

Annual Report

2021

National Police Agency

2021

Annual Report

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 ever-changing 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 exceeded 500,000 in 2021, which was the largest ever. The amount of information on STRs provided for the law enforcement authorities (LEAs) and other institutions also continued to increase, and such information on STRs resulting in arrests registered a figure of over 1,000 cases for the eighth consecutive year 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. Now, the Japanese government is addressing improvement of the areas pointed out and further strengthening of the AML/CFT measures in line with the "National AML/CFT/CPF Action Plan" formulated when the report was publicly disclosed.

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.

Legend

1 Abbreviations for laws

Abbreviations for laws are as follows.

[Abbreviation]	[Law]
Act on Prevention of Transfer of Criminal Proceeds	Act on Prevention of Transfer of Criminal Proceeds (Act No.22 of 2007)
	Anti-Drug Special Provisions Law····· 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 (Act No. 94 of 1991)
Act on Punishment of Organized Crimes	Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999)
Act on Punishment of Financing of Offences of Public Intimidation	Act on Punishment of the Financing of Criminal Activities for the Purpose of Intimidation of the General Public and of Governments (Act No. 67 of 2002)
International Terrorist Asset-Freezing Act	Act on Special Measures Concerning the 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 Interest Rate Act	Act Regulating the Receipt of Contributions, 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)

2 Abbreviations for conventions, etc.

Abbreviations for conventions, etc. are as follows.

[Abbreviation]	[Conventions, etc.]
UN New Narcotics Convention	United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Convention No. 6 of 1992)
International Convention for the Suppression of the Financing of Terrorism	International Convention for the Suppression of the Financing of Terrorism (Convention 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

The following terms used in this Report include the following corporations:

[Terms]	
Lawyer	Registered foreign lawyers, legal professional corporations, and foreign legal professional corporations are included.
Judicial scrivener.....	Judicial scrivener corporations are included.
Certified administrative procedures legal specialist	Certified administrative procedures legal specialist corporations are included.
Certified public accountant.....	Foreign certified public accountants and audit corporations are included.
Certified public tax accountant.....	Certified public tax accountant corporations are included.

Table of Contents

Chapter 1	Overview of History of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures	1
Section 1	History of International AML/CFT Efforts	1
1.	Anti-Money Laundering as a Countermeasure against Narcotic Drugs	1
2.	Anti-Money Laundering as a Countermeasure against Organized Crime	2
3.	Countermeasures against Terrorist Financing	2
4.	Countermeasures against Changing ML/TF Trends	3
Section 2	History of AML/CFT Efforts in Japan	5
1.	Enforcement of "the Anti-Drug Special Provisions Law"	5
2.	Enforcement of "the Act on Punishment of Organized Crimes"	5
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"	5
4.	Development of "the Act on Prevention of Transfer of Criminal Proceeds"	6
Section 3	History of FIU in Japan	9
1.	Activities of the Japan Financial Intelligence Center (JAFIC)	9
2.	Mission and Structure	10
3.	Partners	11
Chapter 2	The Legislative Regime for AML/CFT	13
Section 1	The Legislative Regime Primarily for Imposing Obligations on Specified Operators to Perform CDD and Other Preventive Measures	14
Paragraph 1	The Act on Prevention of Transfer of Criminal Proceeds	14
1.	Purpose of the Act	15
2.	Criminal Proceeds	15
3.	Specified Business Operators	16
4.	The Responsibilities, etc. of the National Public Safety Commission	17
5.	Measures by Specified Business Operators	17
6.	Dissemination of STR Information	26
7.	Supervision	26
8.	Penal Provisions regarding Receipt/Delivery/Provision of Deposit/Savings Passbooks, etc.	26
9.	Recent Legislative Changes	27
Paragraph 2	Foreign Exchange Act (excluding the measures described in Paragraph 2 of Section 3)	29
1.	Purpose of the Act	29
2.	Confirmation of Identity at the Time of Executing Contracts for Specified Exchange Transactions and Capital Transactions	30
3.	Preparation and Retainment of Identity Confirmation Record	30
4.	Rectification Measures	30
Section 2	The Legislative Regime Primarily for Criminalization of Money Laundering and Forfeiture of Criminal Proceeds, etc.	30
Paragraph 1	The Act on Punishment of Organized Crimes	30
1.	Criminalization of Money Laundering	31
2.	Confiscation, Collection of Equivalent Value, and Preservation Measures	31
Paragraph 2	Anti-Drug Special Provisions Law	32
1.	Punishment of Money Laundering	32
2.	Confiscation, Collection of Equivalent Value, and Preservation Measures	32
Section 3	The Legislative Regime Primarily for Prevention of Terrorism Financing	32
Paragraph 1	The Act on Punishment of Financing to Offences of Public Intimidation	32
Paragraph 2	Foreign Exchange Act	33
Paragraph 3	International Terrorist Asset-Freezing Act	33
Chapter 3	The Operational Status of the Suspicious Transactions Reporting System	34
Section 1	System Outline	34
1.	Purpose	34
2.	Flow of Suspicious Transaction Reporting	34
3.	When STRs are Required	35
4.	Identification of Suspicious Transactions	35
Section 2	Situation of STR Filings, etc.	36
1.	Transition of the Number of STR Filings	36
2.	Number of Received Reports by Business Types	37
3.	Number of Received STRs Classified by Methods	38
Section 3	Dissemination and Use of Information on STRs	38
Paragraph 1	Dissemination	38
Paragraph 2	Use of STRs in the Law Enforcement Authorities (LEAs)	39
1.	Prefectural Police Departments	39
2.	The Public Prosecutors Offices	43
3.	The Narcotics Control Department	43

4. The Japan Coast Guard	43
5. The National Tax Agency	43
6. Customs	43
7. The Securities and Exchange Surveillance Commission (SESC)	44

Chapter 4 Crackdown on Money Laundering 45

Section 1 Cleared Cases of Money Laundering	45
Paragraph 1 Cleared Cases of Money Laundering under the Act on Punishment of Organized Crimes	45
1. Number of Cleared Cases	45
2. Modus Operandi of Money Laundering Observed in Cleared Cases	46
3. Money Laundering Cases Related to Boryokudan (the general name for Japanese gangster organizations)	48
4. Money Laundering conducted by Foreign Visitors to Japan	48
5. Cases of Cross-Border Money Laundering	49
Paragraph 2 Cleared Cases of Money Laundering under the Anti-Drug Special Provisions Law	50
Section 2 Temporary Restraining Order for Confiscation of Criminal Proceeds before Institution of Prosecution	51
Paragraph 1 Temporary Restraining Order under the Act on Punishment of Organized Crimes	51
Paragraph 2 Temporary Restraining Order under the Anti-Drug Special Provisions Law	53
Section 3 Application of Provisions of Confiscation and Collection of Equivalent Value	54
Paragraph 1 Application of Provisions of Confiscation and Collection of Equivalent Value under the Act on Punishment of Organized Crimes	54
Paragraph 2 Application of Provisions of Confiscation and Collection of Equivalent Value under the Anti-Drug Special Provisions Law	55
Section 4 Cleared Cases of Violation of the Act on Prevention of Transfer of Criminal Proceeds	56

Chapter 5 Efforts of the Administrative Authorities and Specified Business Operators to Promote Anti-Money Laundering and Countering the Financing of Terrorism Measures 57

Section 1 Collaborations with the Specified Business Operators	57
Paragraph 1 Preparation and Publication of the National Risk Assessment Report of Money Laundering and Terrorist Financing	57
1. Background	57
2. Purpose	58
3. Overview of National Risk Assessment Report of Money Laundering and Terrorist Financing	58
Paragraph 2 Measures for Specified Business Operators, etc.	59
1. Establishment of Guidelines, etc.	59
2. Seminars, etc.	60
3. Visits to Specified Business Operators, etc.	61
4. Other Measures	61
Section 2 Efforts of Specified Business Operators *Delete the ministry in charge upon completion.	62
Section 3 Orders for the Submission of Reports and Opinion Statements	75
1. Orders for the Submission of Reports and Opinion Statements by the National Public Safety Commission/the National Police Agency	76
2. Issuing of Rectification Orders by Competent Administrative Authorities Based on Opinion Statements	77
3. Cleared Case of Violation of Rectification Orders	77

Chapter 6 Promotion of International Cooperation 78

Section 1 Activities of International Institutions	78
Paragraph 1 FATF	78
1. Organization	78
2. Activities	78
3. Mutual Evaluation for Japan	80
4. Participation	80
Paragraph 2 APG	81
1. Organization	81
2. Activities	81
3. Participation	81
Paragraph 3 Egmont Group	82
1. Organization	82
2. Activities	82
3. Participation	82
Paragraph 4 Participation in the Activities of International Organizations	83
Section 2 Progress of the International Cooperation	84
Paragraph 1 Calling on Specified Business Operators to Take Actions upon the Adoption of the United Nations Security Council Resolutions	84
1. Measures Based on the United Nations Security Council Resolutions (UNSCRs)	84

Table of Contents

2. Measures Based on the Public Statement Issued by FATF	84
Paragraph 2 Information Exchanges with Foreign FIUs	84
1. Establishment of the Framework for Exchange of Information	84
2. Situation of Information Exchanges	85
Section 3 FATF Mutual Evaluation of Japan	87
Paragraph 1 Implementation of the FATF Fourth Round of Mutual Evaluation of Japan	87
Paragraph 2 Overview of Results	87
Paragraph 3 Future Plans	87
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 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, record-keeping, and other obligations.

Moreover, the Communiqué of the G20 Finance Ministers and Central Bank Governors Meeting in March and July 2018 noted the ML/TF issues of virtual-assets. 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.

(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” 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.

Table 1-1 Overview of the New “40 Recommendations”

New Recommendation	Outline of Recommendation	New Recommendation	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)

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”

FATF's first 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 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 FATF's Third 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 call 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 FATF's Third 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-asset 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 casinos in the scope of specified business operators. This Act came into force in July 2021.

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 Mutual Evaluation Report (MER) of Japan.

Figure 1-1 History of AML/CFT Measures

Global Events		Events in Japan	
December 1988	Adoption of UN New Narcotics Convention (Criminalization of money laundering activities related to illegal proceeds derived from drug crimes)		
July 1989	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)
June 1994	First FATF mutual evaluation of Japan - Recommendations made concerning scope of predicate offences for money laundering that targeted only drug crimes	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 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)		
July 1998	Second FATF mutual evaluation of Japan - Repeated recommendations made concerning scope of predicate offences for money laundering being only limited to drug crimes		
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)	February 2000	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)
September 2001	Terrorist attacks in the US	July 2002	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)
October 2001	FATF issued its 8 Special Recommendations - Criminalization of terrorist financing, reporting of suspicious transactions related to terrorism	January 2003	Enforcement of the Customer Identification Act (Obligation of customer identification by financial institutions etc. is legislated)
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.)	December 2004	Enforcement of the amended Act on Customer Identification by 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.
October 2004	FATF revised its 8 Special Recommendations to make 9 Special Recommendations - Measures were added to prevent physical movement of funds across border.	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	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)
October 2008	Third FATF mutual evaluation of Japan - Nine categories, including CDD, were given the "NC" rating	March 2008	Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (Enforcement of the customer identification obligation etc. to DNFBPs)
		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.)
February 2012	FATF revised its 40 Recommendations and 9 Special Recommendations - FATF integrated both into New 40 Recommendations		

Global Events

June 2013	Lough Erne Summit (Agreed on the G8 Action Plan Principles)
June 2014	FATF announced a statement on Japan - FATF requested Japan to take prompt response to insufficient parts of the AML/CFT measures
June 2015	G7 Elmau Summit (Declaration regarding the introduction of an appropriate regulation of virtual assets)
March and July 2018	G20 Finance Ministers and Central Bank Governors Meeting (Declaration regarding the ML/TF issues of crypto-assets)
October 2018	Revision of FATF Recommendation 15 "New Technologies" - Pointed out the need for AML/CFT Regulations against virtual assets exchangers, etc.
August 2021	FATF Fourth 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

Events in Japan

April 2013	Full enforcement of the Act on Prevention of Transfer of Criminal Proceeds (the portion amended in April 2011)
June 2013	Release of the Japan Action Plan
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)
July 2018	Adoption of the amended Act on Prevention of Transfer of Criminal Proceeds (adding casinos into the scope of specified business operators)
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)
May 2020	Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in May 2019)
July 2021	Enforcement of the amended Act on Prevention of Transfer of Criminal Proceeds (amendment approved in July 2018)
August 2021	Release of the "Plan of Action for AML/CFT & Proliferation"

Section 3 History of FIU in Japan

1. Activities of the Japan Financial Intelligence Center (JAFIC)

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 Money Laundering was established within the Organized Crime Department in the Criminal Affairs Bureau of the National Police Agency as an organization responsible for processing administrative work related to the enforcement of the same law, and also the Director for analysis of Financial Intelligence and the Director for International Cooperation were established under the control of the Director for Prevention of Money Laundering

In April 2014, the Organized Crime Department merged its Strategy-Planning and Analysis Division and Director for Prevention of Transfer of Criminal Proceeds into the Organized Crime Policy Planning Division as a new establishment. Under the Organized Crime Policy Planning Division, Money Laundering Prevention Office was established (the Director for Analysis of Financial Intelligence (abolished on April 1, 2015) and the Director for International Cooperation were then established in the same Division). Money Laundering Prevention Office, etc. (Money Laundering Prevention Office and the Director for International Cooperation) internationally serves as the FIU in Japan, 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.

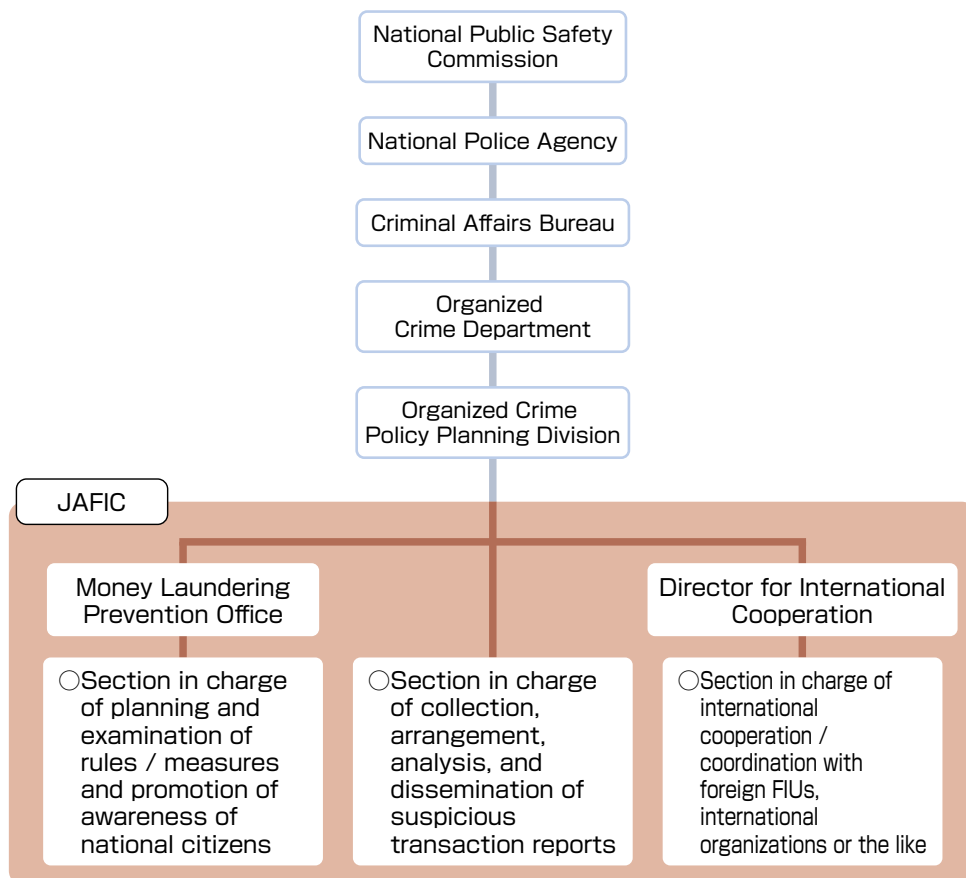
- Collecting, arranging, and analyzing information of suspicious transactions and disseminating information to investigative authorities, etc.
- Disseminating information to foreign FIUs
- Preparing and publishing national risk assessment follow-up reports (NRAs) formulated after investigating and analyzing 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 under the Director for Prevention of Money Laundering.

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.

Figure 1-2 Structure of JAFIC



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

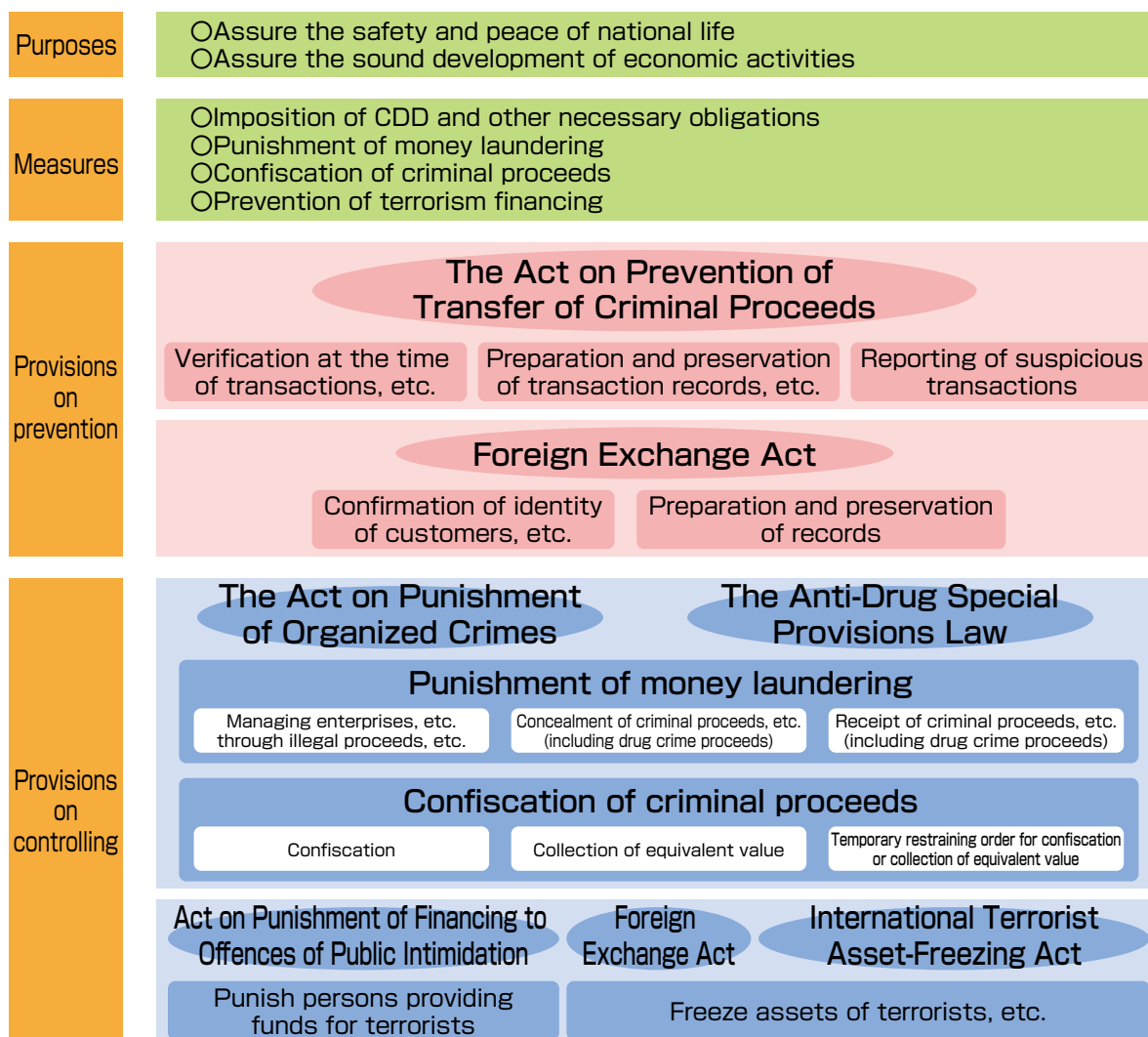
The AML/CFT regime in Japan has been developed since the 1980s. Today's AML/CFT regime focuses on achieving the following four goals:

- (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.

Figure 2-1 The Legislative Regime for AML/CFT



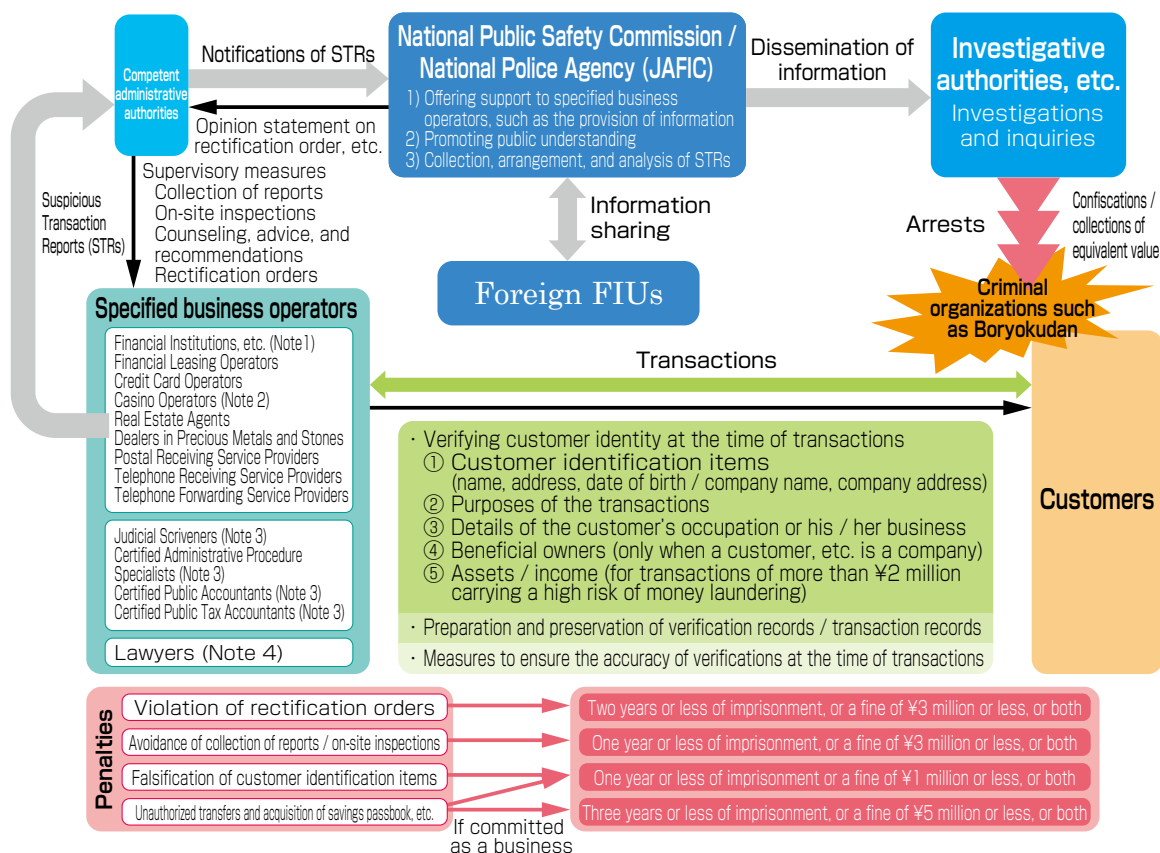
Section 1 The Legislative Regime Primarily for Imposing Obligations on Specified Operators to Perform CDD and Other Preventive Measures

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.

Figure 2-2 Overview of the Act on Prevention of Transfer of Criminal Proceeds



(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 asset exchange service providers, etc.

(Note 2) Measures to ensure proper confirmation of transactions by casino 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 procedure specialists, certified public accountants, and certified tax accountants are required to verify the information in (1) only.

(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.

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 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

○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-trusted 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)

○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 Japan Financial Intelligence Center (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 of 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) 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: 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

Specified business operators [Article 2, paragraph 2]	Mandatory measures	Verification at the time of transaction [Article 4]	Preparation and preservation of verification records [Article 6]	Preparation and preservation of transaction records, etc. [Article 7]	Reporting of suspicious transactions [Article 8]	Enhanced verification at the time of the conclusion of correspondence contracts [Article 9]	Notification pertaining to foreign exchange transactions [Article 10]	Measures to ensure thorough and effective CDD measures to be taken [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)								
Real estate agents (item 42)		○			○			
Dealers in precious metals and stones (item 43)			○	○				○ (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)		○						
Certified public accountants (item 48)		(Only identification data)						
Certified public tax accountants (item 49)								
Lawyers (item 45)		As prescribed by the by laws set by the Japan Federation of Bar Associations based on examples of judicial scriveners, etc. [Article 12]						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

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)

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.

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

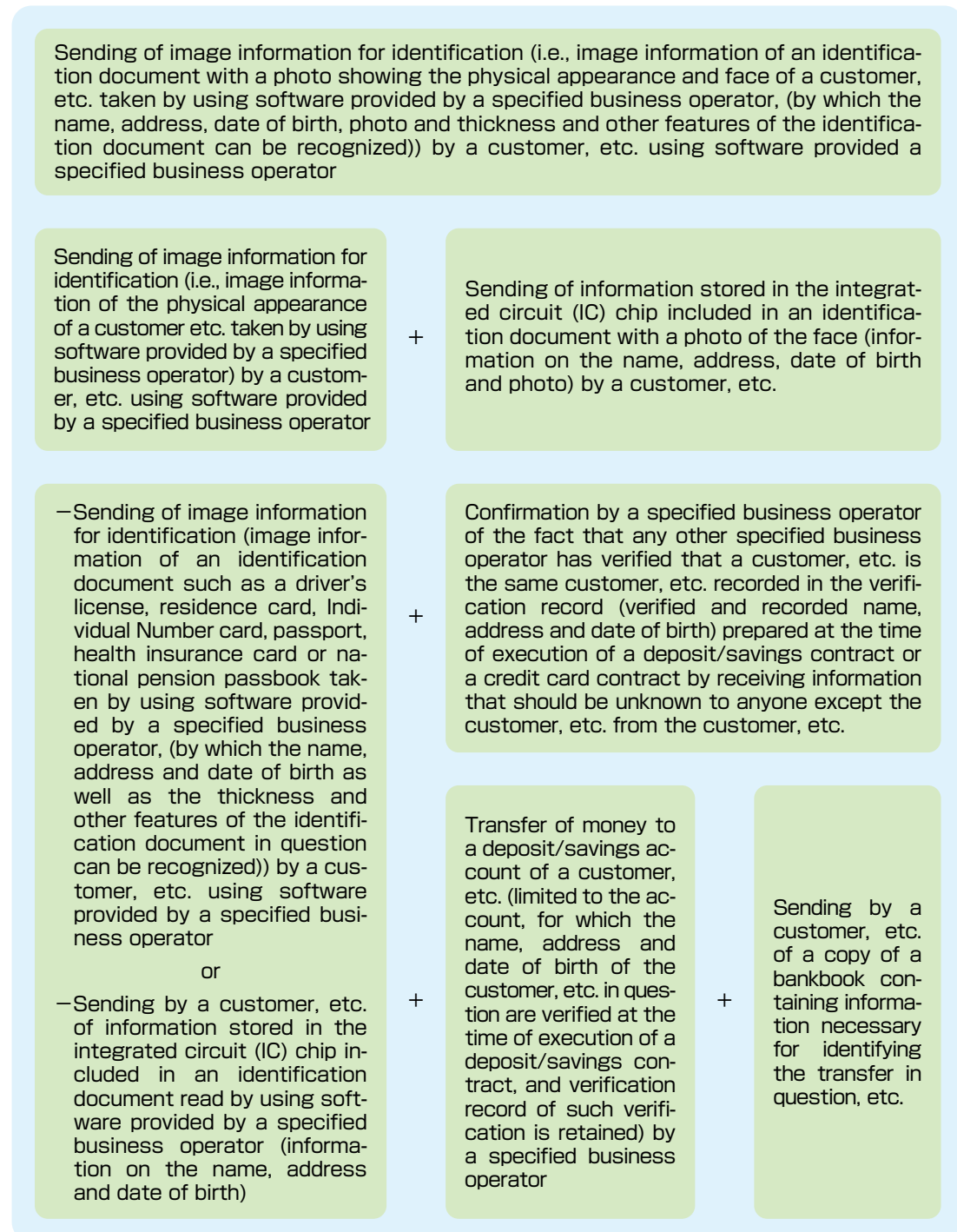


Figure 2-5

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

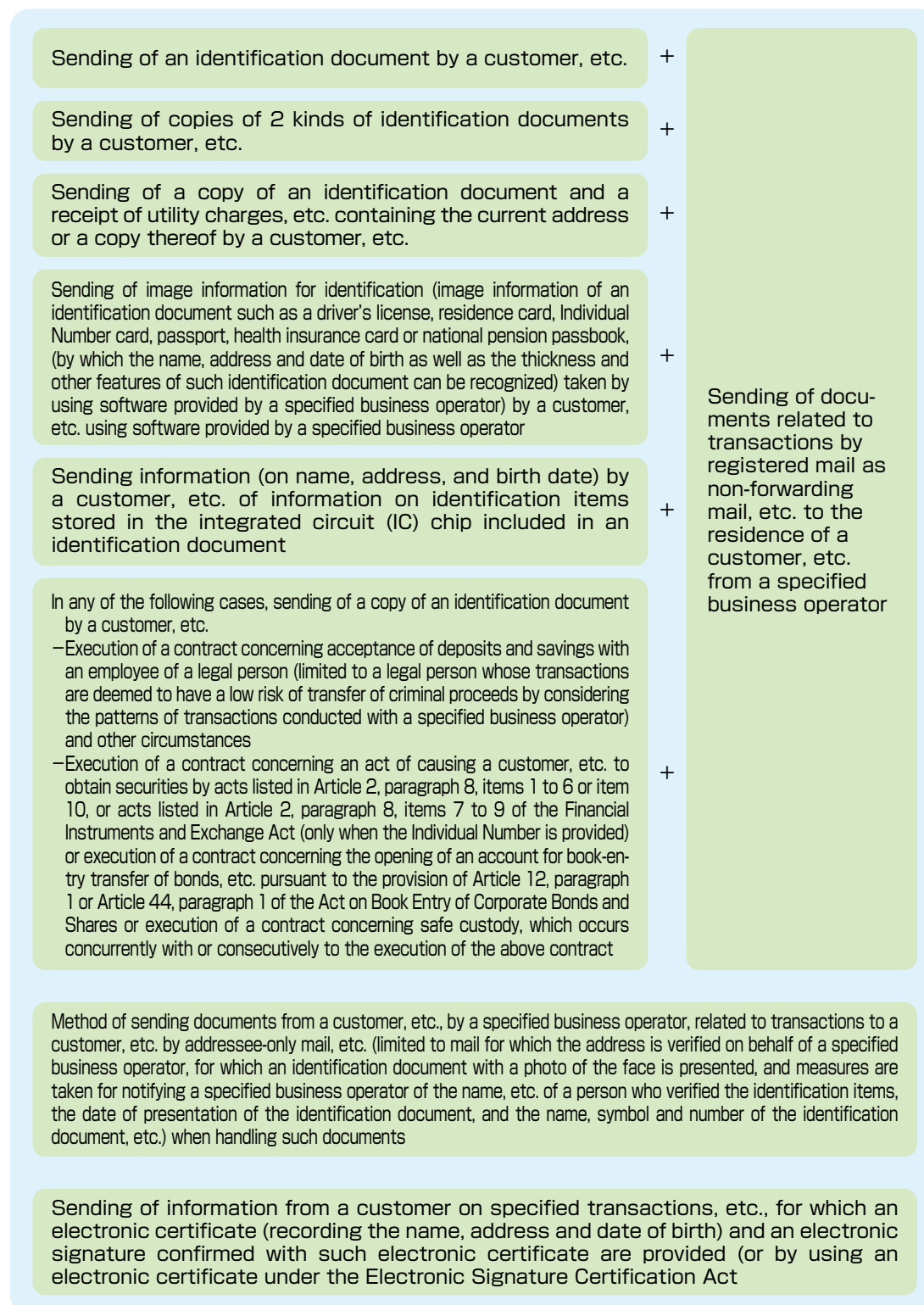


Figure 2-6

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

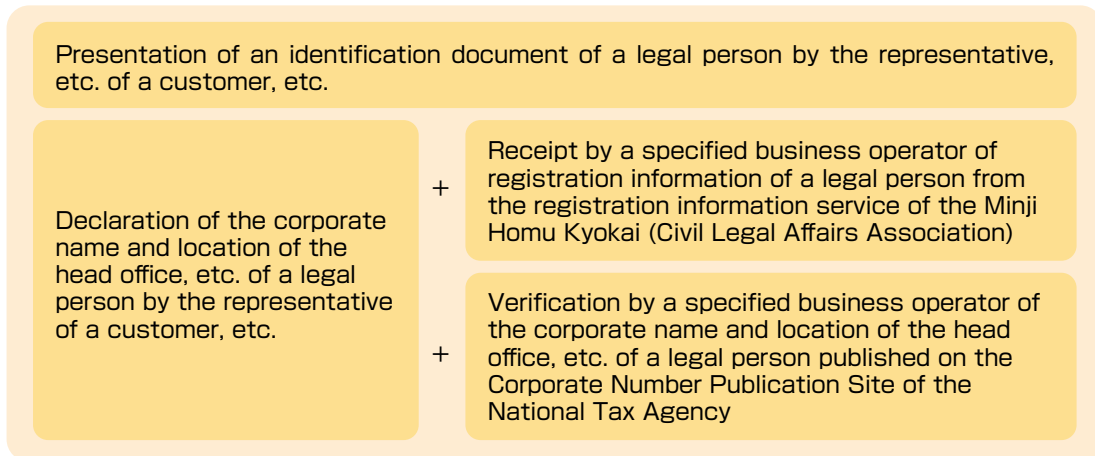
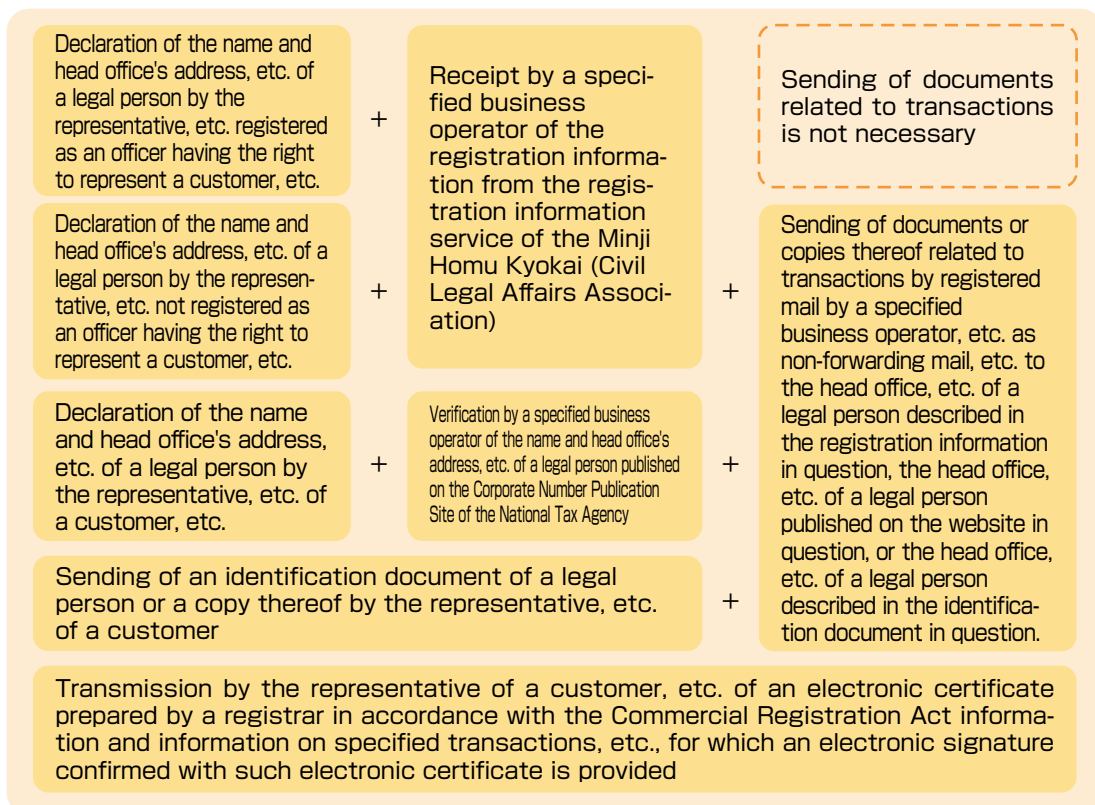


Figure 2-7

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



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, de-

liver, 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 Response to the Enactment of the Act on the Development of Specified Complex Tourism Facilities Areas, etc. (Enforced on July 19, 2021)

The FATF Recommendations state that governments should require casinos to take CDD measures for customers, etc. who are engaging in financial transactions exceeding a certain amount. This is because of the characteristics of a casino business, such as the involvement of financial services and enormous cash transactions.

In Japan, the Council for Promoting Development of Specified Complex Tourist Facilities Areas noted in its summary report (decided by the Council for Promotion of Development of Specified Integrated Resort Districts on July 31, 2017) that, from the AML/CFT perspective, casinos should be regulated in the same manner as other business operators regulated by the Act on Prevention of Transfer of Criminal Proceeds.

Based on the above recommendations, a draft of the Act on the Development of Specified Complex Tourism Facilities Areas—which included a partial amendment, etc. of the Act on Prevention of Transfer of Criminal Proceeds for imposing on casinos the obligations of verification at the time of transactions, the preparation and preservation of verification records, the reporting of suspicious transactions, etc.—was submitted to the 196th session of the Diet on April 2018. The Act was approved and enacted on July 20 and promulgated on July 27 of the same year, and entered into force on July 19, 2021.

In addition, the Order for Enforcement of the Act on the Development of Specified Complex Tourism Facilities Areas (Cabinet Order No. 72 of 2019) was enacted (promulgated on March 29, 2019), which includes the partial amendment of the Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds for adding the execution of an agreement for opening a casino account to the specified transactions on which CDD and other obligations shall be imposed. This Order came into force on July 19, 2021.

Moreover, the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds was amended, which includes the provisions that a part of the specified transactions pertaining to casinos is prescribed as transactions to verify nationality and passport number, etc. instead of a residence, and that a landing permit for cruise ship tourists is added to documents for verifying customers' identities, and promulgated on July 16, 2021, and came into force on July 19.

(2) Amendment of the Act on Prevention of Transfer of Criminal Proceeds in conjunction with a partial amendment of the Financial Instruments and Exchange Act (enforced on November 22, 2021)

The First Report by the Working Group on Capital Market Regulations of the Financial System Council—Toward an International Financial Hub —(publicized by the Working Group of the Financial System Council on December 23, 2020) has proposed the establishment of a reporting system in the Financial Instruments and Exchange Act, regarding foreign corporations, etc. that conduct investment management business for overseas investors in order to respond to the acceleration of the global relocation of overseas financial institutions' bases and take such financial institutions and overseas funds into Japan.

Based on this, in March 2021, a bill was submitted to the 204th session of the Diet for partial amendment of the Banking Act, etc. to strengthen financial functions and ensure stability in response to changes in the socio-economic situation caused by COVID-19, etc., including the addition of Notifier of Specially Permitted Businesses for Foreign Investors, etc. to specified business operators under the Act on Prevention of Transfer of Criminal Proceeds. The bill was enacted on May 19, promulgated on May 26, and came into effect on November 22 of the same year.

(3) Amendment of the Order for Enforcement of the Act on Prevention of Transfer of Crime Proceeds to add the conclusion of an agreement covering the issuance or granting of credit cards, etc. as a transaction entrusted by a specified business operator that does not require confirmation at the time of transaction (came into force on February 18, 2021)

In the "Fifth Report on the Promotion of Regulatory Reform" (decided by the Regulatory Reform Promotion Council on June 6, 2019), a basic policy stating that "the issuance agreement of a credit card is not included in transactions that can be entrusted even though it is closely related to financial-related transactions, and cannot utilize the identity confirmation conducted by other specified business operators; therefore, it would be an impeding factor for the identity confirmation between group companies" was presented. Based on the policy, "considering the addition of the issuance agreement of a credit card in the transactions in which identification verification can be entrusted, and taking measures" were stated as the matters to be implemented during the fiscal year of 2019, and even the "Regulatory Reform Implementation Plan" (decided by the Cabinet on June 21, 2019) also stated the same matters for implementation.

Based on these, a Cabinet Order (Cabinet Order No. 32 of March 2021) for partial amendment of the Order for Enforcement of the Act on Prevention of Transfer of Crime Proceeds to add the conclusion of an agreement covering the issuance or granting of credit cards, etc. as a transaction entrusted by a specified business operator that does not require confirmation at the time of transaction was enacted (promulgated on February 17 and came into force on February 18, 2021).

(4) Enactment of an order concerning the special provisions of the form of certificates indicating the identity of personnel carrying out on-site inspections pursuant to Article 16, paragraph (1) of the Act on Prevention of Transfer of Criminal Proceeds (enforced on October 22, 2021)

The Minister in charge of Regulatory Reform and Administrative Reform has been asked by local public organizations to make an improvement by integrating the form of the on-site inspection identification of local public officials according to the laws and regulations controlled by the Ministry of the Environment, and the Ministry enacted in March 2021 a Ministerial Order that prescribes a new form of identification of prefectural Governor's Branch staff and municipalities' staff, which can be commonly used at on-site inspections based on different laws and regulations, (hereinafter referred to as the "integrated form").

After that, a request survey was conducted to local public organizations, regarding the introduction of the integrated form in other fields, and then the team under the direct control of the Minister in charge of Regulatory Reform and Administrative Reform of the Cabinet Secretariat and the Cabinet Office requested to allow the use of the integrated form for the form prescribed in Article 33, paragraph (1) of the Regulation for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds (hereinafter referred to as the "existing form").

In light of this request, an order concerning the special provisions of the form of certificates indicating the identity of personnel carrying out on-site inspections pursuant to Article 16, paragraph (1) of the Act on Prevention of Transfer of Criminal Proceeds (Order of the Cabinet Office, the Ministry of Internal Affairs and Communications, the Ministry of Justice, the Ministry of Finance, the Ministry of Health, Labour and Welfare, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport, and Tourism No. 4 of 2021) was enacted (promulgated and came into force on October 22, 2021) to allow the use of the integrated form in addition to the existing form for the form of certificates indicating the identity of prefectural employees carrying out on-site inspections pursuant to Article 16, paragraph (1) 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 and funds transfer service providers are obligated to confirm identity when conducting a specified exchange transaction. Financial institutions (which refer to banks, trust companies, type I financial instruments business operators, and type II financial instruments business operators) and currency exchange service providers are obligated to confirm identity when executing a contract for a capital transaction with a customer or providing a currency exchange service. When confirming identity, 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 identity 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 22-2, and Article 22-3)

Whenever financial institutions and currency exchange service providers confirm identity, 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, Paragraph 2 of Article 22-2, Article 22-3, and Article 70-2)

The Act includes provisions for 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 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.

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 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 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 re-

quest a temporary restraining order before the institution of a prosecution.)

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.

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.

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.

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

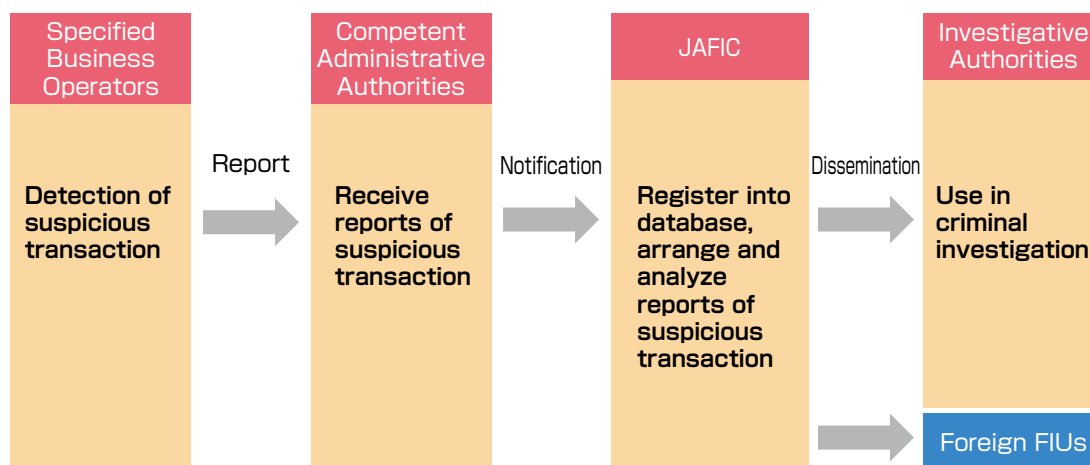
1. Purpose

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.

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

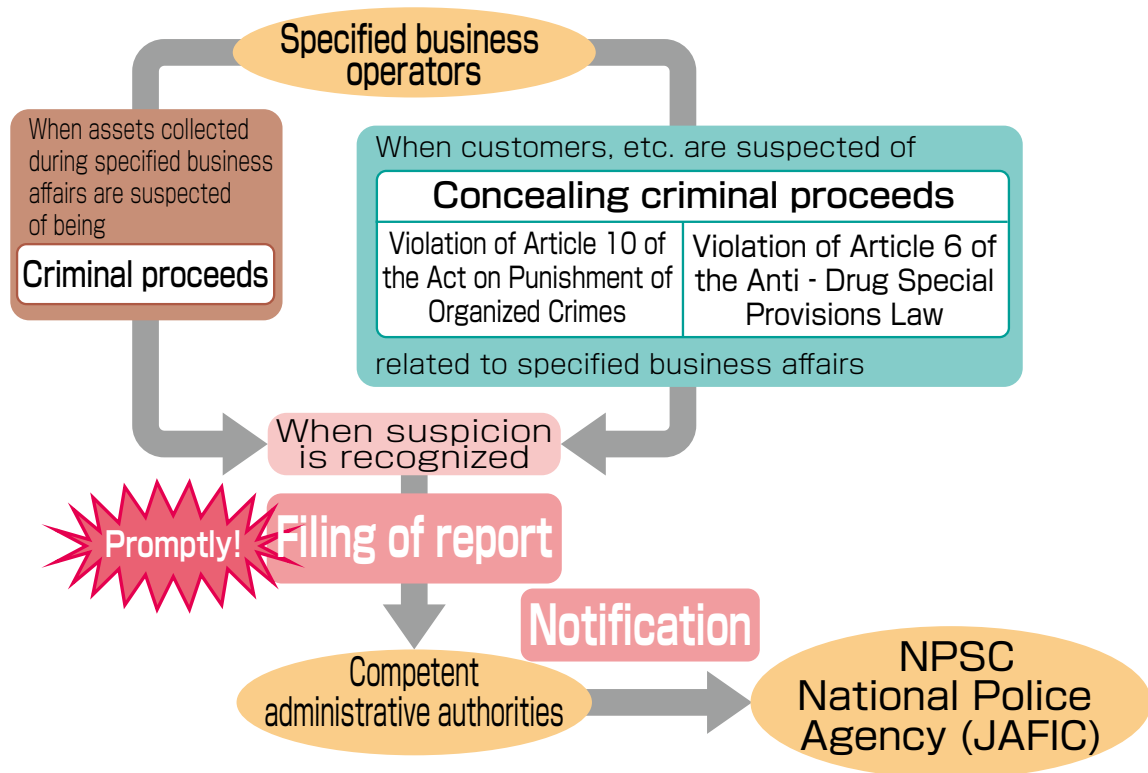


The investigative authorities use the received STRs for investigations of money laundering and its predicate offences or criminal cases. In addition, information, etc. related to foreign transactions of the STRs are disseminated to foreign FIUs by JAFIC as needed and used for clarifying the status of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

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.

Figure 3-2 Cases where STRs are Required



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 Number of STR Filings

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 reporting was 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 ex-

Figure 3-3 Trend Diagram of Number of STRs (2012-2021)



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

tended 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 on the rise. The number of reports received in 2021 was 530,150, exceeding 500,000 for the first time.

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 anti-social forces and 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 2021 was 125,084 and the number of STRs stored as of the end of December 2021 was 5,270,260.

2. Number of Received Reports by Business Types

The number of suspicious transaction reports that each category of business operator filed in 2021 is shown in Table 3-1. Banks, etc. had the highest number of reports, of 390,381 or 73.6% of all reports, followed by money lending business operators (35,442 or 6.7%) and credit card operators (34,904 or 6.6%) (see Table 3-1).

Table 3-1 Number of Received STRs by Each Business Type

Category \ Year	2017	2018	2019	2020	2021
	Number of reports	Number of reports	Number of reports	Number of reports	Number of reports
Financial Institutions etc.	384,331	401,155	415,299	402,868	495,029
Depository Institutions	363,347	363,380	366,973	342,226	411,683
Banks etc.	346,595	346,014	344,523	319,812	390,381
Shinkin Banks and Credit Cooperative	13,259	14,375	19,487	19,793	18,461
Labour Banks	476	467	371	300	318
Norinchukin Banks etc.	3,017	2,524	2,592	2,321	2,523
Insurance Companies	2,382	2,671	2,876	2,635	3,458
Financial Instruments Business	8,436	13,345	17,116	17,933	19,718
Money Lending Business	7,512	12,396	17,316	25,255	35,442
Fund Transfer Business Operators	1,282	1,391	3,913	6,040	10,499
Virtual Asset Exchange Service Providers	669	7,096	5,996	8,023	13,540
Futures commission merchant	17	50	256	320	388
Currency Exchanging Operators	490	649	712	252	201
Electronic Monetary Claim Recording Institutions	4	10	4	5	7
Others	192	167	137	179	93
Financial Leasing Operators	109	222	270	123	163
Credit Card Operators	15,448	15,114	24,691	29,138	34,904
Building lots and buildings transaction business operator	7	8	6	7	4
Dealers in Precious Metals and Stones	146	952	217	63	48
Postal Receiving Service Providers	2	6	4	2	0
Telephone Receiving Service Providers	0	0	0	0	0
Telephone Forwarding Service Providers	0	8	5	1	2
Total	400,043	417,465	440,492	432,202	530,150

Note: The number of STRs received for virtual asset exchange service providers is the number of STRs received after April 2017, which is when they were included in the specified business operators.

3. Number of Received STRs Classified by Methods

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

Table 3-2 Number of Received STRs Classified by Method

Year Method	2017		2018		2019		2020		2021	
	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%	Number of reports	%
Electronic Application	391,657	97.9%	410,964	98.4%	436,291	99.0%	428,089	99.0%	526,997	99.4%
Other Methods	8,386	2.1%	6,501	1.6%	4,201	1.0%	4,113	1.0%	3,153	0.6%
Total	400,043	100.0%	417,465	100.0%	440,492	100.0%	432,202	100.0%	530,150	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 2021 was 524,462, 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:

- Past STRs
- 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 2021 it reached a record high of 12,769 (see Table 3-3).

Table 3-3 Number of Reports Disseminated to LEAs

	2017	2018	2019	2020	2021
Information on STRs	446,085	460,745	467,762	461,687	524,462
Results of Analysis	7,163	8,259	8,676	11,176	12,769

In 2021, 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, and investigate criminal proceeds-related offences.

The number of STRs used by prefectural police departments for investigations in 2021 was 353,832 (see Table 3-4).

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

	2017	2018	2019	2020	2021
Number of STRs used in investigation	429,200	314,296	307,786	325,643	353,832

The number of cases cleared that were initiated based on STRs and closed with arrests ("STR-initiated cases") was 1,045 in 2021, and the number of arrests made by using STRs in the course of performing investigations already underway ("STR-use cases") was 1,501. The number of STR-initiated cases by crime category is shown in Table 3-5, and the number of STR-use cases is shown in Table 3-6.

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

STR-initiated Cases by Type of Crime	Year	2017	2018	2019	2020	2021
(i) Fraud-related crimes		933	1004	933	873	855
Violation of Act on Prevention of Transfer of Criminal Proceed		511	636	593	631	561
Fraud		421	366	338	237	290
Computer fraud		1	2	2	5	4
(ii) Illegal stays		60	26	53	38	46
Violation of Immigration Control Act		60	26	53	38	46
(iii) Violation of Act on Punishment of Organized Crimes		17	17	34	30	41
Concealment of criminal proceeds, etc.		13	12	20	21	28
Receipt of criminal proceeds, etc.		3	5	14	9	13
Control of management of companies, etc.		1	0	0	0	0
(iv) Drug crimes		42	42	39	45	39
Violation of Stimulants Control Act		35	34	35	36	26
Violation of Cannabis Control Act		2	6	0	5	8
Violation of Anti-Drug Special Provisions Law		4	2	4	1	4
Violation of Narcotics and Psychotropics Control Act		0	0	0	0	1
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.		1	0	0	3	0
(v) Counterfeiting crimes		12	7	15	8	17
Forgery of signed public documents		4	3	8	3	3
False statement on licenses		3	0	2	2	2
Illegal preparation and supply of false entries in original electromagnetic notarized deed		4	4	5	0	2
Others		1	0	0	3	10
(vi) Loan sharks		11	8	13	6	8
Violation of Money Lending Business Act		9	7	11	2	6
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates		2	1	2	4	2
(vii) Entertainment business-related offences		4	3	4	3	2
Violation of Amusement Business Act		0	3	4	2	1
Distribution of obscene materials		4	0	0	1	1
(viii) Gambling-related offences		2	1	0	0	2
Habitual gambling		1	1	0	0	1
Gambling		0	0	0	0	1
Operating a gambling site for profit		1	0	0	0	0
(ix) Other criminal offences		8	5	12	12	18
Theft		7	0	5	9	11
Violence		1	5	4	2	4
Felony		0	0	0	0	0
Others		0	0	3	1	3
(x) Other special criminal offences		8	11	20	13	17
Violation of Trademark Act		2	1	3	1	5
Violation of Banking Act		1	1	2	4	4
Violation of Act on Specified Commercial Transactions		0	0	2	1	0
Violation of Customs Act		0	0	0	1	0
Others		5	9	13	6	8
Total		1,097	1,124	1,123	1,028	1,045

Note 1: 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 2: 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

STR-use Cases by Type of Crime	Year	2017	2018	2019	2020	2021
(i) Fraud-related crimes		391	400	493	589	647
Violation of Act on Prevention of Transfer of Criminal Proceed		181	208	275	302	271
Fraud		206	188	215	280	360
Computer fraud		4	4	3	7	16
(ii) Illegal stays		16	50	36	27	41
Violation of Immigration Control Act		16	50	36	27	41
(iii) Violation of Act on Punishment of Organized Crimes		15	18	37	40	37
Concealment of criminal proceeds, etc.		8	12	20	26	26
Receipt of criminal proceeds, etc.		7	6	17	13	11
Control of management of companies, etc.		0	0	0	1	0
(iv) Drug crimes		64	89	175	224	240
Violation of Stimulants Control Act		51	66	132	167	160
Violation of Cannabis Control Act		6	12	29	41	49
Violation of Anti-Drug Special Provisions Law		5	4	6	8	20
Violation of Narcotics and Psychotropics Control Act		1	4	4	7	6
Violation of Act on Ensuring the Quality, Efficacy and Safety of Drug and Medical devices, etc.		1	3	4	1	5
(v) Counterfeiting crimes		15	18	19	23	42
Forgery of signed public documents		5	11	7	6	4
False statement on licenses		1	0	2	0	0
Illegal preparation and supply of false entries in original electromagnetic notarized deed		9	6	9	10	17
Others		0	1	1	7	21
(vi) Loan sharks		10	4	10	18	12
Violation of Money Lending Business Act		9	1	6	13	7
Violation of Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates		1	3	4	5	5
(vii) Entertainment business-related offences		13	12	16	12	12
Violation of Amusement Business Act		12	11	16	12	12
Distribution of obscene materials		1	1	0	0	0
(viii) Gambling-related offences		4	7	9	9	10
Habitual gambling		3	2	6	5	5
Gambling		0	1	0	3	0
Operating a gambling site for profit		1	4	3	1	5
(ix) Other criminal offences		90	150	244	373	366
Theft		33	45	102	154	164
Violence		37	65	76	135	129
Felony		9	15	25	23	28
Others		11	25	41	61	45
(x) Other special criminal offences		27	37	63	82	94
Violation of Trademark Act		1	6	5	3	5
Violation of Banking Act		1	1	1	0	2
Violation of Act on Specified Commercial Transactions		2	2	3	2	5
Violation of Customs Act		1	1	3	1	1
Others		22	27	51	76	81
Total		645	785	1,102	1,397	1,501

Note 1: 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 2: Other types of criminal offences in the Table are recorded according to the crime statistics.

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 855, comprising 81.8% of all the STR-initiated cases, and the number of STR-use cases of fraud-related crimes was 647, comprising 43.1% 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, and cash card fraud.
- (ii) The number of STR-initiated cases of illegal stays (violations of the Immigration Control Act) was 46 and the number of STR-use cases of illegal stays was 41, 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 41 and the number of STR-use cases violating the Act on Punishment of Organized Crimes was 37, 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 39 and the number of STR-use cases of drug crimes was 240, 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 deed, etc.) was 17 and the number of STR-use cases of counterfeiting crimes was 42, which included opening a bank account using a forged driver's license, etc., 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 12, 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 12, which included the operation of unlicensed bars or nightclubs, etc., the operation of adult entertainment shops in prohibited areas.
- (viii) The number of STR-initiated cases of gambling-related offences (habitual gambling, running of a gambling place for the purpose of gain, etc.) was 2 and the number of STR-use cases of gambling-related offences was 10, which included arrests for habitual gambling conducted in gambling shops with game machines, and baseball gambling by senior members of Boryokudan (Japanese gangster organizations).

- (ix) The number of STR-initiated cases of other criminal offences (theft, violence, felony, etc.) was 18 cases and the number of STR-use cases of other criminal offences was 366, 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 17 and the number of STR-use cases was 94, which included violations of the Trademark Act through the sale and transfer of imitation products without the approval of the trademark licensor, and violations of the Banking Act through illegally sending money overseas without a license, etc.

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 the investigation of organized smuggling of restricted items and of illegal immigrants, thus striving to take thorough frontline measures to prevent such crimes.

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 623 cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2021, consisting of 461 of the concealment of criminal proceeds^(Note) and 162 of the receipt of criminal proceeds. The total number of the cases represented an increase of 26 cases (4.4%) 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).

With regard to the types of money laundering cases under the Act on Punishment of Orga-

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

Category \ Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Management Control through Illicit Proceeds (Article 9)	0 (0)	2 (0)	1 (1)	2 (0)	0 (0)	2 (0)	1 (0)	0 (0)	2 (0)	0 (0)
Concealment of Criminal Proceeds, etc. (Article 10)	158 (27)	171 (35)	180 (26)	234 (43)	268 (45)	240 (22)	377 (36)	378 (32)	413 (27)	461 (32)
Receipt of Criminal Proceeds, etc. (Article 11)	80 (28)	99 (40)	112 (28)	145 (46)	112 (25)	111 (24)	126 (26)	150 (19)	182 (30)	162 (28)
Total	238 (55)	272 (75)	293 (55)	381 (89)	380 (70)	353 (46)	504 (62)	528 (51)	597 (57)	623 (60)

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).

nized Crimes, the number of fraud cases was the highest at 243, followed by 217 cases of theft, 42 cases of computer fraud, and 25 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 2021 covered fraud, theft 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., pretending to conduct a legitimate cash transaction by transferring a payment using a fictitious name, and so on.

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

An unemployed man deposited the defrauded sustainability benefits into a bank account under the name of another person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Hyogo, in April)

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

When an unemployed man sold off a mobile phone he stole, he presented a health insurance card under the name of another person to the person to whom the phone was sold, impersonating another person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Osaka, in April)

[Case 3] Concealment of criminal proceeds related to a violation of the Money Lending Business Act

A man who runs an unlicensed money lending business was pretending to perform a legitimate cash transaction when making a borrower transfer a payment for a repayment under a fictitious name to his own account. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Fukuoka, in July)

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

Predicate offences of the cases involving the receipt of criminal proceeds cleared in 2021 covered theft, fraud, gambling cases, and violation of the Amusement Business Act. 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 violation of the Amusement Business Act

An unemployed man received proceeds in cash in the name of a loan repayment, knowing that the proceeds were obtained by a man running an unlicensed adult entertainment shop. This case was cleared as a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Fukuoka, in July)

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

An unemployed man received money by transferring it to his own account, knowing that the cash was withdrawn using a cash card obtained by a special fraud group illegally. This case was cleared as a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Osaka, Nara, in June)

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

There was a total of 60 cases cleared as money laundering related to Boryokudan in 2021, consisting of 32 cases of concealment of criminal proceeds and 28 of receipt of criminal proceeds. This number accounts for 9.6% of all cases cleared as money laundering under the Act on Punishment of Organized Crimes in 2021.

Looking at ML crimes related to Boryokudan members by predicate offence, there are 19 fraud cases as the highest, 10 theft cases, 8 violations of the Amusement Business Act, and 6 cases of loan sharking, 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 violation of the Money Lending Business Act by a leader of an organization under the Dojin-kai

A leader of an organization under the Dojin-kai, who runs an unlicensed money lending business, had a borrower transfer the repayments to an account under the name of another person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Saga, in June)

[Case 7] Receipt of criminal proceeds related to a violation of the Amusement Business Act by a senior member of an organization under the Taishu-kai

A senior member of an organization under the Taishu-kai received cash from a man running an adult entertainment shop in the name of protection rackets, knowing that it was proceeds obtained by unlicensed operation of the shop. This case was cleared as a violation of the Act on Punishment of Organized Crimes (receipt of criminal proceeds).

(Fukuoka, in June)

4. Money Laundering conducted by Foreign Visitors to Japan

In cleared cases of money laundering under the Act on Punishment of Organized Crimes in 2021, there were 91 cases related to foreign visitors to Japan, representing 14.6% of all cases. They consisted of 60 cases of concealment of criminal proceeds and 31 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 37 fraud cases as the highest, 28 theft cases, and 13 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, and the purchase of stolen goods, etc.

[Case 8] Concealment of criminal proceeds related to a violation of the Trademark Act by a Vietnamese person

A Vietnamese man who lives in Japan sold fake brand goods such as wallets and jackets, and had the proceeds of the sale transferred to the account in the name of another person. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds).

(Toyama, in July)

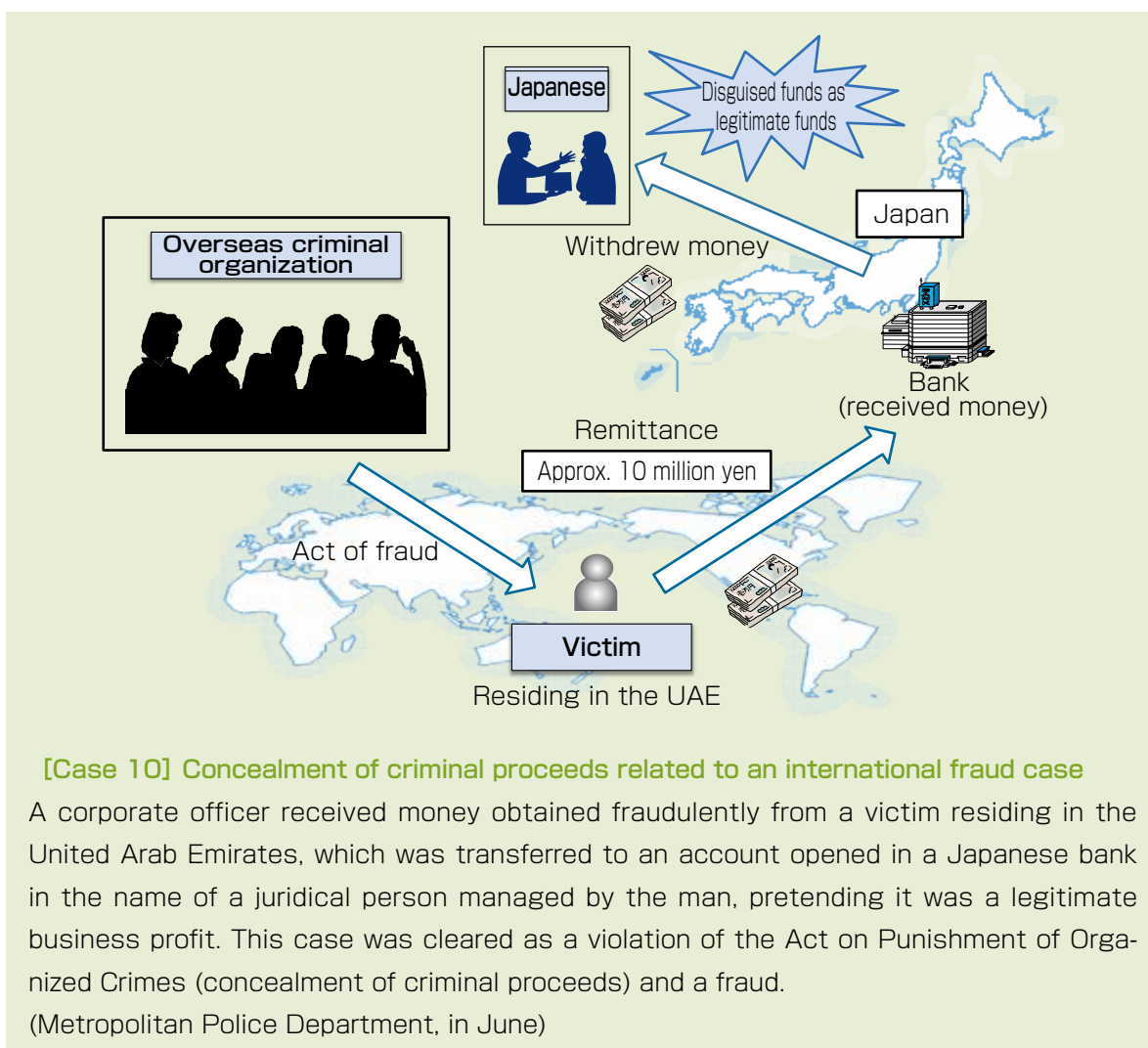
[Case 9] Receipt of criminal proceeds related to a theft case by a Chinese person

A Chinese man, who is a secondhand dealer, purchased cosmetics from a customer, knowing that they were stolen goods. 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, etc.).

(Metropolitan Police Department, 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, concealing the true sources and owners of the funds.



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

A corporate officer received money obtained fraudulently from a victim residing in the United Arab Emirates, which was transferred to an account opened in a Japanese bank in the name of a juridical person managed by the man, pretending it was a legitimate business profit. This case was cleared as a violation of the Act on Punishment of Organized Crimes (concealment of criminal proceeds) and a fraud.

(Metropolitan Police Department, in June)

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 2021 was 9 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 criminal proceeds are comprised of drug criminal proceeds and assets stemming from drug offence proceeds, 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

Category \ Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Concealment of drug-related criminal proceeds, etc. (Article 6)	8 (2)	6 (6)	5 (3)	5 (3)	5 (4)	7 (3)	5 (2)	8 (6)	3 (1)	5 (2)
Receipt of drug-related criminal proceeds, etc. (Article 7)	3 (2)	4 (4)	2 (2)	3 (2)	3 (2)	1 (1)	2 (1)	1 (1)	0 (0)	4 (2)
Total	11 (4)	10 (10)	7 (5)	8 (5)	8 (6)	8 (4)	7 (3)	9 (7)	3 (1)	9 (4)

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

A drug trafficker smuggled stimulants using door-to-door delivery services (Letter Pack) 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).
(Aomori, in March)

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 2021 (on the request of judicial police officers) was 142 (a decrease of 8 (5.3%) on the previous year) (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

Year	Cases	Total amount of credit	Others
2017	188(27)	¥1,341,301,078	Watch: 2
2018	206(27)	¥410,918,942	Gold: 1,266 Watch: 2
2019	169(14)	¥348,965,441	Gold bullion: 414 Poker game machine: 9
2020	150(20)	¥513,222,080	Foreign currency: 24,755 euros Virtual assets (XEM, BTC) Gold bullion: 30 Pachinko game machine, etc.: 70
2021	142(22)	¥507,211,792	Regular passenger car: 3 Mini passenger car: 1 Beer coupon: 70 Gift certificate: 500 Pachinko game machine, etc.: 54

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 40 gambling cases as the highest, 22 fraud cases, 19 violations of the Amusement Business Act, and 16 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 2021 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 10.73 million yen obtained through violation of the Amusement Business Act.

(Fukuoka, in February)

[Case 13] Temporary Restraining Order against criminal proceeds, etc. from running of a gambling place for the purpose of gain

A group of unemployed men opened a gambling place to allow customers to gamble on a game called "baccarat" using playing cards. A Temporary Restraining Order was issued against the proceeds, etc. of approximately 55.46 million yen in total cash obtained by operating a gambling site for profit.

(Kanagawa, in May)

[Case 14] Temporary Restraining Order against criminal proceeds, etc. from a violation of the Immigration Control Act

A group of men running a worker dispatch business had multiple foreigners engage in illegal work. A Temporary Restraining Order was issued against the claim for deposits of approximately 39.78 million yen in total obtained through violation of the Immigration Control Act.

(Shiga, in June)

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 2021 (on the request of judicial police officers) was 24 (see Table 4-4).

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

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

Year	Cases	Total amount of credit	Others
2017	11 (0)	¥2,302,673	
2018	17 (5)	¥48,408,554	Foreign currency: US\$ 1,000
2019	8 (1)	¥4,153,977	Foreign currency: US\$ 1,800 TWD 72 MYR 95.6
2020	18 (6)	¥12,684,518	
2021	24 (6)	¥32,712,378	

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 before prosecution against proceeds from the trafficking of cannabis

In a case in which men who were cultivating and trafficking cannabis were arrested in accordance with the Anti-Drug Special Provisions Law (cultivation and transfer as business), a Temporary Restraining Order was issued against approximately 5.7 million yen in cash that they had obtained from trafficking cannabis.

(Okayama, 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	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2016	75	188,569	90	1,866,425	165	2,054,995
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

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

Year	Confiscation		Collection		Total	
	Persons	Amount	Persons	Amount	Persons	Amount
2016	38	14,891	202	289,773	240	304,664
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

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 2021 was 2,535, a decrease of 99 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

Category \ Year	2017	2018	2019	2020	2021
Transfer, etc. of savings passbooks	2,523	2,519	2,479	2,539	2,446
Transfer, etc. of savings passbooks (as business)	27	27	44	18	27
Soliciting the transfer of passbooks, etc.	31	27	27	32	11
Transfer of foreign exchange cards, etc.	0	0	27	35	26
Transfer, etc. of information for virtual asset exchange	0	0	0	6	23
Others	0	4	0	4	2
Total	2,581	2,577	2,577	2,634	2,535

Note: The provisions for penalties related to the "transfer, etc. of information for virtual assets exchange" came into effect in April 2017.

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 Report of Money Laundering and Terrorist Financing 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 Report of Money Laundering and Terrorist Financing

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 new FATF 40 Recommendations and the G8 Action Plan Principles, Japan for-

mulated its national action plan in the same month, which includes a provision for establishing an inter-ministerial working team consisting of the Financial Services Agency and other relevant ministries and agencies under the chair of the National Police Agency 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 Report of Money Laundering and Terrorist Financing every year since 2015, and in December 2021, the Commission published the report for 2021.

2. Purpose

The National Risk Assessment Report of Money Laundering and Terrorist Financing 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 Report of Money Laundering and Terrorist Financing 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 Report of Money Laundering and Terrorist Financing, file an STR and also take measures for accurate verification at the time of transaction.

3. Overview of National Risk Assessment Report of Money Laundering and Terrorist Financing

The National Risk Assessment Report of Money Laundering and Terrorist Financing published in December 2021 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.

- To enrich the descriptions of recent crime trends including increased cybercrimes, and the fund transfer services and virtual assets with a relatively-high risk
- To enrich the descriptions of examples with updated contents of STR-initiated cases to provide feedback of the effective utilization of STRs in investigations of ML cases and predicate offences, etc.

The National Risk Assessment Report of Money Laundering and Terrorist Financing is published on the Japan Financial Intelligence Center (JAFIC)'s website.

Paragraph 2 Measures for Specified Business Operators, etc.

1. Establishment of Guidelines, etc.

(1) Guidelines

- 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. 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.
- 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 exchange 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.
- 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.
- 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 commodity derivatives business operators 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 respond-

ed to, and it was requested via business lobby groups to develop the system.

(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.

○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 2021, it held 79 lectures and seminars for the development of systems of financial institutions in Japan.

○In June 2021, MAFF sent materials to prefectural government employees to raise their awareness of the need for efforts to improve AML/CFT measures, etc.

(2) For building lot and building transaction business operators

Each regional development bureau, etc. and each prefectural government carries out an “on-site inspection of building lots and buildings transactions business” of building lot and building 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.

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 4th Mutual Evaluation Report in August 2021.

(3) For jewelry and precious metal dealers

METI carries out an “inspection of the status of performance of obligations under the Act on Prevention of Transfer of Criminal Proceeds” of precious metal dealers, etc. every year since 2017. METI carried out the inspection to grasp the status of performing obligations, including the obligation to verify at the time of transactions set forth in the Act on Prevention of Transfer of Criminal Proceeds, and ensured the compliance with the laws and regulations.

(4) For PO box service companies [new]

METI organized information on the actual situation and issues, as well as the risk of the illegal use of a PO box service, and it also developed the Guidance document for PO box 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 companies [new; previously included in the section for other measures]

In August 2021, 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 companies 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 accountants

In November 2021, the National Police Agency explained the overview, etc. of the Act on Prevention of Transfer of Criminal Proceeds by dispatching its officials to seminars for certified public accountants, etc. held by the Japanese Institute of Certified Public Accountants.

(7) 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.

3. Visits to Specified Business Operators, etc.

In 2021, the NPA visited banks and other financial institutions as well as virtual asset exchangers and also held an online meeting with the Japan Payment Service Association and the Japan Virtual and Crypto assets Exchange Association in July of the same year to explain matters 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 the Japan Financial Intelligence Center (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

*Delete the ministry in charge upon completion.

1. Banking 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.

In 2021, the JBA organized and reviewed issues toward the achievement of the joint operation measure of the system using AI related to the prevention of ML/TF based on the result of the research project performed for the NEDO.

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 addition, based on the fact that advancing the activities of continuous customer management is an issue of the financial world, the NASB has been conducting support, such as (1) introducing the business points for continuous customer management to Shinkin Banks (May 2020), (2) providing information on the policy of application of simple customer management (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 created to play at the banks in May 2020, leaflets prepared with the name of the FSA and the NASB printed on them to present and distribute to customers in August 2021).

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

The Federation of Labor Bank amends the Basic Regulations for Deposit and Other Bank Operations” or “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. Furthermore, they carry out alerts to bear in mind the prevention of criminal cases taking advantage of the disorder caused by COVID-19 when performing tasks, and so on included in the National Risk Assessment Report of Money Laundering and Terrorist Financing (published in November 2020).

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 in-

dustry 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. In addition, as support for highly enhanced system development for its members, the NCSCC has provided customer management policies and main points (referential examples) to its members (March 2021), amended various existing rules (referential examples) relevant to ML reflecting the amended content of FSA's Guidelines for AML/CFT, and FAQs on the Guidelines for AML/CFT, and held an explanatory meeting for its members (September 2021), and has also been providing consulting services for its members.

The joint system center of the credit cooperatives has been providing the filtering and transaction monitoring functions with the subsystems and special tools to its members. In addition to them, the center has developed a new SAML system (credit association anti-money laundering system) with a customer information maintenance function added to rate customers, and finished providing the new system to all members requesting that it be introduced by March 2021.

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 2021, to prevent the spread of COVID-19, the members worked together toward 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's Fourth Mutual Evaluation Report of Japan.

7. Non-Life Insurance Industry [FSA]

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, the GIAJ established a project team, which serves as a platform on which its members can know FSA's Guidelines for AML/CFT and the partial amendment of the ministerial orders related to foreign exchange, etc. well and continuously share information and opinions in 2021.

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 to take in accordance with the amended laws and regulations, etc., the addition of a landing permit for cruise ship tourists as a document for verifying a customer's identity by the Act on Prevention of Transfer of Criminal Proceeds was conveyed to its members.

Furthermore, due to the partial revision of the FSA's Guidelines for AML/CFT made in February 2021, JSDA revised the actual handling of and points to note on ML/TF in the financial instruments business—policies on AML/CFT measures— of the Guidelines for AML/CFT in December of the same year, which contains examples of and points to note on practical responses in the financial instruments business (especially, securities-related business) of the JSDA members, and also responses to cases where those subject to economic sanctions, etc. are specified by the UN Security Council Resolution, etc. were informed to its members. In October 2021, 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.

The JFSA also worked to enhance the system to prevent ML/TF and damage by antisocial groups in the moneylending industry in 2021, through such efforts as revising the Guidelines for Internal Rules Development, for its members, based on the partial amendment of the Ordinance for Implementation of the Act on Prevention of Transfer of Criminal Proceeds.

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. The JPSA revised the

self-regulation rules and model internal rules following the amendment of the Act on Prevention of Transfer of Criminal Proceeds, etc. It also actively works to ensure its members understand the revised rules as well as various 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.

The JPSA supports the development of an internal management system for the appropriate implementation of the verification at the time of transactions, etc. by holding seminars on the Act on Prevention of Transfer of Criminal Proceeds 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 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's Fourth 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 supported further 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 explanation and opinion exchange on the responses, etc. related to the result of the Mutual Evaluation of Japan, the three-year action plan, and the risk specific to fund transfer service providers in order to enhance the system development of the AML/CFT management for overall fund transfer service providers.

Furthermore, the JPSA has prepared FAQs about the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act for its members. It revises and distributes the FAQs in response to the amendment of the Act on Prevention of Transfer of Criminal Proceeds, amendment of the FSA's "Guidelines for the AML/CFT measures" as well as the amendment of the Foreign Exchange and Foreign Trade Act and the Ministry of Finance's "Foreign Exchange Inspection Guidelines."

In 2021, the JPSA amended the self-regulation rules and model internal rules based on the establishment of type I funds transfer services, etc., which handles large-amount remittance and the amendment of the FSA's Guidelines for the AML/CFT measures, in response to the enforcement of the amended Payment Services Act, continued to support the development of a risk management system for the AML/CFT measures of its members by informing them about the Ordinance for Implementation of the Act on Prevention of Transfer of Criminal Proceeds and the partial amendment of the Ministerial Ordinance concerning Foreign Exchange, and the National Risk Assessment Report of Money Laundering and Terrorist Financing (disclosed in November 2020) and so on, including the amended points of the Report.

11. Virtual Asset 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 the FSA Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism, 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 above-mentioned Rules and Guidelines.

The content of the self-regulation rules above has 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 Asset Exchange Services and the Rules and Guidelines for AML/CFT Measures on Derivatives Related to Virtual Assets.

Also, in response to the virtual asset-related items in the FATF Recommendations, the JVCEA continued to promote various efforts since 2018 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 early improvement of the members' system development and detection ability based on the risk-based approach and the monitoring of the CDD system and the STR reporting of members. In addition, it also holds regular meetings for sharing information from the relevant authorities with members.

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 oper-

ators (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 commodity futures businesses to take.

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 exchange service providers 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 2021, 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.

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's Fourth Mutual Evaluation Report of Japan regarding the status of AML/CFT/CPF measures, etc. in Japan, publicly disclosed in August 2021. In addition, members are to be 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.

Following the partial amendment of the Act on Prevention of Transfer of Criminal Proceeds in 2018, the Council updates its handbook by enhancing its FAQs section on the outline and implementation of the amended Act, etc. so that the content of the handbook will always be current.

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's Fourth Mutual Evaluation Report of Japan by the Ministry of Land, Infrastructure, Transport, and Tourism.

Furthermore, in December 2021, 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 distributed the lecture content to the member companies on the website.

17. Jewelers and Precious Metals Industry [METI]

In February 2019, the Japan Jewelry Association (JJA) continuously prepared and distributed a leaflet and manual explaining the outline of the Act on Prevention of Transfer of Criminal Proceeds and the obligations of business operators provided for under the law even in

2021, in order to raise awareness of the legal system among consumers and business operators in the industry. The JJA also informs the relevant people in the industry, etc., about the Act and to draw 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.

This year, the Japan Gold Metal Association (JGMA) has continued to hold regular seminars to work on raising its members' awareness on the Act on Prevention of Transfer of Criminal Proceeds. The 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 that they are 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 2021, the Japan Reuse Affairs Association (General Incorporated Association) and the Japan Federation of Secondhand Goods Dealers Union for Crime Prevention continued to work on raising their members' awareness on AML/CFT measures, such as distributing their Handbook to its members, etc., which explains the obligations under the Act on Prevention of Transfer of Criminal Proceeds that dealers must comply with when trading precious metals. In addition, the Association informed its members of the overview of the FATF's Fourth Mutual Evaluation Report of Japan, etc. to raise the members' awareness, etc. to observe the obligations of 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 Record-keeping 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 on December 2015 and the Regulations on 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 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.

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. Besides, JFBA organizes a study group regularly by using the above reference material. In November 2021, the JFBA held a liaison meeting over a web conference system with the people in charge of each bar association in Japan.

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). 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).

20. Shiho-Shoshi Lawyers’ 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 the future, too.

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 shiho-shoshi 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 2021, the JFSLA has been studying to formulate the guide for the 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, and a training DVD related to specified case reports in November 2019. The JFSLA distributed the DVDs to shiho-shoshi lawyers' associations and also posted them in the 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 law-

yers' 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 partially 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 in order to raise awareness among all the members of each prefectural association of certified administrative procedures specialists (ACAPS).

In 2021, 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) disseminates information on AML/CFT in relation to the Act on Prevention of Transfer of Criminal Proceeds through member newsletters and the association website for members, in order to thoroughly familiarize its members with these issues. The JICPA also conducts a survey of members every year in order to ascertain the status of their operations and compliance with obligations, such as CDD. Furthermore, the JICPA included an outline of the Act on Prevention of Transfer of Criminal Proceeds in their newsletter, "Kaikai Kansai Journal" (April 2020 edition) and introduced the Guidance on Risk-based Approach for Accounting Specialists revised by the FATF in June 2019.

The JICPA also 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. Furthermore, the JICPA held a training course based on the details of the recommendations for designated non-financial businesses and professions (DNFBPs) in the report on the FATF's Fourth Mutual Evaluation of Japan publicly disclosed in August 2021 and results of surveys related to the Act of 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 compliance with the Act on Prevention of Transfer of Criminal Proceeds on the JFCPTAA website and by preparing and distributing leaflets (Japanese and English versions) showing a work flowchart of the relationship between the AML/CFT measures and tax services with items of the Act on Prevention of Transfer of Criminal Proceeds provided.

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 lecture on AML/CFT measures, and it distributed it on the JFCPTAA website since February 2019.

In addition, the JFCPTAA has posted a topic on the addition, etc. of a document for verifying the customer's identity due to the partial amendment of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds in July 2021 and 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 2021, the National Public Safety Commission and the National Police Agency ordered 12 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.
- 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 14 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.(see Table 5-1)

Table 5-1 Number of Supervisory Actions

Category \ Year	2017	2018	2019	2020	2021
Number of order for submission of reports	7	13	7	7	12
Postal receiving service providers	6	0	0	0	2
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	1	12	7	7	8
Postal receiving/telephone forwarding service providers	0	1	0	0	2
Number of directions to conduct inquiry to prefectural police	0	0	0	0	0
Number of opinion statements submitted to competent administrative authorities	7	11	8	7	14
Postal receiving service providers	7	2	0	0	4
Telephone receiving service providers	0	0	0	0	0
Telephone forwarding service providers	0	9	8	7	10

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

In 2021, 4 rectification orders were issued by the Minister of Internal Affairs and Communications against a telephone forwarding service provider. This happens when the competent administrative agency that receives the 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. (see Table 5-2)

Table 5-2 Number of Rectification Orders by Competent Administrative Authorities

Category \ Year	2017	2018	2019	2020	2021
Number of rectification orders based on Opinion Statements	1	1	1	2	4
Postal receiving service providers	1	1	0	0	0
Telephone forwarding service providers	0	0	1	2	4

3. Cleared Case of Violation of Rectification Orders

In 2021, there were two cleared cases of a telephone forwarding service provider that violated the rectification order issued by the Minister of Internal Affairs and Communications in reference to the Act on Prevention of Transfer of Criminal Proceeds.

[Case] Violation of a Rectification Order by a Telephone Forwarding Service Provider

A telephone forwarding service provider was recognized as violating the obligation to verify the identity of customers, etc. at the time of transactions. For this reason, opinion statements to the effect that a rectification order, etc. should be issued were submitted to the Minister of Internal Affairs and Communications, who is the administrative authority with jurisdiction over telephone forwarding service providers.

The provider failed to fulfill appropriate obligations for specified business operators even after a rectification order requiring compliance with the laws and regulations, etc. was given to the provider by the Minister of Internal Affairs and Communications. This case was cleared as a violation of the Act on Prevention of Transfer of Criminal Proceeds (violation of rectification order) and the representative, etc. of the provider was arrested. (Miyagi, in November)

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 Archa 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 2021.

2. Activities

(1) Main Activities

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

- Enhancing a risk-based approach
- 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 effectiveness component, which was introduced in the fourth-round evaluation for the first time, is to assess whether the AML/CFT systems are working. There are four possible levels of TC: C (Compliant), LC (Largely Compliant), PC (Partially Compliant), and NC (Non-Compliant). There are four possible levels of effectiveness: High, Substantial, Moderate, and Low.

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 MER adoption. The assessed countries are required to provide follow-up reports on the status of their improvements regarding matters pointed out to be improved in the MER. The assessed countries with the matters pointed out to be improved in the MER can be placed on either the regular follow-up track, which requires them to provide a report three years after the MER adoption, or the enhanced follow-up track, which requires more frequent reporting of the status of their improvements following the first report to be made at a FATF Plenary Meeting held around one year after the MER adoption. The assessed countries are expected to address the improvement of the matters pointed out in the MER.

In response to the new 40 Recommendations, the fourth round of FATF 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.

3. Mutual Evaluation for Japan

FATF has conducted mutual evaluations for Japan four times (in 1994, 1998, 2008, and 2019). For the fourth round of the 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 participated in the tri-annual Plenary Meetings and working groups, which conduct analysis of ML typologies, etc., and it was the ple-

nary 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 face-to-face participations from June 2020 to October 2021, and JAFIC participated online.

FATF Plenary Meeting (Paris)



© FATF Secretariat

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 2021, the APG consisted of 41 jurisdictions, including Japan.

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

APG Annual Meeting (Canberra)



and typology workshop every year. Since the typology workshop in February 2021, the meetings have been held in a virtual manner due to the impact of the COVID-19 pandemic, so JAFIC has been participating online.

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 167 jurisdictions as of the end of December 2021.

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 support-

ing the application 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 meet-

ings 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. Since July 2020, the annual meetings, etc. have been held in a virtual manner due to the impact of the COVID-19 pandemic, so JAFIC has been participating online.

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.

**Egmont Group Working Group
(Balaclava, Mauritius)**



Paragraph 4 Participation in the Activities of International Organizations

Table 6-1 shows that JAFIC has been actively participating in the activities of international organizations by participating online in the various virtual meetings.

Table 6-1 Participation in the Activities of International Organizations in 2021

	Month	Name of meeting	Location
FATF	February	Plenary Meeting	(Virtual meeting)
	June		(Virtual meeting)
	October		Hybrid face-to-face (Paris, France) and virtual format
APG	February	Annual Typologies Workshop	(Virtual meeting)
	July	Annual Meeting	(Virtual meeting)
	November	Annual Typologies Workshop	(Virtual meeting)
Egmont Group	February	Working Group	(Virtual meeting)
	July	Annual Meeting	(Virtual meeting)

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 2021.

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. In response to these requests, the National Police Agency issues a notice through the supervisory authorities that requires specified business operators to properly perform CDD 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 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 stipulates that the National Public Safety Commission (for which JAFIC serves as the secretariat) may disseminate information on 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 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 2021, JAFIC set the frameworks for information exchange with the FIUs of 107 jurisdictions (See Table 6-2).

Table 6-2 Jurisdictions with which JAFIC has Set the Frameworks for Information Exchange between FIUs

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

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 2021, 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 170 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 6-3).

Table 6-3 Number of Requests for Information between JAFIC and Foreign FIUs

Category \ Year	2017	2018	2019	2020	2021
Number of requests for information from JAFIC to foreign FIUs	201	255	201	214	170
Number of requests for information from foreign FIUs to JAFIC	66	72	61	47	63
Total	267	327	262	261	233

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 6-4).

Table 6-4 Number of Spontaneous Information Disclosures between JAFIC and Foreign FIUs

Category \ Year	2017	2018	2019	2020	2021
Number of spontaneous information disclosures from JAFIC to foreign FIUs	48	101	111	152	207
Number of spontaneous information disclosures from foreign FIUs to JAFIC	69	68	85	67	76
Total	117	169	196	219	283

In 2021, there were 142 cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs (see Table 6-5).

Table 6-5 Number of Cases in Which JAFIC Shared Information Provided by Foreign FIUs with Domestic LEAs

Category \ Year	2017	2018	2019	2020	2021
Number of cases in which JAFIC disseminated information provided by foreign FIUs to domestic LEAs	139	103	151	162	142

Section 3 FATF Mutual Evaluation of Japan

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

As abovementioned 3 of Chapter 6, Section 1, Paragraph 1, Japan was subjected to the FATF's Fourth Round of 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).

Paragraph 2 Overview of Results

The results on Japan's TC components (to assess whether the necessary laws, regulations, or other required measures are in force and effect) are as shown in Table 6-6: 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 6-7: 3 SEs (Substantial) and 8 MEs (Moderate).

Based on these results, Japan was evaluated as a country with enhanced follow-up track.

Paragraph 3 Future Plans

Japan evaluated as a country with an enhanced follow-up track 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 FATF Plenary Meetings from October 2022.

Japan formulated a three-year action plan (https://www.mof.go.jp/policy/international_policy/councils/aml_cft_policy/councils/aml_cft_policy/index.html) to proceed with measures together with the government, led by the Evaluation Report. Japan will work on the improvement of the matters pointed out, following the action plan.

Table 6-6 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	Eva- luation	Rec.	Overview of the Recommendation	Eva- luation
1	Risk assessment and risk-based approach	LC	21	Obligation to protect notifying persons	C
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	C	29	Obligation to establish an FIU	C
10	Customer management	LC	30	Investigation of money laundering and terrorist financing	C
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 6-7 Results on Effectiveness (to Assess Whether the AML/CFT Systems are Working)

Efficacy	Overview of efficacy	Eva- luation
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.