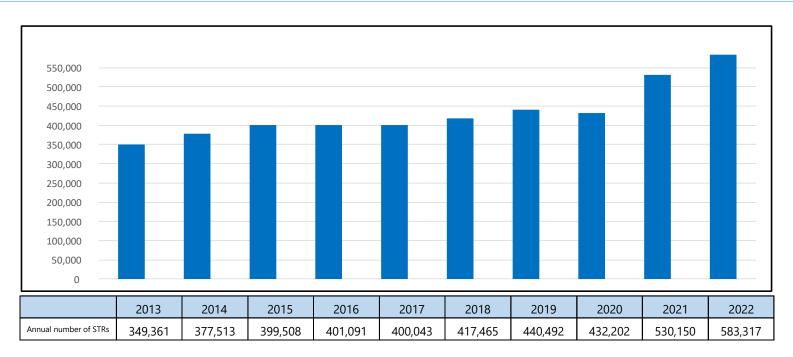
2. Suspicious Transactions Reporting System (Chapter 3)



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). The number of STRs submitted by specified business operators to the competent administrative authorities in 2022 was more than 580,000, the highest ever.

JAFIC collect, organize, and analyze STRs notified by the competent administrative authorities and provide investigative authorities with the STRs considered to be useful to investigate money laundering cases. The STRs are used to discover criminal proceeds, uncover criminal organizations, and investigate crimes related to criminal proceeds.

Annual number of STRs



Number of Reports Disseminated to LEAs

	2018	2019	2020	2021	2022
Information on STRs	460,745	467,762	461,687	524,462	581,252

○ Use of STRs in the Prefectural Police Departments

1. 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

2. Number of STR-initiated Cases by Type of Crime

_	Year nitiated Cases pe of Crime	2018	2019	2020	2021	2022
(i)	Fraud-related crimes	1004	933	873	855	877
(ii)	Illegal stays	26	53	38	46	25
(iii)	Violation of Act on Punishment of Organized Crimes	17	34	30	41	13
(iv)	Drug crimes	42	39	45	39	28
(v)	Counterfeiting crimes	7	15	8	17	16
(vi)	Loan sharks	8	13	6	8	8
(vii)	Entertainment business-related offences	3	4	3	2	2
(viii)	Gambling-related offences	1	0	0	2	0
(ix)	Other criminal offences	5	12	12	18	11
(x)	Other special criminal offences	11	20	13	17	14
Tota	al	1,124	1,123	1,028	1,045	994

3. Number of STR-use Cases by Type of Crime (STR-use cases, excluding STR-initiated cases)

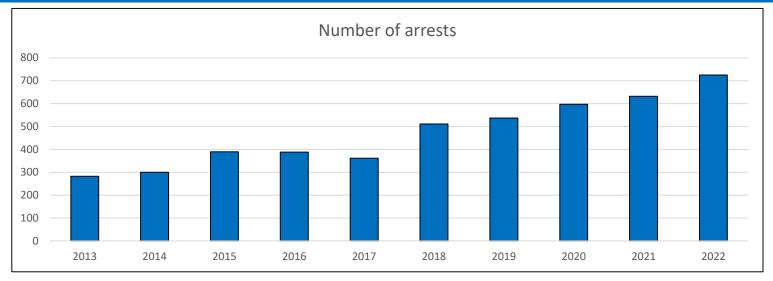
	Year use Cases pe of Crime	2018	2019	2020	2021	2022
(i)	Fraud-related crimes	400	493	589	647	877
(ii)	Illegal stays	50	36	27	41	30
(iii)	Violation of Act on Punishment of Organized Crimes	18	37	40	37	61
(iv)	Drug crimes	89	175	224	240	290
(v)	Counterfeiting crimes	18	19	23	42	44
(vi)	Loan sharks	4	10	18	12	11
(vii)	Entertainment business-related offences	12	16	12	12	11
(viii)	Gambling-related offences	7	9	9	10	4
(ix)	Other criminal offences	150	244	373	366	443
(x)	Other special criminal offences	37	63	82	94	95
Tota	al	785	1,102	1,397	1,501	1,866

3. Cleared Cases of Money Laundering (Chapter 4)



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, the concealment of criminal proceeds, and the receipt of criminal proceeds, which are all stipulated in the Act on Punishment of Organized Crimes, and also the concealment of drug-related criminal proceeds and the receipt of drug-related criminal proceeds, both stipulated in the Anti-Drug Special Provisions Law.





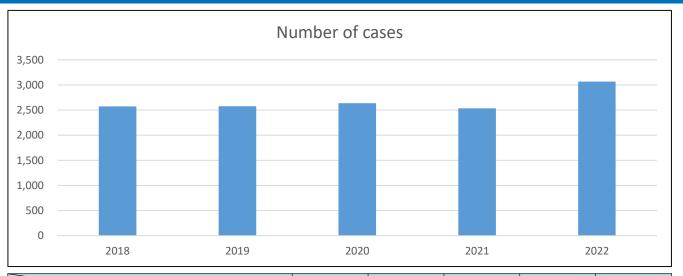
Category	Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Management Control through Illicit Proceeds (Article 9)	2	1	2	0	2	1	0	2	0	1
Act on Punishment	Concealment of Criminal Proceeds, etc. (Article 10)	171	180	234	268	240	377	378	413	461	578
of Organized Crimes	Receipt of Criminal Proceeds, etc. (Article 11)	99	112	145	112	111	126	150	182	162	130
	Total	272	293	381	380	353	504	528	597	623	709
	Concealment of drug-related criminal proceeds, etc. (Article 6)	6	5	5	5	7	5	8	3	5	15
Anti-Drug Special Provisions Law	Receipt of drug-related criminal proceeds, etc. (Article 7)	4	2	3	3	1	2	1	0	4	2
	Total	10	7	8	8	8	7	9	3	9	17
Number of arrests		282	300	389	388	361	511	537	600	632	726

4. Cleared Cases of Violation of the Act on Prevention of Transfer of Criminal Proceeds (Chapter 4)



The Act on Prevention of Transfer of Criminal Proceeds stipulates the penalties for the illicit transfer of passbooks, etc. for preventing them from being abused for special frauds or other crimes, or for the concealment (transfer) of criminal proceeds.

The police are enhancing efforts to crack down on such practices. The number of cases cleared as violations for the Act on Prevention of Transfer of Criminal Proceeds is as follows:



Year	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 assets exchange	0	0	6	23	46
Others	4	0	4	2	0
Total	2,577	2,577	2,634	2,535	3,066

5. Orders for the Submission of Reports and Opinion Statements (Chapter 5)



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) 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. If the administrative authorities that receive the opinion statement believe that the specified business operator has violated the Act, they will issue a rectification order to the specified business operator. The numbers of orders for submission of reports, opinion statements submitted, and rectification order issued are as follows:

		2018	2019	2020	2021	2022
		13	7	7	12	4
Number of order	Postal receiving service providers	0	0	0	2	0
for submission of reports	Telephone forwarding service providers	12	7	7	8	4
	Postal receiving/telephone forwarding service providers	1	0	0	2	0
Number of		11	8	7	14	4
opinion statements submitted to	Postal receiving service providers	2	0	0	4	0
competent administrative authorities	Telephone forwarding service providers	9	8	7	10	4
		1	1	2	4	4
Number of rectification orders based on	Postal receiving service providers	1	0	0	0	1
Opinion Statements	Telephone forwarding service providers	0	1	2	4	3

6. Promotion of International Cooperation (Chapter 6)



Collaboration between countries is essential to prevent cross-border ML/TF.

For this reason, international standards for AML/CFT measures have been developed and adopted in the international community within the framework of FATF, APG, the Egmont Group, etc. Japan actively participates in such activities.

An overview of FATF, APG, and Egmont Group is as follows:

○ FATF (Financial Action Task Force)

○ 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 2022.

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.

Mutual Evaluation

FATF employs a peer review approach to encourage its members to implement the Recommendations. Member jurisdictions are evaluated by other members from various viewpoints, such as laws, regulations, and the control regime for AML, and the investigations of ML crimes.

The FATF fourth round mutual evaluation of Japan is as described in "9. FATF Fourth Round Mutual Evaluation of Japan" below.

7. Evaluation Results of the FATF Member Countries (Chapter 6)



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 MER adoption. Based on the results of mutual evaluation, the assessed countries are classified into "regular follow-up countries," "enhanced follow-up countries," and "countries under ICRG review," and depending on the classification, they are required to report the improvement status of items pointed out for improvement in the MER.

In the Technical Compliance (TC) assessment that assesses whether the necessary laws, regulations, or other required measures are in force and effect, Japan was rated partially compliant (PC) and non-compliant (NC) for 11 recommendations, and in the effectiveness assessment that assesses whether the AML/CFT systems are working, Japan was rated moderate (ME) for 8 recommendations. Also, Japan was rated partially compliant (PC) for the significant Recommendation 5 (Terrorist financing offence). As a result, Japan was evaluated as an "enhanced follow-up country" and is required to report the improvement status of whether the necessary laws, regulations, or other required measures are in force and effect every year for three years after the MER is released.

	Country name
Regular follow-up countries	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, <mark>Japan,</mark> New Zealand, Norway, Finland, USA, Belgium, Malaysia, Mexico
Countries under ICRG review	Iceland, Turkey, South Africa

- * The TC assessment counts ratings of 40 Recommendations and rate 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).
- * Of the new 40 Recommendations, if 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 (Recommendation 3, 5, 10, 11, 20) is rated either NC or PC, the country is placed into "enhanced follow-up countries."
- * Of the new 40 Recommendations, 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 three or more of significant recommendations (Recommendation 3, 5, 6, 10, 11, 20) are rated either NC or PC, the country is placed into "countries under ICRG review."

8. Information Exchanges with Foreign FIUs (Chapter 6)



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

JAFIC set the frameworks for information exchange with the FIUs of 110 jurisdictions as of the end of 2022.

JAFIC exchanged information with foreign FIUs as follows:

1. 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

2. Number of Spontaneous Information Disclosures between JAFIC and Foreign FIUs

Year	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

3. Number of Cases in Which JAFIC Shared Information Provided by Foreign FIUs with Domestic LEAs

Year	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

9. FATF Fourth Round Mutual Evaluation of Japan (Chapter 6)



For the Fourth Round Mutual Evaluation of Japan, the assessor team conducted an on-site visit in October/November 2019. Japan's MER was adopted in an FATF Plenary Meeting in June 2021, and was publicly disclosed on August 30 of the same year. Japan was evaluated enhanced follow-up and must work on the improvement of the matters pointed out in the Mutual Evaluation Report as procedures specified by FATF and report the improvement status at three consecutive FATF Plenary Meetings from October 2022. Japan submitted its first report to the FATF in 2022 and requested an upgrade in the rating for Recommendation 2 "National cooperation and coordination." As a result, rating change from "PC" to "LC" was agreed, which was reported at the FATF Plenary Meeting in October 2022.

1. Results on Technical Compliance (to Assess Whether the Necessary Laws, Regulations, or Other Required Measures are in Force and Effect)

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

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

2. 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.